

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|-----------------------|---------------|
| Bloomberg | TRENT IN |
| Equity Shares (m) | 355 |
| M.Cap.(INRb)/(USDb) | 1904.2 / 21.7 |
| 52-Week Range (INR) | 8346 / 4488 |
| 1, 6, 12 Rel. Per (%) | 2/-3/0 |
| 12M Avg Val (INR M) | 7429 |

Financials & Valuations Consol (INR b)

| Y/E March | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|
| Sales | 213.6 | 253.2 | 293.1 |
| EBITDA | 34.1 | 40.0 | 45.4 |
| NP | 18.3 | 21.6 | 24.1 |
| EBITDA Margin (%) | 16.0 | 15.8 | 15.5 |
| Adj. EPS (INR) | 51.3 | 60.8 | 67.9 |
| EPS Gr. (%) | 19.0 | 18.4 | 11.7 |
| BV/Sh. (INR) | 213.4 | 272.0 | 337.7 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.0 | -0.1 | -0.2 |
| RoE (%) | 29.1 | 26.8 | 23.8 |
| RoCE (%) | 18.6 | 17.2 | 15.4 |
| Payout (%) | 10.7 | 9.9 | 9.6 |

Valuations

| | | | |
|----------------|-------|------|------|
| P/E (x) | 103.9 | 87.8 | 78.6 |
| EV/EBITDA (x) | 55.7 | 47.2 | 41.3 |
| EV/Sales (x) | 9.0 | 7.5 | 6.5 |
| Div. Yield (%) | 0.1 | 0.1 | 0.1 |

Shareholding Pattern (%)

| As On | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 37.0 | 37.0 | 37.0 |
| DII | 18.5 | 17.2 | 13.2 |
| FII | 18.4 | 19.7 | 27.9 |
| Others | 26.1 | 26.1 | 21.9 |

FII includes depository receipts

CMP: INR5,356 TP: INR6,400 (+20%) Buy

Surprising margin expansion despite deceleration in growth

- Despite a continued deceleration in revenue growth (+20% YoY) and a ~110bp YoY decline in gross margin, Trent delivered a strong EBITDA growth of ~37% YoY (17% beat), with margin expanding ~225bp YoY.
- The significant margin beat was led by effective cost control—employee expenses fell 7% YoY, while rental costs rose only 7% YoY, despite a 36% increase in retail area, reflecting the strength of Trent's variable cost structure.
- However, the Star business underperformed with just ~7% YoY revenue growth, flat like-for-like sales, and a 14% YoY drop in revenue per sq ft to INR26.7k, (vs. 2% YoY uptick, despite a much larger base for DMart).
- Our FY26-27E EBITDA estimates remain largely unchanged as we expect store expansion-related costs to catch up over the next few quarters. while, we lower PAT by 3-6% due to higher depreciation. We build in with a 20%/18%/16% CAGR in revenue/EBITDA/PAT over FY25-28E, driven by aggressive store expansion.
- We continue to like Trent for its robust footprint additions, strong double-digit growth, long runway for growth in Star (presence in just 10 cities), and potential scale-up of emerging categories (Beauty, Innerwear, Footwear, and LGDs). However, revenue growth acceleration remains a key trigger.
- **Reiterate Buy on Trent with a revised TP of INR6,400**, premised on 50x Sep'27 EV/EBITDA for the standalone (Westside and Zudio) business, ~3x EV/sales for Star JV, and ~7x EV/EBITDA for Zara JV.

Robust cost controls drive significant EBITDA beat

- Standalone revenue growth further decelerated in 1QFY26 to 20% YoY (vs. 57%/40%/37%/29% in the last four quarters), despite large back-ended store additions in Zudio (~130 net additions) in 4QFY25.
- Gross profit grew 17% YoY to INR21.5b (2% miss) as **gross margin contracted ~110bp YoY to 45.1%**.
- Occupancy cost (including rent) grew modest ~7% YoY (though rose 63% QoQ), despite ~37% YoY area additions in Zudio. We believe there could have been some reversals in rental provisions in 4QFY25.
- Surprisingly, employee costs declined 7% YoY and QoQ (21% lower than our estimate), despite significant store additions over the past few quarters.
- Other expenses grew 16% YoY (+12% QoQ), driving operating leverage.
- Driven by lower increase in rentals and employee cost, **EBITDA grew 37% YoY to INR8.4b (17% beat), as margins expanded ~225bp to 17.5%**.
- Reported operating EBIT margin expanded to 11.2% (vs. 10.4% YoY).
- PAT grew 24% YoY to INR4.2b (19% beat) as higher EBITDA was offset by lower other income (-11% YoY, 26% below).

After back-ended growth in 4QFY25, store expansion remains muted in 1QFY26

- Store expansion activity remained subdued in 1QFY26, with store count across fashion formats stable QoQ at 1,043 stores (up 27% YoY).
- **Westside** added just one store but also closed one, resulting in a flat store count of 248 (+9% YoY). However, the retail area increased ~20% YoY as Trent added larger Westside stores during FY25.
- **Zudio** witnessed 11 new store openings, though these were offset by 10 store closures. As a result, the company effectively added only one net store to reach 766 stores (+37% YoY). However, similar to Westside, with rising store sizes, the retail area increased ~54% YoY.
- Further, there was a consolidation of one store in Trent's other fashion formats to 29 stores (-19% YoY).

Star: Subdued performance with flat LFL and one net store closure

- Revenue growth decelerated to ~7% YoY (vs. 29%/27%/25%/17% YoY in the last few quarters) as LFL growth moderated to flat YoY (vs. ~22%/2% in 1QFY25/4QFY25).
- STAR consolidated one store during the quarter and has a footprint of 77 stores.
- Calculated revenue per sq ft declined 14% YoY to INR26.7k (vs. 2% YoY uptick to INR36.6k/sq ft for DMart) and revenue per store declined 5% YoY to INR449m.
- The share of own-brand offerings now contributes ~73% to Star's revenue.

Highlights from the management commentary

- Like-for-like growth for Trent's fashion concepts was in low single digits due to the early onset of monsoon and geopolitical disruptions. However, revenue growth across comparable micro-markets remained healthy.
- Trent's strategy is centered on expanding revenue share and presence in key markets by increasing store density and **improving portfolio quality rather than focusing solely on like-for-like store performance**.
- Simultaneously, Trent is entering emerging Tier 2/3 cities with significant long-term potential, although revenue trajectories in these newer markets may differ from mature metro locations due to varying levels of fashion adoption and consumption density.
- Management indicated that investments in technology and automation in recent years have driven stable operating economics and operating leverage.
- **Emerging categories**, including beauty and personal care, innerwear, and footwear, contributed to 21% of standalone revenue (vs. 20% in 4QFY25).
- **Online revenue** grew 35% YoY, contributing 6%+ of Westside sales.

Valuation and view

- TRENT's growth rate has decelerated sharply in the last few quarters due to a weak LFL amid a subdued demand environment. However, the company continues to display strong cost controls to report healthy EBITDA growth.
- Back-ended strong store additions in Zudio from 4QFY25, coupled with a continued ramp-up with a focus on increasing share in key micro-markets, are likely to support growth.

- We continue to like Trent for its robust footprint additions, strong double-digit growth, long runway for growth in Star (presence in just 10 cities), and potential scale-up of emerging categories (Beauty, Innerwear, Footwear, and LGDs).
- Our FY26-27E EBITDA estimates remain largely unchanged, while we lower PAT by 1-5% due to higher depreciation. We build in with a 20%/18%/17% CAGR in revenue/EBITDA/PAT over FY25-28E, driven by aggressive store expansion.
- **We reiterate BUY on Trent with revised TP of INR6,400**, premised on 50x Sep'27 EV/EBITDA for the standalone (Westside and Zudio) business and ~3x EV/sales for Star JV and ~7x EV/EBITDA for Zara JV.

Standalone - Quarterly Earnings Model

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | (INR m) | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | FY26E 1QE | Est. Var (%) |
| Revenue | 39,917 | 40,356 | 45,347 | 41,061 | 47,813 | 50,445 | 57,818 | 52,679 | 166,681 | 208,753 | 47,901 | 0 |
| YoY Change (%) | 57.4 | 39.6 | 36.9 | 28.8 | 19.8 | 25.0 | 27.5 | 28.3 | 39.8 | 25.2 | 23.4 | |
| Total Expenditure | 33,812 | 33,949 | 36,971 | 34,497 | 39,435 | 42,676 | 47,353 | 44,845 | 139,229 | 174,309 | 40,716 | -3 |
| EBITDA | 6,106 | 6,407 | 8,376 | 6,564 | 8,377 | 7,768 | 10,465 | 7,834 | 27,452 | 34,444 | 7,185 | 17 |
| EBITDA Margin (%) | 15.3 | 15.9 | 18.5 | 16.0 | 17.5 | 15.4 | 18.1 | 14.9 | 16.5 | 16.5 | 15.0 | -252 |
| Depreciation | 1,759 | 1,915 | 2,393 | 2,631 | 2,839 | 2,952 | 3,011 | 2,370 | 8,699 | 11,172 | 2,657 | 7 |
| Interest | 312 | 324 | 363 | 371 | 395 | 423 | 453 | 574 | 1,369 | 1,845 | 397 | 0 |
| Other Income | 461 | 1,387 | 564 | 970 | 409 | 1,387 | 676 | 888 | 3,381 | 3,360 | 553 | -26 |
| PBT before EO expense | 4,496 | 5,554 | 6,184 | 4,532 | 5,552 | 5,780 | 7,678 | 5,778 | 20,766 | 24,788 | 4,684 | 19 |
| Extra-Ord expense | - | - | - | - | - | - | - | - | - | - | - | |
| PBT | 4,496 | 5,554 | 6,184 | 4,532 | 5,552 | 5,780 | 7,678 | 5,778 | 20,766 | 24,788 | 4,684 | 19 |
| Tax | 1,074 | 1,320 | 1,490 | 1,033 | 1,326 | 1,387 | 1,843 | 1,393 | 4,918 | 5,949 | 1,124 | 18 |
| Reported PAT | 3,422 | 4,234 | 4,693 | 3,499 | 4,226 | 4,393 | 5,835 | 4,385 | 15,848 | 18,839 | 3,560 | 19 |
| Adj PAT | 3,422 | 4,234 | 4,693 | 3,499 | 4,226 | 4,393 | 5,835 | 4,385 | 15,848 | 18,839 | 3,560 | 19 |
| YoY Change (%) | 130.8 | 46.2 | 36.6 | 41.3 | 23.5 | 3.7 | 24.3 | 25.3 | 54.0 | 18.9 | 37.0 | |

E: MOFSL Estimates