



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Update @ Dalal & Broacha

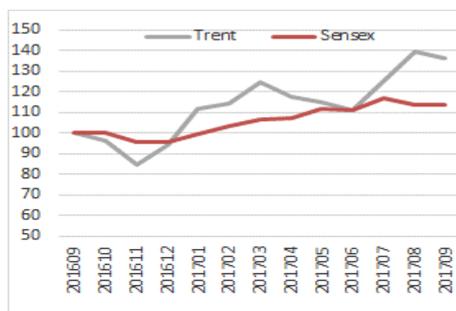
### ACCUMULATE

Current Price	292
52 Week Range	Rs 310.5/176.8

### Key Share Data

Market Cap (Rs.bn)	96.6
Market Cap (US\$ mn)	1509
No of o/s shares (mn)	332.3
Face Value	1
Monthly Avg.	
vol(BSE+NSE) Nos	190483
BSE Code	500251
NSE Code	TRENT
Bloomberg	TRENT IN

### Price performance



% Shareholding	Jun-17	Mar-17
Promoters	32.61	32.61
Institutions	38.66	38.76
Others	28.73	28.63
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Financials ( Consolidated)

Year	Net Sales	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY16	15,893.3	-30.4%	927.8	5.8%	483.2	-14.5%	1.5	200.8	3.3	3.5
FY17	18,339.2	15.4%	1,257.0	6.9%	852.4	76.4%	2.6	113.8	5.5	4.6
FY18E	21,727.2	18.5%	1,885.2	8.7%	1,200.3	41%	3.6	80.8	7.4	7.5
FY19 E	25,976.2	19.6%	2,668.2	10.3%	1,760.6	47%	5.3	55.1	10.0	10.6
FY20 E	30,979.9	19.3%	3,834.1	12.4%	2,742.7	56%	8.3	35.4	13.7	14.5

Consolidated Financials ( Rs Mns) ( All no.s as per IND AS from FY16)

We met up with the management Trent and we continue to be bullish on the company. The management reiterated its endeavour to open 20-25 Westside stores and believe that they have got the model right.

As for Star Bazar, the management stressed on the huge opportunity in the sector and expected that the change in the size of stores and focus on own labels will drive profitability going forward. We remain bullish on the stock over the long term.

**Valuations on "Consolidated" basis @ Rs 292:** 81x FY18eEPS Rs 3.6 and 55.4x FY19eEPS Rs 5.3.

Maintain Accumulate for long term.

### Following are the Key Take Aways from the meeting:

**Westside:**(located at 61 cities with 108 stores)

Trent is amongst the few players in India that has been able to crack the Women's fashion right.

Management is of the view that the markets have been most favorable in the recent times if compared to the last 10 years.

Apparels have started getting priority in-terms of discretionary spend (even for an entry-level service income person) for aspirational items.

Indians average spend on apparel per person is still ~45\$ as compared to \$172 in China, indicating a huge opportunity.

"Fashion" changing at fast space makes it difficult for smaller un-organised players to cope-up. Demonetization and GST has also had an impact on them.

Women's apparels form a dominant portion of Westside apparel sales (~67%) and would continue in the similar fashion.

**Shelf life of newly launched apparels in Westside** is clearly determined; a product which does not work within 1<sup>st</sup> four-weeks of launch is removed and sold during the immediate End of season sale period and discarded post that.

**Stores:** FY17 Westside added 17 stores (net) FY18 they plan to add 20, going forward as well 20-25 stores additions is planned.

Every 3 months the look-and-feel of stores is changed which is a continuous effort and key ingredient of their success.

GST would help the company to set-off the service tax paid on rentals as against GST paid on goods sold thus reducing the differential on Owned properties as against rented properties.

**Private Labels:** Westside now has 95% revenues from private labels, 90% of lingerie now is in-house as compared to only 3rd-party 3 years back. Kids wear and footwear too are doing well.

80% of Westside sales are at full price.

**Gourmet Westside** performance has been below expectations and the management plans to work more on products will have to get more regionally segregated and have more own brands, however it forms a very small portion of their revenues currently.



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### ZUDIO

Zudio a value fashion apparel business, is part of THPL JV currently; Trent (standalone) has already approved acquiring the same. Trent plans to add ~ 10 new stores in FY18, these stores would be approximately 6000 sqft each with a capex of ~10mn per store. Bangalore store opened last year has broken even and has started making money since Q1FY18. Zudio brands turnover in FY17 stood at Rs1190mn.

### STAR BAZAAR:

With just few players being able to achieve success in the space where food has a dominant share; in addition to the fact that the future generations of the existing smaller player's (i.e local kirana stores), would not continue with the same business, the management is confident of getting the model right over the next few years. As also indicated in the AGM, Foods Sector in India is an Rs 23lakh crore opportunity so the growth potential is tremendous.

**Store Rationalization:** The management with experience believes that Star Market i.e. 8000-10000sq ft stores would be the appropriate size of store for the future, hence have closed many Star Daily's and reduced the size of Star Hyper. Going forward as well they would be opening more Star Market's. We believe FY18 would see addition of ~15-20 stores.

Foods as a category in the current period is still struggling.

**Private Labels:** The management along with Tesco is putting lot of efforts to introduce more private labels, currently private labels is ~50% however the intent is to replace FMCG products that would give them higher margins going forward. The management endeavor is to get to a level of 70-80% own labels that would generate strong level of profitability.

### ZARA:

In case of Zara the format would continue to open 2-3 stores on an annual basis, H&M is a competitor but not a big threat as Zara has been competing with them globally.

**Going forward** we expect Trent to grow at CAGR of 20 -25% over next 3-5 years supported by the huge opportunity in the food & organized retail sector and the company's accelerated store opening program in the coming years.



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