

CMP: ₹5,360

Target: ₹6350(18%)

Target Period: 12 months

BUY

August 7, 2025

Margins surprised positively

About the stock Trent, a Tata Group company, 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.

Q1FY26 performance: Trent revenues grew by ~20% YoY to Rs4,781.3 cr. The revenue growth was largely driven by store addition in the earlier quarters. LFL sales growth stood at low-single digit moderated from mid-single digit growth in Q4FY25. Gross margins decreased by 108bps yoy to 45.0%. Despite dip in the gross margins, the company's EBITDA margins improved by 223bps YoY to 17.5%. EBITDA grew by 37%yoy to Rs837cr. Higher depreciation cost towards new store led to 24%yoy growth in the adjusted PAT to Rs422.6crore.

Investment Rationale:

- **Revenues grew by 20%; LFL moderated to low single digit:** Trent's revenues grew by 20%yoy to Rs4,7831.3crore driven by incremental revenues coming in from store addition in the earlier quarters. Like-for-like (LFL) growth moderated to low single digit in Q1FY26. Management has guide for low-to-mid single digit LFL growth in the near term. We expect LFL growth to be better for next two quarter due to uptick in sales driven by festive season. Overall revenue growth will be in upwards of 20% driven by higher sales coming in from incremental store addition in the coming quarters.
- **Focusing on store addition with expansion in new markets and improving quality of store portfolio:** The company has maintained its focus on expanding in new markets (especially tier 2/3 towns) and improve the product portfolio (availability of fresh products on shelves) to drive growth in the near to medium term. There was no material addition to stores in Q1FY26. We should expect high store addition in next three quarters to maintain its guidance of adding 200+ stores per annum. We expect Trent's revenues to grow at CAGR of 27% over FY25-27E with fast fashion brand Zudio's revenues likely to grow at CAGR of 35% over the same period.
- **EBITDA margins beat expectation and stood at:** Trent's EBITDA margins expanded by 223bps YoY to 17.5% driven by effective cost management. Employee cost was down by 7%yoy to Rs284cr while rental cost grew by just 7% despite strong store addition in the recent past. However considering the large store addition in the coming quarters, we don't expect strong EBITDA margin expansion in quarters ahead. With new stores added in last two to three years attaining maturity and focus on improving store fundamentals, we expect consistent improvement in the EBITDA margins in the coming years.

Rating and Target Price

Strong business model with efficient sourcing abilities, leading player in the fast-growing value fashion space, focus on make profitable hypermarket business with lean balance sheet makes Trent one of the better players in the retail space. We recommend **Buy** with a **SOTP target price of Rs6,350**.

Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	7715.2	11926.6	16668.1	47.0	20928.8	26812.7	26.8
EBITDA	1119.3	1926.9	2754.0	56.9	3590.4	4667.0	30.2
EBITDA Margins(%)	14.5	16.2	16.5		17.2	17.4	
Adjusted PAT	554.6	1070.3	1584.8	69.0	2032.4	2731.9	31.3
EPS (Rs.)	15.6	30.1	44.6		57.2	76.8	
PE (x)	343.5	178.0	120.2		93.7	69.7	
EV to EBITDA (x)	173.7	99.4	69.8		53.5	40.8	
RoE (%)	19.1	28.4	30.6		29.7	30.2	
RoCE (%)	14.4	24.2	29.7		30.6	33.5	

Source: Company, ICICI Direct Research



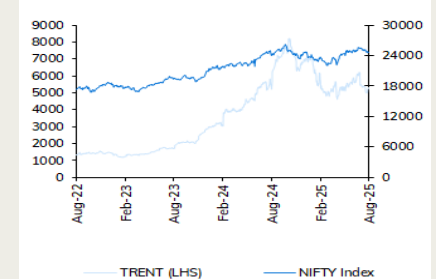
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	1,90,548
Debt (FY25) - ₹ crore	2,506
Cash (FY25) - ₹ crore	840
EV (Rs crore)	1,92,214
52 week H/L (₹)	8,346 / 4492
Equity capital (₹ crore)	35.5
Face value (₹)	1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	37.0	37.0	37.0	37.0
FII	26.6	21.7	19.7	18.4
DII	13.4	15.3	17.2	18.4
Others	23.0	26.1	26.1	26.2

Price Chart



Key risks

- Slowdown in discretionary consumption impacting LFL growth.
- Increase in competition from large domestic/international brands in fast fashion space.

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Exhibit 1: Sum of the Part Valuation

Business	Sales/EBIDTA (FY27E)	Valuation multiple (x)	Value	
Trent standalone business	EBITDA (Rs.cr)	4667.0	45.0	210014.2
Investment in Zara (49% stake)	EBITDA (Rs.cr)	713.2	5.0	1747.2
JV Star Bazar (50% stake)	Sales (Rs. Cr.)	3949.9	7.0	13824.7
Enterprise Value (A)				225586.2
Debt (FY27E)				1849.7
Cash (FY27E)				1919.4
Net Debt (B)				-69.7
Equity Value (A-B)				225655.8
Number of shares				35.6
Target price				6350
CMP				5360
Upside (%)				18

Source: Company, ICICI Direct Research

Q1FY26 – Business highlights

- The company continued to refresh its store footprint. It now operates over 1000 stores across 242 cities. Westside opened 1 store and rationalized 1 store while Zudio opened 11 stores and rationalized 10 stores during Q1FY26. The total store count for Westside stood at 248 stores, Zudio at 766 stores.
- The company plans to scale its revenues and increase its share across key markets by increasing the density of its stores in the key markets. With more emphasis on business model and the intent to drive share of revenue in key markets, the company has indicated that it is appropriate to pursue high growth across key micro markets rather focusing on store sales (i.e. LFL sales).
- The investments of the company in technology and automation are now yielding results in the form of better operating leverage. Westside and Zudio have maintained their gross margins consistently. The company has been able to maintain the margins with the help of disciplined approach in pricing, distribution and sourcing.
- Westside and Zudio added 0.1mn sqft to its store size which stood at 5.5mn and 8mn sqft as of Q1FY26. The fashion business now operates with a footprint of over 13mn sqft.
- Emerging categories such as footwear, beauty & personal care and innerwear contributed 21% to fashion business revenues.
- Despite early onset of monsoon and geopolitical headwinds, the company witnessed healthy growth in micro-markets. Fashion business LFL growth moderated to low single digit from mid-single digit in Q4FY25.
- The company is continuously pursuing growth in the Tier 2/3 markets. With emerging trend of fashion in these locations it looks to scale its business in these areas where the company sees opportunity as the market moves from emerging to matured stage. The management guided that the scale of stores in these areas would not be comparable to metro cities.
- Newer trade channels continued to scale with Westside.com along with Tata Neu. Online business revenues grew by 35% YoY and contributed to over 6% of Westside revenues.
- Star Bazaar during Q1FY26 added 2 stores and rationalized 3 stores with total store count 77 and store size flat at 1.3mn sqft. LFL growth for Star Bazaar stood flat for the quarter.
- The own brand share in Star Bazaar improved from 72% in Q1FY25 to 73% in Q1FY26. Staples and Fresh division gained share while General Merchandise and FMCG witnessed decline in the range of 100-200bps YoY.

Revision in earnings estimates

We have reduced our earnings estimates for FY26 and FY27 by 4% and 5% respectively to factor in lower LFL growth than earlier factored-in and higher depreciation charges for high store addition.

Exhibit 2: Changes in headline estimates

(₹ crore)	FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	21965.1	20928.8	-4.7	28207.3	26812.7	-4.9
EBITDA	3674.4	3590.4	-2.3	4821.2	4667.0	-3.2
EBITDA margin (%)	16.7	17.2		17.1	17.4	
PAT	2118.0	2032.4	-4.0	2872.2	2731.9	-4.9
EPS (Rs.)	59.6	57.2	-4.0	80.8	76.8	-4.9

Source: Company, ICICI Direct Research

Exhibit 3: Key Operating Assumptions

Particular	FY24	FY25E	FY26E	FY27E	CAGR % (FY25-27E)
Westside					
No. of stores	232	248	268	286	
Area (mn sq.ft)	4.5	5.4	6.1	6.5	9.5
Revenues (Rs cr.)	5149.9	6291.3	7043.8	7956.9	12.5
Zudio's					
No. of stores	545.0	765.0	965.0	1145.0	
Area (mn sq.ft)	4.8	7.9	10.5	12.5	26.0
Revenues (Rs cr.)	6530.5	10173.6	13580.2	18459.6	34.7
Total Revenues (Rs cr.)	11926.6	16668.1	20928.8	26812.7	26.8

Source: Company, ICICI Direct Research

Exhibit 4: Q1FY26 consolidated result snapshot (₹ crore)

Particulars	Q1FY26	Q1FY25	y-o-y (%)	Q4FY25	q-o-q (%)
Net revenue	4781.3	3991.7	19.8	4106.1	16.4
Cost of goods sold	2622.6	2146.4	22.2	2355.7	11.3
Gross profit	2158.7	1845.4	17.0	1750.4	23.3
Staff cost	284	305	-7	307	-7
Rent expenses	498.4	464.8	7.2	341.9	45.7
Other expenses	538.3	465.4	15.7	436.0	23.5
Total operating expenses	1321.0	1234.8	7.0	1085.3	21.7
EBITDA	837.7	610.6	37.2	665.2	25.9
Other income	41	46	-11	89	-54
Interest	39.5	31.2	26.9	38.2	3.5
Depreciation	283.9	175.9	61.3	263.1	7.9
Profit before tax	555.2	449.6	23.5	452.8	22.6
Tax	132.6	107.4	23.4	103.3	28.3
Adjusted PAT	423	342	24	349	21
Reported PAT	422.6	342.2	23.5	349.4	20.9
EPS (Rs.)	11.9	9.6	23.5	9.8	20.9
Margins	Q1FY26	Q1FY25	bps	Q4FY25	bps
GPM (%)	45	46	-108	43	252
EBITDA Margin (%)	17.5	15.3	223	16.2	132
NPM (%)	8.8	8.6	27	8.5	33
Tax rate	23.9	23.9	-1	22.8	106

Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total Operating Income	11926.6	16668.1	20928.8	26812.7
Growth (%)	54.6	39.8	25.6	28.1
Raw Material Expenses	6540.7	9261.6	11563.2	14840.8
Gross Profit	5385.9	7406.6	9365.6	11971.9
Gross Profit Margins (%)	45.2	44.4	44.8	44.7
Employee Expenses	937.9	1200.9	1537.2	1875.3
Other Expenditure	2521.0	3451.7	4238.1	5429.6
Total Operating Expenditure	9999.6	13914.1	17338.4	22145.8
EBITDA	1926.9	2754.0	3590.4	4667.0
Growth (%)	72.2	42.9	30.4	30.0
Interest	309.4	136.9	129.0	111.0
Depreciation	582.6	869.9	1111.8	1365.9
Other Income	350.9	329.4	349.5	438.0
PBT	1385.9	2076.6	2699.1	3628.1
Less Tax	315.6	491.8	666.7	896.1
Adjusted PAT (before exceptional item)	1070.3	1584.8	2032.4	2731.9
Growth (%)	93.0	48.1	28.2	34.4
Exceptional item	364.8	0.0	0.0	0.0
Reported PAT	1435.1	1584.8	2032.4	2731.9
Growth (%)	158.8	10.4	28.2	34.4
EPS (Adjusted)	30.1	44.6	57.2	76.8

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	35.6	35.6	35.6	35.6
Reserve and Surplus	4411.6	5878.9	7733.5	10287.7
Total Shareholders funds	4447.2	5914.4	7769.1	10323.2
Total Debt	1897.9	2449.7	2149.7	1849.7
Long-Term Provisions	155.6	160.1	168.1	176.5
Other Non Current Liabilities	14.9	56.0	58.8	61.7
Total Liabilities	6515.7	8580.2	10145.7	12411.2
Gross Block - Fixed Assets	3182.2	5313.7	6963.7	8463.7
Accumulated Depreciation	883.3	1753.1	2864.9	4230.8
Net Block	2298.9	3560.6	4098.7	4232.8
Capital WIP	161.4	117.9	141.5	169.8
Leased Assets	26.9	26.9	28.0	28.0
Fixed Assets	2487.3	3705.3	4268.2	4430.6
Goodwill & Other intangible	74.4	73.2	73.2	73.2
Investments	1282.0	1619.0	1619.0	1869.0
Other non-Current Assets	657.0	798.8	836.5	876.0
Inventory	1564.8	2028.4	3153.7	4040.3
Debtors	78.6	59.6	172.0	220.4
Current Investments	620.2	516.6	600.0	1500.0
Other Current Assets	256.9	399.9	419.9	440.9
Loans & Advances	150.7	175.0	183.8	193.0
Cash	286.2	323.0	135.9	419.4
Total Current Assets	2957.4	3502.6	4665.3	6813.9
Creditors	752.3	929.9	1108.8	1423.1
Provisions	16.6	25.0	27.5	30.3
Other Current Liabilities	173.5	163.8	180.1	198.1
Total Current Liabilities	942.4	1118.7	1316.4	1651.5
Net Current Assets	2015.0	2383.9	3348.8	5162.4
Application of Funds	6515.7	8580.2	10145.7	12411.2

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	719.4	1255.5	1682.9	2294.0
Add: Depreciation & Amort.	582.6	869.9	1111.8	1365.9
Other income	350.9	329.4	349.5	438.0
Changes in the working cap.	-352.2	-541.5	-1095.5	-658.3
CF from Operating activities	1300.7	1913.2	2048.7	3439.5
(Purchase)/Sale of Fixed Assets	1263.2	-2086.8	-1674.7	-1528.3
Investments & Bank balances	-253.9	-233.4	-83.4	-1150.0
Others	98.7	9.6	0.0	0.0
CF from Investing activities	1108.0	-2310.6	-1758.1	-2678.3
(inc)/Dec in Loan	-2498.3	551.8	-300.0	-300.0
Change in equity & reserves	410.7	60.1	0.0	0.0
Dividend paid	-113.8	-177.8	-177.8	-177.8
Other	0.0	0.0	0.0	0.0
CF from Financing activities	-2201.4	434.2	-477.8	-477.8
Net Cash Flow	207.3	36.8	-187.1	283.5
Cash and Cash Equivalent (opening)	78.9	286.2	323.0	135.9
Cash	286.2	323.0	135.9	419.4
Free Cash Flow	2563.9	-173.5	374.0	1911.2

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	30.1	44.6	57.2	76.8
Cash EPS	46.5	69.0	88.4	115.3
BV per share	125.1	166.4	218.5	290.4
Cash per Share	25.5	23.6	20.7	54.0
Dividend per share	3.2	5.0	5.0	5.0
Operating Ratios (%)				
Gross Profit Margins	45.2	44.4	44.8	44.7
Operating EBITDA margins	16.2	16.5	17.2	17.4
PAT Margins	12.0	9.5	9.7	10.2
Cash Conversion Cycle	33	30	23	23
Asset Turnover	1.6	1.7	1.8	1.9
Return Ratios (%)				
RoE	28.4	30.6	29.7	30.2
RoCE	24.2	29.7	30.6	33.5
Valuation Ratios (x)				
P/E	178.0	120.2	93.8	69.7
EV / EBITDA	99.4	69.8	53.5	40.8
EV / Net Sales	16.1	11.5	9.2	7.1
Market Cap / Sales	16.0	11.4	9.1	7.1
Price to Book Value	42.8	32.2	24.5	18.5
Solvency Ratios (x)				
Debt / EBITDA	0.8	0.8	0.5	0.4
Debt / Equity	0.4	0.4	0.3	0.2

Source: Company, ICICI Direct Research

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