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Q4FY22 result review
and earnings revision

Branded Apparels

Target price: Rs1,430

Earnings revision

(%)	FY23E	FY24E
Sales	↑ 2.2	↑ 7.8
EBITDA	↑ 5.0	↑ 9.9
PAT	↑ 7.1	↑ 10.5

*standalone

Target price revision

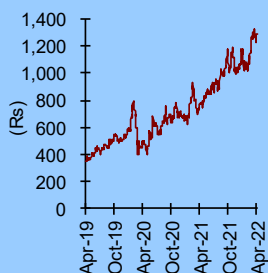
Rs1,430 from Rs1,250

Shareholding pattern

	Sep '21	Dec '21	Mar '22
Promoters	37.0	37.0	37.0
Institutional investors	41.3	41.4	41.8
MFs and others	6.0	6.8	7.2
FIs and Banks	0.0	0.0	0.0
Insurance Cos.	4.7	5.2	5.8
FPI	30.1	29.4	28.8
Others	21.7	21.6	21.2

Source: BSE

Price chart



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INDIA

ICICI Securities

Trent Ltd

BUY

Maintain

Rs1,226

Earnings upgrade continues

Trent's Q4FY22 revenue of Rs11.9bn (up 53% YoY) was ahead of our / consensus estimates, while EBITDA of Rs1.52bn was below our expectation owing to higher costs. In Q4, Westside format registered LFL growth of 16%/21% over FY20/FY21, respectively. In FY22, the company added 125+ new stores, taking the total store count to 200 for Westside and 236 for Zudio stores. Net cash declined from Rs4.3bn to Rs650mn despite OCF generation of Rs2.9bn due to Rs4bn working capital requirements, Rs2bn capex and net (of dividend) investments of Rs0.5bn in subsidiaries. Factoring higher than expected Zudio store additions, we raise our FY22-23E pre Ind-AS 116 EBITDA by 5-10%. We raise our DCF-based target price to Rs1,430/sh (earlier: Rs1,250/sh). Maintain BUY, given the company's strong track record of execution. Key risks: Lower discretionary spend, and any lockdown restriction.

- ▶ **Standalone revenue grew 53% YoY to Rs11.9bn** on low base and robust store additions, but dipped 12% QoQ as business was impacted in Jan/Feb'22 by the third wave of the pandemic. As per the management, Westside is now trading at an annual revenue run-rate of over Rs50bn and emerging categories like beauty and personal care, innerwear and home continued to gain traction.
- ▶ **Online revenue grew 74% YoY in FY22**, with 7% of Westside revenue coming through online channels. Westside products are now available on the recently launched, Tata Neu application (app that seeks to unite the Tata brand universe). Star Bazaar's food business continues to witness resilient customer traction with tight footprint stores, sharp pricing and focus on fresh and in-house brands.
- ▶ **Accelerated store expansion plans:** The company added 26 Westside stores in FY22, taking the total Westside store count to 200. Similarly, it added 103 Zudio stores in FY22, taking the total Zudio store count to 236, including SIS stores. We continue to model 100 / 130 fashion store additions in FY23 and FY24, respectively. We expect pre Ind-AS 116 EBITDA to scale up to Rs9.3bn by FY24E comprising Rs6bn EBITDA from Westside and balance from Zudio and others.
- ▶ **Gross margin declined ~400bps YoY to 49%** owing to lower full price participation in the Jan'22 End of Season Sale (EOSS). EBITDA margin too declined 480bps YoY to 12.9% due to 1) business disruptions by the third wave in Jan/Feb'22, 2) lower rental waivers and 3) robust store additions leading to higher operating costs. Employee expenses were up 48% YoY and other expenses were up 59% YoY.
- ▶ **However, both gross and EBITDA margins were better than pre-covid levels** of 46.5% and 12.2%, respectively. Reported EBITDA was up 11.5% YoY to Rs1.52bn. PAT was up 18.7% YoY at Rs750mn owing to Rs580mn dividend income from subsidiaries. With demand resuming normalcy from Mar'22, both gross and EBITDA margins are back to levels seen during Q3FY22, as per the management.

Market Cap	Rs435bn/US\$5.7bn	Year to Mar	FY21	FY22P	FY23E	FY24E
Reuters/Bloomberg	TREN.BO/TRENT IN	Revenue (Rs mn)	20,475	38,807	58,612	76,046
Shares Outstanding (mn)	355.5	EBITDA (Rs mn)	198	4,050	6,934	9,317
52-week Range (Rs)	1347/736	Net Income (Rs mn)	(154)	3,574	4,624	6,289
Free Float (%)	63.0	% Chg YoY	NA	NA	29.4	36.0
Fill (%)	28.8	P/E (x)	NA	101.1	76.7	56.9
Daily Volume (US\$'000)	11,874	CEPS (Rs)	1.6	12.5	16	21
Absolute Return 3m (%)	19.8	EV/E (x)*	NA	73.9	50.6	38.0
Absolute Return 12m (%)	56.4	Dividend Yield	0.1	0.1	0.1	0.2
Sensex Return 3m (%)	(0.6)	RoCE (%)	(0.2)	15.8	17.1	19.6
Sensex Return 12m (%)	17.3	RoE (%)	(0.8)	17.3	19.1	21.6

*includes other income ex-treasury income

Please refer to important disclosures at the end of this report

Table 1: Q4FY22 result review (standalone) – reported*(Rs mn, year ending March 31)*

	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Q4FY22E	% chg
Net sales	11,853	7,737	53.2	13,478	(12.1)	11,467	3.4
Raw materials	6,030	3,623	66.4	6,572	(8.2)	6,040	(0.2)
Employees cost	1,007	682	47.6	847	18.8	841	19.8
Others	3,292	2,066	59.4	3,141	4.8	2,866	14.8
Total Expenses	10,329	6,371	62.1	10,561	(2.2)	9,748	6.0
EBITDA	1,523	1,366	11.5	2,917	(47.8)	1,720	(11.4)
Interest	787	618	27.5	734	7.3	790	(0.3)
Depreciation	809	617	31.1	734	10.3	766	5.6
Other income	1,021	724	41.0	296	244.8	247	313.8
Recurring pre-tax income	949	855	10.9	1,746	(46)	411	130.6
Extraordinary income/(expense)	(1.5)	(63.4)	NA	-	NA	-	NA
Taxation	199	223	(11.1)	417	(52.4)	176	12.5
Reported Net Income	749	569	31.6	1,329	(43.7)	235	218.8
Recurring Net Income	750	632	18.7	1,329	(43.5)	235	219.4
Ratios (%)							
Gross margin	49.1	53.2	-405 bps	51.2	-212 bps	47.3	179 bps
EBITDA margin	12.9	17.7	-480 bps	21.6	-880 bps	15.0	-215 bps
Net profit margin	6.3	8.2	-185 bps	9.9	-354 bps	2.0	428 bps

Source: Company data, I-Sec research

Table 2: Q4FY22 result review (consolidated) – reported*(Rs mn, year ending March 31)*

	Q4FY22	Q4FY21	% YoY	Q3FY22	% QoQ
Net sales	13,289	9,055	46.7	14,991	(11.4)
Raw materials	7,373	4,862	51.6	8,027	(8.2)
Employees cost	1,178	814	44.7	997	18.2
Others	3,391	2,141	58.4	3,240	4.7
Total Expenses	11,942	7,818	52.8	12,264	(2.6)
EBITDA	1,346	1,238	8.8	2,726	(50.6)
Interest	814	643	26.6	767	6.1
Depreciation	890	678	31.2	805	10.6
Other income	441	674	(34.6)	309	42.9
Recurring pre-tax income	83	591	(85.9)	1,463	(94)
Extraordinary income/(expense)	-	0	NA	(155)	(100.0)
Taxation	196	224	(12.7)	435	(54.9)
Share in profit/ (loss) of associates/ JV per equity	(96)	(192)	NA	265	(136.3)
Minority interest	(210)	(116)	NA	(259)	NA
Reported Net Income	2	290	(99.5)	1,397	(99.9)
Recurring Net Income	2	290	(99.5)	1,552	(99.9)
Ratios (%)					
Gross margin	44.5	46.3	-180 bps	46.5	-194 bps
EBITDA margin	10.1	13.7	-354 bps	18.2	-806 bps
Net profit margin	0.0	3.2	-320 bps	10.4	-1035 bps

Source: Company data, I-Sec research

Table 3: Earnings revision (standalone) – pre Ind-AS 116

<i>(Rs mn)</i>	FY23E			FY24E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenues	58,612	57,344	2.2	76,046	70,571	7.8
EBITDA	6,934	6,602	5.0	9,317	8,476	9.9
PAT	4,624	4,318	7.1	6,289	5,691	10.5

Source: Company data, I-Sec research

Table 4: Segmental revenues and EBITDA – key assumptions (pre Ind-AS 116)

(Rs mn)	FY20	FY21P	FY22P	FY23E	FY24E
Revenues					
Westside	25,888	14,953	25,953	37,298	43,778
Landmark	1,109	1,122	1,347	1,616	1,940
Zudio	4,780	4,400	10,959	19,697	30,329
Zara- 49% JV	15,705	11,261	13,964	17,925	21,043
THPL- 50% JV	12,289	11,851	15,072	18,389	21,144
EBITDA					
Standalone	2,833	198	4,050	6,934	9,317
Zara- 49% JV	1,783	299	1,550	2,169	2,652
THPL- 50% JV	(973)	(938)	(937)	(831)	(596)
EBITDA margin (%)					
Standalone	10.7	1.1	11.5	11.9	12.5
Zara- 49% JV	11.4	2.7	11.1	12.1	12.6
THPL- 50% JV	(7.9)	(7.9)	(6.2)	(4.5)	(2.8)

Source: I-Sec research

Table 5: Standalone profit and loss account (post Ind-AS 116)

	FY20	FY21	FY22	FY23E	FY24E
Revenue	31,777	20,475	38,807	58,612	76,046
COGS	16,037	10,296	19,009	29,306	38,099
Gross Profit	15,739	10,179	19,799	29,306	37,947
Gross Margin (%)	49.5	49.7	51.0	50.0	49.9
Employee cost	3,131	2,550	3,379	4,495	5,528
As a % of sales	9.9	12.5	8.7	7.7	7.3
Other Expenses	7,025	5,591	10,084	14,422	18,559
As a % of sales	22.1	27.3	26.0	24.6	24.4
EBITDA	5,583	2,038	6,335	10,389	13,859
EBITDA Margin (%)	17.6	10.0	16.3	17.7	18.2
Depreciation	2,311	2,359	2,831	3,680	4,490
Dep as a % of sales	7.3	11.5	7.3	6.3	5.9
Other Income	1,567	2,042	2,790	2,232	2,567
As a % of sales	4.9	10.0	7.2	3.8	3.4
EBIT	4,838	1,722	6,294	8,941	11,936
EBIT Margin (%)	15.2	8.4	16.2	15.3	15.7
Finance Cost	2,383	2,380	2,933	3,461	4,049
As a % of sales	7.5	11.6	7.6	5.9	5.3
EBT	2,456	(658)	3,362	5,480	7,887
EBT Margin (%)	7.7	-3.2	8.7	9.3	10.4
Exceptional item	-0.3	-63.4			
EBT (exceptional item)	2,455	(721)	3,362	5,480	7,887
EBT Margin (%) post exceptional item	7.7	-3.5	8.7	9.3	10.4
Tax	909	(211)	734	1,381	1,988
Tax Rate (%)	37.0	29.3	21.8	25.2	25.2
PAT	1,546	(510)	2,628	4,099	5,900
PAT Margin (%)	4.9	-2.5	6.8	7.0	7.8

Source: I-Sec research

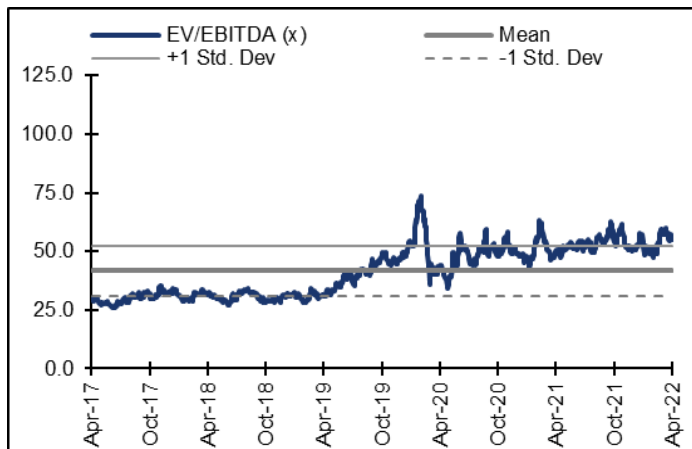
Table 6: DCF-based target price of Rs1,430/share

(Rs mn)

	FY24E
10-year EBIT CAGR growth (%)	29.0
Cost of Equity (%)	10.5
Terminal growth rate (%)	6.5
PV of 10yrs FCFE (Rs mn)	70,381
PV of terminal value (Rs mn)	362,802
DCF value (Rs mn)	433,182
Net debt (Rs mn)	118
Equity value (Rs mn)	433,064
No. of shares (in mn)	356
Standalone valuation (Rs/sh)	1,220
Inditex stake valuation (Rs/sh)- DCF	116
Trent Hypermarket (Rs/sh)- 2.5xBV	94
Target price	1,430

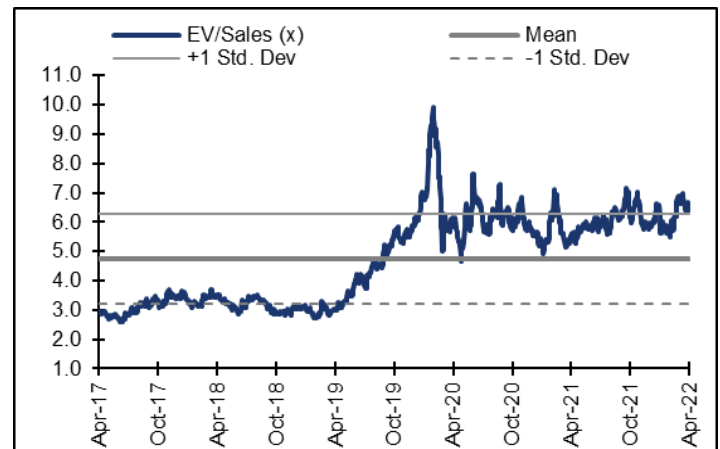
Source: I-Sec research

Chart 1: Rolling EV/EBITDA band (pre Ind-AS 116)



Source: I-Sec research, excluding THPL and other investments and assuming FY21 EBITDA same as FY20 for better analysis

Chart 2: Rolling EV/sales band



Source: I-Sec research, excluding THPL and other investments

Financial summary (standalone)

Table 7: Profit and loss statement

(Rs mn, year ending March 31)

	FY21	FY22P	FY23E	FY24E
Operating Income (Sales)	20,475	38,807	58,612	76,046
Operating Expenses	20,277	34,757	51,678	66,729
EBITDA	198	4,050	6,934	9,317
% margin	1.0	10.4	11.8	12.3
Depreciation & Amortisation	709	863	1,073	1,339
Gross Interest	274	418	550	550
Other Income	419	1,538	871	980
Recurring PBT	(365)	4,307	6,182	8,407
Add: Extra ordinaries	(63)	(132)	-	-
Less: Taxes	(211)	734	1,558	2,119
Net Income (Reported)	(217)	3,442	4,624	6,289
Recurring Net Income	(154)	3,574	4,624	6,289

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending March 31)

	FY21	FY22P	FY23E	FY24E
Assets				
Total Current Assets	9,045	15,351	18,724	25,035
Current Liab. & Prov.	3,330	5,560	7,101	9,387
Net Current Assets	5,715	9,792	11,623	15,648
Investments of which	17,292	17,239	17,439	17,539
Strategic/Group	10,662	12,337	12,937	13,437
Marketable	6,630	4,902	4,502	4,102
Net Fixed Assets*	7,389	8,513	10,597	12,069
of which				
Intangibles	-	-	-	-
Capital Work-in-Progress	340	340	340	340
Goodwill	-	-	-	-
Total Assets	30,397	35,544	39,659	45,256
of which cash & cash equivalents	7,300	5,646	3,653	4,881
Liabilities				
Borrowings	2,999	4,999	4,999	4,999
Deferred Tax Liability	-	-	-	-
Minority Interest	-	-	-	-
Preference share capital	-	-	-	-
Equity Share Capital	356	356	356	356
Face value per share (Rs)	1	1	1	1
Reserves & Surplus	27,042	30,189	34,304	39,901
Net Worth	27,397	30,544	34,660	40,257
Total Liabilities	30,397	35,544	39,659	45,256

Source: Company data, I-Sec research

Table 9: Quarterly trend

(Rs mn, year ending March 31)

	Jun-21	Sep-21	Dec-21	Mar-22
Net sales	3,273	10,204	13,478	11,853
% growth (YoY)	239.8	125.7	85.8	53.2
Recurring EBITDA	(318)	2,213	2,917	1,523
Margin (%)	(9.7)	21.7	21.6	12.9
Other income	523	949	296	1,021
Extraordinaries Inc / (Loss)	-	(130)	-	(1.5)
Recurring Net Income	(838)	1,386	1,329	750

Source: Company data

Table 10: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22P	FY23E	FY24E
Operating Cashflow	136	2,898	4,827	6,649
Working Capital changes	1,413	(4,002)	(3,425)	(2,396)
Capital Commitments	(665)	(1,986)	(3,157)	(2,812)
Net Operating FCF	885	(3,090)	(1,755)	1,440
Investing Activities	(1,584)	(138)	271	480
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	(14)	2,000	-	-
Dividend paid	(213)	(427)	(509)	(692)
Others	375	-	-	-
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank	(552)	(1,654)	(1,993)	1,228

Source: Company data, I-Sec research

Table 11: Key ratios

(Rs mn, year ending March 31)

	FY21	FY22P	FY23E	FY24E
Per Share Data (Rs)				
EPS(Basic)	(0.6)	9.7	13.0	17.7
Diluted Recurring EPS	(0.4)	10.1	13.0	17.7
Diluted Recurring CEPS	1.6	12.5	16.0	21.5
Dividend per share	0.6	1.2	1.4	1.9
Book Value	77	86	97	113
Growth Ratios (% YoY)				
Operating Income	(35.6)	89.5	51.0	29.7
EBITDA	(93.0)	1,943.5	71.2	34.4
Recurring Net Income	NA	NA	29.4	36.0
Diluted Recurring EPS	NA	NA	29.4	36.0
Diluted Recurring CEPS	(77.4)	699.1	28.4	33.9
Valuation Ratios (x)*				
P/E	NA	101.1	76.7	56.9
P/CEPS	NA	84.5	65.1	49.2
P/BV	16.2	15.9	13.4	11.1
EV / EBITDA	NA	73.9	50.6	38.0
EV / Operating Income	13.4	8.8	6.0	4.7
Operating Ratios (%)				
Raw Material / Sales	50.3	49.0	50.0	50.1
SG&A expenses / Sales	34.2	29.6	28.2	28.1
Other Income / PBT	(115.0)	35.7	14.1	11.7
Effective Tax Rate	57.9	17.0	25.2	25.2
NWC / Total Assets	0.1	0.2	0.3	0.3
Inventory (x)	4.2	6.4	5.7	5.4
Receivables (days)	3	2	1	1
Payable (days)	84	51	52	59
D/E Ratio (x)	(0.2)	(0.0)	0.0	0.0
Profitability Ratios (%)				
Rec. Net Income Margins	(0.7)	9.2	7.9	8.3
RoCE	(0.2)	15.8	17.1	19.6
RoNW	(0.8)	17.3	19.1	21.6
Dividend Payout	NA	11.9	11.0	11.0

Source: Company data, I-Sec research

Note: *Valuations based on ex-THPL and other investments, #pre-IndAS116

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