

Trent Q1FY24 Standalone results were better than our expectations on topline. Strong LFL growth @ 12% in Fashion concept stores along with aggressive store expansion especially in Zudio drove standalone growth.

- Revenue recorded 54% growth on YoY basis to Rs 25364mn aided by strong store additions and 12% LFL in Fashion concept stores.
- Store count for Q1FY23 stood at 632 (~221 Westside, 23 other concepts and 388 Zudio) as against 450 last year (209 Westside and 241 Zudio).
- EBIDTA** margins dropped to 14% as against 18% YoY which attributed to higher sale from Zudio, which impacted Gross Margins.
- EBIT margins:** 8.8% v/s 10.2% (EBIT % is on net revenue and is excluding non-operating items & IndAS 116 impact per Press Release)
- Raw Materials to Revenue**, due to higher contribution from Zudio, stood at 55% as against 51% YoY and 59% in Q4FY23.
- Employee Cost** on a QoQ basis was higher by 18.2% on account of strong store openings.
- PAT stood at Rs 1483mn up 45% YoY and 41% QoQ. On YoY basis PAT was aided by 19% growth in other income at Rs 498mn and lower growth in depreciation and Interest (as compared to EBIDTA which grew 20% in absolute terms to Rs 3657mn)

Outlook

- Outperformer with 12% LFL growth in the retail apparel space where everyone is struggling.
- Store expansion strategy remains intact
- Trent's longer-term focus** is to be a "Portfolio of Brands" which are originated and scalable, like Westside and Zudio that are now both profitable and sustainable business models.
- Contribution i.e. Share of Profit from JV's and Associate remain positive indicating Zara has been performing well

Financial Summary Standalone

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24e	FY25e
Net sales	20,475	38,807	77,152	112,149	142,793
% Growth	(35.6)	89.5	98.8	45.4	27.3
EBIDTA	2,926	6,983	11,193	16,918	22,506
Margins	14	18	15	15	16
PAT	(510.2)	2,598.0	5,545.7	7,179.1	10,056.1
growth (%)	(133.0)	(609.2)	113.5	29.5	40.1
EPS	(1.4)	7.3	15.6	20.2	28.3
P/E (x)	(1,320.3)	259.3	121.5	93.8	67.0
P/B (x)	26.8	24.8	21.9	18.1	14.5
EV/EBITDA (x)	230.0	97.1	60.6	40.1	30.0
ROCE (%)	2.3	12.9	18.3	26.3	30.0
RoE (%)	(2.0)	9.6	18.0	19.3	21.6

Source: Dalal and Broacha
Please refer to our disclaimer given at the last page.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1,865	-2

Market data

Current price	Rs	1,895
Market Cap (Rs.Bn)	(Rs Bn)	674
Market Cap (US\$ Mn)	(US\$ Mn)	8,136
Face Value	Rs	1
52 Weeks High/Low	Rs	1915 / 1155
Average Daily Volume	('000)	2,543
BSE Code		500251
Bloomberg		TRENT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	37.01	37.01
Public	62.99	62.99
Total	100	100

Source: Bloomberg

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Consolidated Results

- **Revenue** grew by 46% YoY to Rs 26283.7mn (QoQ +20%)
- **EBIDTA margins stood at 14% v/s 18% YoY and 10% QoQ**
- PAT adjusted owners shares stood at Rs 1734.8mn as against Rs 1305mn +33% YoY and Rs 541.6mn on a QoQ basis
- Share of Profits from JV and Associates stood at +ve Rs 265.9mn as against Rs 340.1mn YoY

Other KTA's

- Fashion Concepts stores LFL +12% YoY
- Emerging categories including beauty and personal care, innerwear and footwear contribute 19% to standalone Revenue
- Liquid Cash and Cash equivalent @ Rs 5bn and NCD @ Rs 5bn
- **Westside:** Westside.com and other Tata Group platforms contributed 4% of Westside revenues for Q1FY24. Westside.com contributed 32% of the overall online revenues.
- **STAR Business:** Revenue +33% YoY | CAGR over Q1FY20 @ 20% || 65 stores || entire growth LFL and the volume growth was also strong and comparable

Chairman NOEL TATA comments: Launched- will further expand our reach with vigour with the aim of being ever more proximate and convenient to customers || continue to apply our playbook to the Star business and are witnessing strong customer traction, instilling a growing conviction in us to build out this growth engine in the food and grocery space.

Quarterly Financials

TRENT Particulars (Rs Mns)	Q1FY24	Q1FY23	YoY Growth	Q4FY23	QoQ Growth
Revenue	25,364.3	16,528.6	53.5%	20,772.1	22.1%
Raw Material	14,069.7	8,377.4	67.9%	12,298.4	14.4%
Employee Cost	1,854.1	1,151.2	61.1%	1,569.0	18.2%
Rent Exps	2,821.7	1,657.6	70.2%	1,639.1	
Other Expenses	2,962.2	2,301.3	28.7%	3,145.2	-5.8%
EBIDTA	3,656.6	3,041.1	20.2%	2,120.4	72.4%
Depreciation	1,334.9	1,201.9	11.1%	1,281.0	4.2%
Interest	891.4	924.7	-3.6%	882.9	1.0%
PBT (before O.Inc & Exceptional)	1,430.3	914.5	56.4%	-43.5	-3388.0%
Other Income	497.7	415.1	19.9%	1,291.3	-61.5%
Exceptional Items					
PBT Reported	1,928.0	1,329.6	45.0%	1,247.8	54.5%
PAT (reported)	1,482.7	1,026.2	44.5%	1,051.3	41.0%
Adjusted PAT	1,482.7	1,026.2	44.5%	1,051.3	41.0%
Equity	355.49	355.49	0.0%	355.49	0.0%
EPS (on adj)	4.17	2.89	44.5%	2.96	41.0%
Tax Rate	23%	23%		16%	
% to Revenue					
Raw Material	55%	51%		59%	
Other Expenses	12%	14%		15%	
EBIDTA Margins	14%	18%		10%	
Westside Store	221	209	6%	214	3.3%
Zudio Store	388	241	61%	352	10.2%
Other concepts	23	0		24	
Total Stores	632	450	40%	590	7.1%
CONDOLIDATED	Q1FY24	Q1FY23	YoY Growth	Q4FY23	QoQ Growth
Revenue	26283.70	18031.50	46%	21827.50	20%
EBIDTA Margins	14%	16%		9%	
PAT (owners share)	1734.80	1305.10	33%	541.60	220%
Sh of Pft/Loss of JV	265.90	340.10	-22%	66.60	299%

Source: Company

Outlook and valuations

Trent SOTP Method					
Segment	Particulars	FY25	Metric	Multiple (X)	Value/ Per Share Contribution
Westside + Zudio PAT (excluding Post Tax Zara Div)	PAT Standalone (Rs Mns)	8969	P/E	60	538,116
Star Bazaar 50% JV	Sales (Rs Mns)	14512	P/Sales	3	43,536
Zara Trents Share 49%	PAT (Rs Mns)	2206	P/E	30	66,187
Booker India 51%	Sales (Rs Mns)	4229	P/Sales	3	12,688
Less: Debt (Rs Mns)					4,980
Add: Cash + Invest (Rs Mns) less Inv in Subs					7,544
Total Value in Mns					663,091
NO. of Shares (In Mns)					355
Value Per Share Rs					1,865
CMP					1,895
Upside					-2%

Trent for Q1FY24 grew at a CAGR (over Q1FY20) of 35%+ in Revenue and 22%+ on PBT. With the aggressive store expansion, right product mix we expect this business to consistently deliver CAGR of 20%+ for couple of years.

Emerging categories contributed 19% to standalone Revenue in Q1FY24 which was 18% in Q4FY23.

Additional triggers of growth in place:

1. The New **JV with MAS Group** of Sri Lanka for design, development and manufacture of lingerie, activewear and related apparel products is another lever of growth.

2. **Star Business progressing well:** Management has been successfully scaling up Own-brands from 24% in Q1FY23 to 35% in Q1FY24, secondly general merchandise and apparel's contribution too has increased by 9%, which in our view will help scale up margins at a faster pace.

Conclusion: Trent supported by strong balance-sheet and aggressive store expansion of Zudio(200+ annually) is well placed, to capitalize the opportunity of a shift to branded apparel wear by providing products at the right price to the value segment buyers.

Higher Zudio stores will continue to have its impact on Gross margins going forward, however as their throughput gets closure to the matured stores the profitability growth will get better as operating leverage will kick-in.

While the discretionary category is seeing a challenging demand environment, and peers seeing a decline in same store sales, Trent has been an outperformer with record 12% LFL growth which justifies its premium valuation.

We have revised our numbers and Based on our SOTP valuation we arrive at a target price of Rs 1,865 (i.e 12 months perspective).

We believe that the down-side in the stock is limited as the company has strong sustainable business model with very high growth potential. Market volatility should be used to “**Buy**” with long-term perspective.

Financial

STANDALONE											
P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	20,475.3	38,807.3	77,151.9	112,149.1	142,793.1	Net Profit	(510.2)	2,496.3	5,545.7	7,179.1	10,056.1
Cost of sales	(17,549.1)	(31,824.5)	(65,959.4)	(95,231.1)	(120,287.2)	Add: Dep. & Amort.	2,358.7	2,830.8	4,632.1	5,820.1	7,086.7
Operating Profit	2,926.2	6,982.8	11,192.5	16,918.0	22,505.8	Cash profits	1,848.5	5,327.1	10,177.8	12,999.2	17,142.8
Depreciation	(2,358.7)	(2,830.8)	(4,632.1)	(5,820.1)	(7,086.7)	(Inc)/Dec in					
PBIT	567.5	4,152.0	6,560.4	11,097.9	15,419.1	Sundry debtors	(72.4)	42.4	(151.0)	(143.0)	(125.1)
Other income	1,154.3	2,142.3	4,117.0	2,665.7	2,797.5	Inventories	1,919.5	(4,278.8)	(5,144.3)	(6,080.9)	(5,323.0)
Interest	(2,379.8)	(2,932.7)	(3,572.3)	(4,191.4)	(4,808.5)	Loans/advances	(345.2)	(688.7)	(1,648.1)	(1,300.1)	(1,560.1)
Profit before tax	(658.0)	3,361.6	7,105.1	9,572.1	13,408.1	Current Liab and Provisions	2,428.9	(1,058.5)	5,213.6	2,010.8	1,921.9
Exceptional and Extra Ordinary lte	(63.4)	(131.6)	-	-	-	Change in working capital	3,930.8	(5,983.6)	(1,729.8)	(5,513.2)	(5,086.4)
PBT (Post Extra Ordinary)	(721.4)	3,230.0	7,105.1	9,572.1	13,408.1	CF from Oper. activities	5,779.2	(656.4)	8,448.0	7,486.1	12,056.4
Provision for tax	211.2	(733.7)	(1,559.4)	(2,393.0)	(3,352.0)	CF from Inv. activities	(6,741.2)	(18,736.7)	(2,418.5)	(14,180.9)	(16,027.5)
Reported PAT	(510.2)	2,496.3	5,545.7	7,179.1	10,056.1	CF from Fin. activities	1,190.6	19,467.7	(5,984.6)	6,353.8	6,095.6
MI	-	-	-	-	-	Cash generated/(utilised)	228.7	745	44.9	(341.0)	2,124.5
Adjusted PAT	(510.2)	2,598.0	5,545.7	7,179.1	10,056.1	Cash at start of the year	440.5	669.2	743.8	788.7	447.7
						Cash at end of the year	669.2	743.8	788.7	447.7	2,572.2
Balance Sheet	FY21	FY22	FY23	FY24E	FY25E	Ratios	FY21	FY22	FY23	FY24E	FY25E
Equity capital	355.5	355.5	355.5	355.5	355.5	OPM	14.3	18.0	14.5	15.1	15.8
Reserves	24,803.1	26,844.9	30,443.9	36,841.0	46,115.0	NPM	(2.4)	6.3	6.8	6.3	6.9
Net worth	25,158.6	27,200.4	30,799.4	37,196.4	46,470.5	Taxrate	(32.1)	(21.8)	(21.9)	(25.0)	(25.0)
Non Current Liabilities	25,174.8	45,312.7	41,965.7	49,157.7	56,097.1	Growth Ratios (%)					
Current Liabilities	6,737.3	5,608.4	10,446.1	12,400.7	14,260.9	Net Sales	(35.6)	89.5	98.8	45.4	27.3
CAPITAL EMPLOYED	57,070.7	78,121.5	83,211.2	98,754.9	116,828.5	Operating Profit	(48.0)	138.6	60.3	51.2	33.0
Non Current Assets	41,817.4	59,594.3	57,546.6	65,910.2	73,854.4	PBIT	(82.9)	631.6	58.0	69.2	38.9
Fixed Assets	29,572.8	45,531.2	44,074.2	52,435.0	60,375.8	PAT	(133.0)	(609.2)	113.5	29.5	40.1
Non Current Investments	11,146.1	12,821.9	11,917.9	11,917.9	11,917.9	Per Share (Rs.)					
Deferred Tax Asset	1,080.1	1,225.3	1,540.3	1,540.3	1,540.3	Net Earnings (EPS)	(1.4)	7.3	15.6	20.2	28.3
Long Term Loans and Advances	18.4	15.9	14.2	17.0	20.4	Cash Earnings (CPS)	5.2	15.3	28.6	36.6	48.2
Current Assets	15,253.4	18,527.2	25,664.6	32,844.7	42,974.1	Dividend	0.6	1.7	2.2	1.6	1.6
Current investments	6,145.7	4,417.4	4,564.8	4,564.8	5,564.8	Book Value	70.8	76.5	86.6	104.6	130.7
Inventories	3,945.7	8,224.5	13,368.8	19,449.7	24,772.7	Free. Cash Flow	(2.7)	(54.6)	17.0	(18.8)	(11.2)
Trade Receivables	205.7	163.3	314.3	457.3	582.4	Valuation Ratios					
Cash and Bank Balances	669.2	743.8	788.7	447.7	2,572.2	P/E(x)	(1,320.3)	259.3	121.5	93.8	67.0
Short Term Loans and Advances	749.2	261.5	167.9	201.5	241.8	P/B(x)	26.8	24.8	21.9	18.1	14.5
Other Current Assets	3,537.8	4,716.7	6,460.1	7,723.8	9,240.2	EV/EBIDTA(x)	230.0	97.1	60.6	40.1	30.0
CAPITAL DEPLOYED	57,070.7	78,121.5	83,211.2	98,754.9	116,828.5	Div. Yield(%)	0.0	0.1	0.1	0.1	0.1
						FCF Yield(%)	(0.1)	(2.9)	0.9	(1.0)	(0.6)
						Return Ratios (%)					
						ROE	(2.0)	9.6	18.0	19.3	21.6
						ROCE	2.3	12.9	18.3	26.3	30.0

Source: Dalal & Broacha Research, Company

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