

Quantum of Recovery to be better



Trent Q4FY21 Standalone results were good in the given scenario. We expect post the second wave “Quantum of Recovery” would sharper

Important Key Takeaways

- **Revenue recovery in Westside:** stood at 96% for Q4FY21
- **PBIT** (ex of other income and IND-AS116) stood at Rs 570mn v/s Rs 21.2mn YoY. Margins were higher at 7.4% v/s 0.3% YoY and 3% in Q4FY19 aided by lower RM and employee cost
- **EBIDTA growth** stood at 55% on a YoY basis
- **Online Channel (for Westside):** grew by 150% YoY / contribution to Revenue 5%
- **New+under fitouts stores** stood at 80

Financials

- **Revenue:** grew 7% YoY to Rs 7736.81mn (QoQ +7%)
- **EBIDTA** (post IND-AS116) Rs 1365.7mn +55% YoY (QoQ -24%)
EBIDTA Margins 17.7% v/s 12.2% YoY
- **PBT** excluding Other Income stood at Rs 131mn v/s loss 326mn YoY (QoQ -78.7%)
- **PAT (adj)** stood at Rs 614.3mn v/s 26.3mn YoY (-23% QoQ)

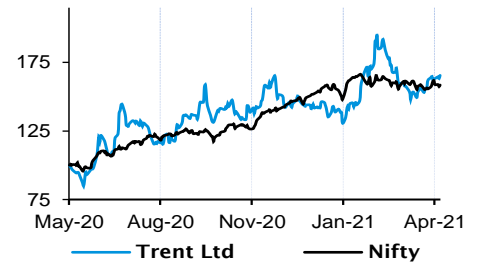
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	820	6

Market data

Current price	Rs	776
Market Cap (Rs.Bn)	(Rs Bn)	277
Market Cap (US\$ Mn)	(US\$ Mn)	3749
Face Value	Rs	1
52 Weeks High/Low	Rs	945/402
Average Daily Volume	('000)	675
BSE Code		500251
Bloomberg		TRENT:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	37.01	37.01
Public	62.99	62.99
Others	0.00	0.00
Total	100	100

Source: Bloomberg

Financial Summary Standalone

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22e	FY23e
Net sales	25,317	31,777	20,475	32,283	48,306
% Growth	23	25.5	(35.6)	57.7	49.6
EBIDTA	2,365	5,632	2,928	4,887	10,151
Margins	9	18	14	15	21
PAT	1,277.9	1,546.0	(510.1)	483.8	3,928.7
growth (%)	9	21.0	(133.0)	(194.8)	712.0
EPS	3.8	4.3	(1.4)	1.4	11.1
P/E (x)	201.5	178.2	(540.0)	569.4	70.1
P/B (x)	15.2	11.0	11.0	11.0	9.7
EV/EBITDA (x)	110.3	49.4	93.9	56.3	27.0
ROCE (%)	9.1	11.9	2.3	9.1	25.2
RoE (%)	7.5	6.2	(2.0)	1.9	13.8

Source: Dalal and Broacha

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Other Details

- **Raw Material** (reported) as % to Revenue 46.8% v/s 53.5% YoY
- **Employee Cost** decreased by 10% YoY to Rs 682.24mn
- **Other Expenses** as % to Revenue was 26.7% v/s 23.8% YoY
- Other Income ex of Rental concession +54.5% YoY to Rs 607.93mn
Total O. Income 724.2mn +84% YoY
- **Rent Concession** for Q4FY21 2 Rs 116.3mn || full year FY22 stood at Rs 888mn
- **Stores**
 - Westside 174 v/s 165 YoY
 - Zudio 133 v/s 96 (incl 16 store in store) YoY
 - Fit-out and ready to open 19 westside and 15 Zudios = 34
Total new stores including fit outs = 80
- Inventory on a YoY basis down 32% to Rs 3946mn

Re-aligned some expenditures directly to Revenue (including lease payments)

Consolidated Results

- **Revenue:** grew by 7% YoY to Rs 9060mn
- **EBIDTA** grew by 57% YoY to Rs 1237.8mn
- **PBT (excluding Sh of Associates and JV)** stood at Rs 591 mn v/s loss of 72.3mn YoY
- **Share of loss of JV and Associates** declined and stood at Rs 192mn v/s 294mn YoY
- **PBT reported** stood at Rs 398.7mn v/s loss of Rs 366.6mn YoY
- **Owners PAT** grew by 127% YoY to Rs. 290.18mn

Sale of Booker India grew by ~10% YoY and increased by 3% QoQ to Rs. 1318mn (Consolidated Standalone)

Trent Management Interaction post Q4FY21 Results

QUANTAM Recovery expected to be shaper post vaccination

- **Demand:** As of now 2months pain but recovery this time (especially post vaccination) could be much sharper
 - On-ground situation has become a bit more un-predictable and difficult in this 2nd wave. Lots of people within the company too are getting impacted with ~300 active cases (of 10000 staff strength) at any given point in time.
- **What helped Trent in terms of demand in Q4FY21 and could drive faster growth post 2nd wave**
 - Recovery in malls stores (especially in metro) of Trent post 1st wave was ~50% || Non-metro standalone stores recovered fully.
 - ~2/3rd of stores are standalone which has now become a preferred choice of customers.
 - 34 stores in-fitout position which will open up
- **Store Operations:** Most of the stores are either close or not working at full strength on account of restrictions on timing, lower footfalls and so on.
- **Gross Margins improvement factors:**
 - Footfalls were lower but ticket size improved.
 - Most of the apparels were sold at full price, discounting was low which is evident from Inventory levels lower by 30% YoY.
- **Zudio:**
 - Aggressive store opening shows the confidence of the company on the model +37 stores FY21 and +17 in Q4FY21 with total stores at 133 now.
 - With average of 35-40 store opening a year Zudio will cross Westside in-terms of no. of stores in next ~2 years. Higher proportion of standalone and Non-metro stores helped sustain demand in Q4FY21.
 - Gross margins too were aided by less discounting.
- **Star Bazaar:** Operations were satisfactory and store openings, 13+ in FY21

Quarterly Financials

Standalone Particulars (Rs Mns)					
Particulars Rs Mns	Q4FY21	Q4FY20	Growth YoY (%)	Q3FY21	Growth QoQ (%)
Net Sales	7736.8	7227.8	7.0	7254.0	6.7
Other Operating Income					
TOTAL Operating income	7736.8	7227.8	7.0	7254.0	6.7
Stock Adjustment	-1247.2	-467.3	166.9	889.6	(240.2)
Purchase of Finished Goods	4870.2	4337.1	12.3	2275.4	114.0
Total Raw Material Cost	3623.0	3869.9	(6.4)	3165.0	14.5
Employee Expenses	682.2	758.2	(10.0)	685.4	(0.5)
Rent and Other Operating Lease		390.5			
Other Expenses (incl Rent since Q1FY21)	2065.9	1329.1	55.4	1603.8	28.8
O. Exps not attributable to current qtr		0.0			
TOTAL EXPENDITURE	6371.1	6347.6	0.4	5454.2	16.8
EBITDA	1365.7	880.2	55.2	1799.9	(24.1)
Depreciation	617.0	611.6	0.9	578.1	6.7
Interest	617.5	594.7	3.8	605.6	2.0
PBT before Other Income & before Excep	131.1	-326.1	(140.2)	616.2	(78.7)
Other Income	724.2	392.9	84.3	425.7	70.1
PBT Before Exceptional Items	855.3	66.8	1,181.0	1041.9	(17.9)
Exceptional Items	-63.4	-0.3			
Reported PBT	791.9	66.5	1,090.7	1041.9	(24.0)
Tax	223.2	40.4	452.4	245.3	(9.0)
Tax Rate	0.3	0.6	(53.6)	0.2	19.7
Reported Profit After Tax	568.8	26.1	2,078.4	796.6	(28.6)
Adjusted Profit After Extra-ordinary item and Excl Inc from Discounted Operations	614.3	26.3	2,237.2	796.6	(22.9)
Equity	355.5	355.5		355.5	
Face Value	1.0	1.0		1.0	
EPS (Unit Curr.) (on adjusted PAT)	1.7	0.1	2,237.2	2.2	(22.9)
Reported EPS	1.6	0.1	2,078.4	2.2	(28.6)
OPM	17.7%	12%		0.2	
NPM	7%	0%		0.1	
% to Operating Income					
Total Raw Material Cost	46.8%	53.5%		43.6%	
Employee Expenses	8.8%	10.5%		9.4%	
Rent and Other Op Lease	0.0%	5.4%		0.0%	
Selling & Administrative Expenses	0.0%	0.0%		0.0%	
Other Expenses	26.7%	18.4%		22.1%	
TOTAL EXPENDITURE	82.3%	87.8%		75.2%	

Source: Dalal & Broacha Research, Company

Like for like recovery in Westside was 96%

Raw Material cost was lower mainly on account of full price sales

Other Income includes Rent concession of Rs 120mn

Exhibit 1

Trent SOTP Method					
Segment	Particulars	FY23	Metric	Multiple(X)	Value/ Per Share Contribution
	PAT				
	Standalone				
Westside + Zudio	(Rs Mns)	3929	P/E	60	235724
Star Bazaar 50% JV	Sales (Rs Mns)	11850	P/Sales	1.5	17776
Zara Trents Share 49%	PAT (Rs Mns)	670	P/E	40	26815
Booker India 49%	Sales (Rs Mns)	4005	P/Sales	1.5	6008
Less: Debt (Rs Mns)					0
Add: Cash + Invest (Rs Mns) less Inv in Subs					5125
Total Value in Mns					291447
NO. of Shares (In Mns)					355
Value Per Share Rs					820
CMP					775
Upside					6%

Source: Dalal & Broacha Research, Company

Outlook and Valuation

Organized players have definitely gained in these difficult times due to scale and liquidity they could do faster ramp ups and get better sales.

- Management aggression towards store expansion with 80 stores opening in a pandemic year is a big positive.
- Grocery too seems to be on radar for the Tata group as a whole, hence we do feel that this is very positive for the Star-Bazaar platform.
- Trent's strong balance-sheet with Net Debt-free status (which has helped it pass through this difficult phase as well) and strong brand-presence across verticals aided with TATA-group's strong focus on consumer business are factors that would support its premium valuations.

Trent according to us has a very sustainable business model with high growth potential. The recent recovery post 1st wave (96% in case of Westside in Q4FY21) gives us confidence that post vaccination recovery after the second wave could be even sharper and company will soon reach growth phase, additionally with 34 fit-outs ready, will open immediately and give incremental sales. We believe the down-side from here is limited. Based on our SOTP valuation we arrive at a short-to medium term target price of Rs 820 and recommend Accumulate.

Financials

STANDALONE

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	25,316.8	31,776.7	20,475.3	32,282.7	48,305.6	Net Profit	1,274.9	1,545.9	(510.1)	483.8	3,928.7
Cost of sales	(22,951.5)	(26,144.7)	(17,547.2)	(27,395.4)	(38,155.1)	Add: Dep. & Amort.	464.7	2,311.2	2,358.7	2,600.0	2,974.6
Operating Profit	2,365.3	5,632.0	2,928.1	4,887.3	10,150.5	Cash profit s (Inc)/Dec in	1,739.6	3,857.1	1,848.6	3,083.9	6,903.3
Depreciation	(464.7)	(2,311.2)	(2,358.7)	(2,600.0)	(2,974.6)	Sundry debtors	(10.7)	8.0	(72.4)	(64.2)	(134.4)
PBIT	1,900.6	3,320.8	569.4	2,287.3	7,175.9	Inventories	(1,502.5)	(971.2)	1,919.5	(2,267.9)	(3,094.3)
Other income	363.0	1,517.6	1,152.5	971.8	880.2	Loans/advances	(560.9)	(503.2)	(345.2)	(480.4)	(951.8)
Interest	(367.5)	(2,382.9)	(2,379.8)	(2,612.5)	(2,805.9)	Current Liab and Provision	1,657.6	(268.1)	2,428.8	934.8	1,848.4
Profit before tax	1,896.1	2,455.5	(657.9)	646.6	5,250.2	Change in working capital	(416.6)	(1,734.5)	3,930.7	(1,877.8)	(2,332.1)
Exceptional and Extra Ordinary	(4.5)	(0.3)	(63.4)	-	-	CF from Oper. activities	1,323.0	2,122.6	5,779.3	1,206.1	4,571.2
PBT (Post Extra Ordinary)	1,891.6	2,455.3	(721.3)	646.6	5,250.2	CF from Inv. activities	(603.3)	(28,261.1)	(6,741.2)	(1,942.1)	(5,743.9)
Provision for tax	(616.7)	(909.4)	211.2	(162.7)	(1,321.5)	CF from Fin. activities	(513.4)	26,069.5	1,190.6	561.5	1,601.6
Reported PAT	1,274.9	1,545.9	(510.1)	483.8	3,928.7	Cash generated/utilise	206.3	(69.0)	228.7	(174.5)	428.9
MI	-	-	-	-	-	Cash at start of the year	303.2	509.5	440.5	669.2	494.7
Adjusted PAT	1,277.9	1,546.0	(510.1)	483.8	3,928.7	Cash at end of the year	509.5	440.5	669.2	494.7	923.6
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	332.3	355.5	355.5	355.5	355.5	OPM	9.3	17.7	14.3	15.1	21.0
Reserves	16,635.7	24,634.4	24,803.1	24,753.8	28,113.8	NPM	5.0	4.6	(2.4)	1.5	8.0
Net worth	16,968.0	24,989.9	25,158.6	25,109.3	28,469.2	Tax rate	(32.5)	(37.0)	(32.1)	(25.2)	(25.2)
Non Current Liabilities	3,143.2	24,696.9	25,174.8	26,281.0	28,470.3	Growth Ratios (%)					
Current Liabilities	5,494.7	4,264.1	6,737.3	7,660.6	9,490.0	Net Sales	22.5	25.5	(35.6)	57.7	49.6
CAPITAL EMPLOYED	25,605.9	53,950.9	57,070.7	59,050.9	66,429.6	Operating Profit	17.5	138.1	(48.0)	66.9	107.7
Non Current Assets	16,040.6	36,768.4	41,817.4	43,163.2	45,937.9	PBIT	19.0	74.7	(82.9)	301.7	213.7
Fixed Assets	7,121.7	26,413.9	29,572.8	30,914.9	33,684.2	PAT	9.5	21.0	(133.0)	(194.8)	712.0
Non Current Investments	8,809.3	9,268.5	11,146.1	11,146.1	11,146.1	Per Share (Rs.)					
Deferred Tax Asset	71.8	1,069.5	1,080.1	1,080.1	1,080.1	Net Earnings (EPS)	3.8	4.3	(1.4)	1.4	11.1
Long Term Loans and Advances	37.7	16.4	18.4	22.1	27.6	Cash Earnings (CPS)	5.2	10.9	5.2	8.7	19.4
Current Assets	9,565.3	17,182.5	15,253.4	15,887.7	20,491.7	Dividend	1.3	1.0	0.7	1.6	1.6
Current investments	601.2	6,799.7	6,145.7	4,145.7	4,145.7	Book Value	51.1	70.3	70.8	70.6	80.1
Inventories	4,894.0	5,865.2	3,945.7	6,213.6	9,307.9	Free Cash Flow	2.2	(73.5)	(2.7)	(2.1)	(3.3)
Trade Receivables	141.3	133.3	205.7	269.9	404.4	Valuation Ratios					
Cash and Bank Balances	509.5	440.5	669.2	494.7	923.6	P/E(x)	201.5	178.2	(540.0)	569.4	70.1
Short Term Loans and Advances	299.8	856.6	749.2	824.1	988.9	P/B(x)	15.2	11.0	11.0	11.0	9.7
Other Current Assets	3,119.5	3,087.2	3,537.8	3,939.7	4,721.2	EV/EBIDTA(x)	110.3	49.4	93.9	56.3	27.0
CAPITAL DEPLOYED	25,605.9	53,950.9	57,070.7	59,050.9	66,429.6	Div. Yield(%)	0.2	0.1	0.1	0.2	0.2
						FCF Yield(%)	0.3	(9.5)	(0.3)	(0.3)	(0.4)
						Return Ratios (%)					
						ROE	7.5	6.2	(2.0)	1.9	13.8
						ROCE	9.1	11.9	2.3	9.1	25.2

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services. D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have a actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 671 41442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 671 41446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 671 41412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 671 41449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 671 41486	BFSI
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 671 41441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com