

## COMPANY UPDATE

## KEY DATA

<b>Rating</b>	<b>BUY</b>
<b>Sector relative</b>	<b>Outperformer</b>
<b>Price (INR)</b>	<b>5,735</b>
<b>12 month price target (INR)</b>	<b>6,627</b>
<b>52 Week High/Low</b>	<b>8,346/4,488</b>
<b>Market cap (INR bn/USD bn)</b>	<b>2,039/23.6</b>
<b>Free float (%)</b>	<b>91.7</b>
<b>Avg. daily value traded (INR mn)</b>	<b>6,632.7</b>

## SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	37.01%	37.01%	37.01%
FII	19.65%	21.68%	26.62%
DII	17.20%	15.25%	13.39%
Pledge	0%	0%	0%

## FINANCIALS

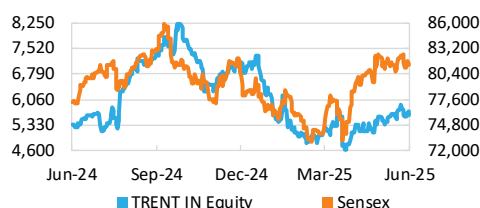
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	1,71,346	2,33,978	3,20,594	3,99,515
EBITDA	27,585	37,602	53,900	63,385
Adjusted profit	15,467	23,538	32,440	39,043
Diluted EPS (INR)	43.5	66.2	91.3	109.8
EPS growth (%)	45.8	52.2	37.8	20.4
RoAE (%)	32.5	35.8	35.2	30.9
P/E (x)	131.8	86.6	62.8	52.2
EV/EBITDA (x)	69.1	50.6	35.1	29.6
Dividend yield (%)	0.1	0.1	0.1	0.1

## CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,33,978	3,20,594	0.0%	0.0%
EBITDA	37,602	53,900	0.0%	0.0%
Adjusted profit	23,538	32,440	0.0%	0.0%
Diluted EPS (INR)	66.2	91.3	0.0%	0.0%

## PRICE PERFORMANCE



## Annual Report Insights

Trent in its annual report FY25 has reemphasised its focus on elevating customer experience and constantly improving the value quotient in its offerings across formats. While both the profitability as well as top line exhibited healthy signs of growth, cashflows took a backseat this year due to increasing investments in inventory and capex for newer stores. Management has implemented many initiatives to enhance its supply chain, reflected in increasing inventory turns during the year. Emerging categories of Beauty and Footwear could become the next leg of growth for the company.

We remain bullish on the business and retain 'BUY' on the stock with unchanged estimates and a TP of INR6,627.

## Fashion and Lifestyle business: Growth-defying industry sentiments

Following the store consolidation drive during the year, Trent picked up the pace of store addition in H2FY25. The company added 40 stores in the Westside format and 244 stores in the Zudio format this year on a gross basis and consolidated 24 stores in each format. An interesting thing to note is that the average store size has increased significantly over the past few years, implying that newer stores are much larger than the legacy stores of the past. This also aligns with management's aim of elevating the customer experience by improving the store's interiors, size and assortment. Trent has also doubled down on its store additions in Metro areas to improve customers' experiences as well as cater to peak demand where throughput is lost due to higher rush and waiting times.

## Star Bazaar: Growth momentum continues; investments increase

Star Bazaar continued its strong growth trajectory during the year (inventory turnover of 16.5x) given private label contribution increasing to 73% in FY25 as compared with 67% in FY24. Despite an increasing contribution from private labels, gross margin remained flat, implying sharper pricing to increase market share and fend off competition and partly owing to faster growth in "Fresh" portfolio. Losses in the segment increased slightly driven by higher investments in the format. Management acknowledged its slower-than-expected pace of store additions in the format during its recent analyst meeting. This is also due to management establishing the format before pushing forward with expansion. Importantly, LFL slowing down on a quarterly basis is a bit of a concern.

## Emerging categories: Healthy growth trajectory—strong optionality

Emerging categories comprising beauty, innerwear and footwear contribute ~20% to the total revenue. On Zudio Beauty, management is trying to establish its roots before blitzscaling the format as it has highlighted in its recent analyst meeting. Currently there are about five stores of Zudio Beauty in four cities. In footwear, the company sold off 27mn pairs (up 42%), which is higher than most of the listed players in the space. Innerwear/Beauty segment reported 47%/65% surge in volume in FY25.

## Financial Statements

### Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	1,71,346	2,33,978	3,20,594	3,99,515
Gross profit	74,455	1,00,456	1,35,744	1,66,384
Employee costs	13,085	16,732	20,987	25,498
Other expenses	33,786	46,123	60,857	77,501
EBITDA	27,585	37,602	53,900	63,385
Depreciation	8,952	11,072	15,520	19,362
Less: Interest expense	1,386	1,944	2,435	2,955
Add: Other income	2,186	3,682	3,682	4,070
Profit before tax	20,297	30,205	41,934	49,901
Prov for tax	4,953	7,067	9,907	11,285
Less: Other adj	0	0	0	0
Reported profit	15,467	23,538	32,440	39,043
Less: Excp.item (net)	0	0	0	0
Adjusted profit	15,467	23,538	32,440	39,043
Diluted shares o/s	355	355	355	355
Adjusted diluted EPS	43.5	66.2	91.3	109.8
DPS (INR)	5.0	3.6	4.6	5.6
Tax rate (%)	24.4	23.4	23.6	22.6

### Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Westside Store Count	248	279	321	349
Zudio Store Count	765.0	1,015.0	1,285.0	1,565.0
Star Store count	78.0	94.0	118.0	142.0
EBITDA margin (%)	16.1	16.1	16.8	15.9
Net profit margin (%)	9.0	10.1	10.1	9.8
Revenue growth (% YoY)	38.5	36.6	37.0	24.6
EBITDA growth (% YoY)	43.5	36.3	43.3	17.6
Adj. profit growth (%)	45.8	52.2	37.8	20.4

### Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.5	6.3	6.3	6.3
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	85.0	85.0	85.0	85.0

### Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	131.8	86.6	62.8	52.2
Price/BV (x)	37.3	26.5	18.9	14.1
EV/EBITDA (x)	69.1	50.6	35.1	29.6
Dividend yield (%)	0.1	0.1	0.1	0.1

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	355	355	355	355
Reserves	54,262	76,520	1,07,324	1,44,377
Shareholders funds	54,617	76,875	1,07,680	1,44,733
Minority interest	1,216	816	403	(24)
Borrowings	4,992	4,992	4,992	4,992
Trade payables	9,282	11,728	16,236	20,477
Other liabs & prov	4,463	4,463	6,015	7,429
Total liabilities	94,196	1,26,744	1,70,754	2,16,936
Net block	20,682	31,118	40,626	49,505
Intangible assets	733	781	766	747
Capital WIP	1,795	1,795	1,795	1,795
Total fixed assets	23,210	33,694	43,186	52,047
Non current inv	8,724	8,122	10,428	15,190
Cash/cash equivalent	3,398	7,871	18,791	34,949
Sundry debtors	630	994	1,369	1,709
Loans & advances	180	180	180	180
Other assets	32,962	42,457	55,793	67,935
Total assets	94,196	1,26,744	1,70,754	2,16,936

### Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	20,297	30,205	41,934	49,901
Add: Depreciation	8,952	11,072	15,520	19,362
Interest (net of tax)	1,386	1,944	2,435	2,955
Others	(3,408)	0	0	0
Less: Changes in WC	(5,677)	(7,471)	(7,649)	(6,829)
Operating cash flow	16,609	27,858	41,014	54,151
Less: Capex	(12,682)	(13,292)	(13,456)	(13,915)
Free cash flow	3,927	14,566	27,558	40,236

### Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	32.5	35.8	35.2	30.9
RoCE (%)	39.0	42.1	43.0	36.6
Inventory days	68	66	65	68
Receivable days	2	1	1	1
Payable days	32	29	28	29
Working cap (% sales)	11.4	11.5	10.8	10.4
Gross debt/equity (x)	0.1	0.1	0	0
Net debt/equity (x)	0	0	(0.1)	(0.2)
Interest coverage (x)	13.4	13.6	15.8	14.9

### Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	45.8	52.2	37.8	20.4
RoE (%)	32.5	35.8	35.2	30.9
EBITDA growth (%)	43.5	36.3	43.3	17.6
Payout ratio (%)	11.5	5.4	5.0	5.1

## Key takeaways from Annual Report

*“Two years ago, I had envisioned that Trent would one day be ten times bigger. Since then, the revenue run rate has doubled. The headroom for growth remains enormous, and I am confident that we will reach this milestone in the not too distant future...” Noel Tata (Chairman Trent) in AR25.*

### Straddling as per GDP share

- India's income distribution continues to evolve, leading to varying demand patterns across consumer segments. According to the World Inequality Report 2022, the top 10% of the population accounts for 57% of national income while the top 1% holds 22%. Meanwhile, the bottom 50% accounts for 13% of income. This growing diversity in spending power underscores the importance of offering both premium as well as value-led products, enabling the company to serve a wider range of customers effectively.
- Trent's playbook is to expand emerging formats and categories such as beauty and personal care, lingerie, innerwear and footwear, which would allow it to enhance the addressable market size.
- Launch of new formats such as Samoh in the premium occasion wear space, allows it to leveraging its back-end operating platform, which gives it the ability to nurture and step into newer customer and product segments.

### Strategy and outlook

- Trent's strategic initiatives aim to enhance its market differentiation, focusing on product quality, pricing and an elevated customer experience across its brands.
- Customers subconsciously attach more value to full-priced offerings and correlate full price to a strong brand.
- The company plans to expand its presence across India, including into underpenetrated Tier 2 and Tier 3 markets, leveraging its established business and operational processes.
- Westside
  - Over 80% of merchandise is near-shored from within India, thus ensuring increased agility and transparency of the supply chain.
  - The Westside business model focuses on the elevation of the overall customer proposition with on-trend fashion, aspirational brand experience and convenient access across store and digital channels.
  - Over 90% of Westside's revenues are attributable to its loyal WestStyle Club members.
  - Westside has industry leading online return rates.
  - For Westside, the focus includes deepening customer engagement through loyalty programmes, accelerating reach with high-quality store footprints, and expanding its online channel presence.
  - Average new product options per week: 500-plus

- Zudio
  - Everything about Zudio is anchored around accessibility and compelling value.
  - Zudio's strategy emphasises continuous merchandise refreshment and minimising lead times to offer new collections rapidly, supported by predominantly India-based sourcing for agility.
  - Expansion of the company's Zudio format in the UAE market allows it to learn and improve the company's product value proposition and gives it the opportunity to establish itself in the international marketplace over time.
  - Average new product options per week: 200-plus
- In the fashion business, Trent has clocked double-digit LFL growth in FY25.
- The Star food business seeks to provide curated and fresh offerings with compelling value and competitive pricing, aiming to optimise the shopping experience through strategic store layouts and proximity.
- Trent intends to expand into emerging categories such as beauty, lingerie, innerwear and footwear, utilising its backend operating platform to nurture these new product segments.

#### **Supply chain enhancements**

- Universal Radio-Frequency Identification (RFID) tagging and tracking have been implemented across fashion merchandise to streamline inventory management, improve tracking and accelerate in-store processes.
- Future RFID plans to include automated stocktakes and a phased rollout of RFID checkouts to enhance operational efficiency and product availability further.
- Investments in warehouse automation such as spiral conveyors, boom conveyors, and cross-belt sorters, aim to significantly increase throughput capacity and improve space utilisation.
- The implementation of a Transport Management System (TMS) provides enhanced visibility and control over logistics, facilitating route optimisation and real-time shipment tracking.
- Trent maintains a proximate supply chain, sourcing ~90% of its merchandise from within India, which enables agility and speed in responding to market demands.
- In the food business, procurement is backward integrated, with direct sourcing from farmers, millers and manufacturers to enhance value capture and process efficiency.
- New warehouses and upgraded repackaging units have been established to support the sustained growth and expanding scale of the Star business.
- Trent's business model is characterised by ownership of product design, rapid concept-to-market execution, and consistent product offerings across all channels.
- The company operates a direct-to-consumer distribution model, providing comprehensive control over various parts of its value chain from sourcing to retail operations.

- Significant investments are directed towards technology, automation, and supply chains, including leveraging AI/ML-led augmentation for various business functions.
- The company has completed its migration to SAP S/4HANA on RISE, establishing a scalable, cloud-based infrastructure to enhance operational efficiency and customer-facing innovations

## Fashion and Lifestyle

*“We are increasingly expanding our presence across more diverse markets across India, including many Tier 2 and Tier 3 locations. The compelling traction gives us the conviction to double down into more hinterlands going forward. Furthermore, we continue to build on our presence in metro/Tier 1 cities. The agenda is to drive material reach and share of revenues in key proximate markets. Moreover, we are evolving the quality of our store portfolio (including in terms of the look and feel of our stores) as we consciously increase the density of our presence in such markets. Given the business model choices and the intent to drive the share of revenues in proximate markets, we are primarily seeking to pursue revenue growth across comparative micro-markets vis-à-vis just the performance of comparative stores.” – Trent’s Annual report, FY25*

Management conducted a store rationalisation drive this year, wherein it shut 24 stores each in Westside and Zudio in the current year. At the same time, they added 40 stores in the Westside portfolio and 242 stores in Zudio format on a gross basis. Overall the store addition remained healthy with Trent picking up the pace of store addition in H2FY25 while focusing on consolidation in H1FY25.

**Exhibit 1: Store locations — Westside**

Presence by state	FY21	FY22	FY23	FY24	FY25	CAGR FY21-25
Maharashtra	31	33	36	39	42	8%
Karnataka	23	23	24	26	30	7%
Gujarat	18	17	21	27	28	12%
Uttar Pradesh	14	13	14	14	16	3%
Tamil Nadu	13	14	16	17	20	11%
Telangana	13	14	15	19	22	14%
Kerala	9	10	9	12	11	5%
Delhi	8	8	8	7	9	3%
West Bengal	7	7	7	7	7	0%
Madhya Pradesh	7	8	9	9	7	0%
Andhra Pradesh	7	6	6	6	8	3%
Rajasthan	6	6	6	7	8	7%
Punjab	6	6	4	4	6	0%
Uttarakhand	4	4	4	5	4	0%
Haryana	4	4	4	3	6	11%
Assam	4	6	7	7	4	0%
Chhattisgarh	3	3	3	4	4	7%
Jharkhand	3	4	4	4	3	0%
Bihar	3	4	4	4	3	0%
Odisha	3	3	3	2	1	-24%
Goa	2	2	2	2	3	11%
JK	1	1	1	1	1	0%
Himachal Pradesh	1	1	1	0	0	0%
Sikkim	1	1	1	1	0	0%
Mizoram	1	1	1	1	0	0%
Nagaland	1	1	1	1	2	19%
Chandigarh	0	0	2	2	2	0%
Puducherry	0	0	1	1	1	0%
<b>Total</b>	<b>193</b>	<b>200</b>	<b>214</b>	<b>232</b>	<b>248</b>	<b>6%</b>

Source: Company, Nuvama Research

In Westside, even though the store addition CAGR over FY21–25 came in at 6%, most of the store addition was aligned towards states with a substantial metropolitan area as visible in the above-average CAGR for those states such as Maharashtra, Karnataka, Gujarat, Tamil Nadu and Goa. One important thing to note is that despite stores increasing for Westside in FY25, number of cities in which the format is present came down implying concentration of the stores in existing metro regions.

In Zudio, store addition has been secular across states, albeit higher than average CAGR in most of the states is a function of a lower base as management has expanded the pace of expansion in the past two years. Furthermore, this year management has concentrated its store portfolio in metros to improve the service levels near the existing stores along with the planned expansion in Tier 2 and below towns. The move of concentrating stores in metro cities has resulted in cannibalisation of LFL growth visible in LFL growth in H2FY25, where it came down to mid-single digits.

#### Exhibit 2: Store locations — Zudio

Presence By state	FY21	FY22	FY23	FY24	FY25	CAGR FY21–25
Gujarat	28	37	55	82	84	32%
Karnataka	27	33	42	58	76	30%
Maharashtra	27	37	60	86	114	43%
Telangana	15	26	34	42	66	45%
Rajasthan	7	9	14	21	33	47%
Madhya Pradesh	7	9	11	15	20	30%
Tamil Nadu	6	10	17	24	36	57%
Kerala	6	13	25	44	56	75%
Punjab	5	7	9	15	29	55%
Odisha	3	3	4	8	13	44%
Bihar	2	4	7	9	14	63%
Andhra Pradesh	2	3	5	18	28	93%
Chhattisgarh	3	5	5	5	6	19%
Uttar Pradesh	3	12	20	33	56	108%
Haryana	2	6	8	13	23	84%
Chandigarh	1	NA	NA	NA	0	
Uttarakhand	1	2	3	7	10	78%
Jharkhand	1	2	3	6	7	63%
West Bengal	1	8	14	23	29	132%
Goa	1	2	2	5	6	57%
Delhi	0	2	3	14	29	
JK	0	1	2	2	2	
Assam	0	1	5	9	15	
Nagaland	0	1	1	1	2	
Manipur	0	0	2	2	3	
Meghalaya	0	0	1	1	1	
Others	0	0	0	2	7	
<b>Total</b>	<b>148</b>	<b>233</b>	<b>352</b>	<b>545</b>	<b>765</b>	<b>51%</b>

Source: Company, Nuvama Research

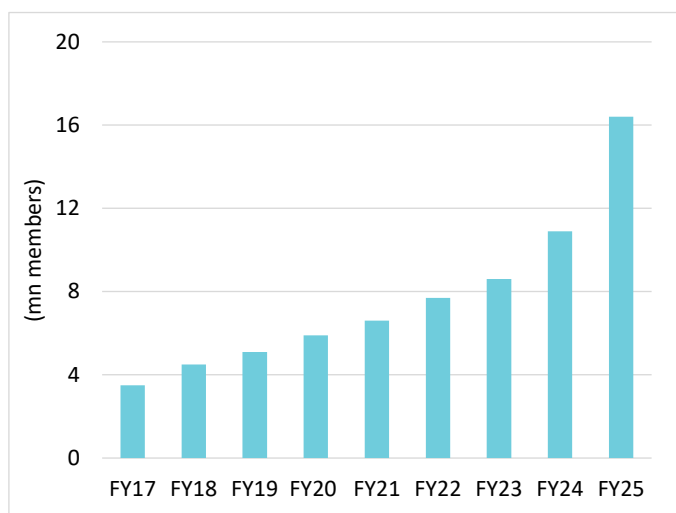
**Exhibit 3: Store breakdown by brand**

	FY19		FY20		FY21		FY22		FY23		FY24		FY25	
Retail Stores	Stores	Cities	Stores	Cities	Stores	Cities	Stores	Cities	Stores	Cities	Stores	Cities	Stores	Cities
Westside	150	76	165	87	174	90	200	89	214	90	232	91	248	86
Zudio	40	25	80	44	133	57	233	89	352	119	545	164	765	235
Star	44	7	57	7	60	7	70	9	63	10	66	10	78	10
Zara	22	10	22	12	21	11	21	11	20	11	23	12	22	13
Utsa			3	2	4	4	6	5	17	11	22	12	20	13
Massimo Dutti	3	2	2	2	3	2	3	2	3	2	3	2	3	2
Samoh											2	2	5	4
Zudio Beauty													5	4
<b>Total</b>	<b>264</b>		<b>339</b>		<b>410</b>		<b>549</b>		<b>681</b>		<b>903</b>		<b>1,146</b>	

Source: Company, Nuvama Research

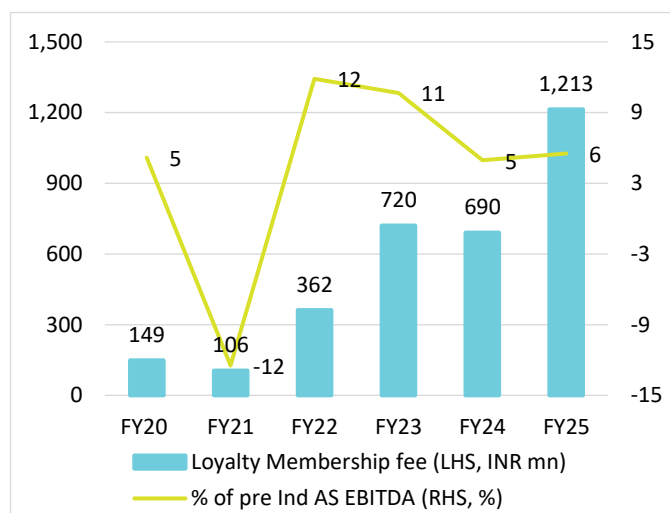
Growth in West Style Club members improved significantly this year and was 50% YoY. This also translated to higher loyalty membership fee with growth coming in at 76% YoY while share for the same in pre-Ind-AS EBITDA improved to 6% in the year.

**Exhibit 4: WestStyle club members**



Source: Company, Nuvama Research

**Exhibit 5: Loyalty membership fee trends**



Source: Company, Nuvama Research

**Exhibit 6: Fashion and lifestyle business**

	FY20	FY21	FY22	FY23	FY24	FY25
Sales per sq ft	10,808	7,350	10,841	12,805	15,776	16,378
Volume sold (mn)	51	37	72	159	277	
Shrinkage (% to sales)	0.21	0.18	0.19	0.22	0.41	0.37
<b>Operating performance</b>						
Gross margin (%)	48.9	48.8	50.2	44.5	44.4	43.6
Operating EBIT margin (%)	7.2	-0.1	7.8	6.9	9.9	11.1

Source: Company, Nuvama Research

**Exhibit 7: Emerging categories growth trajectory**

	FY21	FY22	FY23	FY24	FY25	CAGR FY21-24
Beauty (units in mn)	2.0	5.0	22.0	49.0	81.0	152%
Innerwear (units in mn)	4.0	6.0	17.0	34.0	50.0	88%
Footwear (units in mn)	3.0	5.0	11.0	19.0	27.0	73%

Source: Company, Nuvama Research



The return ratios remained healthy with standalone business reporting 39% RoCE on a standalone business. The improvement trajectory in the the past three years is also a function of the increasing proportion of franchisee in the Zudio stores. The consolidated business posted a marginal moderation of 2% although the RoCE for the year was healthy at 41%. The contraction can be attributed to higher investments in the THPL (Star) business wherein the losses increased multi-fold. The fall can also be attributed to lower share from higher profit making business of Inditex due to management liquidating some stake in the business in the equity buyback during the year. Management has also indicated the Inditex and Massimo Dutti arrangement to be financial in nature with little to no bearing on the operations of the company.

#### Exhibit 8: Digging into return ratios

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
<u>Capital Employed (Ex Cash)</u>									
Standalone	12,633	13,760	14,166	13,372	12,776	16,500	18,917	28,146	42,055
Subsidiaries	504	193	166	560	-2,059	1,472	1,520	1,723	3,370
JV/Associates	5,204	5,339	6,075	5,638	5,337	4,974	4,852	5,969	5,655
Consolidated	18,342	19,293	20,407	19,570	16,054	22,946	25,289	35,838	51,080
<u>Profitability (EBIT)</u>									
Standalone	1,469	1,440	2,022	2,264	4,838	1,722	6,294	10,677	16,393
Subsidiaries + JV	-20	558	147	2,149	-3,676	2,661	2,115	4,726	4,425
Consolidated	1,449	1,999	2,169	4,412	1,162	4,383	8,409	15,403	20,818
<u>ROCE (%)</u>									
Standalone - RoCE (%)	12%	10%	14%	17%	38%	10%	33%	38%	39%
Consol - RoCE (%)	8%	10%	11%	23%	7%	19%	33%	43%	41%

Source: Company, Nuvama Research

#### Exhibit 9: DuPont analysis

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Adjusted Net Profit	873	1,167	1,278	1,546	-465	2,598	5,546	10,194	15,848
Revenue	16,890	20,366	24,912	31,411	20,118	38,183	75,977	1,17,689	1,64,155
Net Profit Margin	5.2%	5.7%	5.1%	4.9%	-2.3%	6.8%	7.3%	8.7%	9.7%
Revenue	16,890	20,366	24,912	31,411	20,118	38,183	75,977	1,17,689	1,64,155
Total Assets	21,875	23,143	25,606	53,951	57,071	78,121	83,211	74,580	96,987
Average Total Assets	21,352	22,509	24,375	39,778	55,511	67,596	80,666	78,896	85,784
Asset Turnover	0.8	0.9	1.0	0.8	0.4	0.6	0.9	1.5	1.9
Total Debt	4,219	4,117	4,084	5,299	3,289	2,999	4,974	4,980	4,986
Total equity	14,332	15,408	16,172	16,968	24,990	25,159	27,200	30,800	44,472
Average Total Assets	21,352	22,509	24,375	39,778	55,511	67,596	80,666	78,896	85,784
Financial Leverage	1.5	1.5	1.5	2.4	2.6	2.7	3.1	2.7	2.3
Return on Equity (%)	6.1%	7.8%	8.1%	9.3%	-2.2%	10.4%	21.2%	35.2%	42.1%

Source: Company, Nuvama Research

Inventory turns for the standalone business improved further sharply on sales and COGS this year and is quite healthy. Management has undertaken multiple initiatives such as RFID tech deployment, warehouse automation, transport management system and migration to Rise with SAP system, which have resulted in the improving inventory turns.

**Exhibit 10: Fashion and Lifestyle business inventory turns**

	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Inventory turns on sales	5.1	5.4	5.1	4.6	5.7	7.5	8.1
Inventory turns on COGS	2.5	2.7	2.6	2.3	3.2	4.2	4.6

Source: Company, Nuvama Research

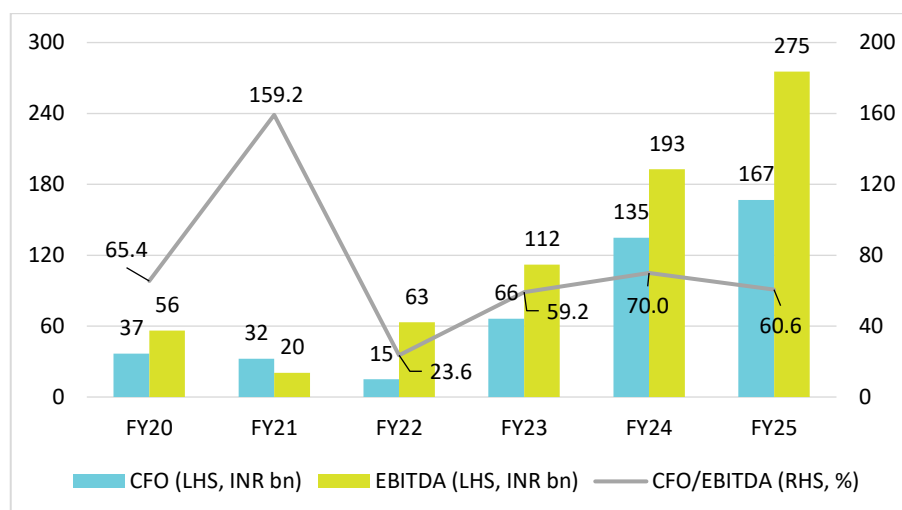
**Exhibit 11: Summary—free cashflow trends**

	Standalone					Subsidiary(Derived)					Consolidated				
INR mn	FY21	FY22	FY23	FY24	FY25	FY21	FY22	FY23	FY24	FY25	FY21	FY22	FY23	FY24	FY25
Profit Before Tax	-658	3,361	7,105	13,300	21,287	-804	-2,303	-1,554	148	-990	-1,462	1,058	5,551	13,448	20,297
Depreciation	2,359	2,831	4,632	6,385	8,699	214	277	305	326	253	2,573	3,108	4,937	6,711	8,952
Interest	2,084	2,933	3,411	2,913	1,063	-337	-756	282	278	323	1,747	2,176	3,692	3,191	1,386
Non-Operating Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Cash Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Direct tax	-1	-734	-1,869	-2,942	-4,915	-410	323	-41	-47	-26	-411	-410	-1,910	-2,989	-4,941
Others	-1,670	-4,070	-4,710	-6,132	-5,941	2,725	-5,990	1,320	1,976	2,532	1,054	-10,060	-3,390	-4,156	-3,408
<b>Cash Profit after Taxes</b>	<b>2,113</b>	<b>4,321</b>	<b>8,569</b>	<b>13,524</b>	<b>20,193</b>	<b>1,388</b>	<b>-8,448</b>	<b>311</b>	<b>2,680</b>	<b>2,093</b>	<b>3,502</b>	<b>-4,127</b>	<b>8,880</b>	<b>16,205</b>	<b>22,286</b>
(Increase)/Decrease in Receivables	-403	42	-151	-472	190	14	-1,069	-861	-1,605	-2,217	-389	-1,026	-1,012	-2,077	-2,028
(Increase)/Decrease in Inventories	1,919	-4,279	-5,144	-2,279	-4,636	-125	-115	200	64	13	1,794	-4,394	-4,944	-2,216	-4,623
Increase in loans & advances and other assets	-130	-312	-723	-855	-1,713	-93	-144	5	-271	427	-224	-456	-718	-1,126	-1,286
(Increase)/Decrease in Current Liabilities	-255	1,649	3,702	2,571	2,605	147	-308	-380	-795	-486	-108	1,341	3,322	1,776	2,119
(Increase)/Decrease in Other liabilities	0	70	376	995	44	-11	167	46	-67	96	-11	237	422	928	140
<b>Changes in Working Capital</b>	<b>1,131</b>	<b>-2,829</b>	<b>-1,941</b>	<b>-41</b>	<b>-3,510</b>	<b>-69</b>	<b>-1,468</b>	<b>-991</b>	<b>-2,674</b>	<b>-2,167</b>	<b>1,063</b>	<b>-4,297</b>	<b>-2,932</b>	<b>-2,715</b>	<b>-5,677</b>
<b>Net Cash from Operating Activities</b>	<b>3,245</b>	<b>1,492</b>	<b>6,628</b>	<b>13,484</b>	<b>16,683</b>	<b>494</b>	<b>-911</b>	<b>-680</b>	<b>6</b>	<b>-74</b>	<b>3,738</b>	<b>581</b>	<b>5,949</b>	<b>13,490</b>	<b>16,609</b>
Lease Payments+ Interest	-3,156	-2,902	-4,759	-5,642	-6,594	680	-255	-225	-227	-142	-2,476	-3,157	-4,985	-5,869	-6,736
Net Capex	-808	-1,979	-2,144	-3,999	-8,177	-103	-122	-2,890	-3,371	-4,505	-910	-2,101	-5,034	-7,370	-12,682
<b>Free Cash Flows</b>	<b>-719</b>	<b>-3,389</b>	<b>-275</b>	<b>3,843</b>	<b>1,912</b>	<b>1,072</b>	<b>-1,288</b>	<b>-3,795</b>	<b>-3,592</b>	<b>-4,721</b>	<b>353</b>	<b>-4,677</b>	<b>-4,070</b>	<b>252</b>	<b>-2,809</b>

Source: Company, Nuvama Research

While inventory turns improved sharply, investments towards opening newer stores and the corresponding inventory funding have weighed down on the CFO/EBITDA conversion. Moreover, store opening this year was skewed towards Q4 and that would be reflective in the inventory investments. Trent has increased the average store size as visible in the size of the incremental new stores added to enhance customers' shopping experience. This has led to higher investments required per store in both the form of capex as well as Inventory per store and thus the lower free cashflow. Management has indicated investment of INR80–90mn for a new Westside store and INR30–40mn for a new Zudio store including inventory, capex and deposits.

Exhibit 12: CFO/EBITDA conversion falls back...



Source: Company, Nuvama Research

Exhibit 13: ...driven by increasing store size and higher investment per store

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
<b>Westside</b>								
Total stores	125	150	165	174	200	214	232	248
Total Area (sq ft mn)	2.20	2.70	2.97	3.13	3.65	3.93	4.50	5.40
Average area per store (Sq ft)	17,600	18,000	18,000	18,000	18,260	18,374	19,397	21,774
Incremental area per new store		20,000	18,000	18,000	20,000	20,000	31,555.56	56,250*
<b>Zudio</b>								
Total stores	22	56	96	133	233	352	545	765
Total Area (sq ft mn)	0.18	0.41	0.68	1.06	1.88	2.82	5.00	7.90
Average area per store (Sq ft)	8,216	7,353	7,133	7,938	8,069	8,000	9,174	10,327
Incremental area per new store		6,794	6,825	10,027	8,242	7,865	11,316	13,181

Source: Company, Nuvama Research, \*: Significant growth in FY25 is also a function of store consolidation drive in the current year

Exhibit 14: Investment in JV and associates

INR mn	FY17	FY18	F19	FY20	FY21	FY22	FY23	FY24	FY25
<b>Joint Venture</b>									
Trent Hypermarket Pvt Ltd	4,050	4,050	4,901	5,122	5,572	6,122	6,637	7,251	7,526
<b>Associates</b>									
Inditex Trent Retail India Pvt Ltd.	318	318	318	318	318	318	318	318	178
Massimo Dutti India Pvt Ltd.	110	184	184	184	184	296	297	297	121
Investments in JV and Associates	4,478	4,551	5,403	5,623	6,073	6,736	7,251	7,865	7,824
Share of Profits in JV/Associates	-90	-226	-117	-304	-714	51.40	835	1,236	865

Source: Company, Nuvama Research

Share of profits in JV/Associates reported a contraction due to the following reasons: i) higher losses in the Star business driven by increasing investments visible in gross margin staying flat despite increasing contribution of private labels; and ii) reduction in stake of high margin businesses of Inditex and Massimo Dutti. Management exercised the buyback option offered by both Inditex and Massimo Dutti during the year. Management has also indicated that the investment in Inditex and Massimo Dutti is a purely financial arrangement and has no bearing on the business operations. This also implies that further rounds of stake sales will occur in these businesses going forward. What we do not like is the fact that the transaction was carried out at book value, which in our view was much lower than the fair value of these businesses.

#### Exhibit 15: Profitability in JV and associates

	FY17	FY18	F19	FY20	FY21	FY22	FY23	FY24	FY25
Joint Venture									
Trent Hypermarket Pvt Ltd	-636	-1,121	-1,133	-1,551	-918	-1,370	-1,031	-6	-703
Associates									
Inditex Trent Retail India Pvt Ltd.	476	826	715	1,041	-413	1,488	2,643	2,438	2,998
Massimo Dutti India Pvt Ltd.	-10	-27	-19	-78	-80	15	111	90	102

Source: Company, Nuvama Research

#### Exhibit 16: Zara's financials

Zara	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Net revenues (INR mn)	8,398	10,118	12,200	14,319	15,705	11,261	18,154	25,538	27,689	27,821
growth YoY (%)		20.5	20.6	17.4	9.7	(28.3)	61.2	40.7	8.4	0.5
Number of stores	18	19	20	21	21	21	21	20	23	22
Sales per store (INR mn)		533	610	682	748	536	864	1,277	1,204	1,265
Gross margin (%)	46.4	37.9	42.5	38.3	38.7	30.1	37.5	39.5	38.2	38.2
EBITDA margin (%)	19.4	9.5	13.9	10.7	15.2	3.2	14.5	16.3	15.2	16.5
PAT margin (%)	9.6	4.7	6.8	5.0	6.6	(3.7)	8.2	10.3	8.8	10.8
ROCE (%)	47	24	35	25	33	(8)	46	91	78	72
ROE (%)	29	16	23	16	20	(8)	32	64	55	52

Source: Company, Nuvama Research

#### Exhibit 17: Massimo Dutti's financials

Massimo Dutti	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Net revenues (INR mn)	635	670	341	590	895	1,011	1,004
growth YoY (%)	NA	5.5	(49.1)	72.9	51.7	13.0	(0.7)
Number of stores	3	3	3	3	3	3	3
Sales per store (INR mn)	212	223	114	197	298	337	335
Gross margin (%)	42.4	41.1	39.5	42.6	44.9	44.7	48.5
EBITDA margin (%)	6.1	21.6	14.1	19.8	25.2	25.5	28.0
PAT margin (%)	(3.1)	(11.7)	(23.4)	2.5	12.5	8.9	10.2
ROCE (%)	(2)	3	(17)	23	47	50	51
ROE (%)	(6)	(29)	(41)	5	25	16	16

Source: Company, Nuvama Research

## Star Bazaar

Exhibit 18: Financials—Star Bazaar

Trent Hypermarket (Star)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Net revenues (INR mn)	8,328	9,395	10,005	12,289	11,851	13,384	18,110	21,889	27,327
Revenue growth YoY (%)		12.8	6.5	22.8	(3.6)	12.9	35.3	20.9	24.8
Number of stores	43	35	44	57	60	70	63	66	78
Sales per store (INR mn)		241	253	243	203	206	272	339	380
LFL (%)	2.1	8.1	4.0	9.9	(5.0)	(0.9)	48.2	27.0	
Share of Private Labels (%)				41.0	41.0	45.0	55.0	67.0	73.0
Gross margin (%)	20.1	20.0	22.0	19.3	18.1	17.2	18.8	20.3	20.0
EBITDA margin (%)	(9.0)	(11.0)	(8.0)	(6.1)	(2.1)	(3.9)	(0.4)	1.2	(0.4)
PAT margin (%)	(7.6)	(7.1)	(11.3)	(12.6)	(7.7)	(10.2)	(5.7)	(0.0)	(2.6)
ROCE (%)	(27.5)	(40.4)	(33.4)	(32.4)	(18.9)	(26.2)	(16.6)	(20.7)	(27.0)
ROE (%)	(8.7)	(9.9)	(16.8)	(24.3)	(16.4)	(25.1)	(19.4)	(0.1)	(10.9)

Source: Company, Nuvama Research

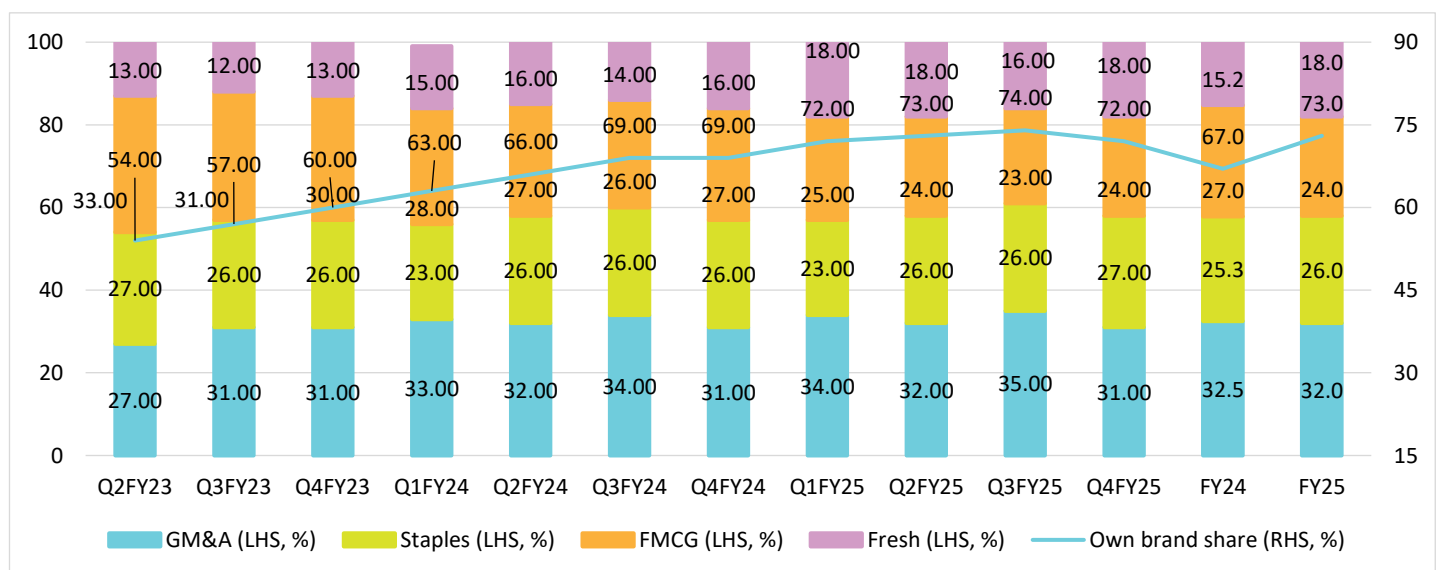
While Star's business maintained its annual growth trajectory, on a quarterly run rate, growth showed signs of exhaustion, as LFL growth came down. This will also be a function of base catching up and increasing competitive intensity in the space among the legacy as well as the new age quick commerce players.

Exhibit 19: Star's quarterly trajectory

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY24	FY25
Revenue (INR bn)	4.73	5.50	5.99	5.65	6.32	7.10	7.57	7.35	8.15	8.98	9.47	8.57	21.89	27.33
%YoY	77.82	66.67	53.20	46.37	33.62	29.09	26.38	30.09	28.96	18.63	28.84	5.15	20.87	24.85
LFL growth (%)	63.00	50.00	40.00	44.00	31.00	29.00	24.00	24.00	22.00	14.00	10.00	2.00	27.00	

Source: Company, Nuvama Research

Exhibit 20: Star—Category split



Source: Company, Nuvama Research

Own brand share for FY24 is calculated from quarterly disclosures

Increasing inventory turns is a function of management's initiatives as stated above and improving the assortment at the stores, which has resulted in a sharp improvement in the inventory turns. Higher Inventory turns compared with DMart are also a function of a lower base compared with DMart.

#### Exhibit 21: Star versus DMart - Inventory turns

	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Inventory turns on sales - Star Bazaar	13.6	17.4	12.8	12.5	14.5	18.6	18.6
Inventory turns on COGS - Star Bazaar	10.6	14.1	10.5	10.4	11.8	14.8	14.9
Inventory turns on sales - DMart	12.64	12.92	10.98	11.73	13.69	13.30	12.03
Inventory turns on COGS - DMart	10.77	11.01	9.39	10.07	11.71	11.43	10.33

Source: Company, Nuvama Research

#### Exhibit 22: Valuation SotP

INR mn	Methodology	Factor	Value	Ownership	FY27 Valuation	Value per share (Rs)
Standalone	65 x P/E	Adj PAT	31,869		20,71,515	5,827
Inditex	65 x P/E	Adj PAT	4,654		-	-
Star Bazaar	DCF		5,68,955	50.0%	2,84,478	800
Valuation of Equity (Rs. mn)					23,55,993	
Number of Shares Outstanding (mn)					355	
Fair Value (Rs)						6,627
CMP (Rs)						5,733
Upside						15.6%

Source: Company, Nuvama Research

## Company Description

Trent Limited is part of the Tata Group and operates a portfolio of retail concepts. The primary customer propositions of Trent 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. Trent's new fashion concepts include Samoh, a differentiated & elevated occasion wear offering and Misbu that offers a curated & compelling range of beauty, personal care and fashion accessories

Westside stores have a footprint of predominantly between 20,000-30,000 sq. ft. across 86 cities. Westside stocks a broad range of products ranging from apparel, footwear, accessories to cosmetics and perfumes to home accessories and gifts amongst others. Zudio, the value fashion format destination, operates with stores having a footprint of around 7,000-12,000 sq. ft. Zudio stores offer several product categories to meet the varied shopping needs of customers. These include apparel across men, women and kids and footwear.

## Investment Theme

Trent was among the earliest entrants in the organised retail sector in India and has focused on developing a robust business model in each of the retail formats pursued. The company primarily operates stores across formats—Westside, Zudio, Zara, Star Bazaar. In our view, the businesses should be separately valued as each entails distinct value proposition.

## Key Risks

**Real estate:** Limited availability of quality real estate coupled with high rentals and non-adherence to committed schedules by builders pose significant challenge to deployment of strategic expansion plans.

**Electricity availability & costs:** Electricity is one of the largest components of cost and has increased significantly in recent years, especially in Maharashtra. Separately, higher power deficits in select cities have led to increased load shedding, implying more reliance on generators, which has added to costs—Trent's stores in Chennai a case in point.

**Discounting by online retailers:** Several online players have disrupted the retail market, over the past few years, with discounting funded by overseas shareholders. Sustainability of such discounting is debatable, but players need to, nevertheless, handle the onslaught and continue to be relevant to target audience. The recent clarification from the Department of Industrial Policy and Promotion (DIPP) on 100% FDI in e-commerce marketplaces is likely to facilitate formalisation of presence and hopefully adoption of more sustainable business models.

## Additional Data

### Management

CEO	P Venkatesalu
CFO	Neeraj Basur
Director	N. N. Tata
Auditor	Deloitte Haskins & Sells LLP

### Holdings – Top 10\*

% Holding		% Holding	
SBI Life	2.27	UTI AMC	1.29
Vanguard group	2.10	Axis AMC	0.99
Blackrock	2.08	Canara Robeco A	0.80
Motilal Oswal A	1.73	Nippon Life AMC	0.73
SBI Funds	1.32	Franklin Resour	0.66

\*Latest public data

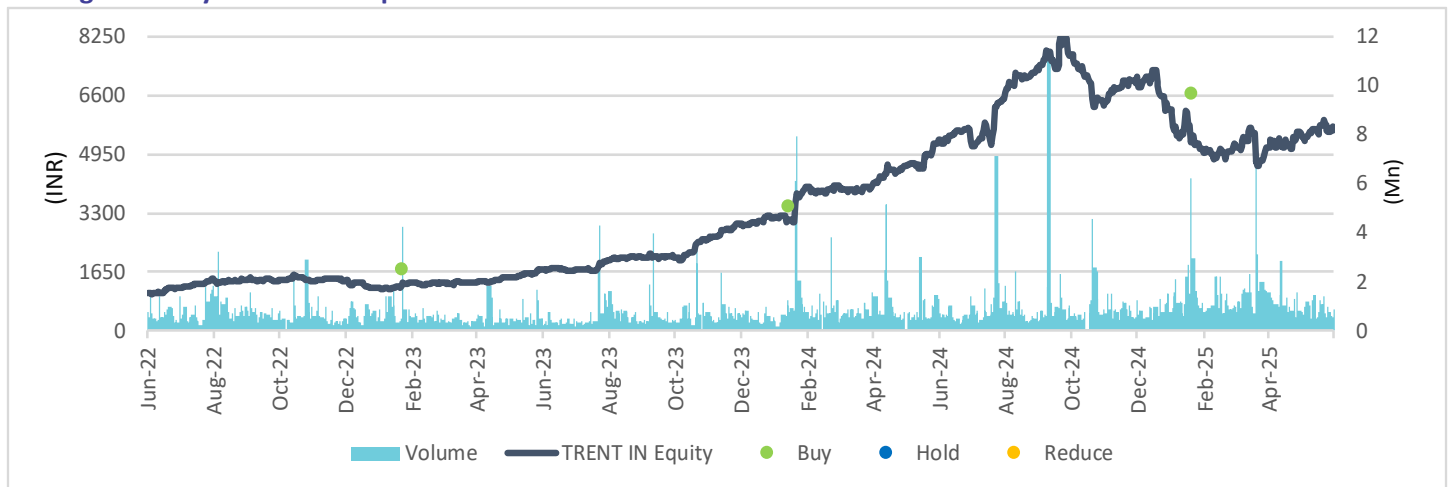
### Recent Company Research

Date	Title	Price	Reco
19-Jun-25	Investor Day takeaways; <i>Company Update</i>	5,735	Buy
29-Apr-25	Margin beat despite soft LFL growth; <i>Result Update</i>	5,391	Buy
06-Feb-25	Store optimisation to continue; <i>Result Update</i>	5,277	Buy

### Recent Sector Research

Date	Name of Co./Sector	Title
05-Jun-25	Retail	Gold prices shape buyer behaviour; <i>Sector Update</i>
05-Jun-25	Retail	Value retail leads the pack; <i>Sector Update</i>
03-Jun-25	Retail	Traffic and value meet operating leverag; <i>Sector Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	62
Reduce	<-5%	37



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