



**3R MATRIX**

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	■	✓	■

+ Positive = Neutral - Negative

**What has changed in 3R MATRIX**

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

**Company details**

Market cap:	Rs. 2,31,012 cr
52-week high/low:	Rs. 8,346/2,391
NSE volume: (No of shares)	8.8 lakh
BSE code:	500251
NSE code:	TRENT
Free float: (No of shares)	22.4 cr

**Shareholding (%)**

Promoters	37.0
FII	28.9
DII	13.4
Others	20.7

**Price chart**



**Price performance**

(%)	1m	3m	6m	12m
Absolute	-12.8	18.7	44.3	168.1
Relative to Sensex	-10.9	18.7	36.1	145.6

Sharekhan Research, Bloomberg

**Trent Ltd**  
**Strong Q2 amid weak demand**

**Consumer Discretionary**

Sharekhan code: **TRENT**

Reco/View: **Buy**

CMP: **Rs. 6,498**

Price Target: **Rs. 8,162**

Upgrade ↔ Maintain ↓ Downgrade

**Summary**

- Trent's Q2FY2025 numbers were strong amid muted demand, with revenues growing by ~40% y-o-y, EBITDA margins stable y-o-y at 15.9% and PAT rising by 46% y-o-y.
- Despite subdued demand and seasonality, fashion concepts registered double-digit life-for-like (LFL) growth. Gross margins of Westside and Zudio remained consistent.
- Trent recently launched its first international Zudio store in the UAE and the Zudio Beauty concept in India. At H1FY2025-end, it has portfolio of 831 fashion stores and 74 food and grocery stores.
- Stock has corrected by 22% since its recent high and is trading at 68x/51x/42x its FY2025E/FY2026E/FY2027E EV/EBITDA, respectively. We maintain Buy with a revised SOTP-based PT of Rs. 8,162.

Trent's Q2FY2025 performance was strong on the backdrop of a subdued demand environment, with double-digit revenue growth (driven by double-digit LFL growth in fashion concepts) and stable margins. Standalone revenue grew by 39.6% y-o-y (five-year CAGR of 37%) to Rs. 4,036 crore. (Revenues missed ours and the average street's expectation of Rs. 4,336 crore and Rs. 4,379 crore, respectively). Gross margins fell by 47 bps y-o-y to 44.2%, while EBITDA margins stood flat y-o-y at 15.9%. EBITDA growth of 39% y-o-y and lower interest cost led to 46.2% y-o-y growth in adjusted PAT to Rs. 423 crore. In H1FY2025, revenue grew by 47.9% y-o-y to Rs. 8,027 crore, EBITDA margin marginally rose by 36 bps y-o-y to 15.6% and PAT grew by 74.8% y-o-y to Rs. 766 crore. The portfolio consists of 831 fashion stores and 74 Star Bazaar stores at H1FY2025-end.

**Key positives**

- Fashion Concepts maintained double-digit like-for-like growth momentum.
- Gross margin of Westside and Zudio remained consistent.

**Management Commentary**

- Retail businesses faced headwinds in Q2 owing to muted demand sentiment and seasonality. However, despite this, both Westside and Zudio witnessed traction during the quarter. WestStyleClub – Westside's loyalty program, registered strong growth.
- Emerging categories (beauty and personal care, innerwear and footwear) continued to gain traction with customers; contributed to over 20% of standalone revenues.
- Online reach via Westside.com and the Tata Neu platform contributed to over 5% of Westside revenues.
- With an aim to explore additional avenues of growth, the company recently launched its first international Zudio store in the UAE and Zudio Beauty concept in India.
- In Q2FY2025, Trent opened seven Westside and 34 Zudio stores (including 1 in Dubai) across 27 cities and consolidated nine Westside and 16 Zudio stores. As of 30th September, Trent's store portfolio (fashion concepts) included 226 Westside, 577 Zudio and 28 stores across other lifestyle concepts.
- The Star business, consisting of 74 stores (2 stores added in Q2), delivered strong 27% y-o-y revenue growth (14% LFL growth). The business continued to witness all-round improved operating performance, driven by own brands, staples, fresh and general merchandise offerings which now contribute to over 73% of revenues.

**Revision in earnings estimates** - We have reduced our earnings estimates for FY2025 and FY2026 by ~5% each to factor in lower-than-expected revenue growth. We have introduced FY2027 estimates through this note.

**Our Call**

**View - Retain Buy with a revised PT of Rs. 8,162:** Despite muted demand, Trent posted another quarter of strong performance in the retail universe by delivering double-digit same-store-sales growth and stable margins. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 22% since its recent high and is currently trading at 68x/51x/42x its FY2025E/FY2026E/FY2027E EV/EBITDA, respectively. Any further corrections can be considered as good opportunity to enter the quality value fashion retailer. We maintain a Buy on the stock with a revised SOTP-based price target (PT) of Rs. 8,162.

**Key Risks**

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

**Valuation (Standalone)**

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,715	11,927	17,524	23,503	28,831
EBITDA Margin (%)	14.5	16.2	17.0	17.6	17.9
Adjusted PAT	555	1,070	1,855	2,751	3,465
% YoY growth	111.0	93.0	73.4	48.3	25.9
Adj. diluted EPS (Rs.)	15.6	30.1	52.2	77.4	97.5
P/E (x)	-	-	-	84.0	66.7
P/B (x)	75.0	51.9	37.1	26.0	19.0
EV/EBITDA (x)	-	-	68.3	51.1	41.6
RoNW (%)	19.1	28.4	34.7	36.4	32.9
RoCE (%)	14.5	24.5	38.4	43.2	41.1

Source: Company; Sharekhan estimates