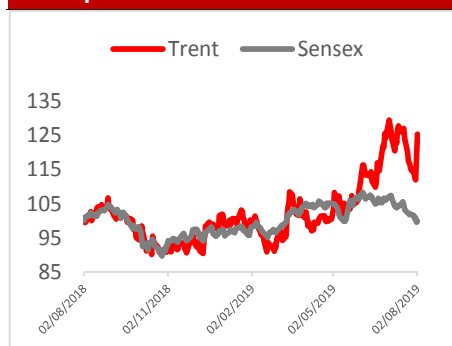



Result Update @ Dalal & Broacha
ACCUMULATE

Current Price	450
52 Week Range	Rs 313/464
Target Price	508
Upside	13%

Key Share Data

Market Cap (Rs.bn)	147.59
Market Cap (US\$ mn)	2093.47
No of o/s shares (mn)	332
Face Value	1
Monthly Avg. vol(BSE+NSE) Nos	184.23
BSE Code	500251
NSE Code	TRENT
Bloomberg	TRENT IN

Price performance


% Shareholding	Jun-19	Mar-19
Promoters	32.61	32.61
Public	67.39	67.39
Others	0.00	0.00
Total	100.0	100.0

Trent STANDALONE Results (regular)

Better than expectations Westside grows +21% YoY & 12% SSS

- Revenues increased by 30% YoY to Rs 7671.9mn (also includes Zudio) (Like-to-Like Westside +12% for Q1FY20 & +21% YoY in revenues)
- EBIDTA (Pre IND AS 116) stood at 979mn up by 38% YoY; reported increased by 131% YoY to Rs 1639mn. EBIDTA Margins (Pre IND AS 116) stood at 12.8% as against 12% YoY reported at 21.4% 12%

• % to Revenue:

Raw Material stood at 47% vs 45.6% YoY & was 52.6% in Q4FY19

Other Expenses stood at 15.4% as against 19.9%

Rental (Pre IND AS 116) 15.2% as against 12.6% YoY and reported stood at 6.6% as against 12.6%

• Depreciation (Pre IND AS 116) increased by 29% YoY and reported stood at Rs 531.81mn +409% YoY

• Int cost (Pre IND AS 116) increased by 245.3% YoY to Rs 257.27mn and reported increased by 702% YoY to Rs 597.3mn

• Other Income +530% YoY to Rs 359.01mn (Other Income includes ~110mn dividend income from Zara (second time in history))

• PBT (Pre IND AS 116) increased by 61% YoY to Rs 944.92mn and reported stood at Rs 864mn up by 47% YoY

PAT (adjusted, PRE IND AS116) increased by 65% YoY to Rs 633.1mn and reported stood at Rs 579.4mn up by 51% YoY

Going forward the management has maintained an **aggressive** growth target of ~140 stores across various formats between Westside and Zudio formats in FY20. In order to fund the aggressive expansion plans in the coming years the management is doing a Preferential allotment of Equity Shares to Tata Sons Amount Rs 9.5bn that would be in the near term / over and above this the board has also formed a committee towards raising additional fund of Rs 6bn (period not yet decided)

On short to medium term period based on SOTP model **we value Trent at Rs 508** (i.e. 30x EV/EBIDTA to Trent Standalone business 1x Price to Sales to Star bazaar and 35x PE to FY21e earnings of Zara)

We maintain ACCUMULATE

Consolidated Financials (Rs Mns)

Year	Net Sales	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	18,124.4	14.0%	1,257.0	6.9%	589.5	22.0%	1.8	253.7	3.8	4.6
FY18	21,574.6	19.0%	2,011.8	9.3%	870.3	48%	2.6	171.8	5.5	7.8
FY19	26,302.4	21.9%	2,277.2	8.7%	948.5	9%	2.9	157.7	5.8	8.6
FY20E	32,394.2	23.2%	3,263.0	10.1%	1,650.4	74%	5.0	90.6	9.4	12.3
FY21E	39,770.9	22.8%	4,515.2	11.4%	2,664.7	61%	8.0	56.1	13.4	15.7



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Analyst: Kunal Bhatia (022) 67141442

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Trent FY19 AGM KTA's

Store Additions aggressive FY20 target

Westside 40 (visibility 35) current 152 stores/76 cities

UTSA womens ethnic 1 current 5 stores

Zudio 100 stores (visibility 80) current stores 56/25 cities

Star 20-25 stores current 44

Capex 3.5-4.0bn (as per Chairman)

Opportunity: Modern retail is just 5% of entire retail market, scope to expand remains tremendous with increased urbanization, young demographic and rising per-capita income.

Other key Financials details for FY19 standalone:

Westside EBIT Rs 2100mn (~9%)

Less: Zudio loss Rs 50mn

Less: Landmark and corporate loss Rs 90mn (land mark has no cash losses in FY19)

Less: Investment Income Loss Rs 70mn

Less: Tax Rs 620mn

PAT (as reported) Rs 1270mn

Sales /Gross Margins% Details:

Westside Rs 24200mn/57.9%

Zudio Rs 1910mn/31%

Landmark Rs 670mn/35.4%

Wholesale Sales to Star and others Rs 430mn/14.6%

Total Rs 27210mn/54.7%

Others

StarBazaar at Churchgate makes profits / own brands 400 SKU's

Inventory norms best in the industry: 90% goods maximum days 180 / 10% 360days

Average GST for Westside is 9% / Zudio 5%

Zara performance was also impacted in FY19 on account of higher custom duty



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TRENT FY19 ANNUAL REPORT KTA's

A... WESTSIDE:

Stores: 150, 76 cities (71 in malls and 79 standalone) net added 25 in FY19 (closed 2) / modernized 9 stores

Average size Westside store: ~18000 sq. ft. / investment Rs 2,000 -2500 per sq. ft. for newer stores (fit-out) / capex+deposits+inventory ~Rs 60mn to 70mn per new store

Like for Like: 9% as against 9% YoY (3 consecutive years of 9% LTL) / Topline +17% YoY in case of only westside

Focus on latest fashion each week through a "fastfashion" anchored supply chain / rapid delivery of latest fashion by sharply reducing the "concept to customer" time

Wunderlove Lingerie now 99.8% of the overall lingerie segment as against 83% in FY18

Walk-ins +24% YoY to 44.96mn / *Shrinkage 0.18% as against 0.12% / clubwest members +13.3% YoY to 5.1mn (contribution of active members ~80%)

Average Bill size: Rs 2332 +6% YoY / Sales per SqFt (as per Annual Report): Rs 10225 +2.5% YoY

Own brands FY19: 97% of Revenues

Westside Online: via TATAcliq / omni-channel initiative good progress / leverage the existing store-network in various omni channel respects

B... ZUDIO:

Stores: Total 56 stores; 40 standalone (25 cities) and 16 in Star format stores total added 34 (including 1 Store in store in Star)

100% own brands

Revenues: Rs 2040mn +42% YoY (including Zudio standalone, Star and Tatacliq)

Sales per sq.ft for like-for-like independent stores: (higher than Westside) at Rs 14000 +34.5% YoY

Average Size per store 6000-8000sqft / **Capital Employed per store** Capex+deposit+inventory = Rs 30 to 40mn.



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Inventory levels scaled up on account of Zudio in standalone (from 60 days to 71 days)

Target 100 stores between Westside and ZUDIO in near to medium term.

Standalone store of UTSA brand started.

C... LANDMARK

Stores: 5 standalone + 11 Store-in-Stores in Westside

LFL =4% YoY

Tech gadgets driven by lifestyle trends have been the fastest category, followed by toys and sports.

D... STAR BAZAAR (Trent Hypermarket Ltd 50:50 JV):

(Trent's Investment increased Rs 4915.8mn as against Rs 4063.9mn)

Focus on Fresh on brands

Stores: 44 as against 35 YoY (29 Star Market, 10 Star Hyper {under THL}, 2 Star Hyper and 3 Star Market {under FHL})

Star Market stores 32 as against 20 YoY

STAR Financial Details (at 100%):

Revenues: Rs. 10005.4mn +6.5% YoY /

EBITDA loss **reduced** Rs.802mns as against Rs1035mn YoY

Net (adj) Loss **reduced** at Rs.913.4mn vs loss of Rs. 1120.8mn

(Net loss Rs 663.2mn – Rs 457.6mn exceptional gain)



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Own Brand Offering: 3 own brands with 300 SKU's / in several sub-categories own brands rank 1 or 2

3 brands include: 1. Klia (Cleaning-aids & home care products) 2. Fabsta(Range of flavourful food and beverages 3. SKYE: Personal care products

Direct Engagement with 250 farmers 70% of vegetables directly from farmers

Starquik the online grocery portal continued to deliver encouraging performance

E... JV ZARA and MASSIMO DUTTI 49% Stake:

(Total Investments Rs 501.3mn, no change YoY)

Zara: Stores 22 (+1 YoY) / Revenue: 14319mn +18% YoY / EBIDTA 10.7% as against 13.9% YoY* /PAT Rs 7149mn - 13% YoY

Massimo Dutti: Stores 3 / Revenues Rs634.8mn +39% YoY / Net loss Rs 19.4mn as against Rs 27.3mn YoY

F... Other KTA's

Employee on company's rolls 8009

Total Staff Strength Westside 6853 + Zudio 951 + Star 2202 + subsidiaries 760 +Landmark 205 = total 10971 vs 8746 YoY (+25.4%).

G... Proposed issue of Equity Shares

Shares up to 2.465crs (nos) preferential allotment to promoters.

H... Subsidiaries

1. Fiora Services Limited ("FSL")

Revenue -5.8% YoY to Rs 302.8mn



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2. Fiora Business Support Services Limited ("FBSSL")

Revenue +46% YoY 190.3mn

FSL and FBSSL have filed a joint petition with NCLT for the approval of the Scheme of Merger by absorption of FSL with FBSSL

3. Fiora Hypermarket Limited ("FHL")

Revenue flat at Rs 936.5mn

FHL incubated the Starquik online platform

Fiora Online Limited ("FOL") subsidiary of FHL {investors hold 25%} / Revenue +10% YoY to Rs 158.2mn.

SOTP Based Valuation:

Trent SOTP Method		Trent SOTP EV/EBIDTA Method				
Segment	Particulars		FY21	Metric	Multiple(X)	Per Share Contribution
Weside	PAT Standalone (Rs Mns)	EBIDTA	4471.784	EV/EBIDTA	30	134153.515
Star Bazaar 50% JV	Sales (Rs Mns)	Sales	6187	P/Sales	1	6187
Zara Trents Share 49%	PAT (Rs Mns)	PAT	619	P/E	35	21660
Less: Debt (Rs Mns)						3914
Add: Cash + Invest (Rs Mns)						
less Inv in Subs						10556
Total Value in Mns						168643
NO. of Shares (In Mns)						332
Value Per Share Rs						508
CMP						450
Upside						13%



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Standalone Particulars (Rs Mns)

	Q1FY19	(PRE IND AS 116)		(POST IND AS 116)	
		Q1FY20	Growth Pre INDAS 116	Q1FY20	Growth
Net Sales	5906.07	7671.88	29.9%	7671.88	30%
TOTAL Operating income	5906.07	7671.88	29.9%	7671.88	30%
Raw Material Consumed					
Stock Adjustment	477.72	83.63	-82.5%	83.63	-82%
Purchase of Finished Goods	2216.10	3522.99	59.0%	3522.99	59%
Total Raw Material Cost	2693.8	3606.6	33.9%	3606.6	34%
Employee Expenses	581.01	741.69	27.7%	741.69	28%
Rent and Other Operating Lease	745.29	1165.35	56.4%	505.35	-32%
Other Expenses	1176.29	1179.24	0.3%	1179.24	0%
TOTAL EXPENDITURE	5196.4	6692.9	28.8%	6032.9	16%
EBITDA	709.7	979.0	38.0%	1639.0	131%
Depreciation	105.23	135.81	29.1%	535.81	409%
Interest	74.52	257.27	245.3%	597.27	702%
PBT before Other Income	529.92	585.91	10.6%	505.91	-5%
Other Income	56.99	359.01	530.0%	359.01	530%
PBT Before Exceptional Items	586.91	944.92	61.0%	864.92	47%
Exceptional Items					
Share of Profit or loss in associates / JV as per equity Method					
PBT	586.9	944.9	61.0%	864.9	47%
Tax	203.30	311.82	53.4%	285.50	40%
Tax Rate	34.6%	33.0%		33.0%	-5%
Reported Profit After Tax	383.6	633.10	65.0%	579.42	51%
Adjusted Profit After Extra-ordinary item and Excl Inc from Discountinued Operations	383.6	633.1	65.0%	579.4	51%
Equity	332.32	332.32		332.32	
Face Value	1.00	1.00		1.00	
EPS (Unit Curr.) (on adjusted PAT)	1.15	1.91	65.0%	1.74	51%
OPM	12.0%	12.8%		21.4%	
NPM	6%	8%		7%	
% to Operating Income					
Total Raw Material Cost	45.6%	47.0%		47.0%	
Employee Expenses	9.8%	9.7%		9.7%	
Rent and Other Op Lease	12.6%	15.2%		6.6%	
Other Expenses	19.9%	15.4%		15.4%	
TOTAL EXPENDITURE	88.0%	87.2%		78.6%	



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