



## Marginal Miss on Operating Front; Maintain BUY

**Est. Vs. Actual for Q3FY25:** Revenue – **INLINE**; EBITDA – **MISS**; PAT – **MISS**

### Changes in Estimates post Q3FY25

**FY26E/FY27E – Revenue:** 0%/-2%; **EBITDA:** -2%/-5%; **PAT:** -1%/-5%

### Recommendation Rationale

- **Excellent growth despite challenging environment** – Revenue growth of 37% YoY to Rs 4,535 Cr is commendable despite the challenging environment. The fashion format reported high single-digit LFL growth. For 9MFY25, revenue grew 43%, with a volume growth of 39%, driven by aggressive store expansion. The total footprint expanded by 33% over the last year, reaching 11 msq. ft across fashion brands.
- **Expanding footprint with strategic store openings:** Trent added 12 Westside stores and 58 Zudio stores in Q3, taking the total store count to 238 and 635, respectively. Management reiterated its plan to undertake a store optimisation program, which involves upgrading or consolidating smaller footprint stores with newer micro-market stores. In the short term, there could be some slowdown in store openings; however, in the long run, larger and more aesthetically appealing stores will provide a sustainable competitive advantage to Trent.

### Sector Outlook: Positive

**Company Outlook & Guidance:** We maintain our **BUY** recommendation as sharp correction provides a better entry point as the long-term outlook remains strong.

### Current Valuation: SOTP

**Current TP: Rs 7,100/share (Previous TP: Rs 7,450/share).**

**Recommendation:** With a 35% upside potential from the CMP, we **maintain our BUY** rating on the stock.

### Financial Performance

The company's revenue grew 7% YoY to Rs 4,535 Cr, while its fashion concept registered high single-digit LFL growth. EBITDA increased by 34% YoY, while EBITDA margins declined by 34bps YoY to 18.5%. PAT stood at Rs 469 Cr, up 37% YoY.

**Outlook:** Although growth has decelerated, Trent's revenue performance remains impressive, given the challenging environment. Furthermore, the sharp decline in stock price (~35% from its recent high) following market concerns over increasing competitive intensity provides a better entry point for long-term investors. The long-term structural tailwinds in the retail sector and Trent's low single-digit market share present a compelling opportunity for investors looking to capitalise on the retail growth story.

We remain positive on Trent as we expect robust sales growth to continue ahead of its peers, underpinned by its strategic focus on rapid store expansion and continual assortment refreshment, which should drive higher footfall. Furthermore, earnings improvement across all formats reinforces our confidence. 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. Additionally, the company's geographical expansion into the UAE, the launch of Zudio Beauty, and its entry into the fast-growing LGD Jewellery segment are anticipated to contribute significantly to long-term growth. Based on this thesis, we maintain a positive long-term outlook on Trent.

### Key Financials (Standalone)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	4,535	12.4	36.9	4,571	(0.8)
EBITDA	838	30.7	34.4	867	(3.4)
EBITDA Margin (%)	18.5	260bps	-34bps	19.0	-49bps
Net Profit	469	10.8	36.6	514	(8.7)
EPS (Rs)	13.2	10.8	36.6	14.5	(8.7)

Source: Company, Axis Research

(CMP as of 6<sup>th</sup> February 2025)

CMP (Rs)	5257
Upside /Downside (%)	35%
High/Low (Rs)	8345/2956
Market cap (Cr)	187519
Avg. daily vol. (6m)Shrs. '000	1132
No. of shares (Cr)	35

### Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	37.0	37.0	37.0
FII's	27.9	26.6	21.7
MFs / UTI	8.5	9.3	11.0
FIs/Banks	0.0	0.0	0.0
Others	26.6	27.0	30.3

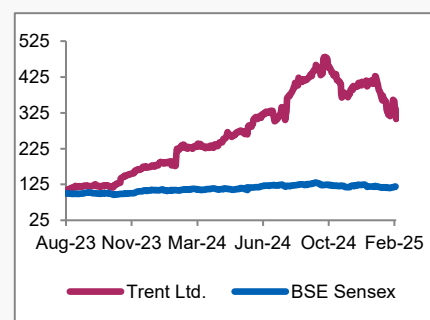
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	16,207	19,957	23,412
EBITDA	2,683	3,418	3,993
Adj Net Profit	1,618	2,119	2,503
EPS, Rs	45.5	59.6	70.4
PER, x	115.9	88.5	74.9
EV/EBITDA, x	69.7	54.1	45.6
P/BV, x	31.4	23.4	18.0
ROE, %	27.1	26.5	24.0

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	(0)	(2)
EBITDA	(2)	(5)
PAT	(1)	(5)

### Relative Performance



Source: Ace Equity, Axis Securities

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### 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 an SOTP basis with a revised TP of Rs 7,100/ share. Our TP implies an upside of 35% from the CMP.**

### Outlook

- **Impressive Growth in Star Business:** The Star business, which now includes 74 stores after adding two new locations in Q2FY25, reported a 25% YoY revenue increase, reaching Rs 947 Cr. This growth was driven by a 10% LTL performance and strong volume metrics. Categories such as brands, staples, fresh produce, and general merchandise, which collectively account for over 74% of Star's revenue, are experiencing well-rounded expansion. Management remains optimistic about Star's future store economics, 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	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	20,012	23,914	19,957	23,412	(0)	(2)
EBITDA	3,473	4,197	3,418	3,993	(2)	(5)
PAT	2,150	2,629	2,119	2,503	(1)	(5)
EPS	60.5	73.9	59.6	70.4	(1)	(5)

Source: Company, Axis Securities

### Results Review

(Rs Cr)	Q3FY24	Q2FY25	Axis Sec Est	Q3FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est
<b>Total Revenue</b>	<b>3,312</b>	<b>4,036</b>	<b>4,571</b>	<b>4,535</b>	<b>36.9</b>	<b>12.4</b>	<b>(0.8)</b>
COGS	1,790	2,252	2,491	2,507	40.0	11.3	0.6
<b>Gross Profit</b>	<b>1,522</b>	<b>1,783</b>	<b>2,080</b>	<b>2,027</b>	<b>33.2</b>	<b>13.7</b>	<b>(2.5)</b>
<b>GM%</b>	<b>46.0</b>	<b>44.2</b>	<b>45.5</b>	<b>44.7</b>	<b>-124bps</b>	<b>51bps</b>	<b>-79bps</b>
<b>Expenditure</b>							
Employee expenses	244	288	330	301	23.3	4.5	(8.7)
Other Exp	369	451	483	499	35.3	10.8	3.3
<b>Total Expenditure</b>	<b>240</b>	<b>299</b>	<b>330</b>	<b>331</b>	<b>37.6</b>	<b>10.6</b>	<b>0.1</b>
<b>EBIDTA</b>	<b>623</b>	<b>641</b>	<b>867</b>	<b>838</b>	<b>34.4</b>	<b>30.7</b>	<b>(3.4)</b>
<b>EBITDA Margin (%)</b>	<b>18.8</b>	<b>15.9</b>	<b>19.0</b>	<b>18.5</b>	<b>-34bps</b>	<b>260bps</b>	<b>-49bps</b>
Depreciation	158	192	220	239	51.9	25.0	8.7
<b>EBIT</b>	<b>466</b>	<b>449</b>	<b>647</b>	<b>598</b>	<b>28.5</b>	<b>33.2</b>	<b>(7.5)</b>
Interest	96	32	33	36	(62.1)	12.0	10.9
Oth. Inc.	77	139	81	56	(26.6)	(59.4)	(30.1)
Exceptional Items	-	-	-	-	0.0	0.0	0.0
<b>PBT</b>	<b>447</b>	<b>555</b>	<b>695</b>	<b>618</b>	<b>38.4</b>	<b>11.3</b>	<b>(11.0)</b>
Tax	103	132	181	149	44.6	12.9	(17.5)
Effective Tax Rate(%)	23.1	23.8	26.0	24.1	102bps	34bps	-190bps
<b>PAT</b>	<b>344</b>	<b>423</b>	<b>514</b>	<b>469</b>	<b>36.6</b>	<b>10.8</b>	<b>(8.7)</b>
<b>PAT Margin (%)</b>	<b>10.37</b>	<b>10.49</b>	<b>11.24</b>	<b>10.35</b>	<b>-2bps</b>	<b>-14bps</b>	<b>-89bps</b>
<b>EPS (Rs)</b>	<b>9.7</b>	<b>11.9</b>	<b>14.5</b>	<b>13.2</b>	<b>36.6</b>	<b>10.8</b>	<b>(8.7)</b>

Source: Company, Axis Securities

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>11,927</b>	<b>16,207</b>	<b>19,957</b>	<b>23,412</b>
Growth, %	54.6	35.9	23.1	17.3
Other operating income	-	-	-	-
Total income	11,927	16,207	19,957	23,412
Raw material expenses	(6,541)	(8,830)	(10,772)	(12,604)
Employee expenses	(938)	(1,219)	(1,500)	(1,800)
Other Operating expenses	(2,521)	(3,475)	(4,266)	(5,015)
<b>EBITDA (Core)</b>	<b>1,927</b>	<b>2,683</b>	<b>3,418</b>	<b>3,993</b>
Growth, %	72.2	39.2	27.4	16.8
Margin, %	16.2	16.6	17.1	17.1
Depreciation	(639)	(743)	(827)	(910)
<b>EBIT</b>	<b>1,288</b>	<b>1,939</b>	<b>2,592</b>	<b>3,083</b>
Growth, %	96.4	50.5	33.6	19.0
Margin, %	10.8	12.0	13.0	13.2
Other Income	351	386	425	467
Non-recurring Items	543	-	-	-
<b>Pre-tax profit</b>	<b>1,873</b>	<b>2,186</b>	<b>2,863</b>	<b>3,382</b>
Tax provided	(438)	(568)	(744)	(879)
<b>Profit after tax</b>	<b>1,436</b>	<b>1,618</b>	<b>2,119</b>	<b>2,503</b>
Growth, %	60.9	81.3	31.0	18.1
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	1,716	3,877	6,528
Debtors	79	107	132	154
Inventory	1,565	2,126	2,618	3,072
Loans & advances	-	-	-	-
Other current assets	408	408	408	408
Total current assets	2,957	4,977	7,655	10,782
Investments	1,282	1,282	1,282	1,282
Gross fixed assets	3,283	3,806	4,221	4,636
Less: Depreciation	(883)	(1,627)	(2,453)	(3,363)
Add: Capital WIP	161	161	161	161
Net fixed assets	2,562	2,341	1,929	1,434
Non-current assets	657	657	657	657
<b>Total assets</b>	<b>7,429</b>	<b>9,228</b>	<b>11,494</b>	<b>14,126</b>
Current liabilities	913	1,183	1,420	1,638
Provisions	-	-	-	-
Total current liabilities	913	1,183	1,420	1,638
Non-current liabilities	2,068	2,068	2,068	2,068
Total liabilities	2,982	3,252	3,488	3,706
Paid-up capital	36	36	36	36
Reserves & surplus	4,412	5,940	7,970	10,384
Shareholders' equity	4,447	5,976	8,006	10,420
<b>Total equity &amp; liabilities</b>	<b>7,429</b>	<b>9,228</b>	<b>11,494</b>	<b>14,126</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,873	2,186	2,863	3,382
Depreciation	639	743	827	910
Chg in working capital	(275)	(320)	(280)	(258)
Total tax paid	(410)	(568)	(744)	(879)
<b>Cash flow from operating activities</b>	<b>1,827</b>	<b>2,041</b>	<b>2,665</b>	<b>3,154</b>
Capital expenditure	1,207	(523)	(415)	(415)
Chg in marketable securities	(164)	-	-	-
<b>Cash flow from investing activities</b>	<b>953</b>	<b>(523)</b>	<b>(415)</b>	<b>(415)</b>
Free cash flow	2,780	1,519	2,250	2,739
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(2,504)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net chg in cash	276	1,519	2,250	2,739
Opening cash balance	79	286	1,716	3,877
Closing cash balance	286	1,716	3,877	6,528

Source: Company, Axis Securities

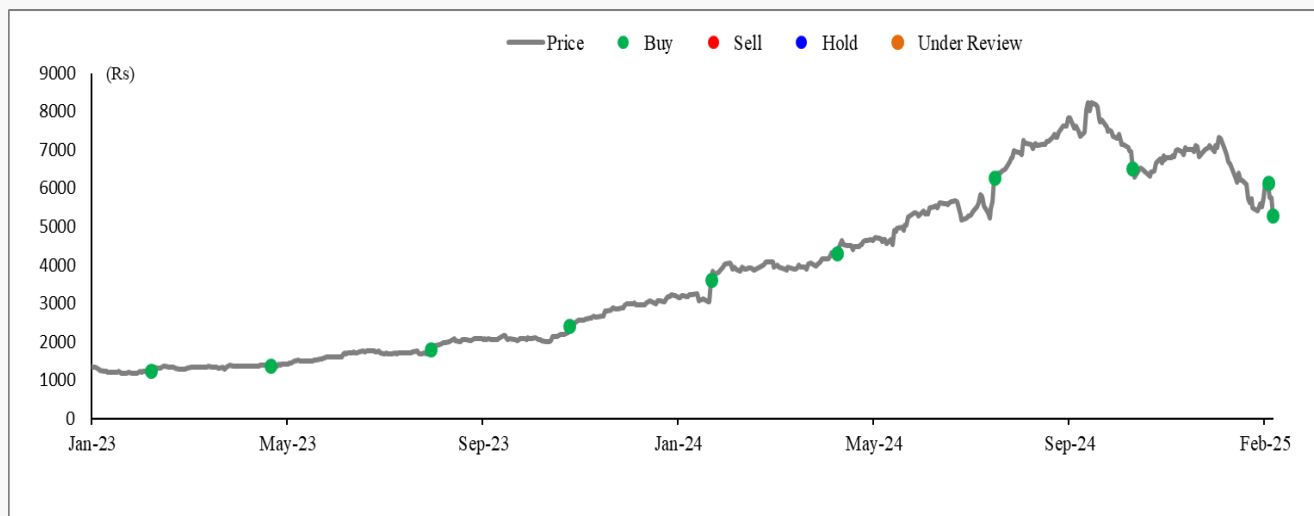
**Ratio Analysis**

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	40.4	45.5	59.6	70.4
Growth, %	60.9	81.3	31.0	18.1
Book NAV/share (INR)	125.1	168.1	225.2	293.1
FDEPS (INR)	25.1	45.5	59.6	70.4
CEPS (INR)	27.8	66.4	82.9	96.0
CFPS (INR)	46.0	46.6	63.0	75.6
DPS (INR)	-	-	-	-
<b>Return ratios</b>				
Return on assets (%)	22.2	21.1	21.9	20.8
Return on equity (%)	20.1	27.1	26.5	24.0
Return on capital employed (%)	24.8	24.1	25.1	23.7
<b>Turnover ratios</b>				
Asset turnover (x)	2.7	4.5	5.6	6.9
Sales/Total assets (x)	1.5	1.9	1.9	1.8
Sales/Net FA (x)	3.4	6.6	9.3	13.9
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	27.6	27.8	27.8
Working capital days	34.8	32.8	31.8	31.1
<b>Liquidity ratios</b>				
Current ratio (x)	3.2	4.2	5.4	6.6
Quick ratio (x)	1.5	2.4	3.5	4.7
Interest cover (x)	4.2	13.9	16.9	18.3
Total debt/Equity (x)	0.4	0.3	0.2	0.2
<b>Valuation</b>				
PER (x)	210.1	115.9	88.5	74.9
PEG (x) - y-o-y growth	3.4	1.4	2.9	4.1
Price/Book (x)	42.2	31.4	23.4	18.0
EV/Net sales (x)	15.8	11.5	9.3	7.8
EV/EBITDA (x)	97.8	69.7	54.1	45.6
EV/EBIT (x)	146.3	96.5	71.4	59.1

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
03-Feb-25	BUY	7,450	Top Picks
07-Feb-25	BUY	7,100	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
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.