



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

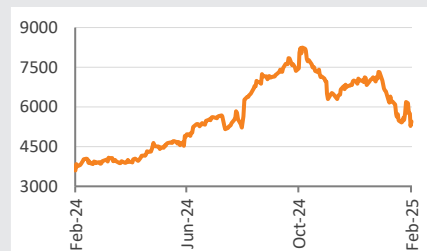
## Company details

Market cap:	Rs. 1,93,936 cr
52-week high/low:	Rs. 8,346 / 3,621
NSE volume: (No of shares)	11.0 lakh
BSE code:	500251
NSE code:	TRENT
Free float: (No of shares)	22.4 cr

## Shareholding (%)

Promoters	37.0
FII	27.0
DII	15.3
Others	20.7

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-20.6	-16.1	-0.3	51.2
Relative to Sensex	-20.2	-14.0	1.7	43.3

Source: Mirae Asset Sharekhan Research, Bloomberg

## Trent Ltd

## Staying resilient in tough times

Consumer Discretionary	Sharekhan code: TRENT		
Reco/View: Buy	↔	CMP: Rs. 5,456	Price Target: Rs. 6,609
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- Trent delivered another quarter of strong performance in Q3FY25 although slightly weaker than expectations with standalone revenue/PAT growing by 37% y-o-y each; EBITDA margin fell by 34 bps y-o-y to 18.5%.
- Revenue growth was driven by store additions (27% y-o-y net additions) and a high single-digit life-for-like (LFL) growth in the fashion concepts. Gross margin of Westside and Zudio remained consistent.
- Trent added 12 Westside and 58 Zudio stores (net) in Q3. It plans to optimise its store portfolio by upgrading or consolidating smaller footprint stores with newer stores in more attractive micro markets.
- Stock has corrected by 35% since its recent high and is trading at 63x/48x/39x its FY25E/FY26E/FY27E EV/EBITDA, respectively. We maintain Buy with a revised SOTP-based PT of Rs. 6,609.

Trent's Q3FY25 performance was strong in times of muted demand environment, although slightly weaker than expectations. Standalone revenue grew by 36.9% y-o-y to Rs. 4,535 crore, missing ours and the average street expectation of Rs. 4,637 crore and Rs. 4,656 crore, respectively. Revenue growth was driven by 27% y-o-y net store additions and high single-digit LFL growth in the fashion concepts. Gross margins declined by 124 bps y-o-y to 44.7%, while better operating efficiencies led to just 34 bps y-o-y decline in EBITDA margin to 18.5% (in line with our and average street expectation of 18.4%). EBITDA rose by 34.4% y-o-y to Rs. 838 crore and adjusted PAT grew by 36.6% y-o-y to Rs. 469 crore, lower than our and average street expectation of Rs. 535 crore and Rs. 526 crore, respectively, (due to a sharp 52% y-o-y increase in depreciation). In 9MFY25, revenue grew by 43.7% y-o-y to Rs. 12,562 crore, EBITDA margin stood flat y-o-y at 16.6% and PAT grew by 58% y-o-y to Rs. 1,235 crore.

## Key positives

- Gross margin of Westside and Zudio remained consistent.
- Star business reported a 25% y-o-y revenue growth with 10% LFL growth.

## Management Commentary

- In 9MFY25, revenue growth of 43% y-o-y was driven by 39% volume growth and store additions.
- Emerging categories (beauty and personal care, innerwear and footwear) continued to gain traction with customers; contributed to over 20% of standalone revenues.
- Online revenue from Westside.com and the Tata Neu platform increased by 45% y-o-y in 9MFY25 and contributed to over 6% of Westside revenues.
- In Q3FY25, Trent opened 14 Westside and 62 Zudio stores (including 1 in Dubai) and consolidated 2 Westside and 4 Zudio stores. At Q3FY25-end, its store portfolio included 238 Westside, 635 Zudio and 34 stores across other lifestyle concepts.
- With the objective of maintaining a consistent customer experience, the company plans to optimise its store portfolio by upgrading or consolidating smaller footprint stores with newer stores in more attractive micro markets.
- The Star business, consisting of 74 stores (nil stores added in Q3), delivered a strong 25% y-o-y revenue growth (10% LFL growth). The business continued to witness all-round improved operating performance, driven by own brands, staples, fresh and general merchandise offerings; own brands share has increased to 74% of revenues versus 69% in Q3FY24.

**Revision in earnings estimates** - We have reduced our earnings estimates for FY25, FY26 and FY26 to factor in lower-than-expected revenue growth in Q3, likely moderation in store expansion due to portfolio optimisation strategy and higher depreciation than earlier anticipated.

## Our Call

**View - Retain Buy with a revised PT of Rs.6,609:** Despite muted demand, Trent posted another quarter of strong numbers in the retail universe with largely stable EBITDA margin. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 35% since its recent high and is currently trading at 63x/48x/39x its FY25E/FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy on the stock with a revised SOTP-based price target (PT) of Rs. 6,609.

## Key Risks

Slowdown in consumer demand will act as a key risk to our earnings estimates in the near term.

## Valuation (Standalone)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,715	11,927	16,960	22,306	27,368
EBITDA Margin (%)	14.5	16.2	16.3	16.6	16.8
Adjusted PAT	555	1,070	1,602	2,341	2,897
% YoY growth	111.0	93.0	49.7	46.1	23.8
Adjusted diluted EPS (Rs.)	15.6	30.1	45.1	65.8	81.5
P/E (x)	-	-	-	82.9	66.9
P/B (x)	63.0	43.6	32.4	23.6	17.7
EV/EBITDA (x)	-	85.5	63.1	47.7	38.7
RoNW (%)	19.1	28.4	30.7	33.0	30.3
RoCE (%)	14.5	24.5	32.7	37.0	34.8

Source: Company; Mirae Asset Sharekhan estimates

**Results (Standalone)**

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Rs cr
					Q-o-Q (%)
<b>Net revenue</b>	<b>4,534.7</b>	<b>3,312.5</b>	<b>36.9</b>	<b>4,035.6</b>	<b>12.4</b>
Cost of goods sold	2,507.4	1,790.4	40.0	2,252.1	11.3
Gross profit	2,027.3	1,522.1	33.2	1,783.4	13.7
Staff cost	301.0	244.1	23.3	288.0	4.5
Rent expenses	389.4	285.8	36.3	404.0	-3.6
Other expenses	499.3	369.0	35.3	450.8	10.8
Total operating expenses	1,189.7	899.0	32.3	1,142.8	4.1
<b>EBITDA</b>	<b>837.6</b>	<b>623.2</b>	<b>34.4</b>	<b>640.7</b>	<b>30.7</b>
Other income	56.4	76.8	-26.6	138.7	-59.4
Interest	36.3	95.7	-62.1	32.4	12.0
Depreciation	239.3	157.5	51.9	191.5	25.0
Profit before tax	618.4	446.7	38.4	555.4	11.3
Tax	149.0	103.1	44.6	132.0	12.9
<b>Reported PAT</b>	<b>469.3</b>	<b>343.6</b>	<b>36.6</b>	<b>423.4</b>	<b>10.8</b>
EPS (Rs.)	13.2	9.7	36.6	11.9	10.8
			<b>bps</b>		<b>bps</b>
GPM (%)	44.7	46.0	-124	44.2	51
EBITDA Margin (%)	18.5	18.8	-34	15.9	260
NPM (%)	10.3	10.4	-2	10.5	-14
Tax rate	24.1	23.1	102	23.8	34

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Near-term outlook bleak; long-term growth prospects intact

In the near term, revenue growth for the branded retail and apparel companies is likely to be largely driven by store expansion, steady demand for premium products, and better consumer sentiments in urban markets/metros. In the medium to long term, market share gains, higher traction on the e-commerce platform, a strong retail space expansion strategy, and sustained expansion of the product portfolio will help branded apparel and retail companies post consistent growth. Better operating leverage, improved efficiencies, and an enhanced mix would help branded apparel and retail companies post higher margins in the coming years.

### ■ Company Outlook – Multiple levers in place for long-term growth

Trent's 9MFY25 numbers were good with revenues growing by 44% y-o-y, EBITDA margin remaining flat y-o-y at 16.6% and PAT growing by 58% y-o-y. Company's strong execution capabilities aided it to achieve a robust 3.8x revenue growth and 6.9x PAT growth in FY2024 over FY2020. Trent is seeing strong pick-up in new initiatives/categories through higher contribution from online sales and emerging categories. Accelerated store expansion, higher contribution from the online channel, and a pick-up in foods business will augur well in the near term. We expect the company's revenue and PAT to clock a 32% and 39% CAGR, respectively, over FY24-27E.

### ■ Valuation – Maintain Buy with a revised PT of Rs. 6,609

Despite muted demand, Trent posted another quarter of strong numbers in the retail universe with largely stable EBITDA margin. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 35% since its recent high and is currently trading at 63x/48x/39x its FY25E/FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy on the stock with a revised SOTP-based price target (PT) of Rs. 6,609.

#### Peer Comparison

Particulars	EV/EBITDA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Aditya Birla Fashion	25.8	20.5	16.5	0.3	0.9	0.8
Trent	85.5	63.1	47.7	24.5	32.7	37.0

Source: Company; Mirae Asset Sharekhan Research

## About company

Trent is part of the Tata Group and operates a portfolio of retail concepts. Its primary customer propositions include Westside, one of India's leading chains of fashion retail stores, Zudio, a one stop destination for great fashion at great value and Trent Hypermarket, which operates in the competitive food, grocery and daily needs segment under the Star banner. Westside stores have a footprint of 20,000-30,000 sq. ft. across 148 cities. Zudio, the value fashion format destination, operates with stores having a footprint of 7,000-10,000 sq. ft. Trent's supermarket concept – Star, offers a curated assortment of products including FMCG, staples and a comprehensive fresh offering. In addition, Trent has two separate associations with the Inditex Group of Spain to operate Zara and Massimo Dutti stores in India through Inditex Trent Retail India Private Limited.

## Investment theme

Trent is the only branded retail player with close to 100% share of private brands with a pan-India presence. Trent offers a strong set of brands catering to all categories of consumers, which has helped the company report the highest average revenue per square foot compared with other branded players. Trent has maintained its SSSG momentum over the years as well as its profitability is seen increasing on a y-o-y basis. Aggressive store expansion, better store fundamentals, higher contribution from private brands, omni-channel network, and innovative product offerings in the premium and value fashion space would be key growth drivers for the company going ahead.

## Key Risks

- ◆ Any slowdown in discretionary demand environment would impact SSSG, affecting revenue growth.
- ◆ Heightened competition, especially in the form of private labels by other branded players, would act as a threat to revenue growth.
- ◆ Any significant increase in key raw-material prices would affect the company's profitability.

## Additional Data

### Key management personnel

Name	Designation
Noel Tata	Chairman
Venkatesalu Palaniswamy	Managing Director
Neeraj Basur	Chief Financial Officer
Krupa Anandpara	Company Secretary and Compliance Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Dodona Holdings Ltd.	3.01
2	Wasatch Advisors Ltd.	3.00
3	Blackrock Inc.	2.11
4	Vanguard Group Inc.	2.08
5	Motilal Oswal Asset Management Co. Ltd	1.99
6	SBI Life Insurance Co. Ltd.	1.79
7	Yog Siddhartha	1.52
8	Amansa Holding Pvt. Ltd.	1.47
9	SBI Funds Management Ltd.	1.40
10	Axis Asset Management Co. Ltd.	1.27

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

<b>Right Sector</b>	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
<b>Right Quality</b>	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
<b>Right Valuation</b>	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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