

BSE SENSEX 54,303
S&P CNX 16,202

CMP: INR1,114 TP: INR1,430 (+28%) Buy

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Stock Info

Bloomberg	TRENT IN
Equity Shares (m)	355
M.Cap.(INRb)/(USDb)	395.9 / 5.1
52-Week Range (INR)	1347 / 830
1, 6, 12 Rel. Per (%)	5/15/23
12M Avg Val (INR M)	880
Free float (%)	63.0

Financials Snapshot (INR b)

INR billion	FY22	FY23E	FY24E
Sales	45.0	70.2	87.4
EBITDA	5.7	11.6	15.2
NP	0.4	3.7	5.4
EBITDA Margin (%)	12.8	16.5	17.4
Adj. EPS (INR)	1.2	10.4	15.2
EPS Gr. (%)	NM	771.0	47.1
BV/Sh. (INR)	71.1	82.2	98.5

Ratios

Net D:E	1.7	1.4	1.2
RoE (%)	NM	14.4	18.0
RoCE (%)	2.0	9.0	10.5
Payout (%)	174.6	0.0	0.0

Valuations

P/E (x)	NM	105.4	71.6
EV/EBITDA (x)	73.3	36.7	28.0
EV/Sales (x)	9.7	6.2	5.0
Div. Yield (%)	0.2	0.0	0.0
FCF Yield (%)	-0.4	1.7	2.1

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	37.0	37.0	37.0
DII	13.4	12.5	10.3
FII	28.3	28.9	29.9
Others	21.2	21.6	22.8

Pursuing aggressive growth

We pored over Trent's Annual Report to capture the key details of its last year performance and draw insights from it. Here are the key takeaways:

Growth at all cost

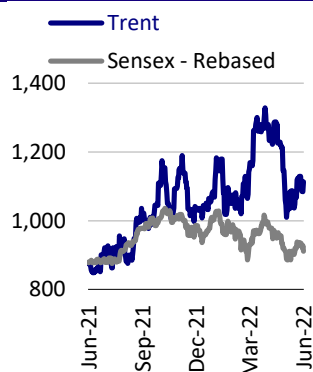
Despite the adverse impact of COVID-19 over the last two years, Trent's standalone revenue/PAT reported an encouraging CAGR of 11%/27% over FY20 to reach INR39b/INR2.5b, respectively, which was by far the best among peers. However, due to the increased losses in its subsidiary (Booker India), Trent's consolidated PAT (post-minority interest) contracted to INR346m in FY22 from INR1.0b in FY20. Consolidated EBITDA (Pre IND-AS 116) posted a 7% CAGR to INR2.3b over FY20-22. Trent's standalone revenue growth was fueled by Zudio's stellar performance (topline up >2x to INR11b), well supported by Westside that matched its FY20 revenue of INR27.3b. This was backed by cumulative store additions of 170/40 by Zudio/Westside over the last two years, (191%/21% addition), respectively.

ROIC depressed due to investments; Westside garners healthy returns

Trent's consolidated RoE/RoIC stood at ~2% in FY22 v/s 8% in FY20. The return ratios were weak mainly due to: a) low earnings, adversely impacted by COVID-19, b) investments made in loss making JV and subsidiaries viz., Trent Hypermarket (Star Bazaar) and Booker India and c) liquid investments. Excluding investments, standalone RoIC (post-tax) was at ~8% in FY22. However, the flagship (Westside)'s ROIC that stood at ~20% in FY20 (negative in FY21), now stands ~10% (post-tax). This was due to 20% lower revenue/sqft v/s >INR10,000 historically. Zudio turned EBITDA breakeven in FY22 but saw -1% ROIC, while Star Bazaar – the capital guzzler – posted -25% ROIC.

Healthy leverage; cashflows utilized to fuel growth

Trent operates on a strong consolidated net cash position of INR2.5b, despite the aggressive store additions over the last few years. It utilized the internal accruals along with the INR9b promoter funding received in FY20. In FY22, Trent's consolidated operating cashflows were muted at INR2.2b v/s INR4.4b in FY20, as inventory days increased to 70. This could be attributed to the aggressive 65% area addition over FY20 as inventory/sqft has come down by 15%. Capex was at INR2.1b, ~20% lower than our working, due to the capital efficient FOCO model, which led to negative FCF of INR1.5b v/s positive cash flow of INR2.4b in FY20. Investments of INR1.1b in JVs/subsidiaries (Star Bazaar and Booker) diluted the cashflows with no clear understanding on the end game.

Stock Performance (1-year)**Growth engines ahead?**

Revenue from Zudio has more than doubled to INR11b in FY22 from INR4.8b in FY20, despite the adverse impact of the pandemic. The same should grow 3x over the next two years to INR33b. Our channel checks suggest that the six-month old Zudio stores are garnering an annualized revenue run-rate of INR100m, i.e. INR14-15k/sq. ft., nearly 20-30% more than stores of similar size. We understand that the company is aggressively vying for 200 store additions in FY23E. Further, Utsa that caters to Women ethnic wear now has six stores and remains another growth driver for the company.

Growth levers in place, which warrants a premium valuation; reiterate BUY

Trent's successful store performance, healthy store economics, and aggressive growth strategy offer a huge runway for growth over the next three-to-five years, as the company targets 25% annual revenue growth. We expect 37% revenue growth over FY22-24, which warrants a premium valuation for the stock. We have ascribed a 31x FY24E EV/EBITDA to the standalone business (Westside and Zudio, 15% premium for the last five years until the pandemic and 10% premium to our Retail coverage universe), 1x EV/sales to Star Bazaar, and 15x EV/EBITDA to Zara to arrive at our new TP of INR1,430 (revised up from INR1,180 earlier). Weak demand in the tier 2-3 cites as validated by our channel checks remains the key near-term risk.

Retain BUY.

Trent's AGM takeaways

- The company has incubated 2-3 new formats that may see aggressive expansion once they stabilize.
- Westside and Zudio will continue to grow their footprints aggressively (though management did not give any guidance).
- Zudio is having a decent gross margin of 40% (with Vmart at ~30%).

Growth outlook

- **Westside/Zudio added three/seven stores in the last two months of FY23**, to reach 203/240 stores (v/s 200/233 in 4QFY22), respectively. Trent is aggressively focusing on Westside, Zudio and Star to derive growth. Despite the aggressive growth, Westside and Zudio are garnering healthy gross margin at 58% and 40%, respectively.
- **Geographical expansion:** Trent will be expanding in more number of cities (beyond the 85 existing cities) but will follow a cluster approach.
- It has taken limited price increase to cushion the impact of inflation on volumes. In Star Bazaar, management is promoting private labels to mitigate the price impact.
- Consumer aspiration is improving, but affordability is still a challenge. Thus, customers are seeking higher value. Trent is leveraging this as seen in Westside's healthy SSSG and Zudio's strong store adds.
- On post-IND AS 116 basis, the operating EBITs of Westside and Zudio are at INR2.5b (9% margin) and INR710m (6% margin), respectively.

Westside

- It is converting smaller size stores (10-18k sqft stores) into Zudio stores as management wants to avoid opening Westside stores below 20,000 sqft area per store.

Zudio

- Despite inflation, Zudio is seeing healthy traction due to sharp pricing and high fashion quotient.

Star Bazaar

- Expansion plans for Star Bazaar are concentrated in West and South to focus on cluster approach. There is no plan to open stores in North as of now.
- Star stores restrict private label sales to own stores or captive website. It does not sell through local kirana stores.
- **New growth engines:** Management plans to incubate, originate and scale new growth engines in the next few years. Two to three formats are in the incubation phase, which may be launched once they stabilize.

Store profitability

- **About 99% of the stores are at breakeven in all the brands including Star Bazaar.** Star is seeing improved profitability at store level in the last six months.
 - In FY22, ad spends have increased to 2.9% (from 1.6% earlier) due to launch of new club membership – Styleclub (but not owing to any TV ads).

- The integrated capabilities of all portfolio brands/formats such as supply chain, logistics and warehousing help leverage the company's synergies and perform efficiently.

Digital/Online

- Online sales of Westside stand at 7%.
- Tata Digital business is on arm's length receiving commission for sales.
- Prices of Zudio make it difficult to sell online (may have to charge for logistics if sold online).

Market opportunity and financial position

- India's apparel market was estimated at USD59.3b in 2022 and the Indian fashion industry is slated to be the sixth largest market in the world.
- Trent has added 126+ new stores in FY22 of which 100 stores belonged to Zudio.
- Trent focuses on private labels that offer value to customers and earn higher margins for retailers with potential to develop into self-sustaining brands.

Macro demand drivers in place

- India's population is still among the youngest in an otherwise aging world.
- **Urbanization:** By 2030, over 40% of the country's population is likely to be in urban centers. This consistent trend towards urbanization suggests a shifting of preferences away from rural life to the accessibility and convenience of city life.
- India is forecasted to become the world's third largest economy in terms of consumption by 2025.
- The domestic retail sector is emerging as one of the largest sectors in the economy. Currently it contributes to over 10% to GDP and 8% to employment.

Underlying demand drivers in place for the fashion and lifestyle market

- **Fashion and Lifestyle market:** India's apparel market is estimated at USD59.3b in 2022 and the Indian fashion industry is slated to be the sixth largest market in the world. Private labels or in-house brands, typically offer shoppers value for money while earning higher margins for retailers with potential to develop into self-sustaining brands.
- **Food and Grocery (F&G) market:** India's grocery retail market remains vastly unorganized and complex comprising an estimated 12m retail outlets with over a million wholesalers and distributors of large FMCG companies. Estimates suggest that the share of traditional retail will decline to 65-70% over the next four to five years from 85% now, while other channels including e-commerce and modern trade retailers could garner 30% share.
- **Increasing acceptance of technology/digital:** Universal access to internet at more affordable prices and higher penetration of digital devices are concurrent trends influencing the consumer buying behavior. Increasingly, store & online channels are integrating. The Indian e-commerce market penetration is likely to increase as total gross merchandise value is expected to grow very significantly driven by wider assortments and convenience.

Trent – financial performance on Ind-AS 116 adjusted basis

- **EBITDA:** Trent's FY22 standalone revenue rose 22% over FY20. On pre Ind-AS 116 basis, standalone EBITDA increased 39% in FY22 (v/s FY20) to INR3.04b. This implies an EBITDA margin of 7.8% v/s 6.9% in FY20. The improvement is led by Zudio's positive EBITDA of ~INR300-400m (v/s loss of INR500-600m in FY20 as per our working). Conversely, Westside's EBITDA was flattish at INR3b (v/s INR3.1b in FY20).
- **Impact on PBT:** Excluding Ind-AS 116 impact (INR960m/INR1,040m on standalone/consolidated basis), PBT would be INR4.2b/INR2.1b on standalone/consolidated basis in FY22, i.e., 55% growth /12% decline v/s FY20, respectively.

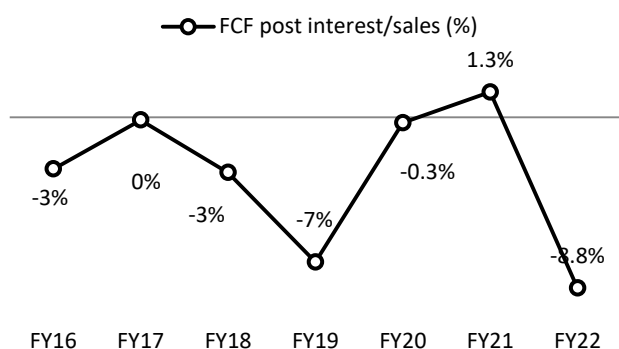
Cashflows and balance sheet analysis

On a standalone basis:

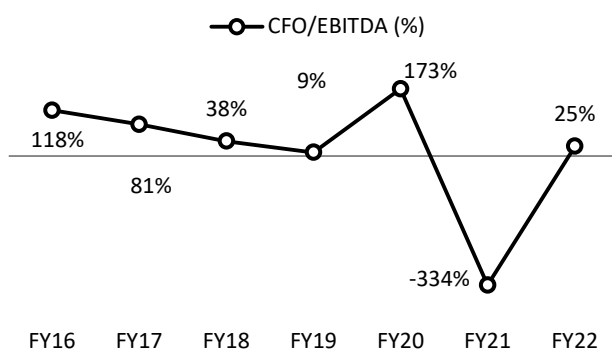
- Trent's operating cashflows reduced to INR1.5b from INR3.7b in FY20. This was largely due to the INR4b investment in working capital (v/s INR1.1b in FY20), offsetting the improvement in EBITDA. After adjusting for capex of INR2b (v/s INR1b in FY20) free cash flow (FCF) post-interest turned negative (v/s INR199m in FY20).
 - Gross capex was at INR2.5b, which worked out to be INR2,100/sqft on the cumulative area additions of Westside and Zudio. Based on the indicative per store capex numbers of Westside and Zudio, the cumulative capex could be ~INR3b. Further, there could be additional ~INR1b capex towards existing store refurbishments, backend supply chain, and digital investments that could imply a total capex of ~INR4b. We believe the lower capex by nearly INR1.0-1.5b could be due to the FOCO model that transfers the store capex to the franchisee.
 - Investment in subsidiary too increased by INR2.1b (v/s INR900m in FY21), of which INR1.1b was attributed to Star Bazaar and Booker India.
 - FCF post-interest/sales stood at -8.8% in FY22 (v/s -0.3% in FY20).
- Working capital rose by INR1.8b in FY22 v/s FY20, due to an increase in inventory by 40%; this was led by aggressive store additions over the last two years. In terms of the no. of days, inventory days increased to 77 (from 67 in FY20). Further, the cash conversion cycle increased 7 days to 41 days in FY22 (from 34 in FY20).
 - Compared with FY21, the net working capital increased 168% to INR5.2b as COVID-19 led to low revenue and hence, very lean working capital position.
 - On a per sqft basis, inventory was reduced by 12% v/s FY20, indicating that the big jump was largely due to store additions, while it optimized inventory on a per sqft basis.
- In FY22, CFO-to-EBITDA (pre-Ind AS 116) stood at 49%. This number was favorable in FY20/21 as the COVID period led to increased working capital optimization. The accrual ratio increased to 13% in FY22 (from 4% in FY20).

On a consolidated basis:

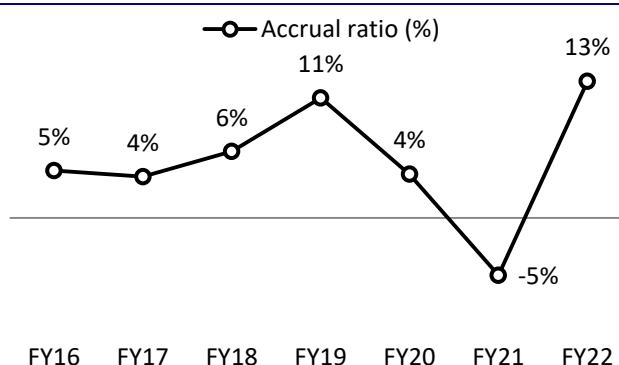
- Operating cashflows stood at INR2.2b in FY22 v/s INR4.4b in FY20. This was largely due to INR4.3b increase in working capital against INR1b in FY20. After adjusting for capex of INR2.1b (v/s INR1.1b in FY20) free cash flow (FCF) post-interest remained negative at INR4b (v/s negative INR101m in FY20).
 - FCF post-interest/sales stood at -8.8% in FY22 (v/s -0.3% in FY20).
 - In FY22, CFO-to-EBITDA (pre-Ind AS 116) stood at 25%. The accrual ratio increased to 13% in FY22 (from 4% in FY20).
- Working capital increased by INR4.3b in FY22 v/s FY20, led by an increase in inventory by 42%; this was due to aggressive store additions over the last two years. In terms of the no. of days, inventory days increased to 70 days (v/s 64 in FY20). Further, the cash conversion cycle increased 7 days to 41 days in FY22 (from 34 in FY20).
 - On a per store basis, inventory was INR19m in FY22 v/s INR24m in FY20. On a per sqft basis, inventory was INR1,529 in FY22 v/s INR1,797 in FY20.

Exhibit 1: FCF post-interest/sales reaches -8.8% from -7%

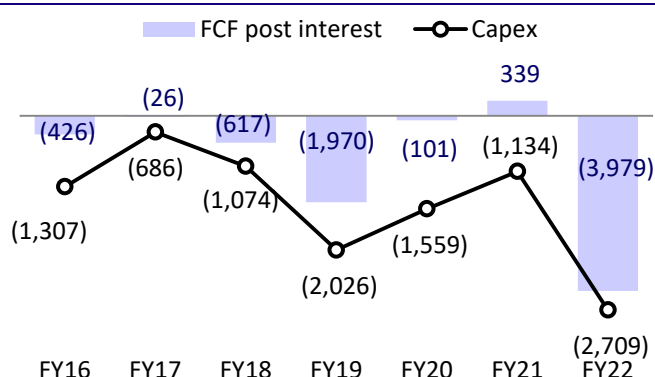
Source: MOFSL, Company

Exhibit 2: CFO/EBITDA shows improvement

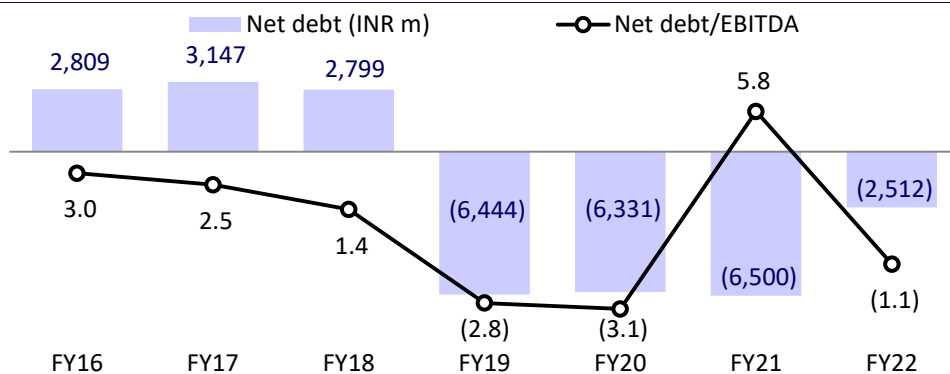
Source: MOFSL, Company

Exhibit 3: Quality of earnings improves

Source: MOFSL, Company

Exhibit 4: FCF post-interest/capex trend (INR m)

Source: MOFSL, Company

Exhibit 5: Trent enjoys net cash position

Source: Company, MOFSL

Exhibit 6: Calculation of inventory per sqft**Calculation of inventory per sqft**

Standalone	FY18	FY19	FY20	FY21	FY22	Change from FY21	Change from FY20
Inventory	3,391	4,894	5,865	3,946	8,225	108%	40%
Total area (in sqft m)	1.95	2.52	3.26	3.80	5.38	42%	65%
Inventory per sqft	1,738	1,944	1,797	1,039	1,529	47%	-15%
Inventory per average sqft		2190	2029	1117	1792	60%	-12%

Source: MOFSL, Company

Return ratio analysis

- Trent's RoE/RoCE/RoIC looked abysmal at 1.8%/2.0%/1.6% on a consolidated basis in FY22, respectively. Pre-Ind-AS 116, RoE/RoCE/RoIC stood at 2.5%/2.9%/4.5% in FY22 (v/s 8.3%/8.5%/9.9% in FY20), respectively. The return ratios were weak mainly due to: a) low earnings, adversely impacted by COVID-19, b) investments made in loss making JV and subsidiaries viz., Trent Hypermarket (Star Bazaar) and Booker India and c) liquid investments.
- Trent's RoE (pre-Ind-AS 116) has been in the low single digits for the past five years. This is attributable to a lower asset turnover ratio, which stood at 0.8x in FY22 and had been in the range of 0.5–1.0x over the past five years (refer to Exhibits 11, 12). Asset turnover was dragged down by aggressive store expansions.

Business wise profitability

- Westside's ROIC that stood at ~20% in FY20 (negative in FY21), now stands ~10% (post-tax). This was due to 20% lower revenue/sqft v/s >INR10,000 historically.
- Excluding investments, standalone business delivered an ROIC (post tax) of ~8%, pulled down further by Zudio, which just turned profitable at EBITDA level but still remains loss making at PAT level.
- Consolidated ROIC stood at 11%, as loss making Star Bazaar hurt earnings but was partly offset by Zara's rich 48% ROIC and 8% investment income.

Exhibit 7: Comparative return analysis under all formats

FY22	Standalone	Westside	Zudio	Star	Zara	Investments
Revenue	38,807	27,250	11,082	13,384	18,154	2,142
Gross Profits	19,799	15,995	4,433	2,304	6,816	NA
Gross margins	51%	59%	40%	17%	38%	NA
Cost of retailing	16,759	12,998	4,080	2,831	4,182	NA
EBITDA	3,040	2,997	352	(527)	2,634	2,142
EBITDA margin	8%	11%	3%	-4%	15%	NA
Dep	654	545	109	696	596	NA
EBIT	2,386	2,452	(67)	(1,223)	2,038	2,142
EBIT Margin	6%	9%	-1%	-9%	11%	NA
PAT	3,238	NA	NA	(1,370)	1,488	2,142
PAT margin	8%	NA	NA	-10%	8%	NA
Capital Employed	32,259	24,104	8,155	5,326	4,291	NA
Share Capital	27,200	19,045	8,155	5,326	4,291	17,239
Invested Capital	27,097	18,942	8,155	4,889	3,338	17,239

Source: MOFSL, Company

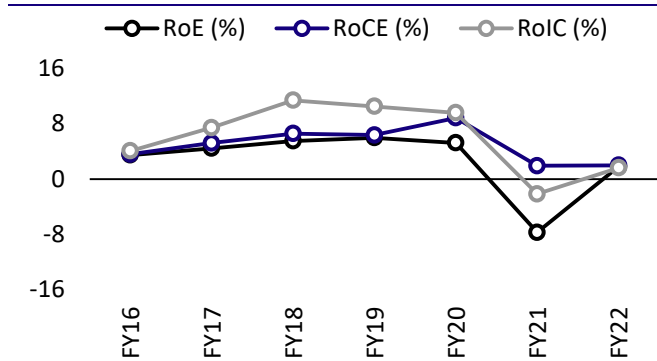
Exhibit 8: Store details

Store details (INR m)	Westside	Zudio	Landmark	Utsa	Star	ZARA	Massimo Dutti	Booker India
Store	200	233	6	6	70	21	3	-
Cities	89	89	4	5	9	11	2	6
Size of store (sq. ft.)	8,000-34,000	6,000-8,000	-	1,600-2,400	7,000-10,000	-	-	15,000-20,000
Capex per store	60-70	30-40	-	-	-	-	-	-
Revenue per store	136	47.6	79.3	-	191.2	864.5	197	3,251
EBITDA per store	15	1.5	-	-	-7.5	125.4	-	-
PAT per store	-	-	-	-	-19.56	70.8	-	(585)

* Booker India Revenue/PAT is on Standalone basis rather than per store basis

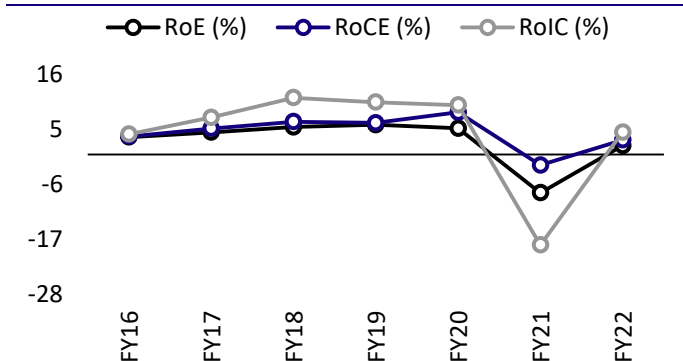
Source: MOFSL, Company

Exhibit 9: Return ratios on reported numbers



Source: MOFSL, Company

Exhibit 10: Return ratios adjusted at pre-Ind-AS 116



Source: MOFSL, Company

Exhibit 11: DuPont analysis for RoE on reported numbers

Du Pont analysis (amount in INR m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Adjusted Net Profit	505	672	870	970	1,060	-1,803	422
Revenue	15,893	18,339	21,575	26,302	34,860	25,930	44,980
Net profit margin (%)	3.2%	3.7%	4.0%	3.7%	3.0%	-7.0%	0.9%
Revenue	15,893	18,339	21,575	26,302	34,860	25,930	44,980
Total Assets	21,566	22,165	23,354	25,587	55,066	52,108	57,237
Average total assets	21,816	21,865	22,759	24,470	40,326	53,587	54,673
Assets turnover (x)	0.73	0.84	0.95	1.07	0.86	0.48	0.82
Total debt	3,998	3,917	3,914	3,942	25,260	26,686	47,338
Total equity	14,644	15,477	15,954	16,465	23,880	23,130	23,640
Average equity	14,432	15,060	15,715	16,209	20,173	23,505	23,385
Average total assets	21,816	21,865	22,759	24,470	40,326	53,587	54,673
Financial leverage (x)	1.51	1.45	1.45	1.51	2.00	2.28	2.34
RoE as per Du Pont analysis (%)	3.5%	4.5%	5.5%	6.0%	5.3%	-7.7%	1.8%

Source: Company, MOFSL

Exhibit 12: DuPont analysis for RoE at pre-Ind-AS 116

Du Pont analysis (amount in INR m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Adjusted Net Profit	505	672	870	970	1,671	-769	584
Revenue	15,893	18,339	21,575	26,302	34,860	25,930	44,980
Net profit margin (%)	3.2%	3.7%	4.0%	3.7%	4.8%	-3.0%	1.3%
Revenue	15,893	18,339	21,575	26,302	34,860	25,930	44,980
Total Assets	21,566	22,165	23,354	25,587	55,066	52,108	57,237
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Average equity	14,432	15,060	15,715	16,209	20,173	23,505	23,385
Average total assets	21,816	21,865	22,759	24,470	40,326	53,587	54,673
Financial leverage (x)	1.51	1.45	1.45	1.51	2.00	2.28	2.34
RoE as per Du Pont analysis (%)	3.5%	4.5%	5.5%	6.0%	8.3%	-3.3%	2.5%

Source: Company, MOFSL

Exhibit 13: Key related-party transactions

Related Party Transactions	Trent Hypermarket	Tata International	Tata Sons	THPL Support Services	TCS	Others	Total
Sales	1,759	2	1	6	5	2	1,774
Purchases of Goods/Services	2,285	0	202	266	188	204	3,146
Outstanding receivables	53	3	-	-	0	22	78
Outstanding Payables	66	-	52	23	9	-	150

Source: Company, MOFSL

Other expenses and rent

- In FY22, ad spends increased to 2.9% (from 1.6% earlier) due to launch of new club membership – Styleclub.
- Increase in absolute rent of 50% on YoY basis is majorly because of store additions as per sqft rent grew 6% YoY.

Exhibit 14: Cost structure for other expenses

Cost structure for other expenses	FY20	FY21	FY22	Change over FY20	Change over FY21
Rent (including embedded lease component)	2,075	1,838	3,663	77%	99%
as a % of revenue	6.5%	9.0%	9.4%		
Repairs to Building, Machinery, Others	759	739	931	23%	26%
as a % of revenue	2.4%	3.6%	2.4%		
Advertisement and Sales Promotion	493	439	1,131	129%	158%
as a % of revenue	1.6%	2.1%	2.9%		
Freight and forward	772	365	965	25%	164%
as a % of revenue	2.4%	1.8%	2.5%		
Other expenses	2,926	2,209	3,394	16%	54%
as a % of revenue	9.2%	10.8%	8.7%		
Total cost	7,025	5,590	10,084	44%	80%
as a % of revenue	22.1%	27.3%	26.0%		

Source: MOSL, Company

Exhibit 15: Total rent

Rent	FY19	FY20	FY21	FY22
Rent (including embedded lease component)	3,179	2075	1838	3663
Rent calculated for Ind AS 116		5,464	2,814	3,296
Total rent	3,179	7,539	4,652	6,959
Rent as a % of Revenue	13%	24%	23%	18%
YoY Growth		137.1%	-38.3%	49.6%
Rent per sqft	1,263	2,309	1,225	1,294
YoY Growth		82.9%	-47.0%	5.6%

Source: MOSL, Company

Change in management and directors

- **P. Venkatesalu resigned from the position of CFO:** Mr. P. Venkatesalu has resigned from the position of Chief Financial Officer of the company w.e.f. 10th Aug'21. He has been re-appointed with the designation of Executive Director and Chief Executive Officer of the company.
- **Mr. Auld retired as Executive Director:** Mr. Auld retired from his position as an Executive Director from the Board of Directors of the company w.e.f. 1st May'21.
- **Mr. Dharmendar Jain appointed as an interim CFO:** Mr. Dharmendar Jain had been appointed as an interim Chief Financial Officer of the company w.e.f. 1st Feb'22 until 31st May'22.
- **Mr. Neeraj Basur is the current CFO:** Mr. Neeraj Basur has been appointed as the Chief Financial Officer of the company w.e.f. 1st Jun'22. Mr Basur has more than 30 years of experience. He has earlier worked with Blue Star Ltd.

Exhibit 16: Remuneration of the Non-Executive Directors

Non-Executive Directors	Ratio to Median*	Sitting fees for FY22	% increase/(decrease) in FY22 remuneration v/s FY21
Mr. N. N. Tata	7.03	2.01	35%
Mr. B. Bhat	5.91	0.99	31%
Mr. S. Susman	2.80	0.30	-36%
Mr. B. N. Vakil	9.22	1.64	9%
Mr. H. Bhat	3.10	0.89	40%
Ms. S. Singh	3.38	0.47	-24%
Mr. J. Merchant	8.27	1.67	275%
Ms. S. Given	2.80	0.60	433%
Mr. R. Gill	1.57	0.45	-
Ms. H. Ravichandar	1.84	0.53	-

*The ratio of remuneration of each Director to the Median Remuneration of employees who were on the payroll of the Company Source: MOFSL, Company

Westside – Driving profitability

- Westside's revenue at ~INR27b in FY22 was 3% below FY20, due to -16% SSSG offset by 21% store additions.
- Gross Profit margin improved 260bp to 58.7% and EBITDA/EBIT margins have reached the pre-COVID levels of 11%/9% v/s FY20 (Pre-Ind AS 116), respectively.
- Its focus on private label brand, which is 100% of the portfolio and membership program – WestStyle Club members (7.7m, up 17% YoY) – contributing 85% to bills have been the key contributors to success.

Westside revenue still below pre-COVID level

- SSSG for Westside stood at -16% (v/s FY20) and the number of bills dropped 18% (v/s FY20). However, revenue was merely 3% below FY20. Average bill size for FY22 was INR2,796, which was 19% higher than FY20, as consumers during COVID period bunched up purchases to limit the number of visits in stores.
- Westside added 35 stores in FY21 and FY22 (21% rise from FY20 level). Revenue per new store in FY22 was 9% lower than FY20. Revenue per store in FY22 was INR146m (v/s INR178m in FY20), which explains the lower store productivity due to COVID. As per our channel checks, it usually takes 2-3 years for a Westside store to operate at full capacity.
- The sales performance was adversely impacted by the second and third COVID waves. However, from 3QFY22 onwards, SSSG was 9% and 16% for 3Q and 4Q as compared to FY20, respectively.

Westside margin performance

- Gross margin increased 260bp to 58.7% in FY22 from 56.1% in FY20.
- EBITDA and EBIT margins have reached the pre-COVID levels of 11% and 9% on Pre IND-AS 116 basis, respectively.

Store economics for Westside

- Unlike catering to 18,000 sqft store previously, Westside indicated that it is looking for locations with a minimum size of 20,000 sqft.
- The total investment in a new Westside store, leased and operated by the company, continues to be INR60-70m including capex, deposits and inventory. Out of this, we estimate a capex of INR46m, inventory of 12m and rent deposit of INR12m.
- In FY22, Westside garnered revenue/sqft of INR9,950 for existing stores with revenue/store of INR140m and overall EBITDA margin of 11%.

Westside store additions

- Westside added 35 stores in the last two years, to 200 stores in FY22 from 165 in FY20. During FY22, it added 36 new stores and absorbed/consolidated 10 stores.
- Seven states, such as MH/KA/GJ/UP/TN/TL/KE, contributed 62% of total Westside stores.
- From FY20 level, four states (MH/KA/TL/KE) have contributed 63% of store additions.

Westside's loyal customer base

- Completing its first year of launch, WestStyleClub – the annual subscription program – has witnessed strong traction with 1.4m subscriptions in FY22. Targeted, customized, and topical campaigns along with data-driven analytics have helped achieve sales contribution of over 85% of Westside's revenue from members in FY22 v/s 52% in FY20.
- Club memberships grew 17% YoY to 7.7m in FY22 from 6.6m in FY21.
- A Club member usually pays ~15% premium bill than an average customer (INR3,283 for a Club member v/s INR2,796 for an average customer for FY22).

Westside's supply chain

- Over 85% of merchandise is shored from India; thus it has a less impact in supply chain.
- Further, due to sustainable supply chain with strong inventory discipline, the shrinkage (% to sales) stood at 0.14% in FY22 v/s 0.16% in FY21.

Westside's online contribution

- Online channel has registered 74% growth in FY22 and contributed around 7% to Westside's revenue. On an ongoing basis, the share of online revenue has continued to remain over 5% even as the store business recovered sharply in the recent quarters.
- Nearly 100% servicing of Westside's online orders is done from stores, thereby reducing the inventory burden and logistics cost.
- The products are sold online exclusively through Westside.com, Tata Cliq and now through Tata Neu – the recently launched super app that seeks to integrate the Tata brand universe. It does not sell its products on any third-party marketplace portals.

Exhibit 17: Per store economics in FY22

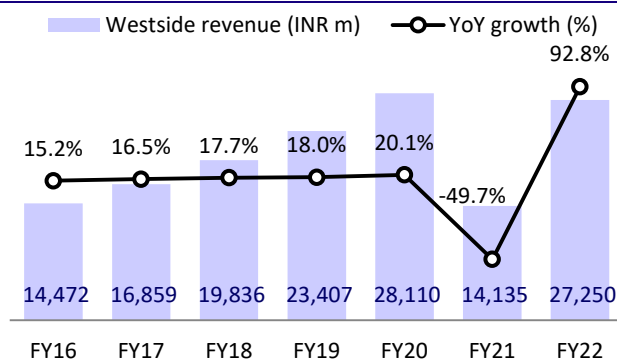
Per Store Economics (INR m)	Westside
Average Store Size (sqft)	18,000
Investment per Store	70
Investment (INR/sqft)	3,889
Capex per sqft (INR)	2,300
Capex per store	41
Rent/month/sqft (INR)	100
Rent deposit per store	11
Inventory per store	18
Revenue/store (LFL)	136
Gross Margin (%)	58.7%
Cost of retailing (excluding rent)/ store	87
% of revenue	64%
EBITDA/store	15
EBITDA margin %	11%
Inventory days	48
Payback Period/store (post-tax) (in years)	3.5
RoCE post-tax (%)	16%

Source: Company, MOFSL

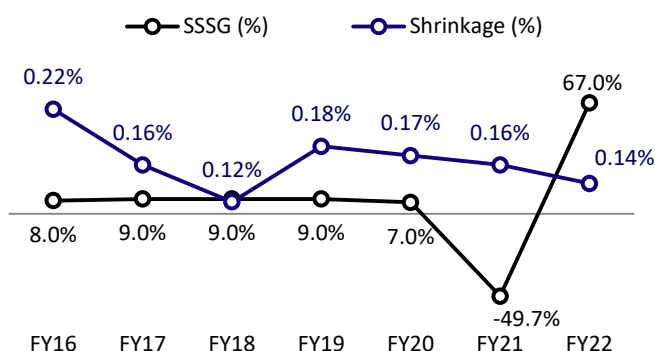
Exhibit 18: Translation of Westside's bills to revenue

Particulars	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Stores	93.0	107.0	125.0	150.0	165.0	174.0	200.0
Number of bills (m)	7.78	8.31	9.03	10.04	11.93	5.49	9.75
YoY growth (%)	5.3%	6.8%	8.7%	11.2%	18.8%	-54.0%	77.5%
Avg. bill size (INR)	1,860	2,029	2,197	2,332	2,357	2,574	2,796
YoY growth (%)	9.4%	9.1%	8.3%	6.1%	1.1%	9.2%	8.6%
Revenue (INR m)	14,472	16,859	19,836	23,407	28,110	14,135	27,250
YoY growth (%)	15.2%	16.5%	17.7%	18.0%	20.1%	-49.7%	92.8%

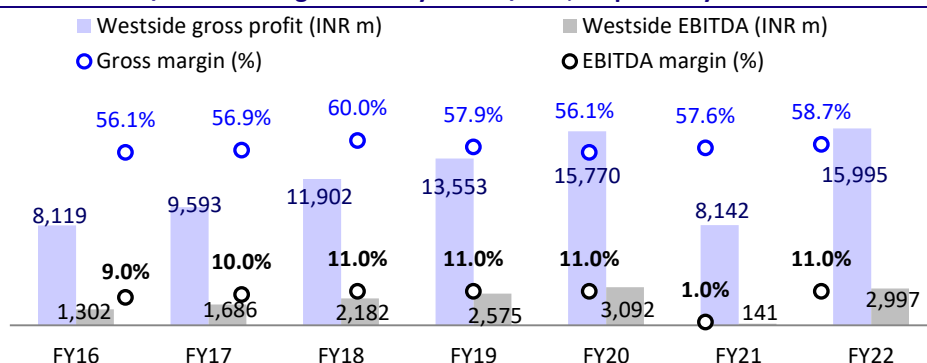
Source: Company, MOFSL

Exhibit 19: Westside delivers healthy revenue growth

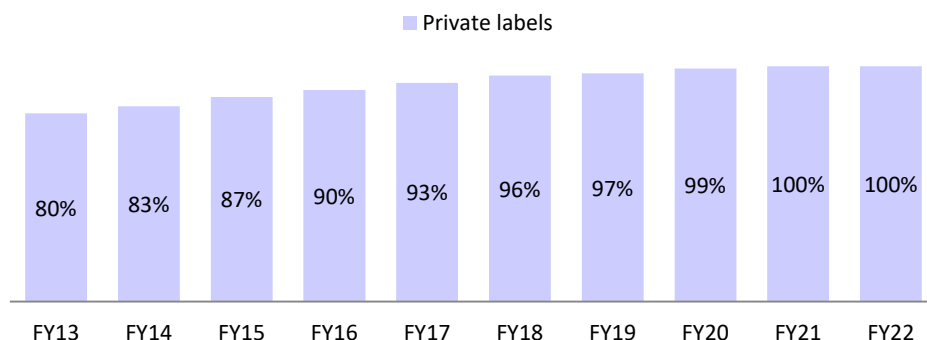
Source: MOFSL, Company

Exhibit 20: SSSG falls to 16% v/s FY20

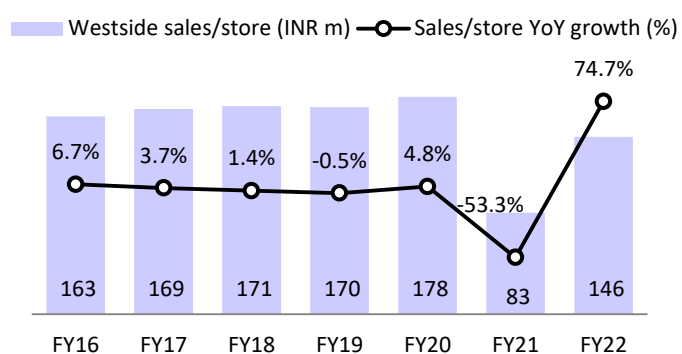
Source: MOFSL, Company

Exhibit 21: Gross/EBITDA margins healthy at 59%/11%, respectively

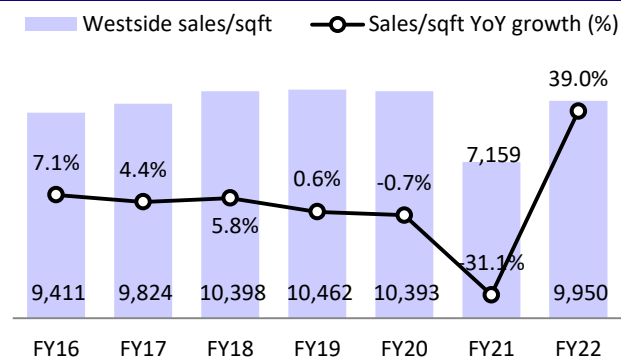
Source: Company, MOFSL

Exhibit 22: Consistently growing private labels

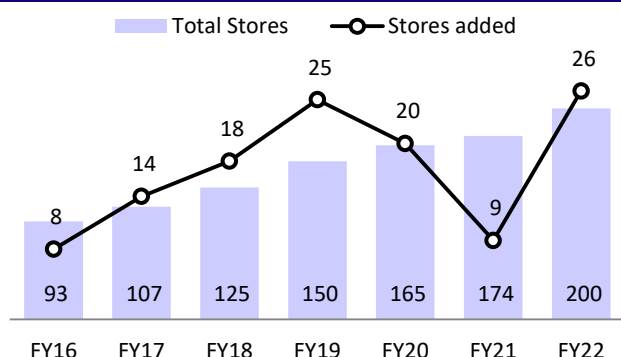
Source: Company, MOFSL

Exhibit 23: Sales/store below pre-COVID level

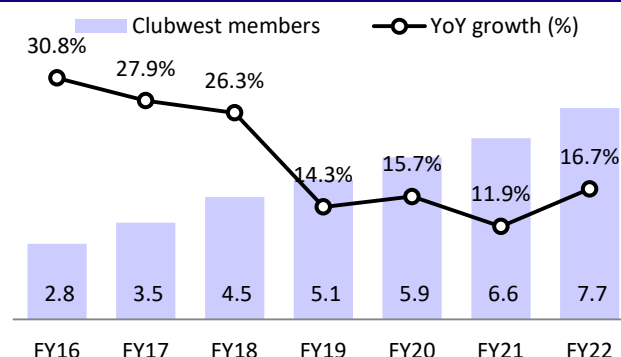
Source: MOFSL, Company

Exhibit 24: Sales/sqft below pre-COVID level

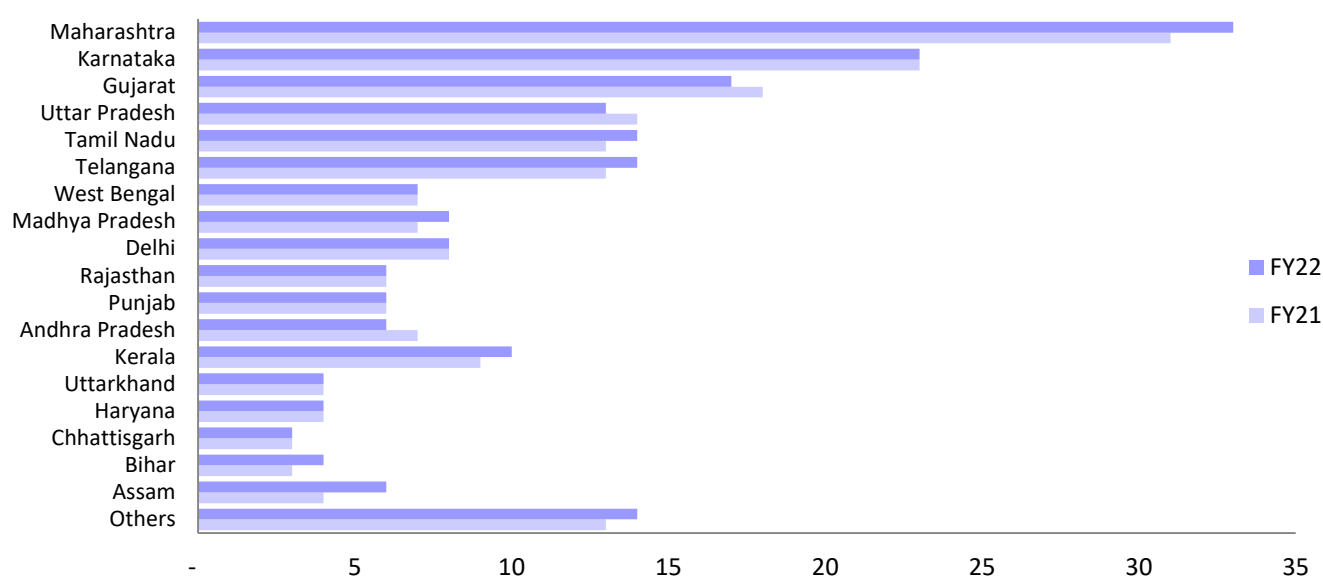
Source: MOFSL, Company

Exhibit 25: Total store count reaches 200; 26 store adds in FY22

Source: MOFSL, Company

Exhibit 26: WestStyle Club members grow 17% YoY to reach 7.7m

Source: MOFSL, Company

Exhibit 27: Westside stores, by state

Source: Company, MOFSL

Zudio – Turned EBITDA breakeven; expanding aggressively

- Zudio – Trent aims to capture the Value Fashion market through Zudio (75% of total market size); it doubled the standalone store count of Zudio outlets to 233 in FY22 by adding 100 stores this year.
- Zudio's revenue grew 2.3x to INR11b and it has clocked a positive EBITDA of ~INR300-400m in FY22 for the first time (v/s a loss of INR500-600m in FY20) as per our working.
- With healthy store economics, Zudio is expected to garner 6–7% EBITDA margin.

Zudio: Striking fashion – sharp prices

Zudio focuses entirely on exclusive branded offerings, curated in-house and in line with the latest fashion trends at sharp prices. Pitched at a younger audience, Zudio focusses on fashion forward products. Hence, the emphasis is on minimizing lead times and landing fresh collections in stores as quickly as possible similar to the Westside model. The aspiration is to constantly shrink the time window between initial design concepts and being available on shelf. It sells 100% exclusive retail brand portfolio.

Vibrant stores

Zudio stores are present in attractive/prominent locations. Striking windows and in-store displays and exciting store ambience are the key ingredients to driving trial & traction from its audience.

Started contributing a substantial portion in revenue with a positive EBITDA

- Zudio saw strong growth in FY22, following the second COVID wave with revenue exceeding INR10b, growing ~80% YoY. Zudio raised its overall contribution to 27%.
- In the last five years, Zudio clocked a positive EBITDA of ~INR352m in FY22 for the first time (v/s a loss of INR500-600m in FY20) as per our working. However, Westside still contributes substantial EBITDA share.

Zudio's revenue per store still below pre-COVID level

- Zudio's sales per store were 24% below FY20 to INR61m in FY22, which could be due to: a) the adverse impact of COVID and b) aggressive 100 store additions that diluted the average revenue/store. However, our channel checks indicate that about six-month old stores reach monthly revenue run-rate of INR8m/month i.e. INR100m annually.
- Zudio's total revenue has more than doubled from the pre-COVID level (INR11b in FY22 v/s INR4.8b in FY20) aided by aggressive additions in standalone Zudio stores (153 stores) over the last two years (80 stores in FY20 v/s 233 in FY22).

Zudio's store additions

- Added 153 stores in the last two years – from 80 stores in FY20 to 233 in FY22.
- Four states, such as MH/KA/GJ/TL, contribute 57% of Zudio stores. This along with the aggressive growth in UP saw 62% incremental store additions in FY22.

Zudio's store economics

- The average store size stood at 6,000–8,000 sqft; the capital requirement for a single store is ~INR30-40m, including capex, inventory, and deposits. Of this INR16m is spent towards capex, INR11m is inventory cost while the rest is rent.

Exhibit 28: Zudio's standalone stores report strong revenue growth

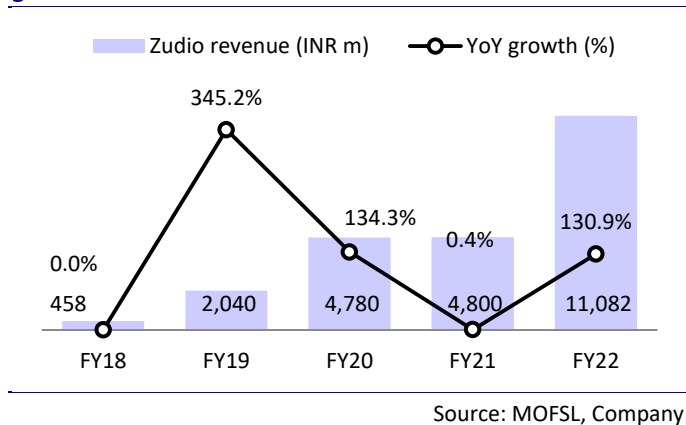


Exhibit 29: Strong store additions continue

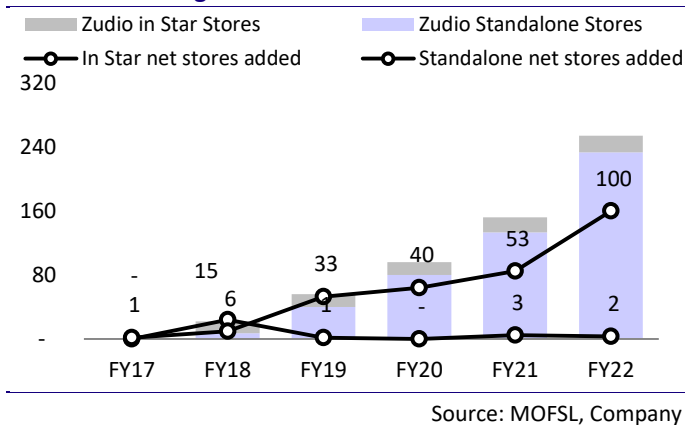


Exhibit 30: Sales/sqft below pre-COVID level

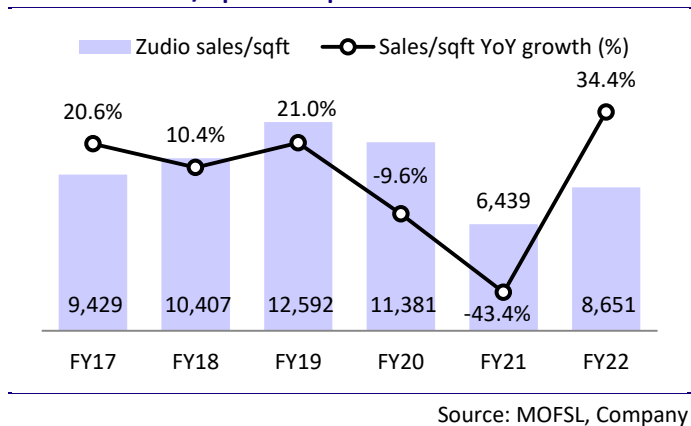
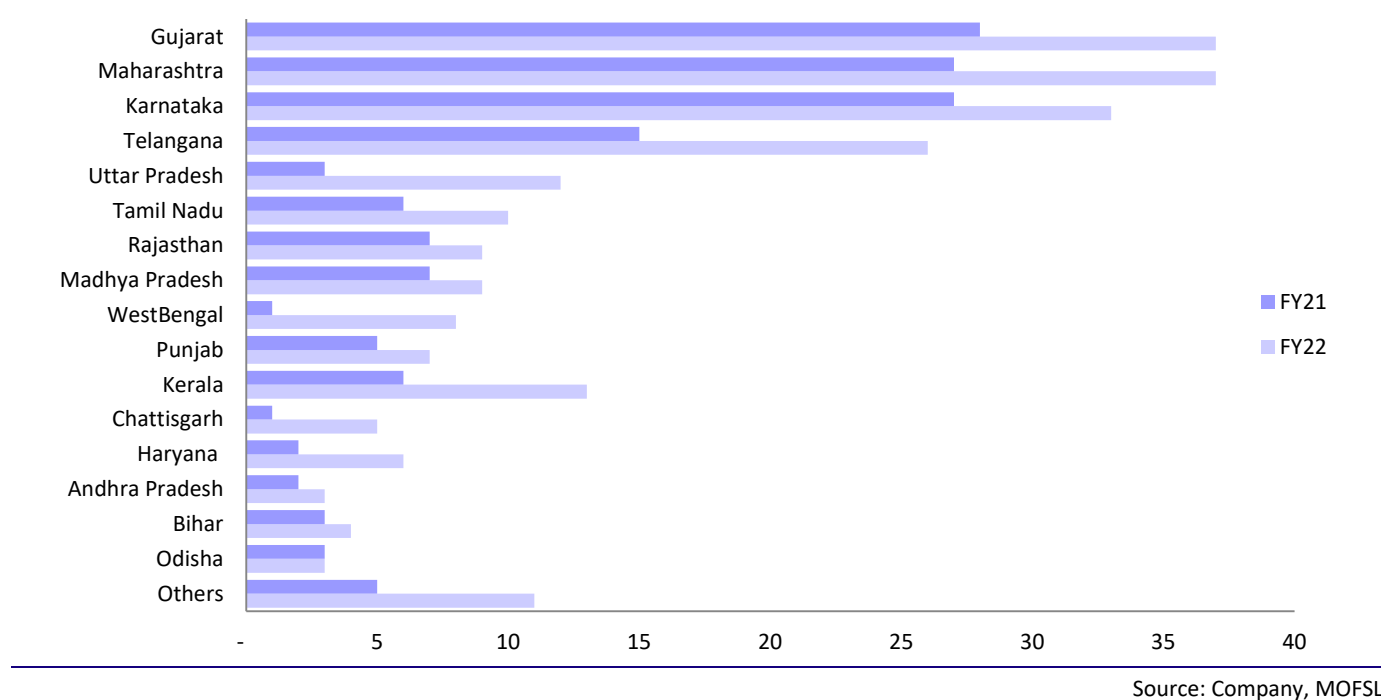


Exhibit 31: Per store economics for Zudio in FY22

Per store economics	Zudio
Average Store Size (sqft)	7,000
Investment per Store (INR m)	35
Investment (INR/sqft)	5,000
Capex per sqft	2,000
Capex per store	14
Rent/month/sqft	80
Rent deposit per store	3
Inventory per store (INR m)	18
Revenue/store (LFL)	48
Gross Margin (%)	40%
Cost of retailing (excl. rent)/ store	24
% of revenue	51%
EBITDA/store (INR m)	2
EBITDA margin %	3%
Inventory days	135
RoCE post tax (%)	3%

Exhibit 32: Zudio stores, by state

Zara – Highly profitable but lagging growth

- Zara's story since the last five years has been that of healthy store profitability with >25% ROIC, but it has seen limited growth in FY22 as the brand did not add any fresh stores during the period.
- Zara's revenue increased 16% to INR18.2b in FY22 as compared to FY20. EBITDA grew 11% in FY22 v/s FY20; however, the margin shrank 70bp to 14.5% from 15.2% in FY20.

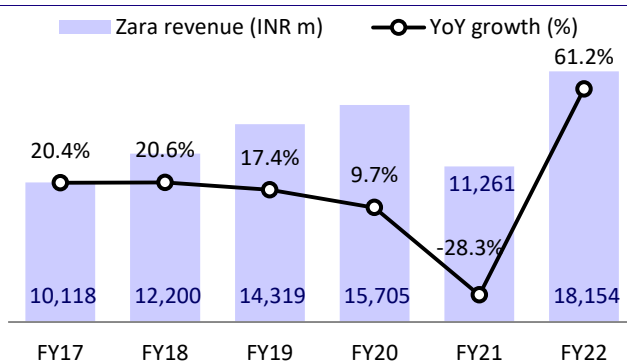
Operational performance

- Zara's revenue increased 16% to INR18.2b in FY22 as compared to FY20. Growth was led by an increase in sales/store to INR864m v/s INR 714m in FY20.
- Further, its gross profit increased 12%; however, gross margin contracted 120bp to 37.5% in FY22 (from 38.7% in FY20).
- EBITDA grew 11% to INR2.6b while EBITDA margin remained flat at 15%.
- PAT also rose 43% to INR1.5b as compared to FY20; this was potentially led by an increase in revenue and fall in tax rate.
- Zara garnered healthy RoCE/RoE/RoIC of 25%/32%/31% in FY22, improving from 19%/20%/24% in FY20, respectively. The improvement was driven by better profitability and lower capex.

Outlook

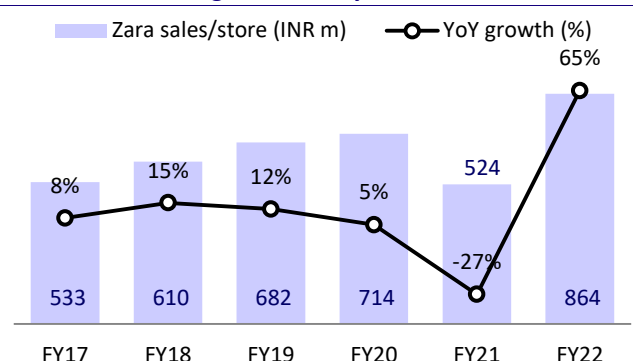
- **Lagging behind peers in store additions:** Zara has not added any store in FY22; its total store count remained flat at 21.
- **Not a strategic investment:** Trent's management has repeated year after year that it does not consider the investment in the Zara JV as a strategic one as the sourcing is exclusive to Inditex Group (JV partner). Further, its products and specifications are all at the partner's discretion, as is the use of brand names in India.

Exhibit 33: Zara's revenue increases 16% YoY

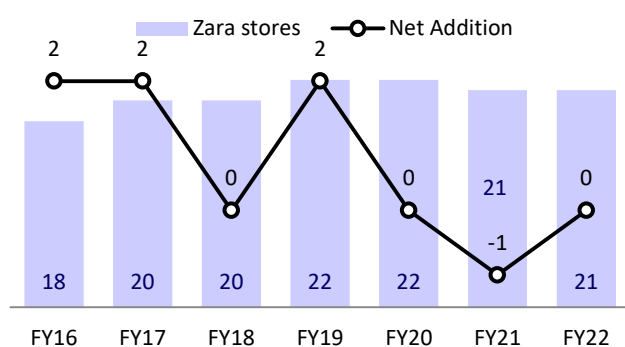


Source: MOFSL, Company

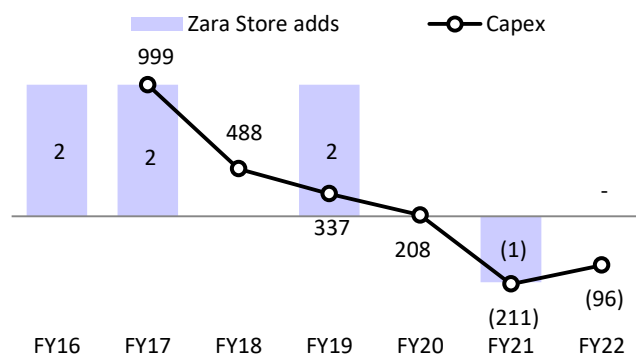
Exhibit 34: Revenue growth led by increase in store sales



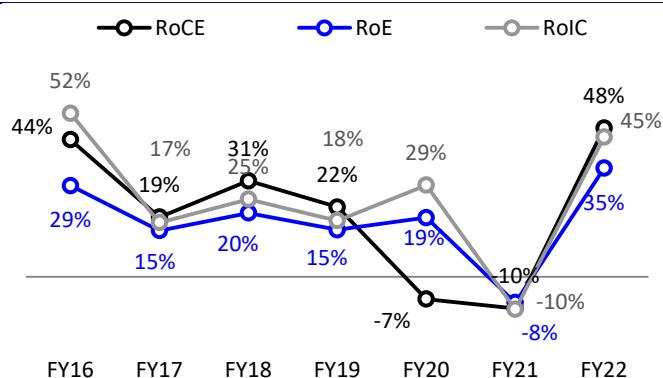
Source: MOFSL, Company

Exhibit 35: Store count remains flat at 21

Source: MOFSL, Company

Exhibit 36: No store added in FY22; hence, no capex

Source: MOFSL, Company

Exhibit 37: Zara's return ratios improve in FY22

Source: MOFSL, Company

Exhibit 38: Economics/store for Zara in FY22

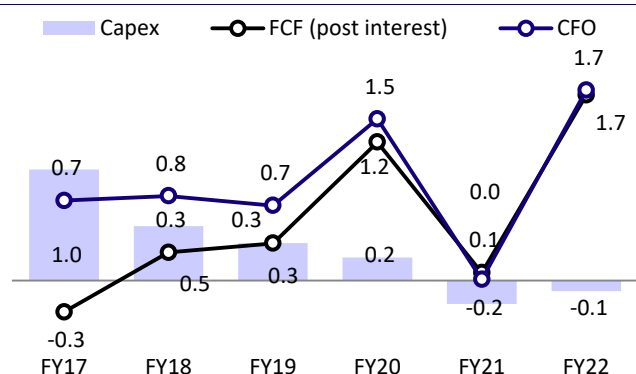
Store economics	FY22
Revenue/store (INR m)	864
Cost of retailing/store	199
EBITDA/store	125
Inventory/store	107
NWC/store	46
Capex/store	-

Source: MOFSL, Company

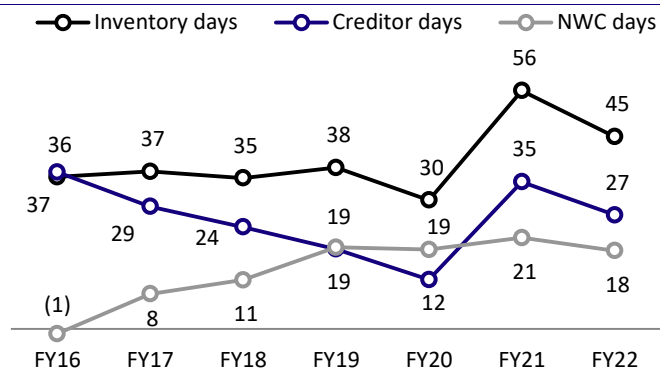
Exhibit 39: Capex requirement for new stores (INR m)

Particulars	FY20
Capex in FY20 (all maintenance as no store is added)	208
Capex in FY19	337
Estimated Maintenance capex in FY19 (same as FY20)	208
Capex deployed for new stores in FY19	129
New stores added in FY19	2
Capex for each new store	64

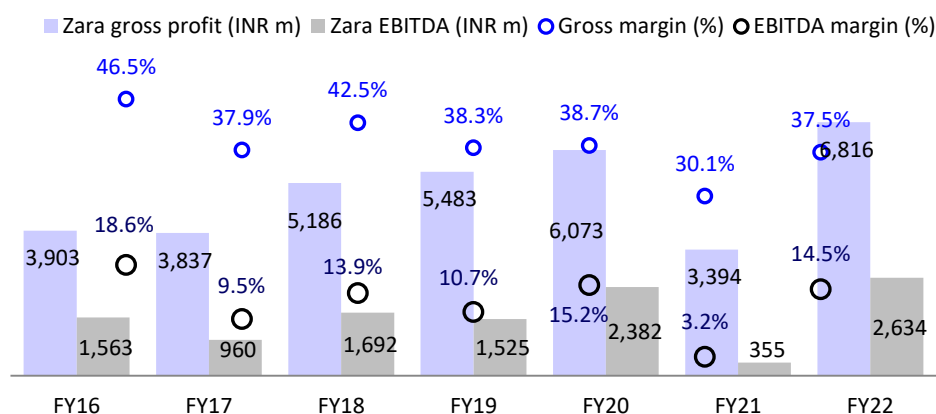
*Calculated on FY19 store addition as store remained flat in FY22, Source: MOFSL, Company

Exhibit 40: Zara's FCF post-interest at INR1.7b in FY22 (INR b)

Source: MOFSL, Company

Exhibit 41: NWC days remain flat at 18

Source: MOFSL, Company

Exhibit 42: Gross margin deteriorates 120bp to 37.5%

Source: Company, MOFSL

Exhibit 43: Zara's financial snapshot (INR m)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Income Statement							
Revenue	8,401	10,118	12,200	14,319	15,705	11,261	18,154
YoY growth (%)	143.6%	20.4%	20.6%	17.4%	9.7%	-28.3%	61.2%
Net Store adds	2	2	-	2	-	(1)	-
EBITDA	1,563	960	1,692	1,525	2,382	355	2,634
YoY growth (%)	152.0%	-38.6%	76.3%	-9.9%	56.2%	-85.1%	641.6%
Margin (%)	18.6%	9.5%	13.9%	10.7%	15.2%	3.2%	14.5%
Interest cost	-	2	20	2	189	151	140
PAT	804	476	826	715	1,041	(413)	1,488
YoY growth (%)	47.6%	-40.7%	73.4%	-13.4%	45.5%	-139.7%	-460.2%
Margin (%)	9.6%	4.7%	6.8%	5.0%	6.6%	-3.7%	8.2%
Equity and Debt							
Total Equity	2,759	3,230	4,056	4,773	5,514	5,004	4,291
Borrowings	-	-	-	-	-	-	-
Cash and equivalents	433	165	435	831	1,734	1,520	952
Working Capital							
Inventory	821	1,024	1,183	1,485	1,300	1,725	2,243
Payables	847	796	799	734	498	1,065	1,330
Inventory days	36	37	35	38	30	56	45
Creditor days	37	29	24	19	12	35	27
NWC days	(1)	8	11	19	19	21	18
Cash flow							
CFO		719	760	673	1,452	10	1,709
Capex		999	488	337	208	(211)	(96)
FCF (post interest)		(283)	252	334	1,244	70	1,665
Return ratios							
RoCE	44%	19%	31%	22%	-7%	-10%	48%
RoE	29%	15%	20%	15%	19%	-8%	35%
RoIC	52%	14%	25%	18%	29%	-10%	45%

Source: Company, MOFSL

Star – building reputation as a high-value brand; private label growing

- Star's revenue grew 9% in FY22 as compared to FY20, led by 10 store additions. SSSG declines by -0.9% during the year.
- Star remains a fraction of the size of its peers, which were established at around the same time. To achieve sustainable profitability, the brand needs to scale up to over 210 stores from 70 currently.

Star's revenue per store

- Trent delivered a total income of INR13.4b in FY22, a growth of 11% YoY. The Star stores registered a corresponding marginal decline of 0.9% in LFL performance primarily because of the Hyper stores located in malls that had higher restrictions during the pandemic.
- Star's sales grew 9% from FY20 level driven by store additions.
- Sales/sqft marginally declined 2% from FY20 to INR20,687; while sales/store declined 15% to INR206m, suggesting that the company is focusing on optimizing its store sizes.
- SSS of Star declined by about 20% from FY20 level. SSS for FY20 was at INR250 v/s INR196 for FY22.
- SSS of Star continues to decline on a YoY basis (Exhibit 46)

Star's margins

- Gross profit margin contracted to 17.2% in FY22 from 19.3% in FY20.
- EBITDA is still in the negative territory, EBITDA margin stood at -3.9% in FY22 v/s -6.1% in FY20.

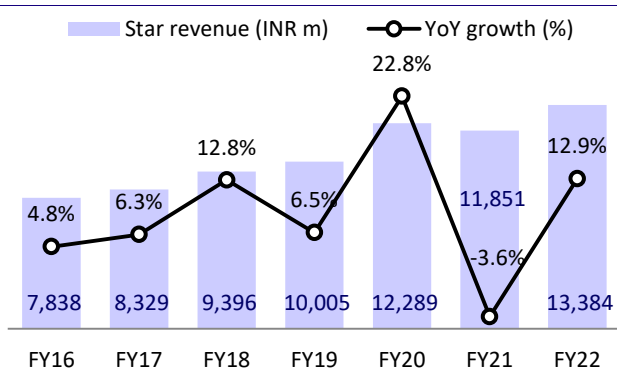
Balance sheet and cashflow position

- Star has a liquid cash of INR437m on the book. The company has funded: a) the losses and b) the new store capex of INR100m by selling liquid assets worth INR300m and keeping its working capital low.

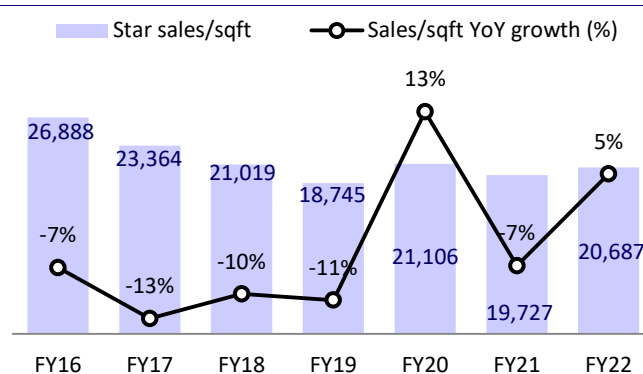
Star's offerings

- Star's exclusive retail brand offerings include: **a) Klia** (Cleaning-aids & home care products), **b) Fabsta** (Packaged food and beverages) and **c) Skye** (Personal care products).
- Exclusive retail brands (excluding staples, fresh & apparels) comprised 10.3% share in FY22.
- The exclusive retail brands span across 450+ SKUs (v/s 500 SKUs in FY20). In several sub-categories, the brands rank one or two in terms of sales and hence compete effectively with leading brands in the stores.
- Nearly 75%/50% of vegetables/fruits and a majority of the staples are directly sourced from about 800+ farmers.
- Star continued with its cluster-based approach at stores in Maharashtra, Karnataka, Telangana, and Gujarat to achieve cost efficiency and economies of scale. However, it needs scale to achieve profitability.

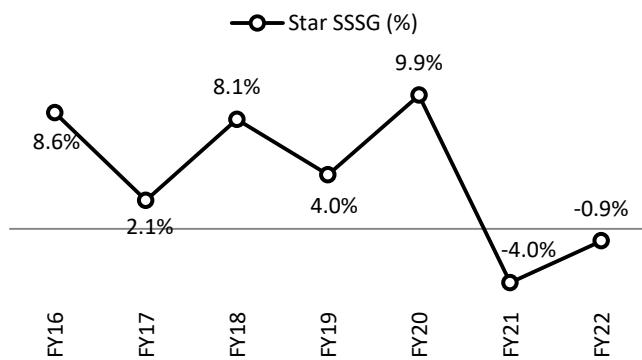
- Starquik, its e-commerce portal targeting the micro-markets, is tightly integrated with stores and offers omni-channel convenience to the customer. The intent is to leverage existing infrastructure across channels and build omni-channel operations over time.
- Star added net 10 supermarket stores, reaching a total store count of 70 in FY22. This included 10 Star Hyper and 60 Star Market (supermarket) outlets primarily concentrated in Bengaluru, Hyderabad, Mumbai and Pune. In addition, Fiora Hypermarket Ltd. (FHL), a subsidiary of the company, operates seven Star Market stores and two Star Hypers primarily clustered in Ahmedabad and Surat.
- Over the last two years, the company has closed two Hypermarket stores.
- A Star Market store is sized at 7,000–10,000 sq. ft., while a Star Hyper outlet has an average size of 17,500 sq. ft. In some cases, Star also operates a Zudio format in Star Market store.
- **Cluster growth:** Star continued to pursue a clustered approach with stores in the states of Maharashtra, Karnataka, Telangana and Gujarat with an aim of creating local scale and being closer to customers. This allowed the company to achieve: a) better understanding of local needs and preferences, (b) cost efficiency due to economies of scale, and (c) increased brand visibility.
- **Online grocery:** Starquik – the online grocery portal is continuing to witness encouraging customer traction in the micro-markets with revenues having doubled over the previous year.
- **Going forward:** Star targets to offer: a) sharp price, b) food & grocery anchored on “fresh” and c) own branded products in key categories. Star is also planning to have a clustered presence in select cities and targets to follow the Star Market plus omni-channel model.

Exhibit 44: Star reports strong 22.8% YoY revenue growth

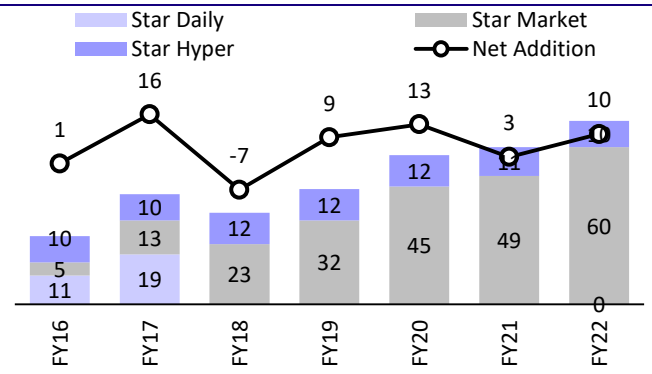
Source: MOFSL, Company

Exhibit 45: Sales/sqft grow at healthy 13% rate

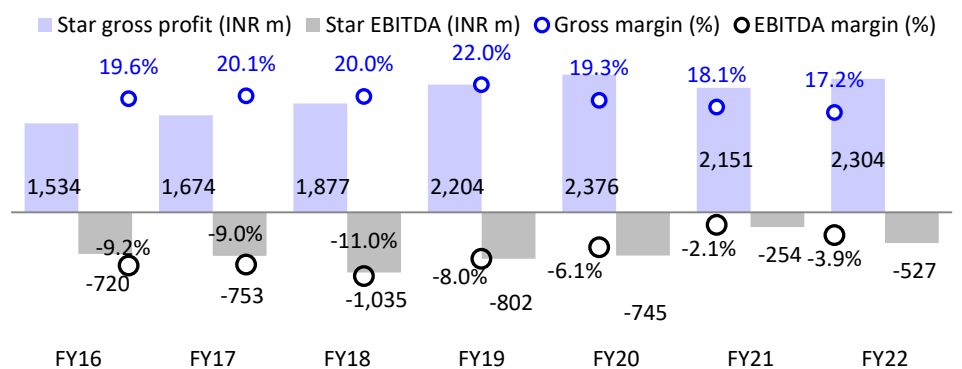
Source: MOFSL, Company

Exhibit 46: Star reports a decline of -0.9% in SSSG

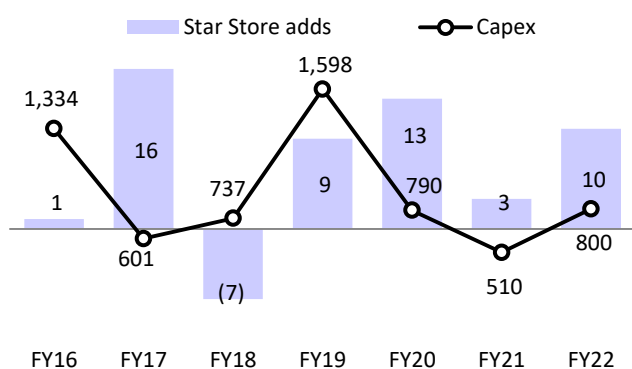
Source: MOFSL, Company

Exhibit 47: Continuing to focus on Star Market format

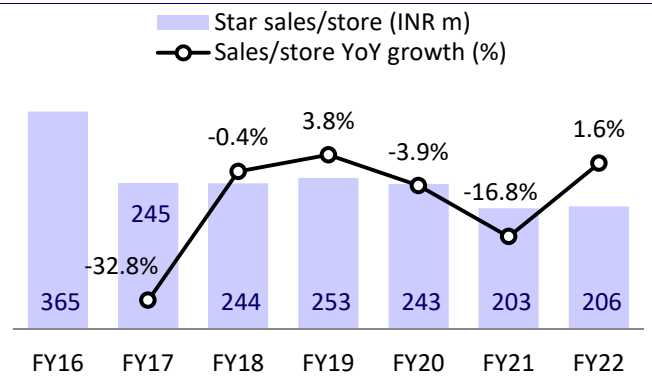
Source: MOFSL, Company

Exhibit 48: Gross margin contracts to 17.2% due to focus on price competitiveness

Source: Company, MOFSL

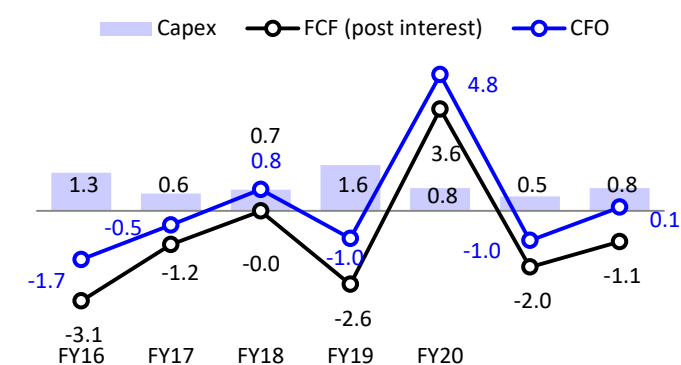
Exhibit 49: Capex stands at INR800m in FY22

Source: MOFSL, Company

Exhibit 50: Sales/store declines to INR206m in FY22 from INR243m in FY20

Source: MOFSL, Company

Exhibit 51: Star's FCF stands at -INR1.1b in FY22 (INR b)



Source: MOFSL, Company

Exhibit 52: Star's store economics

Store economics	FY22
Average store size (sqft)	9,786
Revenue/store (INR m)	206
Cost of retailing/store	44
EBITDA/store	-8.10
Inventory/store	15
NWC/store	0.82
Capex/store	80

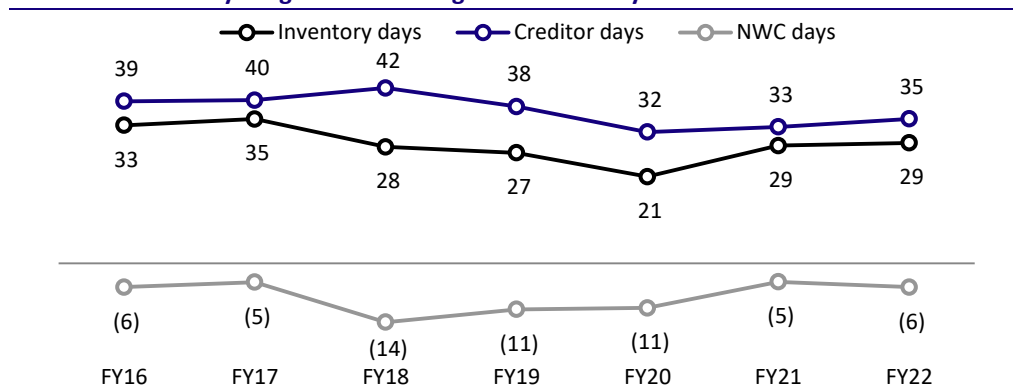
Source: MOFSL, Company

Exhibit 53: Competitor analysis of Star

INR m	FY19				FY20				FY21				FY22			
Companies	Revenue	EBITDA	Margin (%)	Stores	Revenue	EBITDA	Margin (%)	Stores	Revenue	EBITDA	Margin (%)	Stores	Revenue	EBITDA	Margin (%)	Stores
Star	10	-1	-8.00	44	12	-1	-6.10	57	12	0	-2.10	60	13	-1	-3.90	70
Dmart	199	16	8.20	176	247	21	8.60	214	238	17	7.30	234	304	25	8.20	284
Reliance Retail	234	11	4.90		346	23	6.50	797	379			1,103	450			
Spencer	22	0	0.40	156	26	-26	-97.70	191	24	3	12.50	197	23	3	12.50	190

Source: MOFSL, Company

Exhibit 54: NWC days negative due to higher creditor days



Source: Company, MOFSL

Exhibit 55: Star's financial snapshot (INR m)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Income Statement							
Revenue	7,838	8,329	9,396	10,005	12,289	11,851	13,384
YoY growth (%)	4.8%	6.3%	12.8%	6.5%	22.8%	-3.6%	12.9%
Net Store adds	1	16	(7)	9	13	3	10
SSSG (%)	8.6%	2.1%	8.1%	4.0%	9.9%	-4.0%	-0.9%
EBITDA	(720)	(753)	(1,035)	(802)	(745)	(254)	(527)
YoY growth (%)	NM	NM	NM	NM	NM	NM	NM
Margin (%)	-9.2%	-9.0%	-11.0%	-8.0%	-6.1%	-2.1%	-3.9%
Interest cost	113	81	19	4	410	420	404
PAT	(623)	(636)	(663)	(914)	(1,551)	(918)	(1,370)
YoY growth (%)	NM	NM	NM	NM	NM	NM	NM
Margin (%)	-7.9%	-7.6%	-7.1%	-9.1%	-12.6%	-7.7%	-10.2%
Equity and Debt							
Total Equity	7,648	7,014	6,352	7,139	5,616	5,591	5,326
Borrowings	262	-	-	-	500	-	-
Cash and equivalents	80	243	117	144	76	89	84
Working Capital							
Inventory	718	797	726	733	706	926	1,070
Receivables	157	158	260	221	163	161	271
Payables	842	902	1,093	1,040	1,070	1,072	1,283
Inventory days	33	35	28	27	21	29	29
Creditor days	39	40	42	38	32	33	35
NWC days	(6)	(5)	(14)	(11)	(11)	(5)	(6)
Cash flow							
CFO	(1,698)	(490)	750	(961)	4,753	(1,031)	129
Capex	1,334	601	737	1,598	790	510	800
FCF (post interest)	(3,145)	(1,172)	(6)	(2,563)	3,553	(1,961)	(1,074)

Source: Company, MOFSL

Booker India

- Booker registered consolidated revenue of INR6.4b in FY22 and excluding non-recurring charges, it incurred losses of INR1.04b (51% of this was attributable to the company, given the shareholding).
- Booker was acquired by Trent in FY20 at an acquisition price of INR225m.
- Booker and its wholly owned subsidiary operate cash and carry stores under the Booker Wholesale banner.
- Booker Wholesale operates on a footprint ranging between 15,000 sqft and 20,000 sqft and focuses on categories and assortments relevant to small businesses.
- Booker stores operate through 10 locations in six cities.
- Booker's trading assortment includes products in categories across staples, processed foods, confectionery, personal care, home care, soft drinks, dairy etc. The concept serves kirana stores, traders, wholesalers, small businesses, hotels, restaurants and caterers. Booker stores operate in catchments with large trader and kirana store presence.
- **Expanding the private label range:** Trent's strategy is to explore the possibility of leveraging Booker's network over time to drive distribution of own branded range (e.g. Fabsta, Klia and Skye).

Landmark Xcite

- Trent incubated the new format store Landmark Xcite – (six stores in four cities) offering beauty, personal care and fashion accessories targeted at Gen Z and millennial customers.
- It offers its own brand portfolio of Studiowest, Wonderla among others.

Utsa

- Trent offers ethnic wear with 100% exclusive own brand portfolio. The concept is operational through six stores in five cities viz., Pune, Vadodara, Mumbai and Delhi with an average store size of 1,600-2,400 sqft.
- It has added two stores each in FY22 and FY21.

Financials and valuations – Standalone

Standalone - Income Statement								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	17,381	20,663	25,317	31,777	20,475	38,807	64,022	81,240
Change (%)	16.5	18.9	22.5	25.5	-35.6	89.5	65.0	26.9
Raw Materials	8,275	9,587	12,324	16,037	10,296	19,009	32,651	41,839
Employees Cost	1,661	2,026	2,524	3,131	2,550	3,379	5,762	6,905
Rent and lease expenses	2,278	2,668	3,179	2,026	0	0	0	0
Advertising & Sales Promotion	461	398	0	0	0	0	0	0
Other Expenses	3,479	3,970	4,924	4,950	5,591	10,084	13,445	16,654
Total Expenditure	16,154	18,649	22,951	26,145	18,437	32,472	51,858	65,399
% of Sales	92.9	90.3	90.7	82.3	90.0	83.7	81.0	80.5
EBITDA	1,226	2,014	2,366	5,632	2,038	6,335	12,164	15,842
Margin (%)	7.1	9.7	9.3	17.7	10.0	16.3	19.0	19.5
Depreciation	376	417	465	2,311	2,359	2,831	3,664	4,139
EBIT	850	1,596	1,902	3,321	-321	3,505	8,500	11,703
Int. and Finance Charges	337	306	368	2,383	2,380	2,933	3,527	3,847
Other Income	590	426	363	1,518	2,042	2,790	500	500
PBT bef. EO Exp.	1,103	1,716	1,897	2,456	-658	3,362	5,473	8,356
EO Items	247	0	-5	0	-63	-132	0	0
PBT after EO Exp.	1,350	1,716	1,892	2,456	-721	3,230	5,473	8,356
Total Tax	282	549	617	909	-211	734	1,378	2,103
Tax Rate (%)	20.9	32.0	32.6	37.0	29.3	22.7	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	1,069	1,167	1,276	1,546	-510	2,496	4,095	6,253
Adjusted PAT	873	1,167	1,279	1,546	-465	2,598	4,095	6,253
Change (%)	0.8	33.7	9.6	20.9	-130.1	-658.4	57.6	52.7
Margin (%)	5.0	5.6	5.1	4.9	-2.3	6.7	6.4	7.7

Standalone - Balance Sheet								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	332	332	332	355	355	356	356	356
Total Reserves	15,076	15,839	16,636	24,627	24,803	26,845	30,940	37,193
Net Worth	15,408	16,171	16,968	24,983	25,159	27,200	31,296	37,549
Total Loans	3,917	3,914	3,942	24,468	28,612	45,893	50,384	54,955
Lease Liability				21,471	25,612	40,835	45,326	45,326
Deferred Tax Liabilities	-101	-28	-72	-1,070	-1,080	-1,225	-1,225	-1,225
Capital Employed	19,225	20,057	20,838	48,382	52,690	71,868	80,455	91,279
Net Fixed Assets	4,899	5,779	6,271	26,175	29,232	45,083	49,246	52,735
Right to use assets				19,041	22,265	37,336	38,893	38,893
Capital WIP	55	96	850	231	340	448	448	448
Total Investments	11,127	10,519	9,410	16,068	17,292	17,239	17,239	17,239
Curr. Assets, Loans&Adv.	5,644	6,721	9,001	10,399	9,126	14,126	22,350	31,670
Inventory	2,983	3,391	4,894	5,865	3,946	8,225	10,524	13,355
Account Receivables	31	131	141	133	206	163	351	445
Cash and Bank Balance	316	303	509	441	669	744	6,172	8,251
Loans and Advances	2,314	2,896	3,457	3,960	4,306	4,994	5,303	9,619
Curr. Liability & Prov.	2,500	3,057	4,696	4,492	3,301	5,028	8,828	10,814
Account Payables	1,328	1,946	2,289	2,565	2,196	3,142	5,087	6,455
Other Current Liabilities	1,002	929	2,221	1,710	938	1,572	3,428	4,045
Provisions	169	182	186	218	167	314	314	314
Net Current Assets	3,144	3,664	4,306	5,907	5,826	9,098	13,521	20,856
Appl. of Funds	19,225	20,057	20,838	48,381	52,690	71,868	80,455	91,279

E: MOFSL Estimates

Financials and valuations – Standalone

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	2.6	3.5	3.8	4.3	-1.3	7.3	11.5	17.6
Cash EPS	3.8	4.8	5.2	11.6	5.7	16.3	23.4	31.3
BV/Share	46.4	48.7	51.1	75.2	75.7	81.9	94.2	113.0
DPS	1.0	1.1	1.3	1.0	0.0	1.7	0.0	0.0
Payout (%)	31.1	32.7	40.8	23.0	0.0	24.2	0.0	0.0
Valuation (x)								
P/E	415.6	310.9	283.8	251.1	-834.3	149.4	94.8	62.1
Cash P/E	290.5	229.0	208.1	94.1	191.7	66.8	46.8	34.9
P/BV	23.6	22.4	21.4	14.5	14.4	13.3	11.6	9.7
EV/Sales	21.1	17.7	14.5	13.0	20.3	11.2	6.8	5.4
EV/EBITDA	298.9	182.0	154.8	73.2	204.2	68.4	35.5	27.5
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.0	0.2	0.0	0.0
FCF per share	-0.1	-0.8	-4.7	7.4	8.7	-1.4	23.8	15.3
Return Ratios (%)								
RoE	5.9	7.4	7.7	7.4	-1.9	9.9	14.0	18.2
RoCE	6.1	7.0	7.4	8.7	2.4	7.7	8.7	10.5
RoIC	9.4	12.9	13.3	10.0	-0.7	6.2	11.5	14.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.7	3.0	3.0	3.2	2.1	3.5	4.4	NA
Asset Turnover (x)	0.9	1.0	1.2	0.7	0.4	0.5	0.8	0.9
Inventory (Days)	63	60	71	67	70	77	60	60
Debtor (Days)	1	2	2	2	4	2	2	2
Creditor (Days)	28	34	33	29	39	30	29	29
Leverage Ratio (x)								
Current Ratio	2.3	2.2	1.9	2.3	2.8	2.8	2.5	2.9
Interest Cover Ratio	2.5	5.2	5.2	1.4	-0.1	1.2	2.4	3.0
Net Debt/Equity	-0.5	-0.4	-0.4	0.3	0.4	1.0	0.9	0.8

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,103	1,716	1,896	2,454	-658	3,362	5,473	8,356
Depreciation	376	417	465	2,311	2,359	2,831	3,664	4,139
Interest & Finance Charges	128	87	180	2,058	2,084	2,725	3,527	3,847
Direct Taxes Paid	-313	-491	-781	-807	-1	-782	-1,378	-2,103
(Inc)/Dec in WC	-336	-668	-1,356	-1,112	1,131	-4,020	1,004	-4,976
CF from Operations	958	1,061	404	4,905	4,915	4,116	12,291	9,262
Others	-317	-32	-122	-1,220	-782	-2,624	-500	-500
CF from Operating incl EO	642	1,029	282	3,685	4,133	1,492	11,791	8,762
(Inc)/Dec in FA	-675	-1,296	-1,859	-1,050	-1,031	-1,979	-3,336	-3,336
Free Cash Flow	-33	-267	-1,577	2,635	3,102	-487	8,455	5,426
(Pur)/Sale of Investments	176	881	2,234	-5,870	1,195	2,317	0	0
Others	394	113	-833	-650	-557	-397	500	500
CF from Investments	-105	-302	-457	-7,570	-393	-59	-2,836	-2,836
Issue of Shares	-2,000	-1,024	0	9,498	0	0	0	0
Inc/(Dec) in Debt	1,864	1,000	1,061	-2,725	0	1,969	0	0
Interest Paid	-330	-317	-220	-2,437	-2,376	-2,350	-3,527	-3,847
Dividend Paid	-6	-399	-459	-520	-355	-426	0	0
Others	0	0	0	0	-780	-552	0	0
CF from Fin. Activity	-472	-740	382	3,816	-3,512	-1,359	-3,527	-3,847
Inc/Dec of Cash	64	-12	206	-69	229	74	5,428	2,079
Opening Balance	252	316	303	509	441	669	744	6,172
Closing Balance	316	303	509	441	669	744	6,172	8,251

Financials and valuations – Consolidated

Consolidated - Income Statement							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	18,339	21,575	26,302	34,860	25,930	44,980	70,195	87,413
Change (%)	15.4	17.6	21.9	32.5	-25.6	73.5	56.1	24.5
Raw Materials	9,028	10,315	13,114	18,818	15,340	24,815	38,458	47,645
Employees Cost	1,925	2,305	2,868	3,585	3,019	3,990	6,372	7,516
Rent and lease expenses	2,317	2,725	3,165	1,935	0	0	0	0
Advertising & Sales Promotion	481	418	0	0	0	0	0	0
Other Expenses	3,331	3,800	4,878	5,083	5,852	10,437	13,797	17,007
Total Expenditure	17,082	19,563	24,025	29,420	24,211	39,241	58,627	72,168
% of Sales	93.1	90.7	91.3	84.4	93.4	87.2	83.5	82.6
EBITDA	1,257	2,012	2,277	5,440	1,719	5,739	11,567	15,245
Margin (%)	6.9	9.3	8.7	15.6	6.6	12.8	16.5	17.4
Depreciation	413	455	517	2,472	2,573	3,108	4,284	5,352
EBIT	844	1,557	1,761	2,967	-854	2,631	7,283	9,893
Int. and Finance Charges	338	306	368	2,458	2,487	3,047	4,120	4,851
Other Income	605	442	408	1,445	2,016	1,752	1,752	2,190
PBT bef. EO Exp.	1,112	1,693	1,801	1,954	-1,325	1,335	4,915	7,232
EO Items	258	0	0	0	-10	-274	0	0
PBT after EO Exp.	1,370	1,693	1,802	1,954	-1,335	1,061	4,915	7,232
Total Tax	431	596	736	590	-237	766	1,237	1,820
Tax Rate (%)	31.4	35.2	40.9	30.2	17.8	72.2	25.2	25.2
MI/(Profit)/Loss from Assoc.	91	227	95	304	714	-51	0	0
Reported PAT	849	870	970	1,060	-1,811	346	3,678	5,412
Adjusted PAT	672	870	970	1,060	-1,803	422	3,678	5,412
Change (%)	33.0	29.5	11.6	9.2	-270.1	-123.4	771.0	47.1
Margin (%)	3.7	4.0	3.7	3.0	-7.0	0.9	5.2	6.2

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	332	332	332	355	355	355	355	355
Total Reserves	15,145	15,621	16,133	23,525	22,775	23,285	26,962	32,374
Net Worth	15,477	15,954	16,465	23,880	23,130	23,640	27,317	32,729
Total Loans	3,917	3,914	3,942	25,260	26,686	47,338	51,502	60,639
Lease Liabilities				23,188	26,637	42,280	51,417	60,555
Deferred Tax Liabilities	90	193	255	-1,104	-746	-969	-969	-969
Capital Employed	19,491	20,068	20,632	48,839	49,515	70,469	78,310	92,859
Gross Block	7,492	8,341	9,117	32,192	37,078	55,907	68,381	80,854
Less: Accum. Deprn.	2,266	2,478	2,757	3,977	7,093	9,591	13,875	19,227
Net Fixed Assets	5,226	5,864	6,360	27,114	30,329	46,491	54,506	61,627
Right to use assets				19,856	23,185	38,642	44,140	48,665
Goodwill on Consolidation	262	261	261	272	272	272	272	272
Capital WIP	55	96	872	231	340	448	448	448
Total Investments	10,800	10,229	8,828	15,148	15,550	13,541	13,541	13,541
Curr. Assets, Loans&Adv.	5,823	6,904	9,265	11,197	10,000	15,540	18,472	28,309
Inventory	3,054	3,448	4,970	6,078	4,284	8,678	10,700	13,577
Account Receivables	59	151	165	171	208	179	288	359
Cash and Bank Balance	343	328	542	614	815	864	1,053	7,161
Loans and Advances	2,367	2,977	3,587	4,334	4,694	5,820	6,430	7,212
Curr. Liability & Prov.	2,673	3,286	4,955	5,123	6,976	5,823	8,929	11,338
Account Payables	1,422	2,084	2,450	2,976	2,746	3,780	5,192	6,706
Other Current Liabilities	1,056	997	2,293	1,893	4,026	1,734	3,428	4,324
Provisions	195	205	212	254	204	309	309	309
Net Current Assets	3,150	3,618	4,311	6,074	3,024	9,717	9,543	16,971
Appl. of Funds	19,491	20,068	20,632	48,839	49,515	70,469	78,310	92,859

E: MOFSL Estimates

Financials and valuations – Consolidated

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	2.0	2.6	2.9	3.0	-5.1	1.2	10.4	15.2
Cash EPS	3.3	4.0	4.5	10.6	2.3	10.6	24.0	32.4
BV/Share	46.6	48.0	49.5	71.9	69.6	71.1	82.2	98.5
DPS	1.0	1.1	1.3	1.0	0.0	1.7	0.0	0.0
Payout (%)	39.2	43.9	53.7	33.5	0.0	174.6	0.0	0.0
Valuation (x)								
P/E	540.4	417.3	374.0	366.2	-215.3	918.0	105.4	71.6
Cash P/E	334.6	273.9	244.1	102.7	471.3	102.8	45.6	33.7
P/BV	23.4	22.7	22.0	15.2	15.7	15.4	13.3	11.1
EV/Sales	20.0	17.0	13.9	11.8	16.0	9.7	6.2	5.0
EV/EBITDA	282.9	177.1	157.0	73.1	231.8	73.3	36.7	28.0
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.0	0.2	0.0	0.0
FCF per share	1.0	-0.9	-5.2	6.8	8.0	-4.3	21.2	24.7
Return Ratios (%)								
RoE	4.5	5.5	6.0	5.3	-7.7	1.8	14.4	18.0
RoCE	5.2	6.6	6.4	8.9	1.9	2.0	9.0	10.5
RoIC	7.5	11.4	10.5	9.6	-2.1	1.7	9.2	11.0
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	2.6	2.9	1.1	0.7	0.8	1.0	1.1
Asset Turnover (x)	0.9	1.1	1.3	0.7	0.5	0.6	0.9	0.9
Inventory (Days)	61	58	69	64	60	70	56	57
Debtor (Days)	1	3	2	2	3	1	2	2
Creditor (Days)	28	35	34	31	39	31	27	28
Leverage Ratio (x)								
Current Ratio	2.2	2.1	1.9	2.2	1.4	2.7	2.1	2.5
Interest Cover Ratio	2.5	5.1	4.8	1.2	-0.3	0.9	1.8	2.0
Net Debt/Equity	0.2	0.2	-0.4	0.7	0.9	1.7	1.4	1.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,354	1,467	1,685	1,650	-2,038	1,387	4,915	7,232
Depreciation	413	455	517	2,472	2,573	3,108	4,284	5,352
Interest & Finance Charges	128	88	165	2,126	2,197	2,814	4,120	4,851
Direct Taxes Paid	-384	-501	-791	-835	-11	-816	-1,237	-1,820
(Inc)/Dec in WC	-244	-643	-1,352	-1,033	1,063	-4,293	364	-1,320
CF from Operations	1,268	866	223	4,381	3,783	2,199	12,447	14,295
Others	-244	-98	-14	-828	-45	-1,615	-1,752	-2,190
CF from Operating incl EO	1,024	769	210	3,553	3,738	585	10,695	12,105
(Inc)/Dec in FA	-686	-1,068	-1,953	-1,142	-910	-2,101	-3,162	-3,336
Free Cash Flow	339	-300	-1,743	2,411	2,828	-1,516	7,532	8,769
(Pur)/Sale of Investments	146	928	2,253	-6,574	1,400	2,084	0	0
Others	103	100	-670	-382	-308	562	1,752	2,190
CF from Investments	-437	-40	-370	-8,098	181	544	-1,410	-1,146
Issue of Shares	-2,002	-1,024	0	9,349	-3	2,504	0	0
Inc/(Dec) in Debt	1,864	1,000	1,061	-1,773	0	0	0	0
Interest Paid	-365	-317	-227	-2,511	-2,489	-2,463	-4,120	-4,851
Dividend Paid	-11	-403	-459	-398	-355	-427	0	0
Others	0	0	0	-50	-872	-694	-4,975	0
CF from Fin. Activity	-514	-743	375	4,617	-3,719	-1,080	-9,095	-4,851
Inc/Dec of Cash	74	-15	214	72	201	49	189	6,108
Opening Balance	269	343	328	542	614	815	864	1,053
Closing Balance	343	328	542	614	815	864	1,053	7,161

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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