



Strong Show Despite Weak Consumer Sentiment; Maintain BUY

Est. Vs. Actual for Q2FY25: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q2FY25

FY25E/FY26E – Revenue: -1%/1%; **EBITDA:** -2%/1%; **PAT:** 7%/9%

Recommendation Rationale

- **Solid growth compared to peers** – Trent's Q2FY25 results, although falling short of expectations, showcased a robust revenue growth of 39.6% YoY to Rs 4,036 Cr. Despite the challenging environment, Trent's ability to deliver strong numbers compared to its peers is commendable. The fashion format sustained double-digit LFL growth, driven by aggressive store expansion. EBITDA increased by 39% YoY, with EBITDA margins steady at 15.9%.
- **Expanding footprint with strategic store openings:** Trent made strategic adjustments in its store portfolio, closing 2 Westside stores (opened 7, closed 9) and adding 18 new Zudio stores (opened 34, closed 16), bringing the total number of Westside stores to 226 and Zudio stores to 577. The company's other lifestyle concepts are now represented by 28 stores. Additionally, Trent expanded its international presence with its first Zudio store in the UAE and launched the Zudio Beauty concept in India.
- **Optimistic outlook despite market challenges:** Although there has been a slight deceleration in growth, Trent's revenue performance remains impressive. Strong results are expected in the coming quarters, supported by the festive season. With its ongoing focus on store expansion and product assortment enhancement, Trent is well-positioned for growth across all its formats.

Sector Outlook: **Positive**

Company Outlook & Guidance: We maintain our **BUY** recommendation as a slowdown in Q2FY25 results is a minor blip while the long-term growth outlook remains intact.

Current Valuation: SOTP

Current TP: Rs 7,450/share (Previous TP: Rs 7,000/share).

Recommendation: With a 15% upside potential from the CMP, we **maintain our BUY** rating on the stock.

Financial Performance

The company's revenue grew 39.6% YoY to Rs 4,036 Cr, driven by key initiatives in product offerings, a robust operating supply chain, and an aggressive store expansion strategy. Its fashion concept registered double-digit LFL growth. EBITDA increased by 39% YoY, while EBITDA margins declined by 7bps YoY to 15.9%, led by gross margin contraction. PAT stood at Rs 423 Cr (miss), up 46.2% YoY.

Key Financials (Standalone)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	4,036	1.1	39.6	4,481	(9.9)
EBITDA	641	4.9	39.0	745	(13.9)
EBITDA Margin (%)	15.9	58bps	-7bps	16.6	-74bps
Net Profit	423	23.8	46.2	503	(15.8)
EPS (Rs)	11.9	23.8	46.2	14.1	(15.8)

Source: Company, Axis Research

(CMP as of 7th November 2024)

CMP (Rs)	6498
Upside /Downside (%)	15%
High/Low (Rs)	8345/2181
Market cap (Cr)	231011
Avg. daily vol. (6m)Shrs. '000	933
No. of shares (Cr)	35

Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	37.0	37.0	37.0
FIIs	26.8	27.9	26.6
MFs / UTI	8.7	8.5	9.3
FIs/Banks	0.0	0.0	0.0
Others	27.5	26.6	27.0

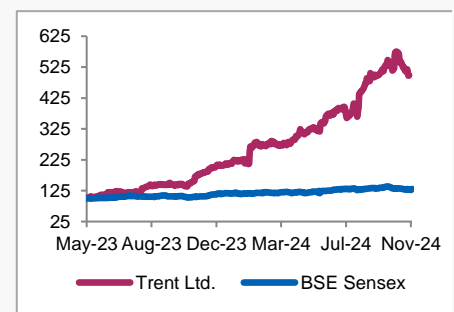
Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	16,173	20,012	23,914
EBIDTA	2,648	3,473	4,197
Adj Net Profit	1,598	2,150	2,629
EPS, Rs	44.9	60.5	73.9
PER, x	144.7	107.6	88.0
EV/EBIDTA, x	87.2	65.8	53.9
P/BV, x	38.8	28.8	21.9
ROE, %	26.8	26.8	24.9

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	(1)	1
EBITDA	(2)	1
PAT	7	9

Relative Performance



Source: Ace Equity, Axis Securities

Preeyam Tolia

Research Analyst
 email: preeyam.tolia@axissecurities.in

Suhanee Shome

Research Associate
 email: suhanee.shome@axissecurities.in

Outlook

We believe Trent's Q2FY25 results were commendable, particularly given the challenging environment. We expect robust sales growth to persist in the coming quarters, underpinned by Trent's strategic focus on rapid store expansion and continual assortment refreshment, which should drive higher footfall. Furthermore, the improvement in earnings across all formats, reduced losses at Star Bazaar, and stronger traction at the Inditex JV present positive trends for the company. Trent's recent approach to implementing its successful playbook at Star Business, driven by private labels, has proven beneficial and is expected to be a key growth catalyst in the future. Additionally, the company's geographical expansion into the UAE, the launch of Zudio Beauty, and the recent move into the fast-growing LGD Jewellery segment are anticipated to contribute significantly to long-term growth. Based on this thesis, we maintain a positive outlook on Trent for the mid to long term.

Valuation & Recommendation

We remain positive on the company and expect Revenue/EBITDA growth of 25%/28% CAGR on a standalone business over FY24-27E. We **maintain our BUY rating** on the stock and value the company on a SOTP basis with a revised TP of Rs 7,450/ share. Our TP implies an upside of 15% from the CMP.

Other Highlights

- **Expansive Retail Network:** Trent operates an extensive store network comprising 226 Westside stores, 577 Zudio stores, and 74 Star stores, demonstrating the company's commitment to reaching a broad customer base across diverse retail segments.
- **Strengthening Loyalty and New Category Growth:** The WestStyleClub loyalty program at Westside continues to exhibit strong growth, enhancing customer engagement. Across its brands, Trent remains dedicated to delivering exceptional value through both style and pricing. Emerging categories such as beauty and personal care, innerwear, and footwear are resonating well with customers, now contributing over 20% of revenue. Additionally, Westside.com and its presence on the Tata Neu platform continue to show profitable growth, with digital sales contributing over 5% to Westside's total revenue.
- **Impressive Growth in Star Business:** The Star business, which now includes 74 stores following the addition of two new locations in Q2FY25, reported a 27% YoY revenue increase, reaching Rs 898 Cr. This growth was driven by a solid 14% LTL performance and strong volume metrics. Categories such as brands, staples, fresh produce, and general merchandise, which collectively make up over 73% of Star's revenue, are showing well-rounded expansion. The management remains positive about the future store economics of Star, positioning it as a significant growth driver for Trent's long-term strategy.

Key Risks to Our Estimates and TP

- Increase in competitive intensity, weakening of demand environment.

Change in Estimates

	Old Estimates		Revised Estimates		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	16,368	19,890	16,173	20,012	(1)	1
EBITDA	2,704	3,424	2,648	3,473	(2)	1
PAT	1,497	1,969	1,598	2,150	7	9
EPS	42.1	55.4	44.9	60.5	7	9

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q2FY24	Q1FY25	Axis Sec Est	Q2FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est
Total Revenue	2,891	3,992	4,481	4,036	39.6	1.1	(9.9)
COGS	1,600	2,146	2,464	2,252	40.8	4.9	(8.6)
Gross Profit	1,291	1,845	2,016	1,783	38.1	(3.4)	(11.5)
GM%	44.7	46.2	45.0	44.2	-47bps	-204bps	-81bps
Expenditure							
Employee expenses	211	305	329	288	36.8	(5.4)	(12.3)
Other Exp	344	465	516	451	31.1	(3.1)	(12.6)
Total Expenditure	215	292	331	299	38.9	2.6	(9.6)
EBIDTA	461	611	745	641	39.0	4.9	(13.9)
EBITDA Margin (%)	15.9	15.3	16.6	15.9	-7bps	58bps	-74bps
Depreciation	145	176	185	192	32.2	8.9	3.7
EBIT	316	435	560	449	42.1	3.3	(19.8)
Interest	92	31	31	32	(64.9)	3.9	2.9
Oth. Inc.	151	46	151	139	(8.2)	200.7	(8.2)
Exceptional Items	-	-	-	-	0.0	0.0	0.0
PBT	375	450	679	555	48.2	23.5	(18.2)
Tax	85	107	177	132	55.1	22.9	(25.3)
Effective Tax Rate(%)	22.7	23.9	26.0	23.8	106bps	-13bps	-224bps
PAT	290	342	503	423	46.2	23.8	(15.8)
PAT Margin (%)	10.02	8.57	11.22	10.49	47bps	192bps	-73bps
EPS (Rs)	8.1	9.6	14.1	11.9	46.2	23.8	(15.8)

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	11,927	16,173	20,012	23,914
Growth, %	54.6	35.6	23.7	19.5
Other operating income	-	-	-	-
Total income	11,927	16,173	20,012	23,914
Raw material expenses	(6,541)	(8,830)	(10,772)	(12,819)
Employee expenses	(938)	(1,219)	(1,500)	(1,800)
Other Operating expenses	(2,521)	(3,475)	(4,266)	(5,098)
EBITDA (Core)	1,927	2,648	3,473	4,197
Growth, %	72.2	37.4	31.2	20.8
Margin, %	16.2	16.4	17.4	17.6
Depreciation	(639)	(736)	(840)	(944)
EBIT	1,288	1,912	2,634	3,254
Growth, %	96.4	48.4	37.7	23.5
Margin, %	10.8	11.8	13.2	13.6
Other Income	351	386	425	467
Non-recurring Items	543	-	-	-
Pre-tax profit	1,873	2,159	2,905	3,552
Tax provided	(438)	(561)	(755)	(924)
Profit after tax	1,436	1,598	2,150	2,629
Growth, %	60.9	79.0	34.6	22.3
Unadj. shares (Cr)	36	36	36	36
Wtdavg shares (Cr)	36	36	36	36

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	286	1,728	3,825	6,499
Debtors	79	107	132	158
Inventory	1,565	2,122	2,626	3,138
Loans & advances	-	-	-	-
Other current assets	408	408	408	408
Total current assets	2,957	4,985	7,610	10,822
Investments	1,282	1,282	1,282	1,282
Gross fixed assets	3,283	3,768	4,286	4,803
Less: Depreciation	(883)	(1,619)	(2,459)	(3,402)
Add: Capital WIP	161	161	161	161
Net fixed assets	2,562	2,311	1,989	1,563
Non-current assets	657	657	657	657
Total assets	7,429	9,206	11,509	14,295
Current liabilities	913	1,181	1,423	1,670
Provisions	-	-	-	-
Total current liabilities	913	1,181	1,423	1,670
Non-current liabilities	2,068	2,068	2,068	2,068
Total liabilities	2,982	3,250	3,492	3,738
Paid-up capital	36	36	36	36
Reserves & surplus	4,412	5,920	7,981	10,521
Shareholders' equity	4,447	5,956	8,017	10,557
Total equity & liabilities	7,429	9,206	11,509	14,295

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,873	2,159	2,905	3,552
Depreciation	639	736	840	944
Chg in working capital	(275)	(317)	(287)	(292)
Total tax paid	(410)	(561)	(755)	(924)
Cash flow from operating activities	1,827	2,016	2,703	3,281
Capital expenditure	1,207	(485)	(518)	(518)
Chg in marketable securities	(164)	-	-	-
Cash flow from investing activities	953	(485)	(518)	(518)
Free cash flow	2,780	1,531	2,185	2,763
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	(2,504)	-	-	-
Net chg in cash	276	1,531	2,185	2,763
Opening cash balance	79	286	1,728	3,825
Closing cash balance	286	1,728	3,825	6,499

Source: Company, Axis Securities

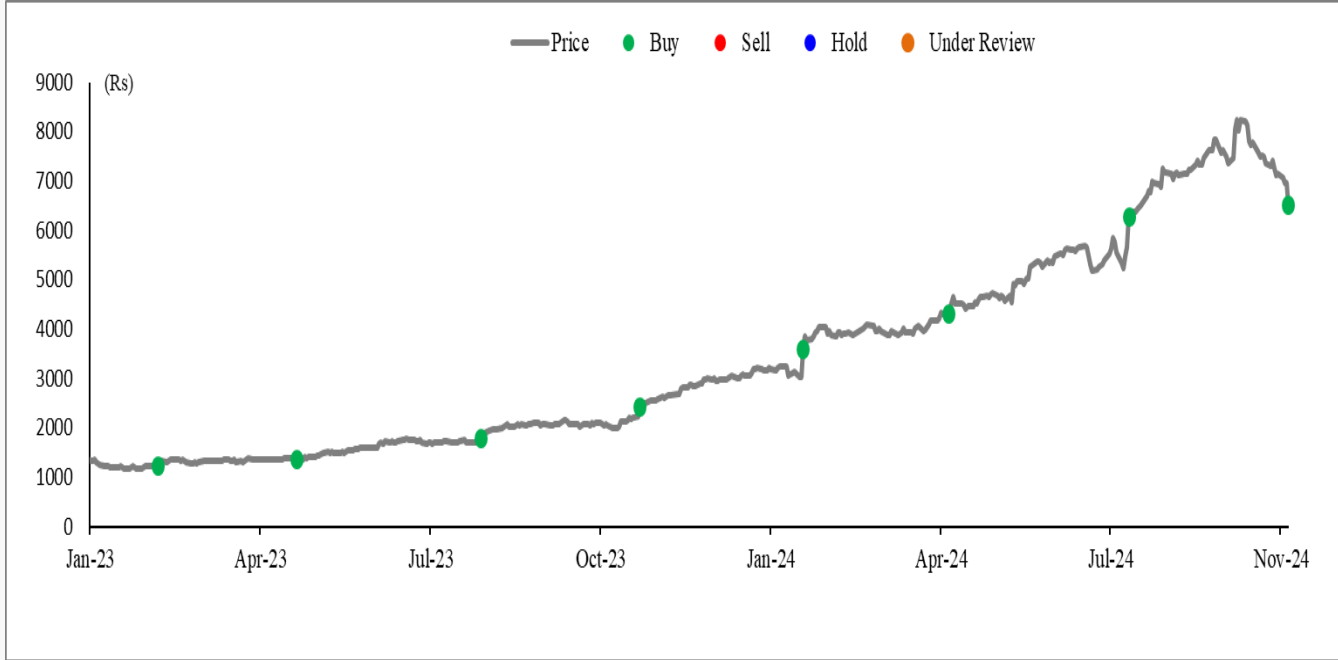
Ratio Analysis

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	40.4	44.9	60.5	73.9
Growth, %	60.9	79.0	34.6	22.3
Book NAV/share (INR)	125.1	167.5	225.5	297.0
FDEPS (INR)	25.1	44.9	60.5	73.9
CEPS (INR)	27.8	65.6	84.1	100.5
CFPS (INR)	46.0	45.9	64.1	79.1
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	22.2	20.9	22.2	21.7
Return on equity (%)	20.1	26.8	26.8	24.9
Return on capital employed (%)	24.8	23.9	25.4	24.6
Turnover ratios				
Asset turnover (x)	2.7	4.5	5.6	6.8
Sales/Total assets (x)	1.5	1.9	1.9	1.9
Sales/Net FA (x)	3.4	6.6	9.3	13.5
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	2.4	2.4	2.4	2.4
Inventory days	47.9	47.9	47.9	47.9
Payable days	27.5	27.5	27.9	27.9
Working capital days	34.8	32.8	31.8	31.0
Liquidity ratios				
Current ratio (x)	3.2	4.2	5.3	6.5
Quick ratio (x)	1.5	2.4	3.5	4.6
Interest cover (x)	4.2	13.7	17.2	19.3
Total debt/Equity (x)	0.4	0.3	0.2	0.2
Valuation				
PER (x)	259.1	144.7	107.6	88.0
PEG (x) - y-o-y growth	4.3	1.8	3.1	3.9
Price/Book (x)	52.0	38.8	28.8	21.9
EV/Net sales (x)	19.5	14.3	11.4	9.5
EV/EBITDA (x)	120.5	87.2	65.8	53.9
EV/EBIT (x)	180.3	120.7	86.8	69.5

Source: Company, Axis Securities

Trent Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
09-Feb-23	BUY	1,700	Result Update
28-Apr-23	BUY	1,700	Result Update
10-Aug-23	BUY	2,000	Result Update
08-Nov-23	BUY	2,750	Result Update
08-Feb-24	BUY	4,050	Result Update
30-Apr-24	BUY	4,800	Result Update
12-Aug-24	BUY	7,000	Result Update
08-Nov-24	BUY	7,450	Result Update

Source: Axis Securities Research

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, and Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

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

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) 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. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis 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 Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis 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 Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith 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. Axis 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. Axis 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. Axis 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. Axis 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. Axis 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. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis 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 Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

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

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities 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 Axis Securities and Axis 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. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.