

## On track to achieve rapid revenue recovery....

**About the stock:** Trent is India's leading retailer with a presence across various consumer categories (400+ stores). Inherent strength of brands (Westside, Zudio, Star, Zara) and accelerated store additions has led Trent to be among the fastest growing companies in our retail coverage universe.

- 'Westside' (75% of revenues) has proven to be one of the most profitable business models as it primarily focuses on selling private label brands (EBITDA margin: 11%, consistent SSSG: 8-9%)
- 'Zudio' (22% of sales), the value fashion brand, continues to be the next leg of growth for Trent (revenue CAGR: 50% FY18-21)

**Q1FY22 Results:** Covid induced lockdowns significantly disrupted the performance of Trent in Q1FY22. Green-shoots are visible with ~80% recovery rate in July.

- Standalone revenues grew 240% YoY to ₹ 327.3 crore. On the base of Q1FY20, recovery rate was at ~43% of pre-Covid levels
- Reported EBITDA loss of ₹ 31.8 crore (Q1FY21: (-) ₹ 119.1 crore)
- Net loss came in at ₹ 83.7 crore (Q1FY21: (-) ₹ 140 crore, I-direct estimate: ₹ 119.9 crore)

**What should investors do?** Trent has been an exceptional performer with the stock price appreciating at ~36% CAGR in the last five years.

- We maintain our **BUY** recommendation on the stock

**Target Price and Valuation:** We value Trent at ₹ 1100 based on SOTP valuation

### Key triggers for future price performance:

- We pencil in 175 store additions between Westside and Zudio for FY22-23E
- Liquidity position remains robust with cash & investments worth ₹ 752 crore that will enable it to tide over the current situation better than peers
- Expect revenue recovery to pick up pace from H2FY22 onwards and model in revenue and earnings CAGR of 17% and 36%, respectively, in FY20-23E
- In the long run, the company aims to grow its revenue at CAGR of 25%+

**Alternate Stock Idea:** Apart from Trent, we also like Aditya Birla Fashions (ABFRL).

- ABFRL has charted out growth strategies to become a ~US\$2.8 billion entity (₹ 21000 crore) by FY26E, translating to 15% CAGR in FY20-26E
- BUY with a target price of ₹ 265



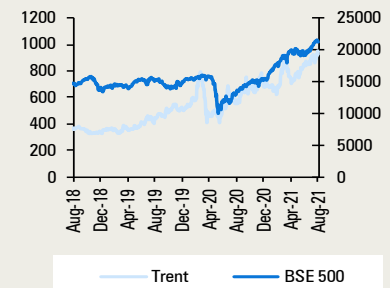
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	32,632.1
Total Debt (Mar-21) (₹ Crore)	299.9
Cash (Mar-21) (₹ Crore)	752.0
EV (₹ Crore)	32,180.1
52 week H/L	970/ 549
Equity Capital (₹ Crore)	35.5
Face Value (₹)	1.0

### Shareholding pattern

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	37.0	37.0	37.0	37.0	37.0
FII	21.5	23.8	30.0	30.5	30.8
DII	15.9	14.6	10.0	10.3	7.8
Others	25.5	24.6	23.0	22.3	24.4

### Price Chart



### Recent event & key risks

- Revenue recovery rate in July was at ~80%
- Key Risk:**(i) Slower ramp up of store network (ii) Extension of lockdown restrictions leading to store closures

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### Key Financial Summary

Financials	FY19	FY20	FY21	4 year CAGR (FY16-20)	FY22E	FY23E	3 year CAGR (FY20-23E)
Net Sales	2,630.2	3,486.0	2,593.0	22.0%	3,896.6	5,592.2	17.1%
EBITDA	227.7	544.0	171.9		563.1	848.3	16.0%
PAT	97.0	122.8	(146.2)	16.0%	120.0	310.1	36.2%
EV/Sales (x)	12.1	9.5	12.8		8.6	6.0	
EV/EBITDA (x)	140.1	60.9	193.2		59.4	39.4	
RoCE (%)	10.1	15.9	4.3		15.0	22.6	
RoE (%)	5.9	5.1	-6.3		5.0	11.8	

## Key takeaways of recent quarter

- Standalone revenues (which includes Westside, Zudio and Landmark formats) grew 240% YoY to ₹ 327.3 crore (I-direct estimate: ₹ 233.1 crore). On the base of Q1FY20, recovery rate was at ~43% of pre-Covid levels. Fashion business operated for 46% of trading days vs. 26% in Q1FY21. Consolidated revenues (which includes Booker India), grew 98% YoY to ₹ 491 crore
- Gross margins remained healthy at 53.6% (up 40 bps QoQ, I-direct estimate: 51%) owing to lower EOSS days. The company has managed to curtail certain fixed overheads with other expenses declining 37% QoQ. Reported EBITDA loss of ₹ 31.8 crore (Q1FY21: (-) ₹ 119.1 crore, I-direct estimate: ₹ 74.8 crore)
- Other income was at ₹ 52.3 crore out of which ₹ 35 crore pertains to lease rental waivers. Subsequently, the company reported a net loss of ₹ 83.7 crore (Q1FY21: (-) ₹ 140 crore, I-direct estimate: ₹ 119.9 crore). Losses in share of JV narrowed down to ₹ 21.7 crore vs. ₹ 38.87 crore
- On the store addition front, the company added 10 Westside (184 total stores) and four Zudio stores. Further, it has a healthy store addition pipeline (13 Westside, 12 Zudio stores) and would open once Covid related restrictions are eased
- Digital platforms continued to witness robust growth with sales increasing 200% YoY and revenue contribution to Westside increasing to more than 5%. It is targeting online sales to reach 10% vs. current 5% over the next few years

Despite the challenging scenario, Trent reported a resilient performance. Post lockdown relaxations, revenue recovery has been encouraging with July sales tracking 80% of pre-Covid levels and the company reverting back to healthy operating profitability. During its recent AGM, the management has affirmed its aggressive store opening plans for its fashion format (Westside: 35 & Zudio: 75) in FY22 (outlined capex worth ₹ 200 crore in FY22E). They expect normalcy to return fully by Q3FY22E. We expect Zudio to continue to be the next growth engine for Trent with share of revenues increasing to 25% in FY23 from 11% in FY19. We maintain BUY rating on the stock with a revised target price of ₹ 1100 (earlier: ₹ 1060).

**Exhibit 1: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	327.3	233.1	96.3	239.8	773.7	-57.7	On base of Q1FY20, revenue recovery rate stood at ~43%
Other Operating Income	0.0	0.0	0.0	0.0	0.0	0.0	
Raw Material Expense	152.0	114.4	83.5	82.0	362.3	-58.1	
Gross Profit	175.3	118.6	12.8	1,269.7	411.4	-57.4	
Gross Profit Margin	53.6	50.9	13.3	4028 bps	53.2	40 bps	Gross margins remained healthy owing to lower EOSS days
Employee exp	76.3	65.3	60.8	25.4	68.2	11.8	
Other Exp	130.8	128.2	71.1	84.0	206.6	-36.7	
EBITDA	-31.8	-74.8	-119.1	-73.3	136.6	-123.3	
EBITDA Margin (%)	-9.7	-32.1	-123.7	11396 bps	17.7	-2736 bps	
Depreciation	62.2	62.3	58.5	6.3	61.7	0.8	
Other Income	52.3	36.2	52.9	-1.0	72.4	-27.7	Other income includes rental waiver worth ₹ 35 crore
Interest	68.6	59.3	57.4	19.4	61.8	11.0	
Exceptional Income	0.0	0.0	0.0		-6.3		
PBT	-110.2	-160.2	-182.2	-39.5	79.2	-239.2	
Tax Outgo	-26.5	-40.3	-42.8	-38.0	22.3	-218.7	
Minority Interest							
PAT	-83.7	-119.9	-139.4	-39.9	56.9	-247.3	

Source: Company, ICICI Direct Research

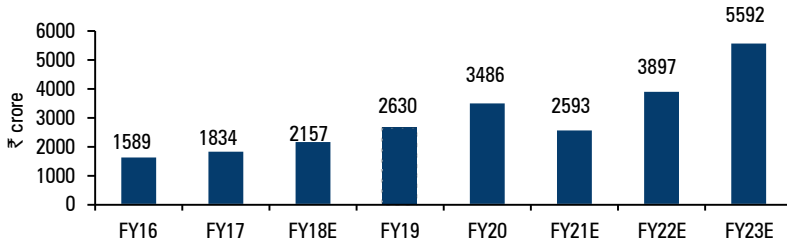
**Exhibit 2: Change in estimates**

(₹ Crore)	FY21	FY22E			FY23E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	2,593.0	3,896.6	3,896.6	0.0	5,592.2	5,592.2	0.0
EBITDA	171.9	563.1	563.1	0.0	848.3	848.3	0.0
EBITDA Margin (%)	6.6	14.5	14.5	0 bps	15.2	15.2	0 bps
PAT	-146.2	129.2	120.0	-7.1	317.8	310.1	-2.4
EPS (₹)	-4.1	3.6	3.4	-7.2	8.9	8.7	-2.3

Source: Company, ICICI Direct Research

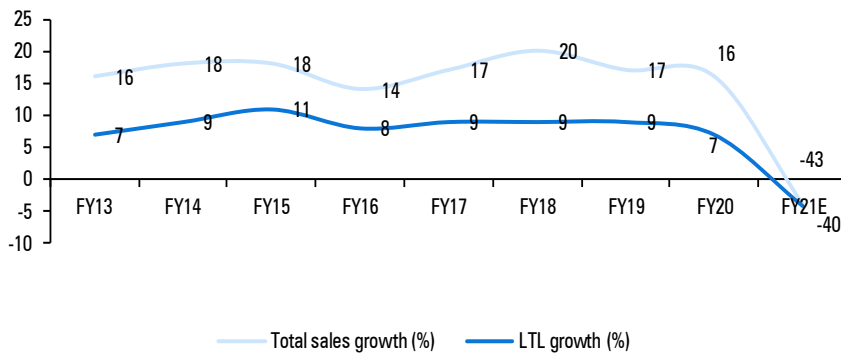
## Financial story in charts

Exhibit 3: Revenue Trend



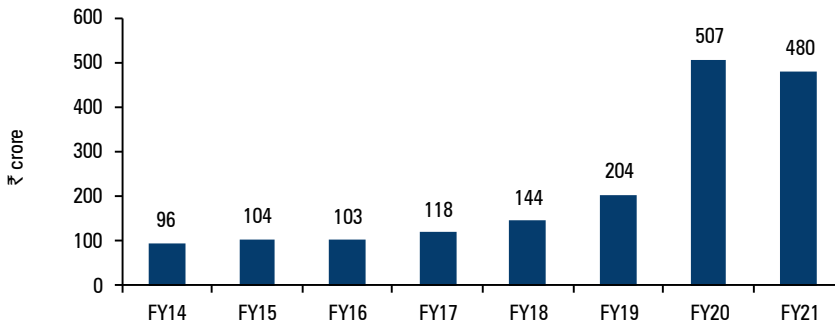
Source: Company, ICICI Direct Research

Exhibit 4: Westside revenue trend and same stores sales growth (SSSG)



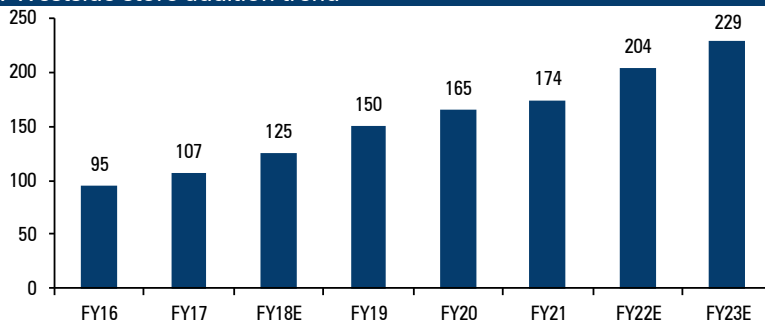
Source: Company, ICICI Direct Research

Exhibit 5: Zudio revenue trend



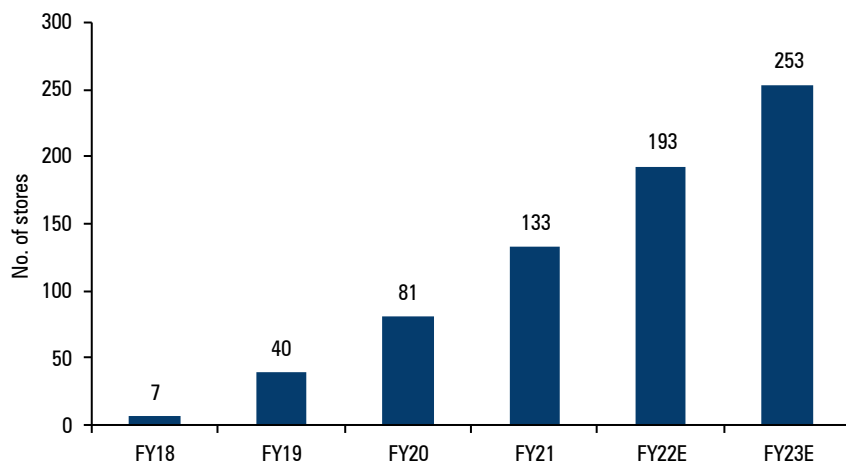
Source: Company, ICICI Direct Research

Exhibit 6: Westside store addition trend



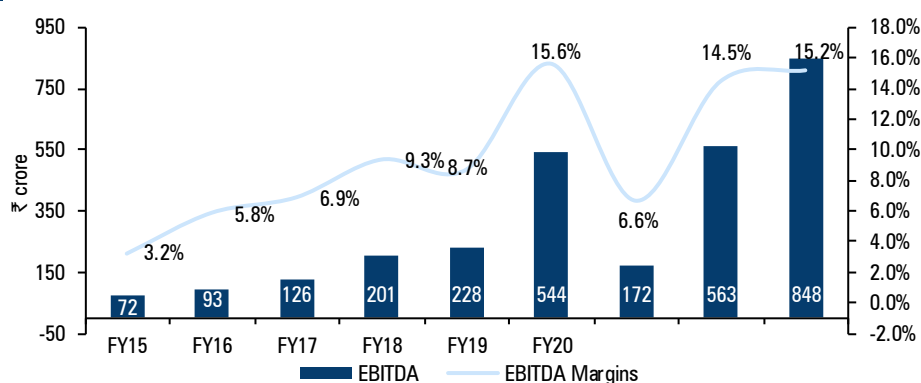
Source: Company, ICICI Direct Research

Exhibit 7: Zudio store addition trend



Source: Company, ICICI Direct Research

Exhibit 8: EBITDA and EBITDA margin trend (post IND-AS 116)



Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Financial	FY23E (₹ cr)	Target Multiple	EV/Mcap	(₹ cr) Cash	Debt	Targeted Mcap (₹ cr)
Standalone revenues	Sales	4982	6.6x EV/Sales	32882	543	301	33124
Trent Hypermarket Ltd	Sales	804	1.4x Price/Sales	1126			1126
Trent -Inditex (Zara)	Sales	902	5x Price/Sales	4509			4509
Booker & Other Subsidiaries	Sales	311	0.5x Price/Sales	156			156
Target Market Cap. (₹ cr)							38914
Target Price (₹)							1100

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
	FY20	FY21	FY22E	FY23E
<b>Total operating Income</b>	<b>3,486.0</b>	<b>2,593.0</b>	<b>3,896.6</b>	<b>5,592.2</b>
Growth (%)	32.5	-25.6	50.3	43.5
Cost of Goods Sold	1,881.8	1,534.0	2,154.8	3,070.1
<b>Gross Margin (%)</b>	<b>46.0</b>	<b>40.8</b>	<b>44.7</b>	<b>45.1</b>
Employee Expenses	358.5	301.9	405.2	581.6
Operating & Other Expenses	701.7	585.2	773.5	1,092.2
Total Operating Expenditure	2,942.0	2,421.1	3,333.5	4,743.8
<b>EBITDA</b>	<b>544.0</b>	<b>171.9</b>	<b>563.1</b>	<b>848.3</b>
Growth (%)	138.9	-68.4	227.6	50.7
Depreciation	247.2	257.3	287.0	318.2
Interest	245.8	248.7	271.7	291.0
Other Income	144.5	201.6	140.3	145.4
<b>PBT</b>	<b>195.4</b>	<b>-133.5</b>	<b>144.6</b>	<b>384.5</b>
Share of Profit from JV	-30.4	-71.4	-16.2	7.5
Total Tax	59.0	-23.7	33.4	101.9
PAT	106.0	-181.1	95.0	290.1
Minority Interest	-16.8	-35.0	-25.0	-20.0
<b>PAT after MI</b>	<b>122.8</b>	<b>-146.2</b>	<b>120.0</b>	<b>310.1</b>
Extraordinary item	0.0	0.0	0.0	0.0
<b>Reported PAT</b>	<b>122.8</b>	<b>-146.2</b>	<b>120.0</b>	<b>310.1</b>
<b>EPS (₹)</b>	<b>3.5</b>	<b>-4.1</b>	<b>3.4</b>	<b>8.7</b>

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	35.5	35.5	35.5	35.5
Reserve and Surplus	2,352.5	2,277.5	2,367.5	2,600.1
Total Shareholders funds	2,388.0	2,313.0	2,403.0	2,635.6
Total Debt	299.7	299.9	320.4	301.4
Other LT Liabilities	2,326.6	2,677.3	2,475.2	2,274.9
Deferred Tax Liability	-110.4	-114.5	-114.5	-114.5
Minority Interest / Others	80.3	44.5	44.5	44.5
<b>Total Liabilities</b>	<b>4,984.3</b>	<b>5,220.2</b>	<b>5,128.6</b>	<b>5,141.9</b>
<b>Assets</b>				
Gross Block	953.3	986.0	1,249.0	1,394.0
Less: Acc Depreciation	298.6	345.5	432.9	530.5
Capital WIP	23.3	108.0	25.0	25.0
Total Fixed Assets	678.0	748.4	841.0	888.4
Investments	1,543.1	1,515.4	1,333.5	1,306.9
Other Non-current Assets	2,102.31	2,471.28	2,251.66	2,031.04
Goodwill	69.5	66.8	66.8	66.8
Deferred Tax Asset	0.0	0.0	0.0	0.0
Inventory	607.8	428.4	651.2	919.3
Debtors	17.1	20.8	26.7	38.3
Loans and Advances	203.5	156.2	174.9	195.9
Cash	61.8	81.3	34.8	81.5
Other Current Assets	113.2	120.5	150.7	188.3
Total Current Assets	1,003.4	807.1	1,038.3	1,423.2
Creditors	297.7	274.6	324.7	462.6
Other Current Liab. & Prov.	114.4	114.2	77.9	111.8
Total Current Liabilities	412.0	388.8	402.6	574.5
Net Current Assets	591.4	418.4	635.6	848.8
<b>Application of Funds</b>	<b>4,984.3</b>	<b>5,220.2</b>	<b>5,128.6</b>	<b>5,141.9</b>

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after tax	122.8	-146.2	120.0	310.1
Add: Depreciation	247.2	257.3	287.0	318.2
Add: Finance Cost	245.8	248.7	271.7	291.0
(Inc)/dec in Current Assets	-163.5	215.7	-277.6	-338.3
Inc/(dec) in CL and Provisions	17.0	-23.2	13.9	171.8
Others	-60.0	-99.0	0.0	0.0
<b>CF from operating activities</b>	<b>409.3</b>	<b>453.3</b>	<b>415.0</b>	<b>752.9</b>
(Inc)/dec in Investments	-627.8	27.7	181.8	26.7
(Inc)/dec in Fixed Assets	-110.5	-90.7	-180.0	-145.0
Others	-22.5	-36.0	20.0	0.0
<b>CF from investing activities</b>	<b>-760.9</b>	<b>-99.0</b>	<b>21.8</b>	<b>-118.3</b>
Issue/(Buy back) of Equity	2.3	0.0	0.0	0.0
Inc/(dec) in loan funds	-194.4	0.2	20.5	-19.0
Less: Finance Cost & Others	-330.8	-335.9	-468.0	-497.1
Others	880.0	0.8	-35.8	-71.7
<b>CF from financing activities</b>	<b>357.1</b>	<b>-334.9</b>	<b>-483.4</b>	<b>-587.9</b>
Net Cash flow	5.5	19.5	-46.5	46.7
Opening Cash	56.3	61.8	81.3	34.8
<b>Closing Cash</b>	<b>61.8</b>	<b>81.3</b>	<b>34.8</b>	<b>81.5</b>

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹) (annualised)</b>				
EPS	3.5	-4.1	3.4	8.7
Cash EPS	10.4	3.1	11.5	17.7
BV	67.2	65.1	67.6	74.1
DPS	1.5	1.0	0.8	2.2
Cash Per Share	1.7	2.3	1.0	2.3
<b>Operating Ratios</b>				
EBITDA Margin (%)	15.6	6.6	14.5	15.2
PBT Margin (%)	5.6	-5.1	3.7	6.9
PAT Margin (%)	3.5	-5.6	3.1	5.5
Inventory days	63.6	60.3	61.0	60.0
Debtor days	1.8	2.9	2.5	2.5
Creditor days	31.2	38.7	30.4	30.2
<b>Return Ratios (%)</b>				
RoE	5.1	-6.3	5.0	11.8
RoCE	15.9	4.3	15.0	22.6
RoIC	28.0	-9.4	20.8	34.8
<b>Valuation Ratios (x) (annualised)</b>				
P/E	274.2	-	280.5	108.6
EV / EBITDA	60.9	193.2	59.4	39.4
EV / Net Sales	9.5	12.8	8.6	6.0
Market Cap / Sales	9.7	13.0	8.6	6.0
Price to Book Value	14.1	14.6	14.0	12.8
<b>Solvency Ratios</b>				
Debt/EBITDA	0.6	1.7	0.6	0.4
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	2.9	2.5	3.1	2.9
Quick Ratio	1.0	1.0	1.1	0.9

Source: Company, ICICI Direct Research

**Exhibit 14: ICICI Direct coverage universe (Retail)**

Sector / Company	CMP			M Cap (₹ Cr)	EV/Sales (x)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
	(₹)	TP(₹)	Rating		FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Trent	947	1,100	Buy	32,632	9.5	12.8	8.6	6.0	274.2	-	280.5	108.6	60.9	193.2	59.4	39.4	15.9	4.3	15.0	22.6	5.1	-6.3	5.0	11.8
ABFRL	205	265	Buy	17,431	2.3	4.2	2.8	2.1	-	-	-	66.1	16.4	-	22.4	13.2	10.2	-8.9	3.2	17.8	-15.3	-25.5	-2.9	10.2
TCNS Clothing	552	700	Buy	3,397	3.0	5.4	3.2	2.4	67.5	-	53.9	29.6	42.6	-	32.1	17.9	10.6	-10.8	13.1	20.0	7.9	-8.1	9.7	14.9
Shoppers Stop	237	275	Buy	2,594	1.3	2.7	1.9	1.3	-	-	-	35.7	7.8	87.3	16.1	6.8	4.7	-14.8	-4.7	13.0	-103.1	-151.5	-477.9	71.1
Bata India	1,652	1,925	Buy	21,240	6.3	11.3	6.9	5.2	62.1	-	77.4	39.5	23.3	119.3	28.2	18.3	28.2	-5.9	20.4	32.7	17.2	-5.1	13.5	23.0
Titan Company	1,800	2,110	Buy	1,59,801	7.6	7.2	6.1	4.9	106.4	164.2	82.3	58.8	64.9	90.8	52.3	38.5	28.7	17.6	28.5	32.0	22.5	13.0	21.4	24.1
Relaxo Footwear	1,165	1,330	Buy	28,904	12.0	12.1	10.2	8.4	127.8	99.3	90.0	69.5	70.7	57.7	53.5	42.9	23.9	26.0	25.1	28.0	17.8	18.5	18.0	20.3
TTK Prestige	8,667	10,675	Buy	12,021	6.1	5.8	5.0	4.3	69.0	52.5	45.8	37.9	48.2	38.6	32.4	27.0	17.1	18.6	20.0	21.5	14.1	16.1	16.5	17.7
Page Industries	32,760	34,800	Hold	36,540	11.3	11.7	9.6	7.8	97.4	98.2	75.0	53.0	62.6	62.7	49.2	35.7	55.7	52.4	55.4	65.0	41.9	38.5	42.8	50.0
Avenue Supermarts	3,592	3,720	Hold	2,32,000	8.6	8.9	6.7	4.8	166.3	196.8	135.9	85.1	100.1	122.7	84.0	54.3	16.4	12.5	15.8	21.2	11.7	9.0	11.6	15.6
V-Mart	3,631	4,100	Buy	7,157	4.2	6.7	4.1	2.7	142.8	NA	194.9	65.9	32.9	55.0	33.8	20.8	27.0	6.0	13.6	23.6	10.7	-0.8	4.5	11.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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