

30 April 2024

India | Equity Research | Q4FY24 results review

Trent

Branded Apparel

Unmatched execution prowess; continues to impress

Back-to-back 10% SSSG since last three quarters is impressive (significant outperformance vs peers). Retail expansion has been in line with expectations (added 203 Zudio stores and 30 Westside in FY24). Zudio is now 53% (retail area) contribution and is expected to reach 60% by adding 400+ stores during FY25-26E. We believe Zudio has a clear path to scale up to ~2,000 stores over next ~7 years. Overall productivity (revenue psf) has improved by 4% YoY to INR 15k psf (led by Zudio's outperformance). The only negative in the result was higher store closure in Westside (7 stores in 4Q; 12 in FY24); ~5% mortality rate. However, it's still in healthy range. Margins remain healthy while ROICs improve due to capital light expansion in Zudio. Exceptional gains due to lease assets/liabilities re-assessment is transitory. At current valuation, we maintain **HOLD**.

Strong revenue growth driven by LFL and retail expansion

Revenue grew 53% YoY led by healthy 10% LFL growth. Retail area expansion stood at healthy 64% YoY to 9.5mn sqft (53% contribution from Zudio, 47% from Westside). Retail expansion in Westside was healthy 21% YoY to 4.5mn sqft while for Zudio it was 2.4x to 5mn sqft. Revenue PSF for the overall business grew 4%YoY to INR 15,536.

Revenue contribution from emerging categories (BPC, innerwear and footwear) improved to 20% (vs ~19% since last three quarters vs ~17% in FY23).

Star Bazaar revenue growth continues to be strong at 30% YoY driven by healthy performance in own-brands (50% YoY, ~69% revenue share), and GM & apparels (30% YoY, ~31% revenue share). Revenue from staples, FMCG, and fresh grew 30%, 17%, 60%. respectively, in Q4FY24.

Decent retail expansion

The company added 12 Westside stores in Q4FY24, taking the total Westside store count to 227 (closed 7 stores). Similarly, in Zudio, it added 86 stores, taking the total store count to 545, including SIS stores. It has surpassed its guidance of 200 Zudio store addition in FY24. Store closure rate in Westside has accelerated from 3% TTM to 5% in FY24. For Zudio it remains healthy at 2%.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	77,152	1,19,266	1,56,183	1,98,846
EBITDA	11,193	19,269	25,617	33,816
EBITDA Margin (%)	14.5	16.2	16.4	17.0
Net Profit	5,546	14,358	12,766	16,866
EPS (INR)	15.6	40.4	35.9	47.4
EPS % Chg YoY	111.0	60.9	43.0	32.1
P/E (x)	276.5	171.8	120.1	90.9
EV/EBITDA (x)	136.3	79.0	59.4	44.9
RoCE (%)	15.1	20.3	25.1	26.6
RoE (%)	19.1	38.2	25.2	25.8

Varun Singh

varun.singh@icicisecurities.com
+91 22 6807 7649

Manoj Menon

manoj.menon@icicisecurities.com

Karan Bhuwania

karan.bhuwania@icicisecurities.com

Akshay Krishnan

akshay.krishnan@icicisecurities.com

Market Data

Market Cap (INR)	1,534bn
Market Cap (USD)	18,386mn
Bloomberg Code	TRENT IN
Reuters Code	TREN.BO
52-week Range (INR)	4,515 /1,368
Free Float (%)	62.0
ADTV-3M (mn) (USD)	49.3

Price Performance (%)	3m	6m	12m
Absolute	32.9	103.3	215.4
Relative to Sensex	29.1	86.2	193.2

Earnings Revisions (%)	FY25E	FY26E
Revenue	2.5	2.4
EBITDA	5.8	5.5
EPS	4.1	4.7

Previous Reports

08-02-2024: [Q3FY24 results review](#)

08-11-2023: [Q2FY24 results review](#)

Operating leverage benefits drive profitability

Gross margin expanded 449bp YoY to 45% in Q4FY24 led by better sales mix (higher revenue share from emerging categories; BPC, footwear, innerwear etc). EBITDA margin expanded 447bp YoY to 15% driven by operating leverage benefits. PBT grew 153% YoY to INR 3,157mn. Exceptional gain of INR 5.4 bn and related tax of INR 1.37bn w.r.t reassessment of ROU asset and liability impacted PAT. Post adjusting for this gain and related taxes; adjusted PAT rises 136%YoY to INR 2,479mn. Accordingly, adjusted net profit margin will stand at 7.8%

Valuation and risks

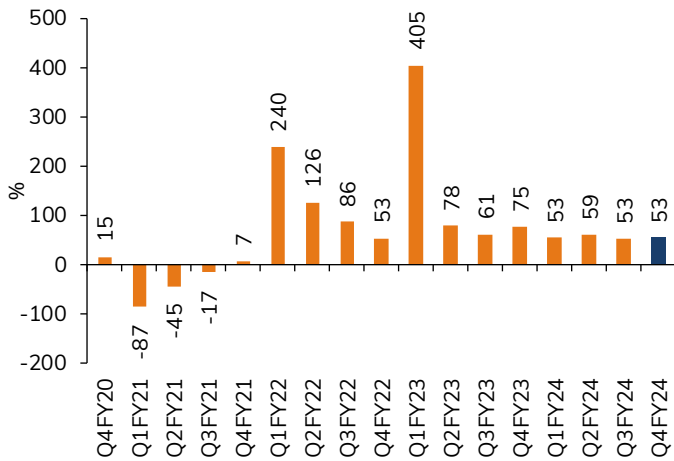
We increase our EPS estimates for FY25E-FY26E by ~5%, incorporating better-than-expected store throughput. We model revenue, EBITDA and PAT CAGRs of 30%, 32% and 37%, respectively, over FY24-FY26E. We maintain **HOLD** with a revised DCF-based target price of INR 4,200 (from INR 3,500). Downside risks: (1) Slower-than-expected pick-up in discretionary consumption, (2) rise in competitive intensity from peers (Reliance Trends, Max, Pantaloons etc.) and (3) execution challenges in Zudio. Upside risks: Success of Zudio and other pilot formats.

Exhibit 1: Q4FY24 result review (standalone) – reported

Standalone (INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenues	31,869	20,772	53.4	33,125	-3.8	1,19,266	77,152	54.6
COGS	17,437	12,298	41.8	17,904	-2.6	65,407	42,156	55.2
Gross profit	14,433	8,474	70.3	15,221	-5.2	53,859	34,996	53.9
Gross Margin (%)	45.3	40.8	449 bps	46.0	-66 bps	45.2	45.4	-20 bps
Employee expenses	2,978	1,569	89.8	2,441	22.0	9,379	5,801	61.7
% of net sales	9.3	7.6	179 bps	7.4	197 bps	7.9	7.5	35 bps
Rent Expenses	2,855	1,639	74.2	2,858		11,293	7,086	
% of net sales	9.0	7.9	107 bps	8.6	33 bps	9.5	9.2	28 bps
Other Expenses	3,827	4,784	-20.0	6,548	-41.6	13,917	10,917	27.5
% of net sales	12.0	23.0	-1103 bps	19.8	-776 bps	11.7	14.1	-248 bps
EBITDA	4,773	2,120	125.1	6,232	-23.4	19,269	11,193	72.2
EBITDA Margin (%)	15.0	10.2	477 bps	18.8	-384 bps	16.2	14.5	165 bps
Depreciation	2,027	1,281	58.2	1,575	28.6	6,385	4,632	37.8
EBIT	2,746	839	227.2	4,656	-41.02	12,884	6,560	96.4
Other Income	733	1,291	-43.3	768	-4.6	3,509	4,117	-14.8
Interest Expenses	322	883	-63.6	957	-66.4	3,094	3,572	-13.4
PBT	3,157	1,248	153.0	4,467	-29.3	13,300	7,105	87.2
Taxes	2,048	197	942.2	1,031	98.7	4,375	1,559	
Adjusted PAT	1,109	1,051	5.5	3,436	-67.7	8,925	5,546	60.9
Extra-ordinary items	-5,434	0		0		-5,434	0	
Reported PAT	6,543	1,051	522.4	3,436	90.4	14,358	5,546	158.9
EPS	18.41	2.96	522.4	9.67	90.4	40.4	15.62	158.6

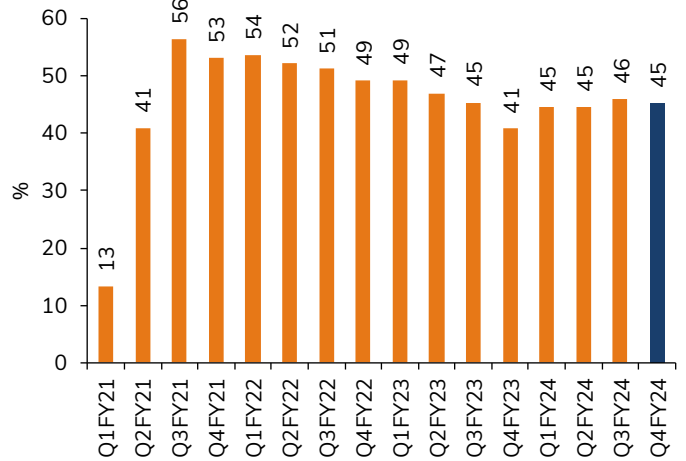
Source: Company data, I-Sec research

Exhibit 2: Revenue growth (YoY)



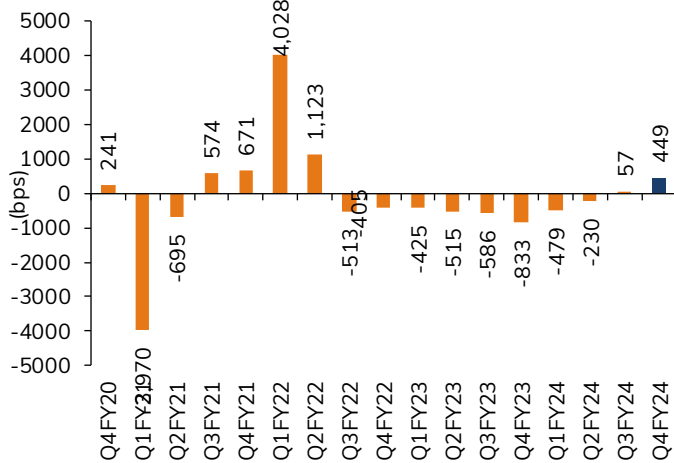
Source: Company data, I-Sec research

Exhibit 3: Gross margin



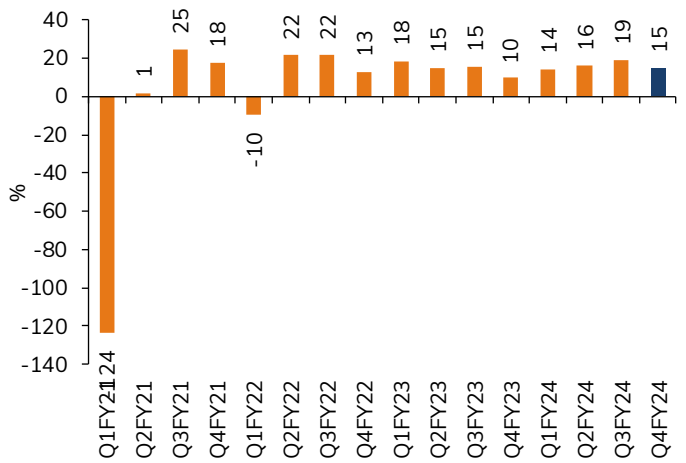
Source: Company data, I-Sec research

Exhibit 4: Gross margin (bps YoY)



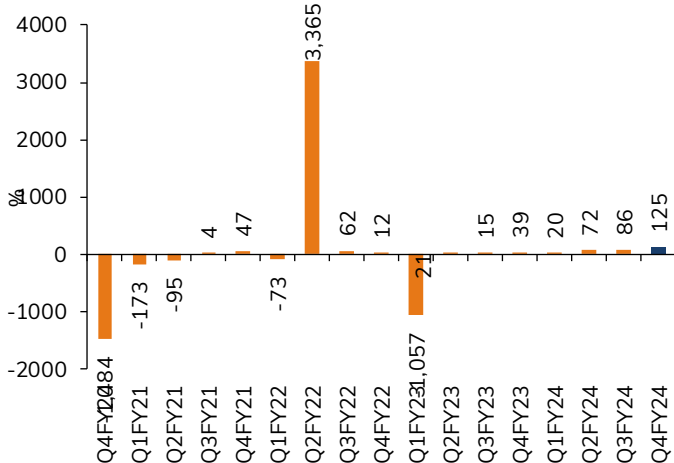
Source: Company data, I-Sec research

Exhibit 5: EBITDA margin



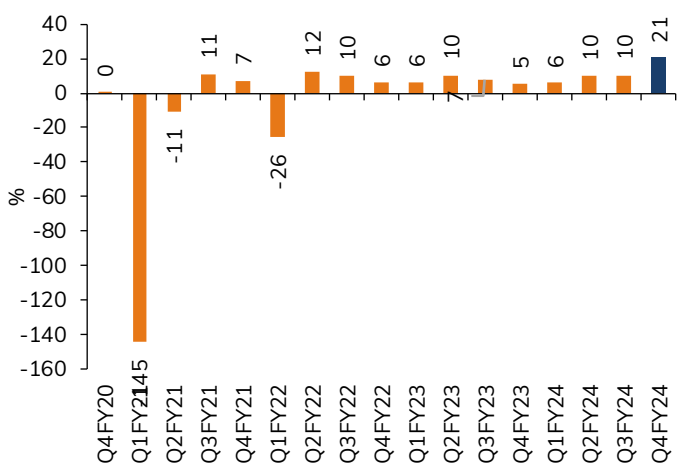
Source: Company data, I-Sec research

Exhibit 6: EBITDA growth



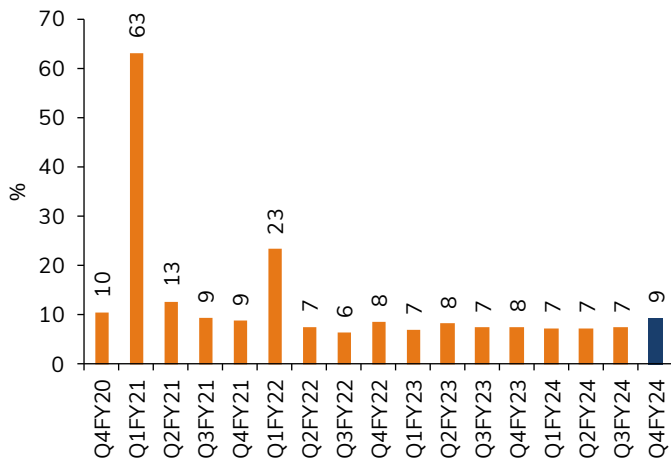
Source: Company data, I-Sec research

Exhibit 7: PAT margin



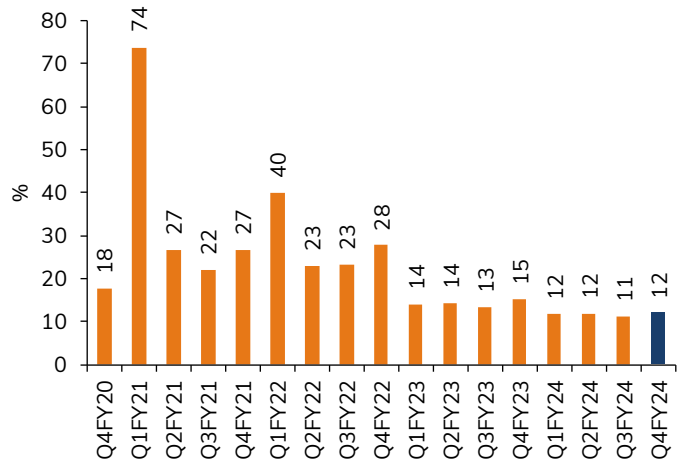
Source: Company data, I-Sec research

Exhibit 8: Staff costs as a % of sales



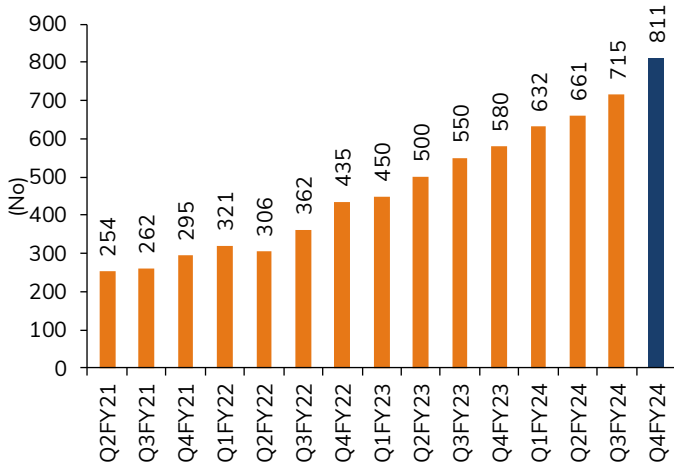
Source: Company data, I-Sec research

Exhibit 9: Operating expense as % of sales



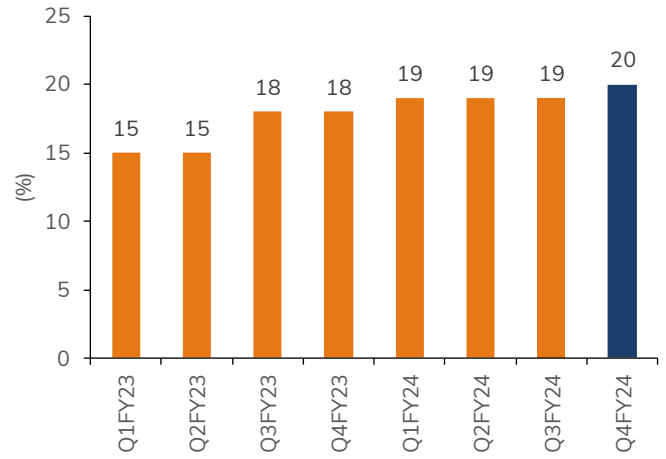
Source: Company data, I-Sec research

Exhibit 10: Total fashion store



Source: Company data, I-Sec research

Exhibit 11: Emerging category contribution (% of revenue)



Source: Company data, I-Sec research

Exhibit 12: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	37.0	37.0	37.0
Institutional investors	41.0	40.8	40.7
MFs and others	8.4	9.2	8.7
FIs/Banks	0.0	0.0	0.0
Insurance	5.7	5.0	4.5
FIIIs	26.9	26.6	27.5
Others	21.9	22.2	22.3

Source: Bloomberg

Exhibit 13: Price chart



Source: Bloomberg

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	77,152	1,19,266	1,56,183	1,98,846
Operating Expenses	65,959	99,996	1,32,909	1,68,013
EBITDA	11,193	19,269	25,617	33,816
EBITDA Margin (%)	14.5	16.2	16.4	17.0
Depreciation & Amortization	4,632	6,385	6,950	8,849
EBIT	6,560	12,884	18,667	24,968
Interest expenditure	3,572	3,094	5,154	6,164
Other Non-operating Income	4,117	3,509	3,509	3,685
Recurring PBT	7,105	13,300	17,022	22,488
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,559	4,375	4,255	5,622
PAT	5,546	8,925	12,766	16,866
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	(5,434)	-	-
Net Income (Reported)	5,546	14,358	12,766	16,866
Net Income (Adjusted)	5,546	8,925	12,766	16,866

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	23,582	33,971	42,834	53,656
of which cash & cash eqv.	789	2,862	3,769	7,929
Total Current Liabilities & Provisions	10,446	15,027	20,342	23,848
Net Current Assets	13,136	18,944	22,493	29,808
Investments	11,918	12,820	12,070	11,320
Net Fixed Assets	8,536	11,368	19,276	27,230
ROU Assets	34,346	11,891	17,429	23,828
Capital Work-in-Progress	415	1,614	1,614	1,614
Total Intangible Assets	777	744	744	744
Other assets	2,082	1,608	1,608	1,608
Deferred Tax assets	1,540	553	553	553
Total Assets	72,765	59,553	75,798	96,717
Liabilities				
Borrowings	4,980	4,986	4,986	4,986
Deferred Tax Liability	95	86	86	86
provisions	561	1,556	1,556	1,556
other Liabilities	121	63	63	63
Equity Share Capital	30,799	44,472	57,025	73,678
Reserves & Surplus	-	-	-	-
Total Net Worth	30,799	44,472	57,025	73,678
Minority Interest	-	-	-	-
Total Liabilities	72,765	59,553	75,798	96,717

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	25,364	28,907	33,125	31,869
% growth (YOY)	53.5	59.4	52.5	53.4
EBITDA	3,657	4,609	6,232	4,773
Margin %	14.4	15.9	18.8	15.0
Other Income	498	1,511	768	733
Extraordinaries	-	-	-	(5,434)
Adjusted Net Profit	1,483	2,897	3,436	6,543

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	6,628	13,484	18,402	23,851
Working Capital Changes	(2,707)	(2,725)	(2,642)	(3,156)
Capital Commitments	(4,950)	(7,241)	(9,371)	(11,931)
Free Cashflow	1,679	6,243	9,031	11,921
Other investing cashflow	3,520	2,256	(3,483)	(4,345)
Cashflow from Investing Activities	(1,430)	(4,985)	(12,854)	(16,275)
Issue of Share Capital	-	-	0	0
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	(4,759)	(5,642)	(4,430)	(3,203)
Cash flow from Financing Activities	(5,152)	(6,425)	(4,643)	(3,416)
Chg. in Cash & Bank balance	46	2,074	905	4,160
Closing cash & balance	790	2,864	3,769	7,929

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	15.6	25.1	35.9	47.4
Adjusted EPS (Diluted)	15.6	40.4	35.9	47.4
Cash EPS	28.6	58.4	55.5	72.3
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	86.6	125.1	160.4	207.3
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	102.1	54.6	31.0	27.3
EBITDA	76.7	72.2	32.9	32.0
EPS (INR)	111.0	60.9	43.0	32.1
Valuation Ratios (x)				
P/E	276.5	171.8	120.1	90.9
P/CEPS	150.7	73.9	77.8	59.6
P/BV	49.8	34.5	26.9	20.8
EV / EBITDA	136.3	79.0	59.4	44.9
P / Sales	19.9	12.9	9.8	7.7
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	45.4	45.2	44.1	44.4
EBITDA Margins (%)	14.5	16.2	16.4	17.0
Effective Tax Rate (%)	21.9	32.9	25.0	25.0
Net Profit Margins (%)	7.2	7.5	8.2	8.5
Net Debt / Equity (x)	7.2	9.9	12.4	15.8
Net Debt / EBITDA (x)	7.7	7.7	8.9	8.9
Fixed Asset Turnover (x)	9.9	12.0	10.3	8.7
Working Capital Days	0.3	0.0	0.2	0.3
Inventory Turnover Days	84	58	62	61
Receivables Days	2	3	2	2
Payables Days	41	28	34	33
Profitability Ratios				
RoCE (%)	15.1	20.3	25.1	26.6
RoE (%)	19.1	38.2	25.2	25.8
RoIC (%)	24.5	25.8	29.8	30.6

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Varun Singh, MBA; Manoj Menon, MBA, CMA; Karan Bhuwania, MBA; Akshay Krishnan, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
