

Estimate change	↔
TP change	↓
Rating change	↔

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

## Surprising margin expansion despite deceleration in growth

	TRENT IN
Bloomberg 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

- 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	FY26E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			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
<b>EBITDA</b>	<b>6,106</b>	<b>6,407</b>	<b>8,376</b>	<b>6,564</b>	<b>8,377</b>	<b>7,768</b>	<b>10,465</b>	<b>7,834</b>	<b>27,452</b>	<b>34,444</b>	<b>7,185</b>	<b>17</b>
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
<b>PBT before EO expense</b>	<b>4,496</b>	<b>5,554</b>	<b>6,184</b>	<b>4,532</b>	<b>5,552</b>	<b>5,780</b>	<b>7,678</b>	<b>5,778</b>	<b>20,766</b>	<b>24,788</b>	<b>4,684</b>	<b>19</b>
Extra-Ord expense	-	-	-	-	-	-	-	-	-	-	-	
<b>PBT</b>	<b>4,496</b>	<b>5,554</b>	<b>6,184</b>	<b>4,532</b>	<b>5,552</b>	<b>5,780</b>	<b>7,678</b>	<b>5,778</b>	<b>20,766</b>	<b>24,788</b>	<b>4,684</b>	<b>19</b>
Tax	1,074	1,320	1,490	1,033	1,326	1,387	1,843	1,393	4,918	5,949	1,124	18
<b>Reported PAT</b>	<b>3,422</b>	<b>4,234</b>	<b>4,693</b>	<b>3,499</b>	<b>4,226</b>	<b>4,393</b>	<b>5,835</b>	<b>4,385</b>	<b>15,848</b>	<b>18,839</b>	<b>3,560</b>	<b>19</b>
<b>Adj PAT</b>	<b>3,422</b>	<b>4,234</b>	<b>4,693</b>	<b>3,499</b>	<b>4,226</b>	<b>4,393</b>	<b>5,835</b>	<b>4,385</b>	<b>15,848</b>	<b>18,839</b>	<b>3,560</b>	<b>19</b>
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