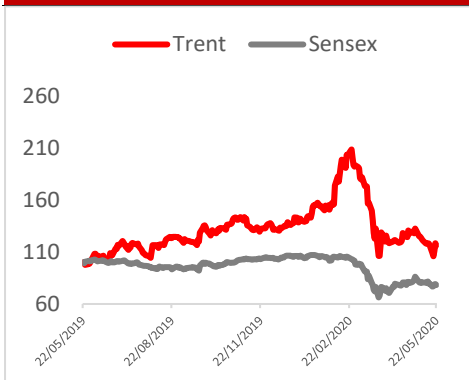



**Result Update @ Dalal & Broacha**
**HOLD**

Current Price	443
52 Week Range	368/804
Target Price	498
Upside (%)	12%

**Key Share Data**

Market Cap (Rs.bn)	157.37
Market Cap (US\$ mn)	2057.12
No of o/s shares (mn)	355.48
Face Value	1
Monthly Avg. vol(BSEgrew byNSE)	
Nos'000	503.13
BSE Code	500251
NSE Code	TRENT
Bloomberg	TRENT:IN

**Price performance**


% Shareholding	Mar-20	Dec-19
Promoters	37.01	37.01
Public	62.99	62.99
Others	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Trent Q4FY20 standalone results were in-line with our estimates on revenues however PBT was below expectations.**

**Net Sales for Q4FY20** increased by 8.1% YoY to Rs 7227.8mn. The results were mainly impacted by COVID-19 related developments in March-2020. Revenues up to Feb-2020 grew by 33%.

**Westside** grew by 16% for Full year FY20 and SSS growth stood at 7.3%. However YTD Feb-2020, same store sales growth stood at 12.6%.

**Zudio and landmark together have grown ~90%+.**

**The store additions during the year remained strong with 20 new stores in case of Westside, 41 in case of Zudio and 2 in case of Utsa.**

**Earnings before Interest and Tax (EBIT before other income) declined by 90% YoY to Rs 21.2mn.**

**As % to Revenues:**

**Raw Materials** stood at 53.5% as against 52.6% YoY and **Other expenses** at 17.7% v/s 19.7% YoY.

**Employee cost** rose by 12.3% YoY to Rs 758.15mn however on a QoQ basis was down 6% YoY.

**PBT (post IND-AS 116)** stood at 66.5mn down 64% YoY, however on a comparable basis PBT stood at 104.5mn down 43% YoY.

**Tax rate** stood at 60.8% v/s 38.7% YoY.

**(the Company has recognized provision for income tax as per section 115BAA of the Income Tax Act, reducing the marginal tax rate to 25.2%. However, consequentially, the related write down with respect to deferred tax assets (recognized pursuant to IndAS 116 transition) has been recognized.)**

**PAT (post IND-AS 116)** declined by 84% YoY.

**For full year FY20**

**Revenues** increased by 26% YoY to Rs 31776mn. **EBIT (before other income)** increased by 17% YoY to Rs 2230mn and **EBIT margins** stood at 7.2% v/s 7.5% YoY.

**PBT (post-IndAS 116)** basis increased by 30% to Rs 2455.2mn and on a comparable basis stood at 2766.5mn up by 46.2mn.

**Adjusted PAT** increased by 25.5% YoY to Rs 1603.6mn

**On Pre-Ind AS 116 basis the company did an EPS of Rs 5.1 v/s Rs 3.8 YoY.**

**Management Interaction post results**

**WESTSIDE AND ZUDIO**

(no of stores 165 Westside and 80 Zudio)

-In Q4FY20 stores started shutting due to Covid-19 since **13-Mar-2020** which impacted 15 days sales.

-**Stores re-opened:** 75 ( of which ~25 Zudio); Westside as of now is doing better than Zudio./ Focus is to re-open as many stores as possible.

**Key Financials (in mn)**

Year	Net Sales	% Growth	EBIDTA	OPM%	PAT	Growth	EPS	PE (x)	ROE%	ROCE%
FY18	20662.90	15.06	2,013.6	9.75	1167.24	33.67	3.51	126.1	7.22	7.95
FY19	25316.80	20.37	2,365.3	9.34	1277.93	9.48	3.85	115.2	7.53	9.09
FY20	31776.20	22.52	2,941.3	9.26	1827.85	43.03	5.14	86.2	7.31	7.99
FY21E	28754.33	-9.51	974.0	3.39	664.97	-63.62	1.87	236.8	2.64	0.84
FY22E	46207.18	60.70	4,537.5	9.82	3287.94	394.45	9.25	47.9	11.78	12.33



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-**Response:** places where shops are started customers are not averse to shopping / **trading down** is happening however average spend per person is up

-Product mix is slightly changing, demand for formals has reduced and athleisure and innerwear has gone up

**Store-Openings FY21:** 17 Zudio and 4 Westside are under-fitout stage but work was stopped due to lock-down, in FY21 the management would put efforts towards re-opening of existing stores and getting them back on track.

**Gross Margins:** Discounting to some-extent would be reduced which would aid gross margins, however product mix will have its weightage.

**Rent** in case of westside and Zudio ~50% are on fixed rentals remaining a mix of revenue share and commission based, hence do expect some savings, on this cost if sales reduce.

**Employee cost** too has a variable portion that led to QoQ fall from Rs 804mn to Rs 758mn in Q4FY20. (no of employee on direct payroll ~11000)

Supply chain not an issue as many vendors even at reduced capacity are out of work thus would be available for Trent, as they are confident of timely payments.

### STAR-BAZAAR

(no of stores 54)

- Lock-down has given more confidence on the 8000-10000sqft store model as neighbourhood stores have gained higher level of acceptance

-**Average Bill Size** has gone up and people are shopping less often.

-Initial days of lock-down witness huge stocking-up by customers, which has slightly come-off but remains higher than average.

-**Star Fresh** (products i.e. vegetables and other products) has received good feedback as more people are getting exposed to Star Bazaar / execution in-terms of handling lot of customers and maintaining regular supply is a challenge

**Overall the management did allude to short-term issue however Longterm vision and focus on all ends remains intact**

**Valuations:** At CMP of Rs 443 (on standalone pre-ind as-116 numbers) the stock is trading at 86x its FY20 EPS of Rs 5.1 and 237x its FY21e EPS of Rs 1.87 (due to COVID impact) and 48x its FY22e EPS of Rs 9.2. **Based on our SOTP method we assign PE of 45x to FY22e EPS of Trent & 30x to FY22e EPS of Zara and 1xSale of Star Bazaar and arrive at a target price of 498 and revise our rating from ACCUMULATE to HOLD.**


**Quarterly Result Snapshot**

Standalone Particulars ( Rs Mns)						
Particulars	Q4FY19	(POST IND AS 116) Q4FY20	Growth	FY19	FY20(pos t Ind-as 116)	Growth
Revenues	6686.734	7227.77	8.1%	25316.76	31776.71	25.5%
Raw Material	3514.619	3869.87	10.1%	12323.43	16037.47	30.1%
Employee	675.316	758.15	12.3%	2524.59	3131.06	24.0%
Rent	841.508	390.45	-53.6%	3179.63	2025.65	-36.3%
Other Expenses	1317.657	1279.88	-2.9%	4923.82	4892.94	-0.6%
EBIDTA	337.634	929.42	175.3%	2365.29	5689.59	140.5%
Other Income	88.224	343.62	289.5%	363.06	1517.62	318.0%
Depreciation	135.423	611.56	351.6%	464.66	2311.27	397.4%
Interest Cost	102.673	594.72	479.2%	367.55	2382.91	548.3%
PBT (before Exceptional)	187.762	66.76	-64.4%	1896.13	2513.03	32.5%
Exceptional Items	-4.5	-0.26	-94.2%	-4.50	-0.26	-94.2%
PBT Reported	183.262	66.5	-63.7%	1891.63	2455.17	29.8%
PBT Comparable	183.262	104.452	-43.0%	1891.63	2766.24	46%
Tax	23.745	40.4	70.1%	616.65	909.36	47.5%
Tax Rate	13.0%	60.8%	368.9%	32.6%	37.0%	13.6%
PAT Reported	159.517	26.1	-83.6%	1274.99	1545.80	21.2%
Pat Adjusted	162.532	26.2742	-83.8%	1278.1	1603.6	25.5%
Equity	332.315	355.47	7.0%	332.32	355.47	7.0%
EPS Reported	0.48	0.07	-84.7%	3.84	4.35	13.3%
Eps Adjusted	0.49	0.07	-84.9%	3.8	4.5	17.3%
OPM	5.0%	12.9%		9.3%	17.9%	
NPM						
% to Operating Income						
Total Raw Material Cost	52.6%	53.5%		48.7%	50.5%	
Employee Expenses	10.1%	10.5%		10.0%	9.9%	
Rent and Other Op Lease	12.6%	5.4%		12.6%	6.4%	
Other Expenses	19.7%	17.7%		19.4%	15.4%	
TOTAL EXPENDITURE	95.0%	87.1%		90.7%	82.1%	



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### Result Update@ Dalal & Broacha

Trent STANDALONE Financials						Cash Flow St. (Rs. mn)					
P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	FY18	FY19	FY20	FY21E	FY22E	
Net Sales	20,662.9	25,316.8	31,776.2	28,754.3	46,207.2	Net Profit	1,167.2	1,274.9	1,827.7	665.0	3,287.9
Cost of sales	(18,649.3)	(22,951.5)	(28,834.9)	(27,780.3)	(41,669.7)	Add: Dep. & Amort.	417.1	464.7	706.0	744.8	849.5
<b>Operating Profit</b>	<b>2,013.6</b>	<b>2,365.3</b>	<b>2,941.3</b>	<b>974.0</b>	<b>4,537.5</b>	<b>Cash profits</b>	<b>1,584.4</b>	<b>1,739.6</b>	<b>2,533.7</b>	<b>1,409.8</b>	<b>4,137.5</b>
Depreciation	(417.1)	(464.7)	(706.0)	(744.8)	(849.5)	(Inc)/Dec in					
PBIT	1,596.5	1,900.6	2,235.3	229.2	3,688.0	-Sundry debtors	(99.6)	(10.7)	8.0	13.1	(74.0)
Other income	425.5	363.0	1,517.1	1,316.5	1,363.0	-Inventories	(408.7)	(1,502.5)	(971.2)	576.0	(3,256.9)
Interest	(305.6)	(367.5)	(986.9)	(657.1)	(657.1)	-Loans/advances	(532.1)	(560.9)	(503.2)	-	(895.9)
Profit before tax	1,716.4	1,896.1	2,765.4	888.6	4,393.9	-Current Liab and Provisions	(502.6)	1,638.7	21,267.5	(266.4)	1,895.9
Exceptional and Extra Ordinary	-	(4.5)	(0.3)	-	-	Change in working capital	(1,543.0)	(435.5)	19,801.1	322.6	(2,330.9)
PBT ( Post Extra Ordinary)	1,716.4	1,891.6	2,765.2	888.6	4,393.9	<b>CF from Oper. activities</b>	<b>41.4</b>	<b>1,304.1</b>	<b>22,334.7</b>	<b>1,732.4</b>	<b>1,806.6</b>
Provision for tax	(549.1)	(616.7)	(937.5)	(223.7)	(1,105.9)	<b>CF from Inv. activities</b>	<b>(730.0)</b>	<b>(603.3)</b>	<b>(26,655.7)</b>	<b>1,035.0</b>	<b>(1,425.0)</b>
<b>Reported PAT</b>	<b>1,167.2</b>	<b>1,274.9</b>	<b>1,827.7</b>	<b>665.0</b>	<b>3,287.9</b>	<b>CF from Fin. activities</b>	<b>676.2</b>	<b>(494.5)</b>	<b>4,252.1</b>	<b>(1,499.4)</b>	<b>(533.2)</b>
MI	-	-	-	-	-	<b>Cash generated/(utilised)</b>	<b>(12.4)</b>	<b>206.3</b>	<b>(68.9)</b>	<b>1,268.0</b>	<b>(151.6)</b>
<b>Adjusted PAT</b>	<b>1,167.2</b>	<b>1,277.9</b>	<b>1,827.8</b>	<b>665.0</b>	<b>3,287.9</b>	Cash at start of the year	315.6	303.2	509.5	440.6	1,708.6
						Cash at end of the year	303.2	509.5	440.6	1,708.6	1,557.0
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	332.3	332.3	355.5	355.5	355.5	OPM	9.7	9.3	9.3	3.4	9.8
Reserves	15,839.2	16,635.7	24,634.4	24,801.7	27,556.5	NPM	5.5	5.0	5.5	2.2	6.9
<b>Net worth</b>	<b>16,171.5</b>	<b>16,968.0</b>	<b>24,989.9</b>	<b>25,157.2</b>	<b>27,911.9</b>	Tax rate	(32.0)	(32.5)	(33.9)	(25.2)	(25.2)
<b>Non Current Liabilities</b>	<b>1,128.3</b>	<b>3,143.2</b>	<b>24,696.9</b>	<b>23,695.1</b>	<b>23,727.0</b>	<b>Growth Ratios (%)</b>					
<b>Current Liabilities</b>	<b>5,843.4</b>	<b>5,494.7</b>	<b>4,264.1</b>	<b>3,997.7</b>	<b>5,861.8</b>	Net Sales	20.4	22.5	25.5	(9.5)	60.7
<b>CAPITAL EMPLOYED</b>	<b>23,143.2</b>	<b>25,605.9</b>	<b>53,950.9</b>	<b>52,850.0</b>	<b>57,500.7</b>	Operating Profit	64.2	17.5	24.4	(66.9)	365.9
<b>Non Current Assets</b>	<b>16,245.6</b>	<b>16,040.6</b>	<b>36,768.3</b>	<b>36,488.5</b>	<b>37,068.1</b>	PBIT	87.8	19.0	17.6	(89.7)	1,509.0
Fixed Assets	5,874.7	7,121.7	26,413.8	26,134.0	26,709.4	PAT	33.7	9.5	43.0	(63.6)	394.5
Non Current Investments	10,285.1	8,809.3	9,268.5	9,268.5	9,268.5	<b>Per Share (Rs.)</b>					
Deferred Tax Asset	<b>28.3</b>	<b>71.8</b>	<b>1,069.5</b>	<b>1,069.5</b>	<b>1,069.5</b>	Net Earnings (EPS)	3.5	3.8	5.1	1.9	9.2
Long Term Loans and Advances	57.5	37.7	16.4	16.4	20.5	Cash Earnings (CPS)	4.8	5.2	7.1	4.0	11.6
<b>Current Assets</b>	<b>6,897.6</b>	<b>9,565.3</b>	<b>17,182.6</b>	<b>16,361.5</b>	<b>20,432.6</b>	Dividend	1.2	1.3	1.4	1.5	1.6
<b>Current investments</b>	<b>233.8</b>	<b>601.2</b>	<b>6,799.7</b>	<b>5,299.7</b>	<b>5,299.7</b>	Book Value	48.7	51.1	70.3	70.8	78.5
Inventories	3,391.5	4,894.0	5,865.2	5,289.3	8,546.1	Free Cash Flow	(2.1)	2.1	(12.2)	7.8	1.1
Trade Receivables	130.6	141.3	133.3	120.2	194.2	<b>Valuation Ratios</b>					
Cash and Bank Balances	303.2	509.5	440.6	1,708.6	1,557.0	P/E(x)	<b>126.1</b>	<b>115.2</b>	<b>86.2</b>	<b>236.8</b>	<b>47.9</b>
Short Term Loans and Advances	298.4	299.8	856.6	856.6	1,070.8	P/B(x)	9.1	8.7	6.3	6.3	5.6
Other Current Assets	2,540.1	3,119.5	3,087.2	3,087.2	3,764.8	EVEBIDTA(x)	74.9	63.7	54.4	162.0	34.8
<b>CAPITAL DEPLOYED</b>	<b>23,143.2</b>	<b>25,605.9</b>	<b>53,950.9</b>	<b>52,850.0</b>	<b>57,500.7</b>	Div. Yield(%)	0.3	0.3	0.3	0.3	0.4
						<b>FCF Yield(%)</b>	<b>(0.5)</b>	<b>0.5</b>	<b>(2.7)</b>	<b>1.8</b>	<b>0.2</b>
						<b>Return Ratios (%)</b>					
						ROE	7.2	7.5	7.3	2.6	11.8
						ROCE	7.9	9.1	8.0	0.8	12.3



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