

# Trent – BUY

26 October 2023

Recommendation  
upgrade



## The trend setter

**Trent has mastered the art of lifestyle retailing through its flagship format Westside. The company is well-poised to deliver a 30%+ sales/Ebitda Cagr over the next five years, primarily driven by its value fashion format – Zudio. Using our opportunity sizing framework, we forecast 1,400 Zudio stores by FY28 (vs 411 currently) in our base case. Our base/bull/bear scenarios imply an upside of 22%/39%/3% respectively. With a high visibility on strong medium-term growth; we upgrade RECO from ADD to BUY with a TP of Rs2,450.**

**A meticulously crafted business model:** Through its flagship format – Westside – Trent has mastered the art of lifestyle retailing, over the years. A consistent strategy comprising various levers - fast fashion, 100% owned brands, standardised store layouts, diversified assortments, no discounting (except EOSS), among others – has helped in cultivating a differentiated positioning and a loyal consumer base. As a result, Westside has outperformed other retail formats across various parameters and delivered 9%/18% LFL and sales Cagr in the past decade (pre Covid).

**Well-poised to accelerate Zudio:** Launched in 2016, Zudio has scaled up rapidly in the recent years to 400+ stores with the past two years witnessing 100+ annual store additions. Management has guided towards 200 store additions in FY24. Sales per sq.ft has grown at a Cagr of 8% over FY18-23; we estimate that a mature store is clocking a sales per sq.ft of ~Rs20,000, which is among the highest in this space. We believe that the growth journey here has just started and can continue at an accelerated pace for the next five years (at least). Using our opportunity sizing framework, we calculate Zudio's current store potential at 1,300 stores.

**Upgrade to BUY:** Currently in a sweet spot, Trent has embarked on a high growth phase, which is likely to continue for the next five years – translating into a 30%+ sales/Ebitda Cagr over FY23-28. A relatively young age profile of stores even in FY28 would imply margin expansion potential from thereon, even as growth moderates to some extent. Success in new ventures such as Utsa, Samoh and Misbu and better execution in Star / Zara JVs could result in upgrades in our estimates. We use an SOTP methodology on FY28 estimates and discount back to derive our TP. Our base/bull/bear scenarios imply an upside of 22%/39%/3% respectively. We upgrade our RECO from ADD to BUY with a TP of Rs2,450.

## Company update

CMP	Rs1993
12-mth TP (Rs)	2450 (23%)
Market cap (US\$m)	8,518
Enterprise value(US\$m)	8,513
Bloomberg	TRENT IN
Sector	Retail

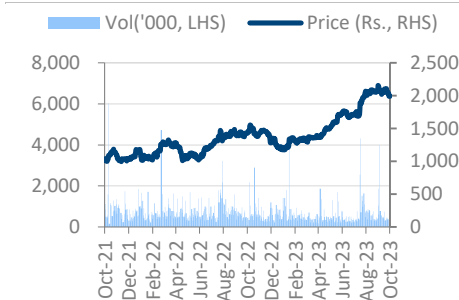
### Shareholding pattern (%)

Promoter	37.0
Pledged (% of promoter shares)	0.0
FII	26.2
DII	14.9
52Wk High/Low (Rs)	2157/1175
Shares o/s (m)	355
Daily volume (US\$ m)	17.4
Dividend yield FY25ii (%)	0.3
Free float (%)	63.0

### Price performance (%)

	1M	3M	1Y
Absolute (Rs)	(7.6)	16.6	39.2
Absolute (US\$)	(7.6)	14.8	38.4
Rel.to Nifty	(4.8)	19.4	31.4
Cagr (%)	3 yrs	5 yrs	
EPS (Rs)	52.8	34.7	

### Stock performance



### Financial summary (Rs m)

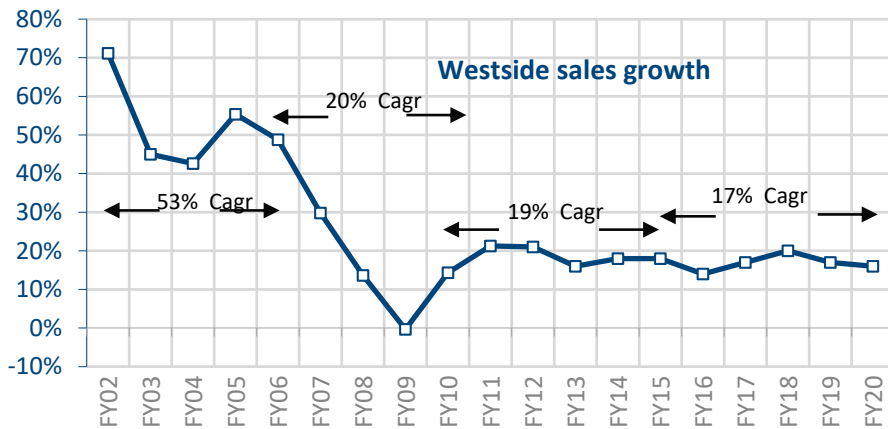
Y/e 31 Mar, Parent	FY22A	FY23A	FY24ii	FY25ii	FY26ii
Revenues (Rs m)	38,807	77,152	108,966	143,697	185,458
Ebitda margins (%)	16.3	14.5	12.9	12.9	12.9
Pre-exceptional PAT (Rs m)	2,598	5,546	5,780	7,137	8,698
Reported PAT (Rs m)	2,496	5,546	5,780	7,137	8,698
Pre-exceptional EPS (Rs)	7.3	15.6	16.3	20.1	24.5
Growth (%)	NM	113.5	4.2	23.5	21.9
IIFL vs consensus (%)			(11.1)	(18.0)	(9.6)
PER (x)	NM	127.8	122.6	99.3	81.5
ROE (%)	9.9	19.1	17.4	18.5	19.4
Net debt/equity (x)	0.0	0.0	0.0	0.0	(0.1)
EV/Ebitda (x)	111.8	63.3	50.3	38.1	29.5
Price/book (x)	26.1	23.0	19.8	17.1	14.6
OCF/Ebitda (x)	NM	0.2	0.1	0.2	0.3

Source: Company, IIFL Research. Priced as on 25 October 2023

## The Westside playbook

In the past two decades (FY01-20, excluding Covid years), Trent’s flagship format – Westside – has delivered a sales Cagr of 25%. Post the initial period of high growth, Trent has delivered a very consistent growth in this format.

**Figure 1: Trent’s flagship format – Westside has delivered a sales Cagr of 25% over FY01-20**

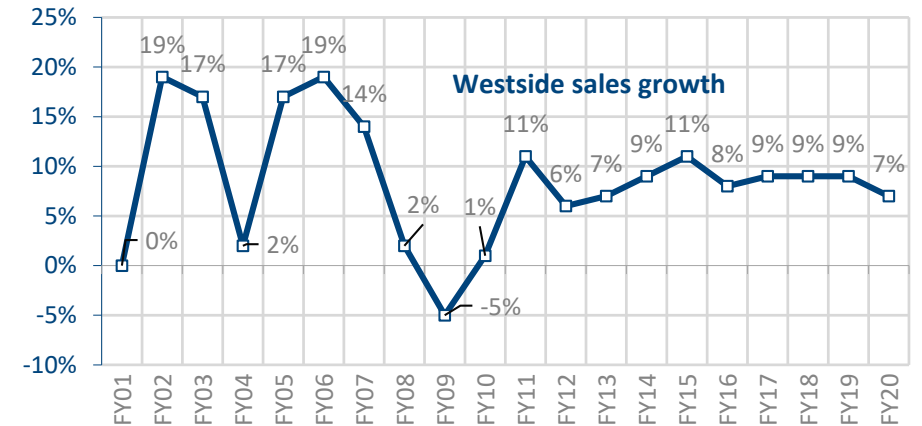


Source: Company, IIFL Research

### A consistent strategy

Trent has stuck to its core principles in Westside, following a cautious approach and fine tuning its business model in the initial years, and then scaling up after gaining confidence in the economics of its model. While LFL growth at Westside witnessed volatility in the initial decade, it has been consistently strong in the next decade.

**Figure 2: After initial decade of volatile performance, Westside has consistently delivered a robust LFL growth in the past decade**



Source: Company, IIFL Research

The major components of Trent’s strategy at Westside include:

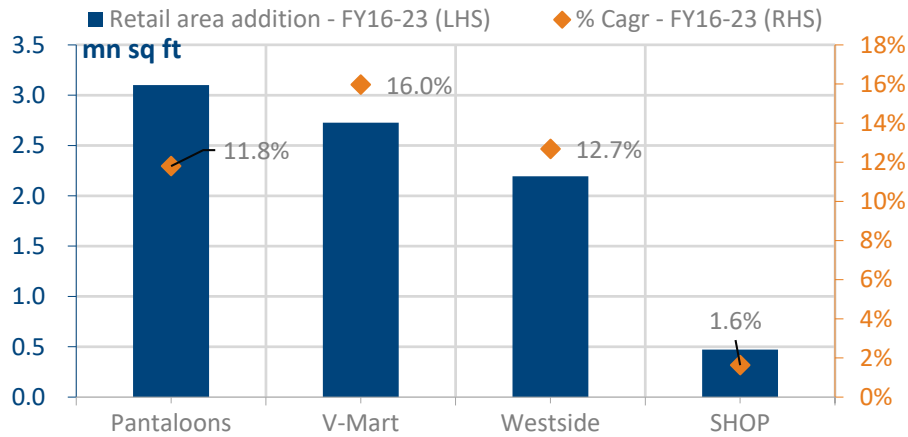
- Since inception, the company has emphasised on keeping a higher share of exclusive brands. Currently, 100% of the store assortment at Westside is exclusive brands.
- Assortments, pricing and the store’s look-and-feel are broadly standardised across different locations in India, which tends to incubate loyalty towards the format among consumers.
- From a predominantly apparel assortment, Westside has diversified its mix over the years. In FY18, 79% of Westside’s sales came from apparel and innerwear (~50% contributed by women’s wear), while the remaining came from a range of categories including footwear, home and cosmetics.
- Westside introduces new designs every week. It follows a “Fast n Fab” concept for its power brands, which caters to the Youth segment. Key catwalk trends are taken from ideation to store racks in just 12 days. Initially, the collection is available at only select Westside stores. If it does well, it is replicated across all stores.
- The format has two major seasons – Spring-Summer and Autumn-Winter. At the end of each season, there is a three-week End of Season Sale (EOSS), typically in the months of July and January,

wherein the unsold stock is brought back at discounted rates. The unsold merchandise during the EOSS period is simply scrapped – auctioned after removing labels.

- Trent emphasises on keeping end-to-end control over the inventory. In addition to focusing on the in-house brands, the company also doesn't sell to third parties – physical or online. The e-commerce sales are via Westside.com, Tata Cliq or Tata Neu.

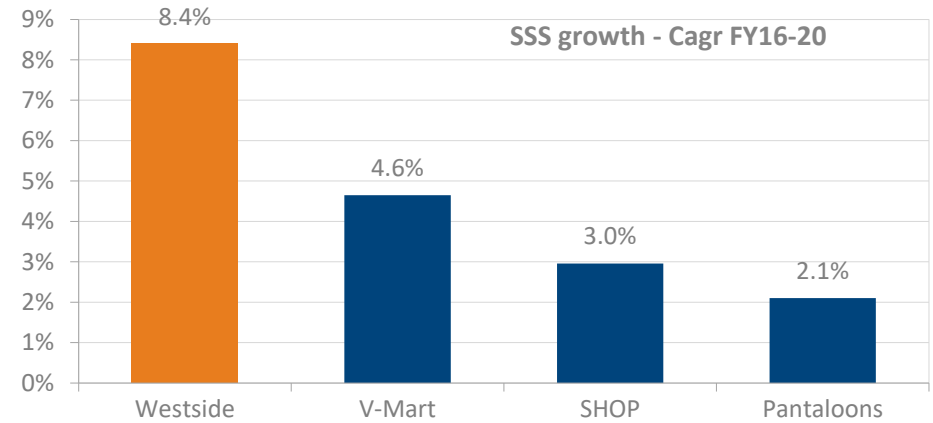
A combination of consistent strategy and stellar execution has made Westside stand out among peers across various parameters. Over the years, Westside has delivered a steady performance, both in terms of store count and SSS growth. While store additions have been modest, Westside has outperformed peers in other major parameters.

**Figure 3: Westside's retail area addition has been lower than value fashion formats such as Pantaloons and V-Mart**



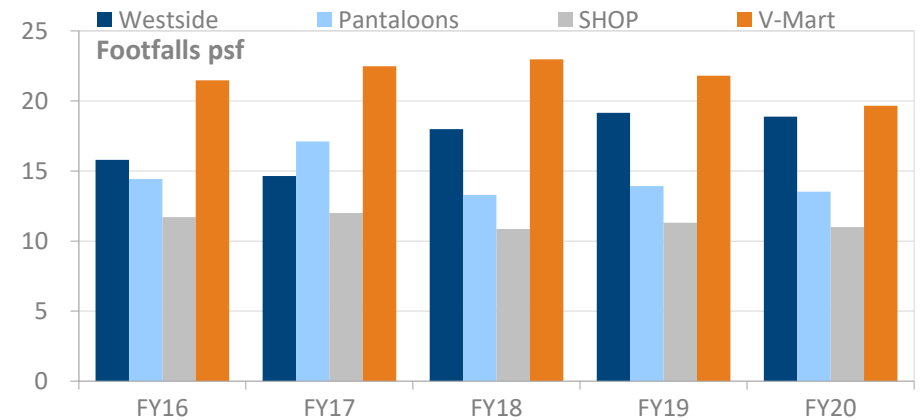
Source: Company, IIFL Research. Note – V-mart retail area addition is adjusted for Unlimited acquisition

**Figure 4: Westside's track record on SSS growth has been significantly higher and more consistent than peers**



Source: Company, IIFL Research

**Figure 5: Westside's footfalls per sq.ft are higher than other apparel retailers in large formats, except V-Mart**



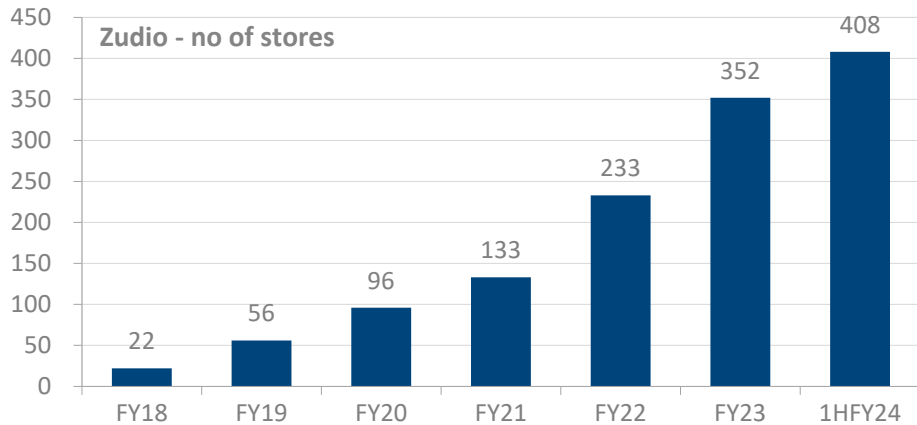
Source: Company, IIFL Research

## Zudio – the growth juggernaut

### Rapid scale-up

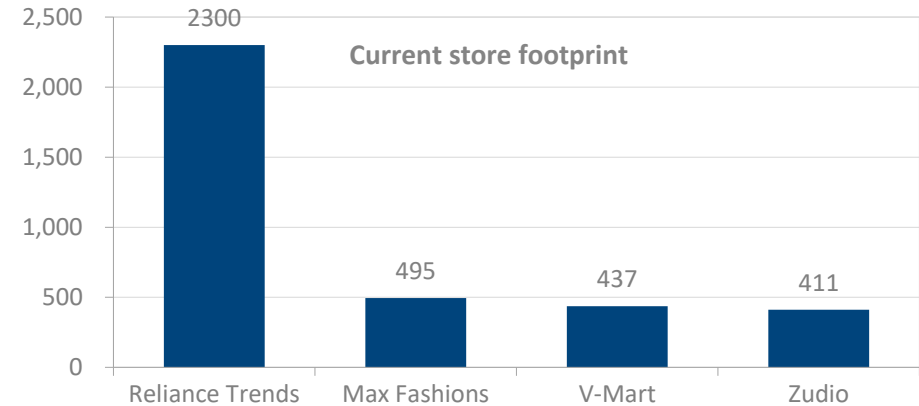
Zudio – the value fashion format was started under Trent’s JV with Tesco – Star Bazaar in 2016. It was taken over by Trent in FY18 and has witnessed rapid expansion since then. Trent has applied various aspects of the Westside strategy in Zudio. After initial years of modest store additions, the format has witnessed a rapid scale-up in recent years. Currently, the format has scaled up to 400+ stores, and is only slightly behind much older and established retail brands in this category such as Pantaloons, V-Mart and Max Fashions. In the AGM in June 2023, the management guided towards a gross addition of 200 stores in Zudio in FY24.

**Figure 6: Store additions have accelerated in Zudio in recent years**



Source: Company, IIFL Research

**Figure 7: Zudio has scaled up rapidly and is now almost at par with much older brands, in terms of store footprint**



Source: Company, IIFL Research

### The Zudio playbook

In Zudio, Trent has applied the Westside playbook of fast fashion, at sharper price points.

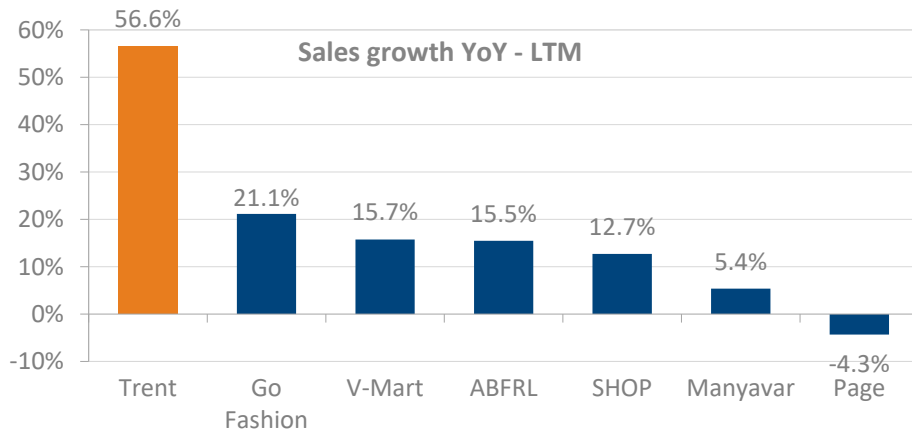
- New collections are introduced in the store every week. There are certain criteria for the previous merchandise; if not met, these are removed from the shelves.
- The merchandise is 100% owned by Trent with no third-party brands.
- Back-end supply chain is integrated and owned, making it easier to add new stores.
- Zudio has been receiving a lot of traction on social media with influencers (voluntarily) on platforms such as Instagram. Even lower income consumers and consumers in smaller towns are getting hooked on, generating a tremendous word of mouth publicity for the brand. This is not something that the company has influenced, but something that is happening organically.
- Similar to Westside, the EOSS happens twice a year – once in July and once in January. The merchandise that doesn’t sell in the EOSS is scrapped at the end of the year. There are no discounts or offers running in the stores, except at the time of EOSS.

- Even though the price points are lower, store ambience is trendy and aspirational. The consumer doesn't feel that the retail brand is inferior, just because price points are low.
- With a price positioning of "Everything priced under Rs999", the management works with a theory of constraints. Focus is on maximising the sales throughput.

## Trent – Bucking the trend

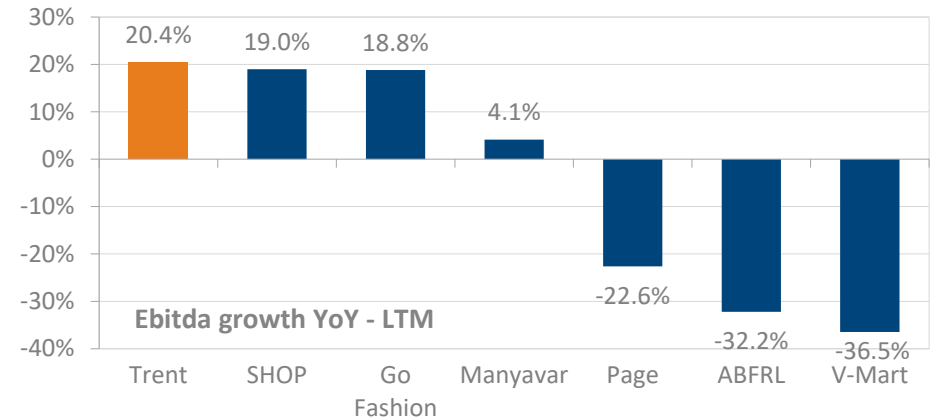
A consistent performance in Westside and rapid store additions in Zudio have enabled Trent in bucking the recent trend of a broad consumer slowdown in the apparel retail space, with a clear gap in performance vs peers. Consequently, the stock has rallied 47% YTD, driven by robust growth, earnings upgrades and multiple re-rating.

**Figure 8: Trent has significantly outperformed peers with regard to sales growth in the recent times**



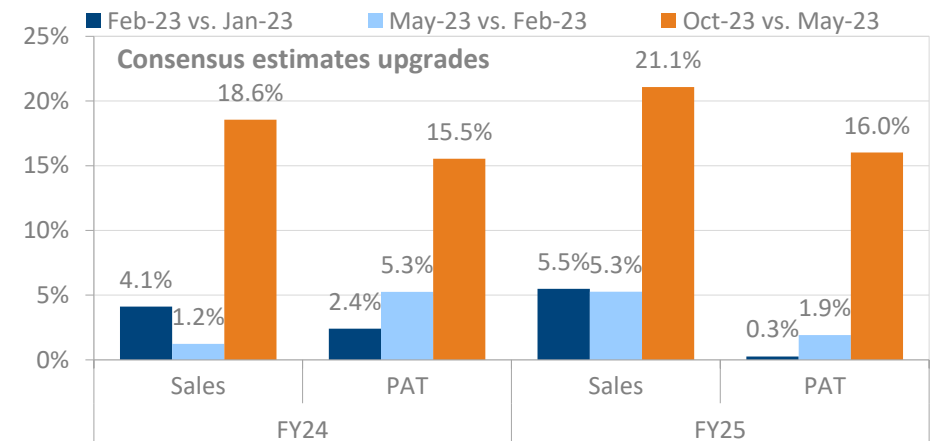
Source: Company, IIFL Research. Note: Includes 2QFY24ii

**Figure 9: In the recent times, Trent’s Ebitda growth has been significantly ahead of peers**



Source: Company, IIFL Research. Note: Includes 2QFY24ii

**Figure 10: Consensus estimates for Trent have witnessed continuous upgrades through the year, with a sharp upgrade post its AGM in Jun’23**



Source: Company, IIFL Research

## Zudio - Well poised for a rapid medium-term scale-up

In Zudio, Trent has cracked a profitable business model, implied by the acceleration in store additions witnessed in recent years. Management has guided for 200 store additions in this format in FY24. We believe that the growth journey has just started in Zudio; this format is well poised to witness an accelerated growth for the next five years.

### Zudio store economics

We estimate that Zudio clocked a sales per sq.ft of ~Rs15,500 in FY23, based on the below information.

- Gross sales of Rs34.5bn, as reported in the AGM
- Average number of Zudio stores at 293 over FY23
- Average store size of ~7,700 sq.ft (retail area of 3mn+ sq.ft for 388 stores – as mentioned in 1QFY24 presentation).

We estimate that a mature Zudio store (2+ years old) is clocking a sales per sq.ft of ~Rs19,500. Further, if we assume a gross margin of ~35% in Zudio on gross sales, and Other expenses slightly lower than Westside on a per sq.ft basis — we estimate a mature Zudio store to deliver Ebitda margin of ~10%.

**Figure 11: We estimate that a mature Zudio store can clock ~10% Ebitda margin**

Store economics	Westside	Zudio
Gross sales	12,000	19,500
Net sales	11,100	18,038
Gross profit	6,105	6,313
Gross margin - on gross sales	50.9%	32.4%
Gross margin - on net sales	55.0%	35.0%
Other expenses	4,650	4,500
Ebitda	1,455	1,813
% margin on net sales	13.1%	10.1%

Source: Company, IIFL Research

### Opportunity sizing – Zudio

We use the population data from Census 2011 and current store footprint of Zudio, so as to try and estimate the potential number of stores that Zudio can be scaled up to, given the current demographics.

Based on the details shared on the store locator of Zudio's website, the format currently has 411 stores across 130 cities in India. The top 8 cities (population of more than 5mn) constitute over 40% of Zudio's current store footprint. Towns with a population between 0.2mn and 1mn (60 towns) constitute the next highest proportion of Zudio stores at 21%. Smaller towns with population of less than 0.2mn constitute less than 6% of Zudio's current store footprint.

**Figure 12: Proportion of Zudio stores based on population tiers**

Town Population	No of towns with a Zudio store	%	No of Zudio stores	%
> 5mn	8	6%	171	42%
2-5mn	11	8%	62	15%
1-2mn	28	22%	67	16%
0.2-1mn	60	46%	87	21%
0.1-0.2mn	12	9%	13	3%
<0.1mn	11	8%	11	3%
<b>Total</b>	<b>130</b>	<b>100%</b>	<b>411</b>	<b>100%</b>

Source: Company, IIFL Research

We note that Zudio stores are currently concentrated in the top 8 towns and there is a reasonable presence in mid-to-large towns (population of 0.2mn to 5mn) as well. On the other hand, while presence in smaller towns (less than 0.2mn population) is relatively less, there is currently a Zudio store in towns with less than 30,000 population as well (Adoor and Pattambi in Kerala).

### Estimating the ideal population catchment of a Zudio store

In order to find the potential number of Zudio stores, we estimate a typical population catchment of the same, i.e. the number of people that a Zudio store can cater to. A percentage of population in this catchment will eventually shop from a Zudio store. In larger towns, we have examples of cities such as Pune, where Zudio has 22 stores currently; assuming that Pune has maxed out in terms of its store potential pertaining to Zudio, it would imply a population catchment (population of town divided by number of Zudio stores currently in that town) of less than 0.25mn per store. In mid-tier towns, we have examples of cities such as Anand, Bharuch and Palakkad, where the implied population

catchment (based on a similar construct as above) is less than 0.15mn. Based on these observations, we estimate typical population catchment for a Zudio store as below. We assume that it will serve a bigger population catchment in a larger town, given the higher population density.

**Figure 13: Population catchment of a Zudio store based on various town tiers**

Population of town	Population catchment
> 2mn	250,000
1-2mn	200,000
0.2-1mn	150,000
0.1-0.2mn	100,000

Source: Company, IIFL Research

Based on the above construct, we calculate the potential number of Zudio stores at ~1,300 stores on the current demographics (which in turn is based on 2011 Census). This does not imply that Zudio store opportunity ends at 1,300 stores. Population growth and increased urbanisation would result in a higher population in existing towns and increased town limits in terms of geographic area. Further, increase in the per-capita incomes would result in a steady shift from the unorganised to organised, which would lower the population catchment of a particular store. Note that we have not considered towns below a population of 0.1mn in our calculation, and currently, there are already 11 such towns where a Zudio store exists (three of them had population of below 50,000). Also, there are certain towns where the number of existing Zudio stores is already exceeding our calculated potential (Hyderabad, Pune, Vadodara, Palakkad, Bharuch, Anand, Tezpur).



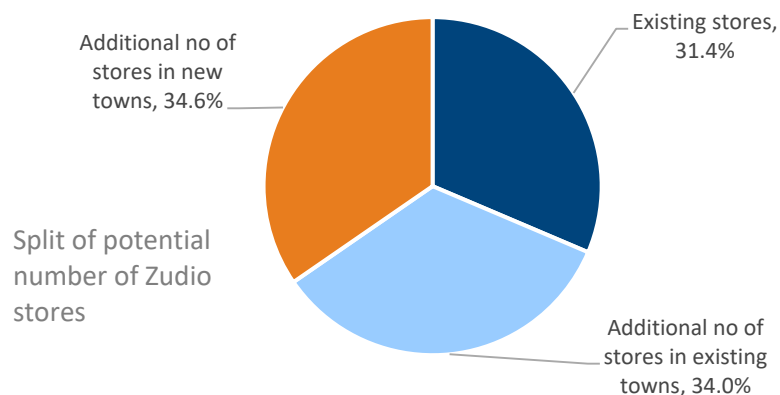
Figure 14: We calculate Zudio’s store potential based on current demographics (Census 2011) at 1,300 stores

Town population	Towns where a Zudio store exists			Towns where a Zudio store doesn’t exist currently		Total number of potential stores
	No of towns with Zudio stores	Existing Zudio stores	Potential Zudio stores	No of towns with no Zudio stores	Potential Zudio stores	
> 2mn	19	233	457	0	0	457
1-2mn	28	67	188	5	29	217
0.2-1mn	60	87	187	120	207	394
0.1-0.2mn	12	13	13	217	217	230
<0.1mn	11	11	11	NA	NA	11
<b>Total</b>	<b>130</b>	<b>411</b>	<b>856</b>	<b>342</b>	<b>453</b>	<b>1309</b>

Source: Company, IIFL Research

This implies that Zudio’s store footprint can potentially triple from here on. Half of the potential store addition can be in towns where it is already present, and half can be by entering new towns.

Figure 15: Half of the potential new Zudio stores would be in towns where it is already present



Source: Company, IIFL Research

Assuming an average bill size of Rs1,000 and average annual frequency of purchase at four times (Nykaa Fashion is at 2.4 times currently at a significantly higher average order value), we calculate the number of annual unique consumers catered to by a Zudio store at ~37,500. This

would imply that at 1,300 stores, Zudio would be catering to ~10% of India’s urban population. In absolute terms, Zudio would cater to ~50mn unique customers, annually (similar to where Zomato is today).

Figure 16: We calculate that Zudio would be catering to ~10% of India’s urban population at 1,300 stores

Zudio unique consumers - % of urban population	
Sales per store (Rs mn)	150
Avg bill size (Rs)	1,000
No of annual transactions	150,150
Average frequency of purchase per year	4
Unique consumers per store	37,538
Potential no of Zudio stores	1,300
No of unique Zudio consumers - mn	49
India population (mn)	1,400
Urban population @35% (mn)	490
Zudio consumers as % of urban population	10.0%

Source: Company, IIFL Research

## Scenario analysis

Trent has displayed tremendous execution capabilities when it comes to scaling up the Zudio format, even in a tepid consumption environment. With a potential of 1,300 stores based on the current demographics, we believe store additions in this format can continue at an accelerated pace in the medium term, before moderating. We formulate a base, bull-and-a-bear-case scenario for Trent, with explicit forecasts till FY28 and derive a value for the company in each scenario. In each of the three scenarios, the underlying assumption is common - an accelerated store addition in Zudio (at varied degrees under each scenario). We discuss the three scenarios in detail below.

### Base case

In our base case, we make the following assumptions:

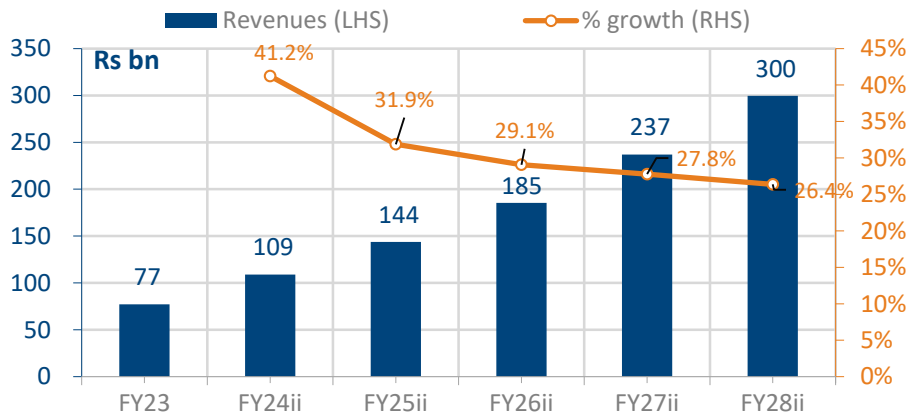
- Zudio scales up to 1,400 stores at an accelerated pace till FY28. This is higher than our calculated potential number of stores at 1,300 to factor in changing demographics (population growth, increased urbanisation and incomes) and entry into smaller towns, which we have not considered in our opportunity sizing.
- Westside format scales up steadily to ~360 stores vs. 223 currently.
- Trent Hypermarket (JV with Tesco) reaches break-even at Ebitda level (post IND AS 116).
- Zara JV scales up to 35 stores vs. 20 stores in FY23 (3 annual store additions). While the track record in store openings has been poor in this format, we still build in a modest ramp-up in store additions.

**Figure 17: Base case – assumptions**

	FY23	FY24ii	FY25ii	FY26ii	FY27ii	FY28ii	% Cagr - FY23-28ii
<b>Westside</b>							
No of stores	214	239	269	299	329	359	10.9%
Revenue per sq ft	11,973	13,306	14,024	14,677	15,414	16,232	6.3%
Net revenues (Rs mn)	43,052	50,451	59,628	69,778	81,020	93,475	16.8%
% growth		17.2%	18.2%	17.0%	16.1%	15.4%	
Ebitda (Rs mn)	5,597	6,811	8,348	9,769	11,343	13,087	18.5%
% margin	13.0%	13.5%	14.0%	14.0%	14.0%	14.0%	
<b>Zudio</b>							
No of stores	352	527	752	1,052	1,402	1,802	38.6%
Revenue per sq ft	15,478	18,264	19,086	19,945	20,942	22,094	7.4%
Revenues (Rs mn)	31,908	57,165	86,921	128,117	182,993	252,061	51.2%
% growth		79.2%	52.1%	47.4%	42.8%	37.7%	
Ebitda (Rs mn)	1,156	2,287	3,911	6,406	10,065	15,124	67.2%
% margin	3.6%	4.0%	4.5%	5.0%	5.5%	6.0%	
<b>Standalone performance</b>							
Sales (Rs mn)	77,152	110,121	149,429	201,212	267,841	349,962	35.3%
% growth		42.7%	35.7%	34.7%	33.1%	30.7%	
Adj Ebitda	6,753	9,133	12,302	16,227	21,469	28,285	33.2%
% margin	8.8%	8.3%	8.2%	8.1%	8.0%	8.1%	
<b>Zara JV</b>							
No of stores	20	26	32	38	44	50	20.1%
Revenues (Rs mn)	25,538	30,085	36,795	43,519	50,470	57,856	17.8%
% growth		17.8%	22.3%	18.3%	16.0%	14.6%	
Ebitda (Rs mn)	4,164	5,042	6,080	7,191	8,340	9,560	18.1%
% margin	16.3%	16.8%	16.5%	16.5%	16.5%	16.5%	
PAT	2,643	3,271	3,931	4,646	5,389	6,186	18.5%
% growth		23.7%	20.2%	18.2%	16.0%	14.8%	
<b>THL JV</b>							
No of stores	54	59	64	69	74	79	7.9%
Revenues (Rs mn)	18,110	18,684	22,372	26,610	31,471	37,039	15.4%
% growth		3.2%	19.7%	18.9%	18.3%	17.7%	
Ebitda (Rs mn)	(71)	60	375	782	1,292	1,922	NM
% margin	-0.4%	0.3%	1.7%	2.9%	4.1%	5.2%	
PAT	(1,031)	(891)	(638)	(293)	155	722	NM

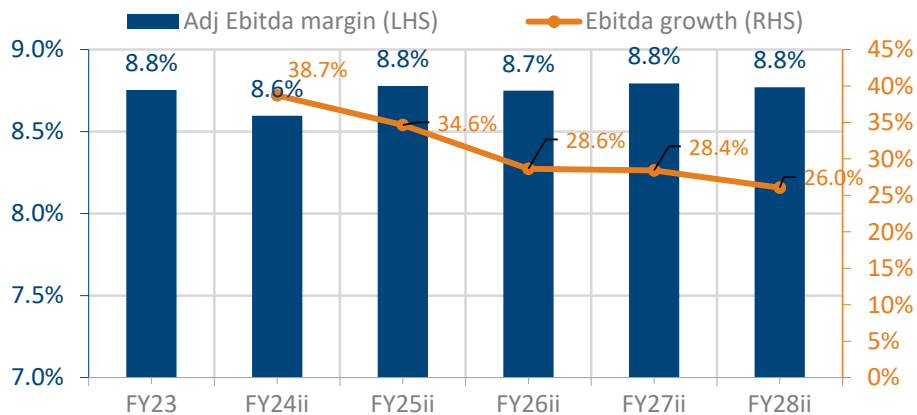
Source: Company, IIFL Research

Figure 18: We forecast standalone sales Cagr of 31% over FY23-28ii, in our base case



Source: Company, IIFL Research

Figure 19: We forecast standalone Ebitda Cagr of 31% over FY23-28ii, in our base case



Source: Company, IIFL Research

### Base case valuation

In our SOTP valuation:

- We attribute a 40x EV/Ebitda on FY28 standalone Ebitda (Westside + Zudio). Note that even after scaling up the Zudio format rapidly, Trent will continue to grow in mid-to-high teens. Also, the margin profile of the business would be suppressed even in FY28, since ~35% of Zudio stores would be less than 2 years old.
- We attribute a 25x P/E multiple to Trent’s share of profit in Zara JV (modest growth, reasonable return profile).
- We don’t attribute any value to the Trent Hypermarket JV with Tesco in our base case.
- Based on the above methodology, we arrive at a price target of Rs2,430 in our base case.

Figure 20: Our SOTP valuation yields a target price of Rs2,430 in our base case

	Adj Ebitda / PAT	Valuation multiple	Value (Rs mn) - FY28
Westside + Zudio	EV/Ebitda	40	1,050,622
Zara (proportionate)	P/E	25	66,013
THL (proportionate)	P/E	0	-
Net Debt - Mar'27			(4,538)
Mcap - Mar'27			1,121,173
Discount back years			2.5
Discount rate			11.0%
Market cap - 1 yr fwd (Rs mn)			863,705
NOSH (mn)			355
<b>TP (Rs)</b>			<b>2,430</b>

Source: Company, IIFL Research

## Bull case

In our bull case, we make the following assumptions:

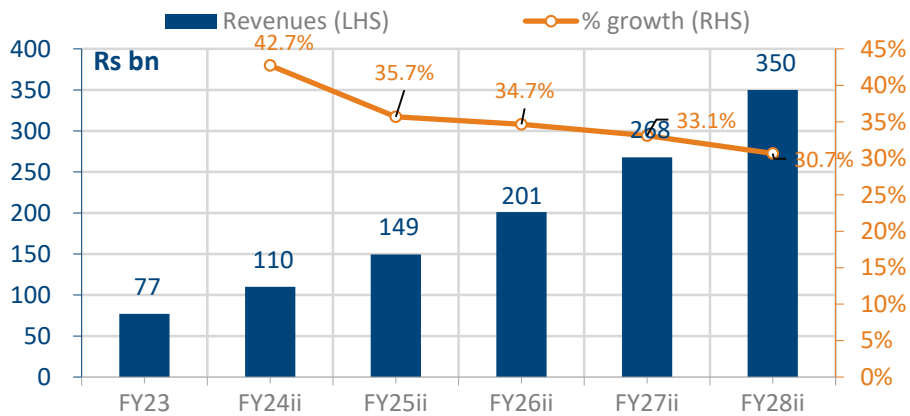
- Zudio scales up to ~1,800 stores at an accelerated pace till FY28.
- Westside format scales up steadily to ~360 stores vs. 223 currently.
- Trent Hypermarket (JV with Tesco) scales up steadily and is profitable at PAT level.
- Zara JV scales up to 50 stores vs. 20 stores in FY23 (six annual store additions).

**Figure 21: Bull case - assumptions**

	FY23	FY24ii	FY25ii	FY26ii	FY27ii	FY28ii	% Cagr - FY23-28ii
<b>Westside</b>							
No of stores	214	239	269	299	329	359	10.9%
Revenue per sq ft	11,973	13,306	14,024	14,677	15,414	16,232	6.3%
Net revenues (Rs mn)	43,052	50,451	59,628	69,778	81,020	93,475	16.8%
% growth		17.2%	18.2%	17.0%	16.1%	15.4%	
Ebitda (Rs mn)	5,597	6,811	8,348	9,769	11,343	13,087	18.5%
% margin	13.0%	13.5%	14.0%	14.0%	14.0%	14.0%	
<b>Zudio</b>							
No of stores	352	527	752	1,052	1,402	1,802	38.6%
Revenue per sq ft	15,478	18,264	19,086	19,945	20,942	22,094	7.4%
Revenues (Rs mn)	31,908	57,165	86,921	128,117	182,993	252,061	51.2%
% growth		79.2%	52.1%	47.4%	42.8%	37.7%	
Ebitda (Rs mn)	1,156	2,287	3,911	6,406	10,065	15,124	67.2%
% margin	3.6%	4.0%	4.5%	5.0%	5.5%	6.0%	
<b>Standalone performance</b>							
Sales (Rs mn)	77,152	110,121	149,429	201,212	267,841	349,962	35.3%
% growth		42.7%	35.7%	34.7%	33.1%	30.7%	
Adj Ebitda	6,753	9,133	12,302	16,227	21,469	28,285	33.2%
% margin	8.8%	8.3%	8.2%	8.1%	8.0%	8.1%	
<b>Zara JV</b>							
No of stores	20	26	32	38	44	50	20.1%
Revenues (Rs mn)	25,538	30,085	36,795	43,519	50,470	57,856	17.8%
% growth		17.8%	22.3%	18.3%	16.0%	14.6%	
Ebitda (Rs mn)	4,164	5,042	6,080	7,191	8,340	9,560	18.1%
% margin	16.3%	16.8%	16.5%	16.5%	16.5%	16.5%	
PAT	2,643	3,271	3,931	4,646	5,389	6,186	18.5%
% growth		23.7%	20.2%	18.2%	16.0%	14.8%	
<b>THL JV</b>							
No of stores	54	59	64	69	74	79	7.9%
Revenues (Rs mn)	18,110	18,684	22,372	26,610	31,471	37,039	15.4%
% growth		3.2%	19.7%	18.9%	18.3%	17.7%	
Ebitda (Rs mn)	(71)	60	375	782	1,292	1,922	NM
% margin	-0.4%	0.3%	1.7%	2.9%	4.1%	5.2%	
PAT	(1,031)	(891)	(638)	(293)	155	722	NM

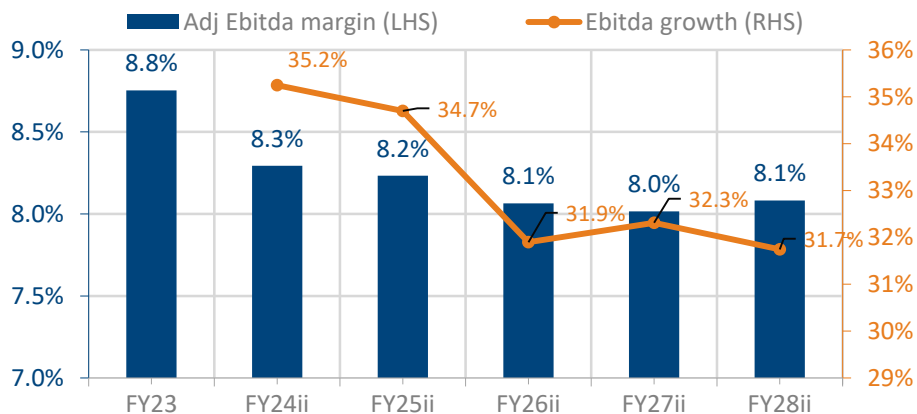
Source: Company, IIFL Research

Figure 22: We forecast standalone sales Cagr of 35% over FY23-28ii, in our bull case



Source: Company, IIFL Research

Figure 23: We forecast standalone Ebitda Cagr of 33% over FY23-28ii in our bull case



Source: Company, IIFL Research

### Bull case valuation

In our SOTP valuation:

- We attribute a 42.5x EV/Ebitda on FY28 standalone Ebitda (Westside + Zudio). This is higher than our base case multiple — to account for a lower Ebitda margin profile due to higher proportion of younger Zudio stores (>40%).
- We attribute a 25x P/E multiple to Trent’s share of profit in Zara JV (modest growth, reasonable return profile).
- We attribute a 15x P/E multiple to Trent’s share of profit in THL JV.
- Based on the above methodology, we arrive at a TP of Rs2,773 in our bull case.

Figure 24: Our SOTP valuation yields a target price of Rs2,773 in our bull case

		Adj Ebitda / PAT	Valuation multiple	Value (Rs mn) - FY28
Westside + Zudio	EV/Ebitda	28,285	42.5	1,202,097
Zara (proportionate)	P/E	3,031	25	75,777
THL (proportionate)	P/E	361	15	5,418
Net Debt - Mar'27				3,465
Mcap - Mar'27				1,279,827
Discount back years				2.5
Discount rate				11%
Market cap - 1 yr fwd (Rs mn)				985,925
NOSH (mn)				355
<b>TP (Rs)</b>				<b>2,773</b>

Source: Company, IIFL Research

## Bear case

In our bear case, we make the following assumptions:

- Zudio scales up to ~1,000 stores at an accelerated pace till FY28.
- Westside format scales up steadily to ~360 stores vs 223 currently.
- Trent Hypermarket (JV with Tesco) continues to be a loss-making entity.
- No store additions happen in Zara JV while existing stores clock a modest SSS growth.

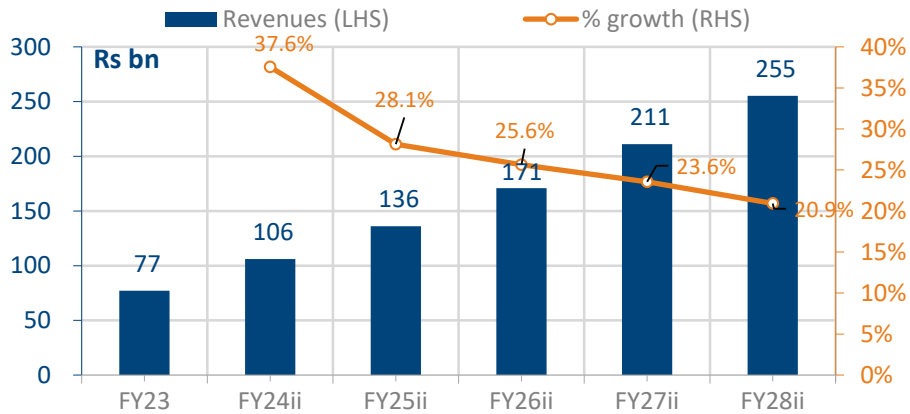


**Figure 25: Bear case - assumptions**

	FY23	FY24ii	FY25ii	FY26ii	FY27ii	FY28ii	% Cagr - FY23-28ii
<b>Westside</b>							
No of stores	214	239	269	299	329	359	10.9%
Revenue per sq ft	11,973	13,306	14,024	14,677	15,414	16,232	6.3%
Net revenues (Rs mn)	43,052	50,451	59,628	69,778	81,020	93,475	16.8%
% growth		17.2%	18.2%	17.0%	16.1%	15.4%	
Ebitda (Rs mn)	5,597	6,811	8,348	9,769	11,343	13,087	18.5%
% margin	13.0%	13.5%	14.0%	14.0%	14.0%	14.0%	
<b>Zudio</b>							
No of stores	352	452	577	727	877	1,027	23.9%
Revenue per sq ft	15,478	18,574	20,060	21,063	22,116	23,222	8.5%
Revenues (Rs mn)	31,908	53,173	73,498	97,798	126,312	157,433	37.6%
% growth		66.6%	38.2%	33.1%	29.2%	24.6%	
Ebitda (Rs mn)	1,156	2,393	4,042	5,868	7,894	10,233	54.7%
% margin	3.6%	4.5%	5.5%	6.0%	6.3%	6.5%	
<b>Standalone performance</b>							
Sales (Rs mn)	77,152	106,129	136,004	170,888	211,151	255,320	27.0%
% growth		37.6%	28.1%	25.6%	23.6%	20.9%	
Adj Ebitda	6,753	9,240	12,433	15,689	19,299	23,394	28.2%
% margin	8.8%	8.7%	9.1%	9.2%	9.1%	9.2%	
<b>Zara JV</b>							
No of stores	20	22	22	22	22	22	1.9%
Revenues (Rs mn)	25,538	27,469	30,215	32,482	34,918	37,537	8.0%
% growth		7.6%	10.0%	7.5%	7.5%	7.5%	
Ebitda (Rs mn)	4,164	4,603	5,195	5,753	6,361	7,024	11.0%
% margin	16.3%	16.8%	17.2%	17.7%	18.2%	18.7%	
PAT	2,643	2,981	3,404	3,822	4,277	4,773	12.5%
% growth		12.8%	14.2%	12.3%	11.9%	11.6%	
<b>THL JV</b>							
No of stores	54	59	64	69	74	79	7.9%
Revenues (Rs mn)	18,110	18,684	21,355	24,245	27,372	30,750	11.2%
% growth		3.2%	14.3%	13.5%	12.9%	12.3%	
Ebitda (Rs mn)	(71)	60	182	332	513	727	NM
% margin	-0.4%	0.3%	0.9%	1.4%	1.9%	2.4%	
PAT	(1,031)	(891)	(831)	(743)	(624)	(472)	NM

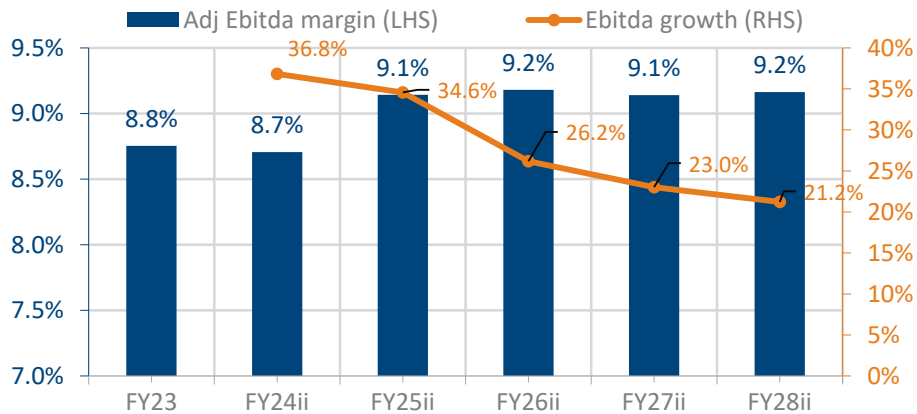
Source: Company, IIFL Research

Figure 26: We forecast standalone sales Cagr of 27% over FY23-28ii in our bear case



Source: Company, IIFL Research

Figure 27: We forecast standalone Ebitda Cagr of 28% over FY23-28ii in our bear case



Source: Company, IIFL Research

**Bear case valuation**

In our SOTP valuation:

- We attribute a 37.5x EV/Ebitda on FY28 standalone Ebitda (Westside + Zudio). This is lower than our base case multiple to account for a relatively more mature profile of the Zudio stores (<35%).
- We attribute a 25x P/E multiple to Trent’s share of profit in Zara JV (modest growth, reasonable return profile).
- We don’t attribute any value to Trent Hypermarket JV with Tesco.
- Based on the above methodology, we arrive at a TP of Rs2,049 in our bear case.

Figure 28: Our SOTP valuation yields a target price of Rs2,049 in our bear case

	Adj Ebitda / PAT	Valuation multiple	Value (Rs mn) - FY28	
Westside + Zudio	EV/Ebitda	23,394	37.5	877,281
Zara (proportionate)	P/E	2,339	25	58,474
THL (proportionate)	P/E	(236)	0	-
Net Debt - Mar'27				(9,830)
Mcap - Mar'27				945,584
Discount back years				2.5
Discount rate				11.0%
Market cap - 1 yr fwd (Rs mn)				728,438
NOSH (mn)				355
<b>TP (Rs)</b>				<b>2,049</b>

Source: Company, IIFL Research

## Scenario analysis - summary

Our SOTP valuation implies a ~39%/22%/3% upside in the bull/base/bear cases respectively.

**Figure 29: Summary of our base, bull and bear cases**

	Base Case	Bull Case	Bear Case
No of Zudio stores in FY28	1,402	1,802	1,027
No of Westside stores in FY28	359	359	359
Standalone sales Cagr FY23-28ii	31.2%	35.3%	27.0%
Standalone Ebitda Cagr FY23-28ii	31.2%	33.2%	28.2%
No of Zara stores in FY28	35	50	22
EV/Ebitda multiple for standalone business	40.0	42.5	37.5
<b>Overall SOTP valuation</b>	<b>2,430</b>	<b>2,773</b>	<b>2,049</b>

Source: Company, IIFL Research

## Reverse DCF

In our reverse DCF analysis, we take our explicit forecast period till FY28 instead of FY26 and then calculate the implied sales cagr over FY28-42 which equates the derived share price to current market price. Assuming a steady state Ebitda margin of 11.5%, ROIC of 30%, WACC at 11% and terminal growth at 5%, the implied sales Cagr for Trent works out to be 17.7% over FY28-42.

**Figure 30: Trent's reverse DCF implies a sales Cagr of 18% over FY28-42**

Major reverse DCF assumptions	
Steady state Ebitda margin	11.5%
Days of working capital	55.0
Capex as % of sales	2.7%
ROIC in end year	30%
WACC	11.0%
Terminal growth	5.0%
<b>Implied semi explicit growth</b>	<b>17.7%</b>

Source: Company, IIFL Research

Note that Trent's historical record on growth has been robust. In the past decade (FY13-23), Trent has delivered sales/EPS cagr of 23%/26% respectively. Even if we exclude the recent period of Zudio scale up, the sales Cagr has been reasonable at 15% over FY08-18 (although EPS Cagr was low at 7% due to share dilutions).

At ~18% Cagr over FY28-42, Trent would clock a sales of ~Rs3trn, which would be less than 10% of the overall apparel retail market (assuming the apparel retail market grows at 10% Cagr during the same period). While both Westside and Zudio would continue to grow post FY28, Trent is also incubating newer formats such as Mizbu, Utsa and Samoh.

**Figure 31: Even with a Cagr of 18% over FY28-42, Trent's market share would be less than 10% in the apparel retail space**

	FY23	FY28ii	FY42ii
Trent sales (Rs bn)	77	300	3,020
% Cagr		31.2%	17.9%
Apparel retail market	6,522	10,504	39,887
% Cagr		10.0%	10.0%
Trent's market share	1.2%	2.9%	7.6%

Source: Company, IIFL Research

## Incubating future growth drivers

### Utsa

Utsa was launched as an exclusive brand at Westside in FY17 and in FY19; Trent launched standalone EBOs in this brand. It is positioned as a lifestyle destination for the modern Indian woman, offering apparel, footwear, innerwear, beauty and accessories. The average store size is ~2000-3000 sq. ft. In FY23, the format had 17 stores across 11 cities.

Figure 32: Trent has launched EBOs under Utsa brand



Source: Company, IIFL Research

Westside has over 20 exclusive brands in its portfolio with differentiated positioning and sub-categories such as men’s formals, women’s western wear, ethnic wear, innerwear, footwear, home, beauty and accessories, among others. There is a possibility that some of these would also be incubated in separate EBO formats, as these attain a sizeable scale.

Figure 33: Westside has an exclusive brand portfolio of 20+ brands



Source: Company, IIFL Research

### Samoh

In April 2023, Trent has launched Samoh – a contemporary occasion wear concept, blending traditional roots with modern aesthetics. The format was launched in Lucknow (store size of ~2000 sq.ft). Management plans to add 10 Samoh stores in FY24 and ~100 over the next few years. Occasion wear is a fairly competitive segment with pan-India brands such as Manyavar (Vedant Fashions), Tasva (ABFRL), Ethnix (Raymond) along with a plethora of regional brands. However, most of these brands focus on men’s wear whereas Samoh is focusing primarily on women’s wear. While it is early days for Samoh as a concept, Trent’s fashion expertise and a strong back-end infrastructure raise chances of success in this format.

Figure 34: Trent launched Samoh in April 2023



Source: Company, IIFL Research

## Xcite / Misbu

In 2005, Trent had acquired 79% stake in Landmark, which at the time, was the largest book and music retailer in India. However, over the years, Trent could not scale up this format. In 2020, the format was re-branded as Landmark Xcite with exclusive products in the entertainment and lifestyle space – toys, sports merchandise, tech gadgets, frontlist books and stationery. Currently, the format has been rebranded as Xcite / Misbu, offering a range of beauty, personal care, fashion accessories and décor targeted at Gen Z and millennials.

Figure 35: Landmark has been re-branded as Xcite/Misbu



Source: Company, IIFL Research

## JV with MAS Amity Pte

In Jan'23, Trent entered into a JV agreement with MAS Amity Pte. Ltd to set up an entity in India for jointly developing a business of intimate wear and other apparel-related products. The partnership would enhance the company's ability to offer fully-owned brands in the intimate wear category, while enabling MAS to expand its international presence. MAS Amity Pte is a subsidiary of MAS Holdings – a design to delivery solution provider in apparel and textile manufacturing, headquartered in Sri Lanka.

## Past track record on new formats

Previously, Trent has launched multiple formats with limited or no success. These include Landmark (books and music), Star Bazaar (hyper market), Fashion Yatra (value fashion format), Gourmet West (premium food and beverage items), partnership with foreign entities such as Benetton (to market Sisley brand) and Sonae SR (Sport Zone outlets), among others.

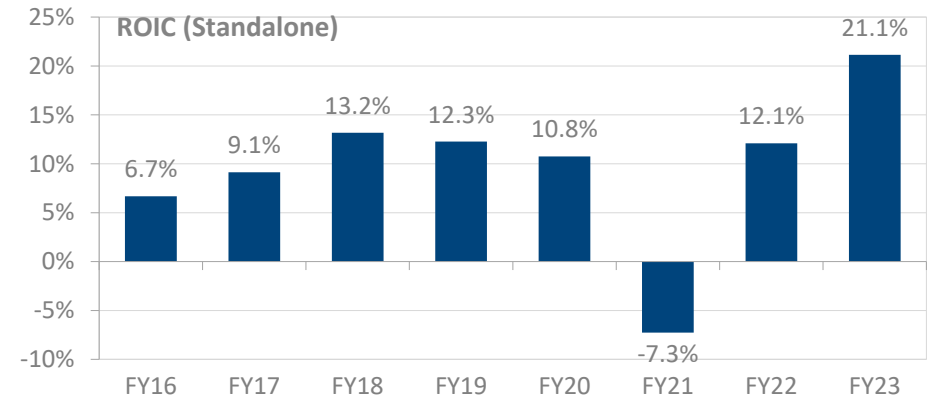
**Figure 36: Trent has tried to scale up multiple formats in the past**

Format name	Category	Year of Launch	Current status
Star Bazaar	Hypermarket	2004	Restructured into a JV with Tesco and is currently loss making with a store footprint of 65 stores
Landmark	Books and music	2005	Rebranded multiple times over the years - currently operating as Xcite / Misbu
Fashion Yatra	Value Fashion	2008	Wound up in FY12
Sisley (Benetton)	Fashion	2006	Incurring losses, the format was wound up by FY15 eventually
Gourmet West	Premium food and beverages	2010	Primarily operates as a shop in shop at select Westside locations
Sport Zone (Sonae SR)	Sports	2015	Integrated with Landmark format

Source: Company, IIFL Research

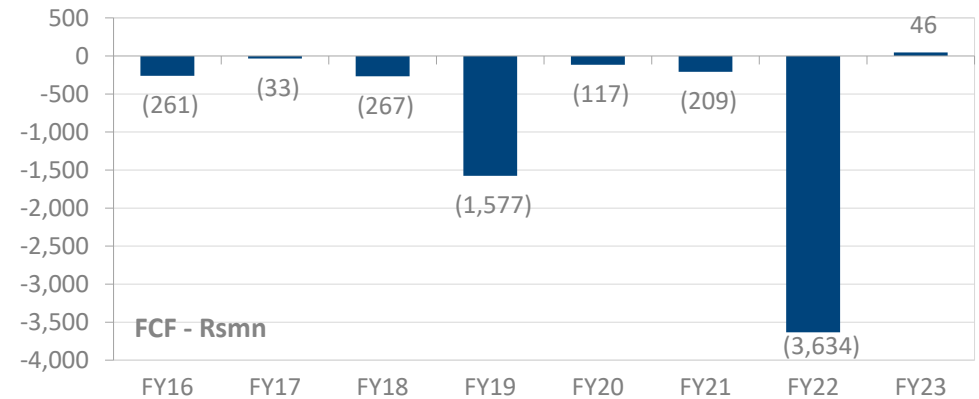
Some of the current new ventures may not perform as per expectations and get eventually discontinued. However, over the years, return profile of the base business has improved significantly, and Trent generated positive free cashflow in FY23, despite accelerated store additions. This provides greater flexibility to incubate more number of formats and also a higher ability with regard to time and resources that can be allocated to these newer ventures.

**Figure 37: In FY23, return profile of the base business has improved significantly – increasing chances of success in new ventures vs the earlier**



Source: Company, IIFL Research

**Figure 38: Trent generated a positive free cashflow in FY23, despite accelerated store additions**



Source: Company, IIFL Research

## Valuation matrix and adj. financial summary

**Figure 39: Valuation matrix**

	CMP	Mkt cap	Avg daily turnover	Target Price	RECO	P/E - reported			EV/Ebitda- reported		
	Rs	USD mn	USD mn	Rs		FY24	FY25	FY26	FY24	FY25	FY26
Trent	1,993	8,522	17.5	2,450	BUY	122.6	99.3	81.5	53.9	41.6	32.9
Page	37,052	4,970	13.0	38,500	REDUCE	62.2	50.5	42.4	40.9	33.9	28.4
Vedant Fashions	1,295	3,781	2.4	1,350	BUY	67.2	58.0	49.6	43.0	37.1	31.8
ABFRL	212	2,420	9.4	220	ADD	NM	327.5	118.3	15.7	12.0	9.9
SHOP	643	851	1.5	800	BUY	62.2	35.8	26.4	11.6	10.0	8.7
Go Fashion	1,299	844	1.1	1,250	ADD	71.3	55.9	44.3	27.5	22.5	18.5
V-Mart	1,811	431	0.8	2,200	REDUCE	NM	199.2	41.0	15.9	12.1	9.6
	ROIC		Sales Cagr Adj Ebitda Cagr			P/E - adj			EV/adj Ebitda		
	FY24	FY25	FY23-26	FY23-26		FY24	FY25	FY26	FY24	FY25	FY26
Trent	23.9%	24.4%	34.0%	33.9%		85.4	67.2	54.4	71.0	52.1	39.9
Page	48.6%	64.4%	12.5%	18.2%		62.2	50.5	42.4	40.9	33.9	28.4
Vedant Fashions	66.2%	67.3%	14.1%	11.9%		65.5	56.4	48.1	51.8	44.9	38.4
ABFRL	4.1%	10.7%	16.7%	62.7%		420.9	91.1	48.8	45.3	25.9	19.0
SHOP	11.3%	14.5%	12.6%	15.4%		56.2	42.1	34.7	23.8	19.1	15.8
Go Fashion	24.8%	27.5%	19.7%	21.9%		61.3	50.3	41.1	43.1	35.1	28.5
V-Mart	2.4%	5.3%	18.2%	49.8%		157.9	52.3	29.3	31.9	19.1	13.1

Source: Company, IIFL Research. P/E adj and EV / adj Ebitda are adjusted for IND AS 116.



**Figure 40: Trent – Financial summary – adjusted for IND AS 116**

Y/e 31 Mar, Parent	FY22	FY23	FY24ii	FY25ii	FY26ii	FY27ii	FY28ii
Revenues (Rs m)	38,807	77,152	108,966	143,697	185,458	236,992	299,502
Ebitda margins (%)	7.9	8.8	8.6	8.8	8.7	8.8	8.8
Pre-exceptional PAT (Rs m)	2,912	7,128	8,299	10,545	13,031	16,580	20,762
Reported PAT (Rs m)	2,810	7,128	8,299	10,545	13,031	16,580	20,762
Pre-exceptional EPS (Rs)	7.9	20.1	23.3	29.7	36.7	46.6	58.4
Growth (%)	NM	153.7	16.4	27.1	23.6	27.2	25.2
PER (x)	<b>252.1</b>	<b>99.4</b>	<b>85.4</b>	<b>67.2</b>	<b>54.4</b>	<b>42.7</b>	<b>34.1</b>
ROIC (%)	12.1	21.1	23.9	24.4	24.6	25.3	25.8
Net debt/equity (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)
EV/EBITDA (x)	221.4	99.3	71.0	52.1	39.9	30.5	23.6
Price/book (x)	26.0	23.0	19.8	17.1	14.6	12.3	10.3

Source: Company, IIFL Research. Note EV/Ebitda is adjusted for Zara JV valuation (assuming 25x P/E)

## Annexure 1 - Valuation case study – Page / DMart

We have examples of stocks such as Page and DMart in the Consumer Discretionary space, where valuations — despite being on the higher side — have sustained over a number of years, as long as the growth has held steady at a high level. We believe Trent is in a similar sweet spot, where the runway for growth is reasonably long and there is high visibility on medium-term growth, which is expected to be significantly higher than peers in the Consumer Discretionary space.

**Figure 41: Valuations in Page sustained at a high level as long as EPS growth was impressive**



Source: Company, IIFL Research

**Figure 42: Valuations in DMart sustained at a high level as long as EPS growth was strong**



Source: Company, IIFL Research

## Annexure 2 – Zudio - Store visit takeaways

We visited a few Zudio stores. Following are the key takeaways:

- Basic assortment of the stores was similar, in terms of store area with a larger area allocated to women's apparel (including western and ethnic), followed by men's apparel, kids, footwear, beauty and accessories.
- One of the stores did not stock kids section as a category. It had been discontinued in the store since the past few months.
- A mature store is clocking sales per sq.ft of more than ~Rs30,000, while a relatively young store (a few months old) is also clocking an annualised sales per sq.ft of 8,000+.
- No of employees in the store is correlated with footfalls which are in a way associated with various parameters such as store size, location, store age, among others.
- Footfalls in Zudio stores were reasonably strong even during odd hours (morning / afternoon) on a weekday.

**Figure 43: Key takeaways from our visit to few Zudio stores**

	Store 1	Store 2	Store 3	Store 4
Whether located in mall	No	Yes	No	Yes
Store size (sq.ft)	7,000	7,000	3,500	13,000
Year of opening	2020	2022	2018	2023
Typical assortment in terms of retail area	40% Womens apparel 30% Men apparel 15% Kids 10% Footwear 5% Beauty & accessories	45% Womens apparel 25% Men apparel 10% Kids 10% Footwear 10% Beauty & accessories	45% Womens apparel 25% Men apparel 0% Kids 20% Footwear 10% Beauty & accessories	45% Womens apparel 20% Men apparel 15% Kids 12% Footwear 8% Beauty & accessories
Operational parameters	Avg daily footfalls: ~1300-1400; Avg bills cut: ~650 Avg bill size: ~Rs1,000 Annual sales: ~Rs250mn - Implied sales psf - Rs35,000	Avg daily footfalls: ~1000; Avg bills cut: ~250 Avg bill size: ~Rs1,200 Annual sales: ~Rs100mn - Implied sales psf - Rs15,000	Annual sales of ~Rs100mn - Implied sales psf - ~Rs30,000	Avg daily footfalls: ~1000; Avg bills cut: ~300 Avg bill size: ~Rs1,000 Annual sales: ~Rs100mn - Implied sales psf - Rs8,500
No of employees per store	~40-45	~20-25	~10	~20
Highlights	Store is located near a major railway station - had good footfalls for a morning on a weekday.	Store located bang opposite Max Fashions, which had very low footfalls vs Zudio at the same time of the day.	Located in a residential area, it was surprising to find no kids section in the store.	Number of employees were significantly low, given a larger store size. However, it has been only a few months since the store launch.

Source: Company, IIFL Research

Figure 44: Zudio store visit takeaways – a look from the outside



Source: Company, IIFL Research

Figure 45: Zudio store visit takeaways – store lay-outs



Source: Company, IIFL Research

Figure 46: Zudio store visit takeaways –kids section



Source: Company, IIFL Research

Figure 47: Zudio store visit takeaways – beauty and accessories' sections



Source: Company, IIFL Research

Figure 48: Zudio store visit takeaways – footwear sections



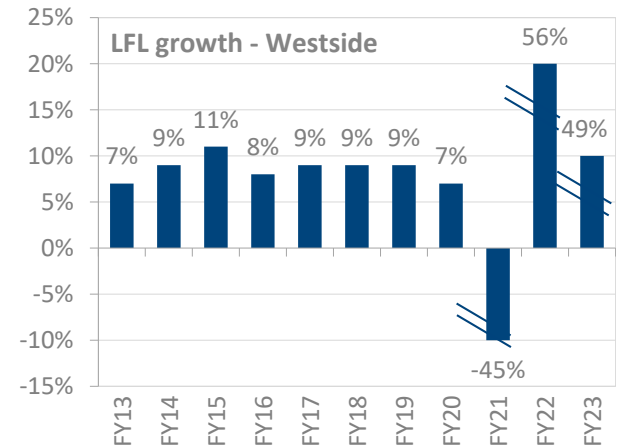
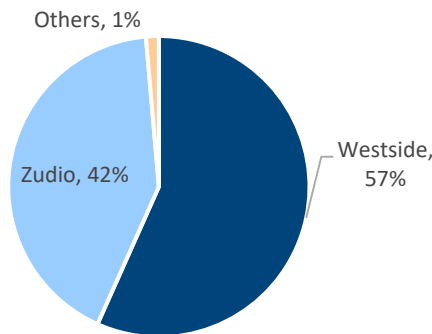
Source: Company, IIFL Research

**Background:** Established in 1998, Trent is one of the largest fashion retailers in India with its flagship format “Westside”. In recent times, the company has significantly scaled up its value fashion format – Zudio. Trent emphasizes on having end to end control over the inventory and retail operations with 100% exclusive brands across both formats and strong vendor relationships. It also has a JV with Tesco Plc UK – “Trent Hypermarket Ltd” which runs the hypermarket and supermarket chain under the “Star” banner. Further, it has two separate associations with Inditex group of Spain, to operate Zara stores and Massimo Dutti stores in India.

## Management

Name	Designation
Noel N Tata	Chairman
P. Venkatesalu	CEO
Neeraj Basur	CFO

## FY23 - sales split

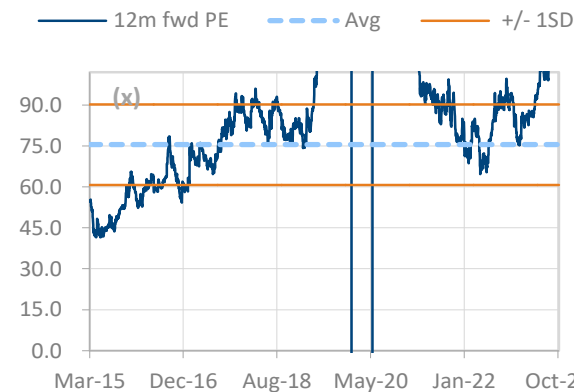


## Assumptions

Y/e 31 Mar, Parent	FY22A	FY23A	FY24ii	FY25ii	FY26ii
Westside - No of stores	200	214	239	269	299
Westside - Sales per sq ft	9,950	11,973	13,306	14,027	14,677
Westside Ebitda margin (%)	11.0	13.0	13.5	14.0	14.0
Zudio - No of stores	233	352	502	677	877
Zudio - Sales per sq ft	9,107	15,478	18,419	19,340	20,307
Zudio Ebitda margin (%)	1.0	3.6	4.5	5.2	5.7
Capex	1,268	2,605	3,439	4,322	4,893

Source: Company data, IIFL Research

## P/E



## EV/Ebitda





## Financial summary

### Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY22A	FY23A	FY24ii	FY25ii	FY26ii
<b>Revenues</b>	<b>38,807</b>	<b>77,152</b>	<b>108,966</b>	<b>143,697</b>	<b>185,458</b>
Ebitda	6,335	11,193	14,067	18,546	23,873
Depreciation and amortisation	(2,831)	(4,632)	(5,695)	(7,347)	(9,326)
Ebit	3,505	6,560	8,372	11,199	14,546
Non-operating income	2,790	4,117	3,088	3,088	3,088
Financial expense	(2,933)	(3,572)	(3,736)	(4,750)	(6,010)
PBT	3,362	7,105	7,725	9,537	11,624
Exceptionals	(132)	0	0	0	0
Reported PBT	3,230	7,105	7,725	9,537	11,624
Tax expense	(734)	(1,559)	(1,944)	(2,401)	(2,926)
PAT	2,496	5,546	5,780	7,137	8,698
Minorities, Associates etc.	0	0	0	0	0
<b>Attributable PAT</b>	<b>2,496</b>	<b>5,546</b>	<b>5,780</b>	<b>7,137</b>	<b>8,698</b>

### Ratio analysis

Y/e 31 Mar, Parent	FY22A	FY23A	FY24ii	FY25ii	FY26ii
<b>Per share data (Rs)</b>					
Pre-exceptional EPS	7.3	15.6	16.3	20.1	24.5
DPS	1.7	2.2	4.1	5.0	6.1
BVPS	76.5	86.6	100.7	116.7	136.2
<b>Growth ratios (%)</b>					
Revenues	89.5	98.8	41.2	31.9	29.1
Ebitda	210.8	76.7	25.7	31.8	28.7
EPS	(658.3)	113.5	4.2	23.5	21.9
<b>Profitability ratios (%)</b>					
Ebitda margin	16.3	14.5	12.9	12.9	12.9
Ebit margin	9.0	8.5	7.7	7.8	7.8
Tax rate	22.7	21.9	25.2	25.2	25.2
Net profit margin	6.4	7.2	5.3	5.0	4.7
<b>Return ratios (%)</b>					
ROE	9.9	19.1	17.4	18.5	19.4
ROCE	9.9	14.5	13.9	14.2	14.4
<b>Solvency ratios (x)</b>					
Net debt-equity	0.0	0.0	0.0	0.0	(0.1)
Net debt to Ebitda	(0.1)	0.0	0.0	(0.1)	(0.2)
Interest coverage	1.2	1.8	2.2	2.4	2.4

Source: Company data, IIFL Research

### Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY22A	FY23A	FY24ii	FY25ii	FY26ii
Cash & cash equivalents	5,330	5,353	5,615	6,875	9,119
Inventories	8,225	13,369	19,405	25,590	33,027
Receivables	163	314	597	787	1,016
Other current assets	2,434	3,134	5,971	7,874	10,162
Creditors	3,142	6,437	8,956	11,811	15,243
Other current liabilities	1,791	2,574	4,478	5,905	7,622
<b>Net current assets</b>	<b>11,219</b>	<b>13,160</b>	<b>18,154</b>	<b>23,410</b>	<b>30,459</b>
Fixed assets	7,917	9,457	11,905	14,991	18,357
Intangibles	0	0	0	0	0
Investments	12,932	12,189	12,189	12,189	12,189
Other long-term assets	41,121	39,394	48,473	60,144	73,212
<b>Total net assets</b>	<b>73,189</b>	<b>74,201</b>	<b>90,720</b>	<b>110,735</b>	<b>134,218</b>
Borrowings	4,974	4,980	4,980	4,980	4,980
Other long-term liabilities	41,014	38,422	49,943	64,266	80,835
<b>Shareholders' equity</b>	<b>27,200</b>	<b>30,799</b>	<b>35,798</b>	<b>41,489</b>	<b>48,403</b>
<b>Total liabilities</b>	<b>73,189</b>	<b>74,201</b>	<b>90,720</b>	<b>110,735</b>	<b>134,218</b>

### Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY22A	FY23A	FY24ii	FY25ii	FY26ii
Ebit	3,505	6,560	8,372	11,199	14,546
Tax paid	(734)	(1,559)	(1,944)	(2,401)	(2,926)
Depreciation and amortization	2,831	4,632	5,695	7,347	9,326
Net working capital change	(2,847)	(1,918)	(4,732)	(3,997)	(4,805)
Other operating items	(441)	(1,227)	(922)	(1,903)	(2,288)
Operating cash flow before interest	(969)	2,049	1,769	4,313	6,206
Financial expense	(338)	(336)	(373)	(373)	(373)
Non-operating income	2,790	4,117	3,088	3,088	3,088
<b>Operating cash flow after interest</b>	<b>1,483</b>	<b>5,830</b>	<b>4,483</b>	<b>7,027</b>	<b>8,920</b>
<b>Capital expenditure</b>	<b>(1,268)</b>	<b>(2,605)</b>	<b>(3,439)</b>	<b>(4,322)</b>	<b>(4,893)</b>
Long-term investments	(1,989)	743	0	0	0
Others	(1,716)	(2,004)	0	0	0
<b>Free cash flow</b>	<b>(3,490)</b>	<b>1,965</b>	<b>1,044</b>	<b>2,705</b>	<b>4,028</b>
Equity raising	(28)	(1,556)	0	0	0
Borrowings	1,975	6	0	0	0
Dividend	(427)	(391)	(782)	(1,445)	(1,784)
Net chg in cash and equivalents	(1,970)	24	262	1,260	2,244

Source: Company data, IIFL Research

**Disclosure : Published in 2023, © IIFL Securities Limited (Formerly 'India Infoline Limited') 2023**

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**Add** - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

**Reduce** - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

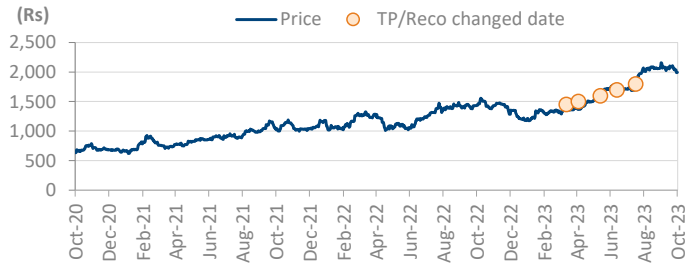
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Trent: 3 year price and rating history



Date	Close price (Rs)	Target price (Rs)	Rating
10 Aug 2023	1788	1800	ADD
07 Jul 2023	1710	1700	ADD
07 Jun 2023	1604	1600	ADD
28 Apr 2023	1382	1500	ADD
06 Apr 2023	1365	1450	ADD