

3R MATRIX

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

What has changed in 3R MATRIX

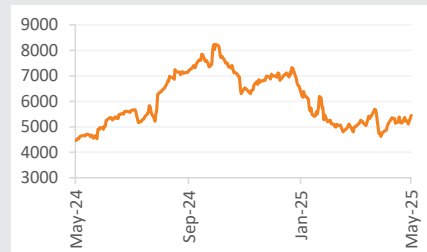
	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

Company details

Market cap:	Rs. 1,93,611 cr
52-week high/low:	Rs. 8,346/4,198
NSE volume: (No of shares)	12.3 lakh
BSE code:	500251
NSE code:	TRENT
Free float: (No of shares)	22.4 cr

Shareholding (%)

Promoters	37.0
FII	25.0
DII	17.2
Others	20.8

Price chart


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	13.9	4.0	-16.6	22.0
Relative to Sensex	4.3	-4.2	-21.3	8.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Trent Ltd
Margins surprise while SSSG moderates

Consumer Discretionary	Sharekhan code: TRENT	
Reco/View: Buy	↔	CMP: Rs. 5,446 Price Target: Rs. 6,609 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade

Summary

- Trent's Q4FY25 performance was beat our expectation on all fronts with standalone revenue/adjusted PAT rising 29%/21% y-o-y, respectively and EBITDA margin rising by 101 bps y-o-y to 16% (versus 14.8% expected).
- Revenue growth was driven by store additions (~29% y-o-y net additions) and a mid single-digit life-for-like (LFL) growth in the fashion concepts. Gross margins of Westside and Zudio remained consistent.
- Trent added 10 Westside and 130 Zudio stores (net) in Q4 taking the count to 248 Westside stores across 86 cities and 765 Zudio stores across 235 cities at FY25-end.
- Stock has corrected by 26% from recent highs and is trading at 48x/39x its FY26E/FY27E EV/EBITDA, respectively. We maintain Buy with an unchanged SOTP-based PT of Rs. 6,609.

Trent's Q4FY25 performance beat expectations led by higher EBITDA margin than expected, while SSSG moderated to mid-single digits versus high-single digits in Q3FY25. Standalone revenues grew 28.8% y-o-y to Rs. 4,106 crore (as against our expectation of Rs. 4,079 crore) driven by ~29% y-o-y net store additions and mid-single-digit LFL growth in the fashion concepts. Gross margins declined by 266 bps y-o-y to 42.6%, while better operating efficiencies aided a 101 bps y-o-y rise in EBITDA margin to 16.0% (better than our and average street expectations of 14.8%). EBITDA rose by 37.5% y-o-y to Rs. 656 crore and PAT grew by 21.2% y-o-y to Rs. 350 crore (better than our expectation of Rs. 272 crore). Reported PAT fell by 46.5% y-o-y, primarily due to a one-off gain in Q4FY24. In FY25, revenue grew by 40% y-o-y to Rs. 16,668 crore, EBITDA margins rose by 37 bps y-o-y to 16.5% and adjusted PAT grew by 48.1% y-o-y to Rs. 1,585 crore. The board recommended a dividend of Rs. 5 per share for FY25.

Key positives

- Gross margins of Westside and Zudio remained consistent.
- The Star business reported a 17% y-o-y revenue growth

Key negatives

- SSSG moderated to mid-single digit versus high-single digits in Q3FY25.

Management Commentary

- For the fashion portfolio, the LFL growth in Q4FY25 was in the mid-single digits (versus high single digits in Q3FY25) and for FY25 it was in the double digits.
- FY25 revenue growth of ~40% y-o-y was driven by over 40% volume growth and store additions.
- Emerging categories (beauty & personal care, innerwear and footwear) continued to gain traction with customers; contributed to over 20% of standalone revenues.
- Online revenue from Westside.com and the Tata Neu platform increased by 43% y-o-y in FY25 and contributed to over 6% of Westside revenues.
- In FY25, Trent opened 40 Westside and 244 Zudio stores (including 2 in Dubai) and consolidated 24 Westside and Zudio stores each. At FY25-end, its store portfolio included 248 Westside, 765 Zudio and 30 stores across other lifestyle concepts.
- Cash & cash equivalents at FY25-end stood at Rs. 323 crore.
- The Star business, consisting of 78 stores (4 stores added in Q4), delivered a strong 17% y-o-y revenue growth (2% LFL growth). The business continued to witness all-round improved operating performance, driven by own brands, staples, fresh and general merchandise offerings; own brands share has increased to 72% of revenues versus 69% in Q4FY24.

Revision in earnings estimates - We have reduced our earnings estimates for FY26 and FY27 to factor in higher interest cost and depreciation charges than earlier anticipated.

Our Call

View - Retain Buy with an unchanged PT of Rs. 6,609: Despite muted demand, Trent posted another quarter of strong numbers in the retail universe with an expansion in EBITDA margin aided by cost efficiencies. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 26% since its recent high and is currently trading at 48x/39x its FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with an unchanged SOTP-based price target (PT) of Rs. 6,609.

Key Risks

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

Valuation (Standalone)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	7,715	11,927	16,668	22,266	27,325
EBITDA Margin (%)	14.5	16.2	16.5	16.7	16.7
Adjusted PAT	555	1,070	1,585	2,151	2,653
% YoY growth	-	93.0	48.1	35.7	23.4
Adjusted diluted EPS (Rs.)	15.6	30.1	44.6	60.5	74.6
P/E (x)	-	-	-	90.0	73.0
P/B (x)	62.9	43.5	32.7	24.5	18.7
EV/EBITDA (x)	-	85.7	63.3	47.8	39.2
RoNW (%)	19.1	28.4	30.6	31.2	29.1
RoCE (%)	14.5	24.5	30.1	32.7	31.6

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone)

Particulars						Rs cr
	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)	
Net revenue	4,106.1	3,186.9	28.8	4,534.7	-9.5	
Cost of goods sold	2,355.7	1,743.7	35.1	2,507.4	-6.1	
Gross profit	1,750.4	1,443.3	21.3	2,027.3	-13.7	
Staff cost	307.3	297.8	3.2	301.0	2.1	
Rent expenses	306.4	285.5	7.3	384.0	-20.2	
Other expenses	480.4	382.7	25.5	499.3	-3.8	
Total operating expenses	1,094.1	966.0	13.3	1,184.3	-7.6	
EBITDA	656.4	477.3	37.5	843.0	-22.1	
Other income	97.0	73.3	32.5	50.9	90.6	
Interest	37.1	32.2	15.3	36.3	2.3	
Depreciation	263.1	146.8	79.3	239.3	9.9	
Profit before tax	453.3	371.6	22.0	618.4	-26.7	
Tax	103.3	82.9	24.7	149.0	-30.7	
Adjusted PAT	349.9	288.8	21.2	469.3	-25.4	
Exceptional items	0.0	365.5	-	0.0	-	
Reported PAT	349.9	654.3	-46.5	469.3	-25.4	
EPS (Rs.)	9.8	8.1	21.2	13.2	-25.4	
			bps		bps	
GPM (%)	42.6	45.3	-266	44.7	-208	
EBITDA Margin (%)	16.0	15.0	101	18.6	-261	
NPM (%)	8.5	9.1	-54	10.3	-183	
Tax rate	22.8	22.3	50	24.1	-130	

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

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

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

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

Trent's FY25 numbers were good with revenues growing by 40% y-o-y, EBITDA margin rising by 37 bps y-o-y to 16.5% and adjusted PAT growing by 48% y-o-y. The company's strong execution capabilities aided it to achieve a robust 5.2x revenue growth and 10.3x PAT growth in FY2025 over FY2020. Trent is seeing strong pick-up in new initiatives/categories through higher contribution from online sales and emerging categories. We expect the company's revenue and PAT to clock a 28% and 29% CAGR, respectively, over FY25-27E.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 6,609

Despite muted demand, Trent posted another quarter of strong numbers in the retail universe with an expansion in EBITDA margin aided by cost efficiencies. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 26% since its recent high and is currently trading at 48x/39x its FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with an unchanged SOTP-based price target (PT) of Rs. 6,609.

Peer valuation

Companies	EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Aditya Birla Fashion	25.3	22.4	19.2	0.3	0.5	0.7
Trent	63.3	47.8	39.2	30.1	32.7	31.6

Source: Company; Mirae Asset Sharekhan Research

About company

Trent is part of the Tata Group and operates a portfolio of retail concepts. Its primary customer propositions include Westside, one of India's leading chains of fashion retail stores, Zudio, a one stop destination for great fashion at great value and Trent Hypermarket, which operates in the competitive food, grocery and daily needs segment under the Star banner. Westside stores have a footprint of 20,000-30,000 sq. ft. across 86 cities. Zudio, the value fashion format destination, operates with stores having a footprint of 7,000-10,000 sq. ft. Trent's supermarket concept – Star, offers a curated assortment of products including FMCG, staples and a comprehensive fresh offering. In addition, Trent has two separate associations with the Inditex Group of Spain to operate Zara and Massimo Dutti stores in India through Inditex Trent Retail India Private Limited.

Investment theme

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

Key Risks

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

Additional Data

Key management personnel

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

Source: Company Website

Top 10 shareholders

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

Source: Bloomberg (old data)

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Mirae Asset Sharekhan 3R Matrix

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

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/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 Mirae Asset Sharekhan 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 a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts.

have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6750 2000. Fax no. 022 2432 7343.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax no. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-6226 3303; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.