

ICICI Securities Limited
is the author and
distributor of this report

Q4FY21 result review
and earnings revision

Branded Apparels

Target price: Rs895

Earnings revision

(%)	FY22E	FY23E
Sales	↓ 12.8	↓ 1.7
EBITDA	↓ 29.9	↑ 0.4
PAT	↓ 34.1	↓ 0.7

*standalone

Target price revision

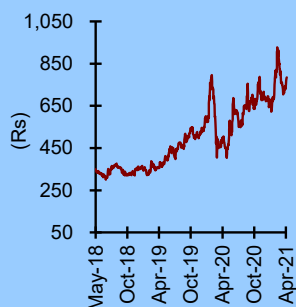
Rs895 from Rs845

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	37.0	37.0	37.0
Institutional investors	37.8	39.4	40.2
MFs and others	10.7	6.2	6.0
FIs and Banks	0.0	0.0	0.0
Insurance Cos.	3.3	3.5	3.9
FPI	23.8	29.7	30.3
Others	25.2	23.6	22.8

Source: BSE

Price chart



Research Analysts:

Krupal Maniar, CFA

krupal.maniar@icicisecurities.com
+91 22 6637 7254

Darshit Shah

darshit.shah@icicisecurities.com
+91 22 6637 7480

Trent Ltd

BUY
Maintain
Rs777

Cautious optimism; healthy store additions

Trent's Q4FY21 revenue growth at 7% YoY was in line with our / consensus estimates; while EBIT (pre Ind-AS 116) at Rs570mn was higher than estimates mainly owing to inventory reductions. Westside revenues remained broadly flat YoY and implied Zudio revenues grew ~40% YoY on healthy store additions (added 16 stores in Q4FY21 and 37 in FY21). Sales have seen a sharp drop since mid-Mar'21 on account of partial lockdowns in various states and local restrictions. Rs1.1bn working capital was released in FY21 led by sharp Rs1.9bn reduction in inventory. Factoring-in the impact of recent lockdown, we reduce our FY22E estimates, but maintain FY23E estimates. Maintain BUY with a revised DCF-based target price of Rs895/sh (earlier: Rs845) on better margin / cash generation. **Key risks: extended lockdowns, and lower discretionary spends.**

- ▶ **Standalone revenues up 7% YoY to Rs7.7bn.** Westside revenues remained flat YoY at Rs5.9bn with LTL revenues down 4% YoY in Q4FY21. Implied Zudio revenues grew ~40% YoY and constituted ~20% of revenues. Online channel grew >150% in Q4FY21 with 5% of Westside revenues being recorded through online channels in both Q4FY21 and FY21. As at Mar'21-end, the company had over 6mn members in the Westside loyalty programme. Management remains cautiously optimistic on the medium-term outlook and expects strong recovery from Q2FY22E.
- ▶ **Accelerated store expansion plans:** Company added 9 Westside stores in FY21 taking the total to 174, while it added 37 Zudio stores in FY21 taking the total to 133 including SIS stores. An additional 19 Westside and 15 Zudio stores were fitted out during the quarter and are expected to open once the covid-related restrictions ease. Trent usually targets to add 100 fashion stores every year.
- ▶ **Reported gross margin improved sharply by 671bps YoY to 53.2%** mainly led by inventory reductions (lower fresh purchases). Company recognised Rs117mn relating to rent reductions in Q4FY21 and Rs890mn for FY21. Employee expenses were down 10% YoY. EBIT (pre-Ind AS116) stood at Rs570mn vs. EBIT loss YoY.
- ▶ **FY21 (reported) revenues from operations were down 36% YoY** to Rs20.5bn, EBITDA was lower by 63% YoY and adjusted PAT loss stood at Rs510mn against PAT of Rs1.5bn in FY20 due to the pandemic. The net effect of Ind-AS 116 on PBT was an adverse impact of Rs350mn in FY21. While H1FY21 was impacted by lockdowns, Trent posted healthy PAT of Rs1.3bn in H2FY21.
- ▶ **Company generated OCF of Rs1bn in FY21** led by Rs1.9bn reduction in inventory YoY to Rs4bn. Net capex in FY21 was Rs0.8bn with an additional Rs0.9bn invested in subsidiaries / JVs / associates. Hence, standalone net cash stood at ~Rs4bn as at Mar'21. Mr Philip Auld, ED has retired w.e.f 1st May'21.

Market Cap	Rs276bn/US\$3.7bn
Reuters/Bloomberg	TREN.BO/TRENT IN
Shares Outstanding (mn)	355.5
52-week Range (Rs)	945/401
Free Float (%)	63.0
FII (%)	30.3
Daily Volume (US\$'000)	11,480
Absolute Return 3m (%)	25.0
Absolute Return 12m (%)	53.8
Sensex Return 3m (%)	5.6
Sensex Return 12m (%)	46.3

Year to Mar	2020	2021P	2022E	2023E
Revenue (Rs mn)	31,777	20,466	38,009	53,916
EBITDA (Rs mn)	2,833	57	3,163	5,864
Net Income (Rs mn)	1,806	(233)	2,021	3,949
% Chg YoY	41.2	NA	NA	95.4
P/E (x)	111.9	NA	98.9	54.2
CEPS (Rs)	6.9	1.2	7.9	13.8
EV/E (x)*	57.0	NA	57.9	35.0
Dividend Yield	0.1	0.1	0.1	0.2
RoCE (%)	12.4	0.1	11.7	19.1
RoE (%)	14.5	(1.5)	12.7	21.5

*includes other income ex-treasury income

Please refer to important disclosures at the end of this report

Table 1: Q4FY21 result review (standalone) – reported*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	% YoY	Q3FY21	% QoQ
Net sales	7,737	7,228	7.0	7,254	6.7
Raw materials	3,623	3,870	(6.4)	3,165	14.5
Employees cost	682	758	(10.0)	685	(0.5)
Others	2,066	1,720	20.1	1,604	28.8
Total Expenses	6,371	6,348	0.4	5,454	16.8
EBITDA	1,366	880	55.2	1,800	(24.1)
Interest	618	595	3.8	606	2.0
Depreciation	617	612	0.9	578	6.7
Other income	724	393	84.3	426	70.1
Recurring pre-tax income	855	67	1,180.8	1,042	(18)
Extraordinary income/(expense)	(63)	0	NA	0	NA
Taxation	223	40	452.4	245	(9.0)
Reported Net Income	569	26	2,077.1	797	(28.6)
Recurring Net Income	632	26	2,296.0	797	(20.6)
Ratios (%)					
Gross margin	53.2	46.5		56.4	
EBITDA margin	17.7	12.2		24.8	
Net profit margin	8.2	0.4		11.0	

Source: Company data, I-Sec research

Table 2: Q4FY21 result review (consolidated) – reported*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	% YoY	Q3FY21	% QoQ
Net sales	9,055	8,429	7.4	8,536	6.1
Raw materials	4,862	4,987	(2.5)	4,355	11.6
Employees cost	814	889	(8.4)	807	0.9
Others	2,141	1,767	21.2	1,659	29.0
Total Expenses	7,818	7,643	2.3	6,821	14.6
EBITDA	1,238	787	57.3	1,715	(27.8)
Interest	643	616	4.5	639	0.7
Depreciation	678	669	1.4	631	7.4
Other income	674	425	58.6	423	59.3
Recurring pre-tax income	591	(72)	NA	868	-32
Extraordinary income/(expense)	-	-		-	
Taxation	224	(399)	NA	257	(12.6)
Share in profit/ (loss) of associates/ JV per equity	(192)	(294)	NA	29	NA
Minority interest	(116)	(95)	NA	(99)	NA
Reported Net Income	290	127	128.0	739	(60.8)
Recurring Net Income	290	127	128.0	739	(60.8)
Ratios (%)					
Gross margin	46.3	40.8		49.0	
EBITDA margin	13.7	9.3		20.1	
Net profit margin	3.2	1.5		8.7	

Source: Company data, I-Sec research

Table 3: Earnings revision (standalone) – pre Ind-AS 116*(Rs mn)*

	FY22E			FY23E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenue	38,009	43,569	(12.8)	53,916	54,864	(1.7)
EBITDA	3,163	4,510	(29.9)	5,864	5,840	0.4
PAT	2,021	3,065	(34.1)	3,949	3,975	(0.7)

Source: I-Sec research

Table 4: Segmental revenues and EBITDA – key assumptions (pre Ind-AS 116)

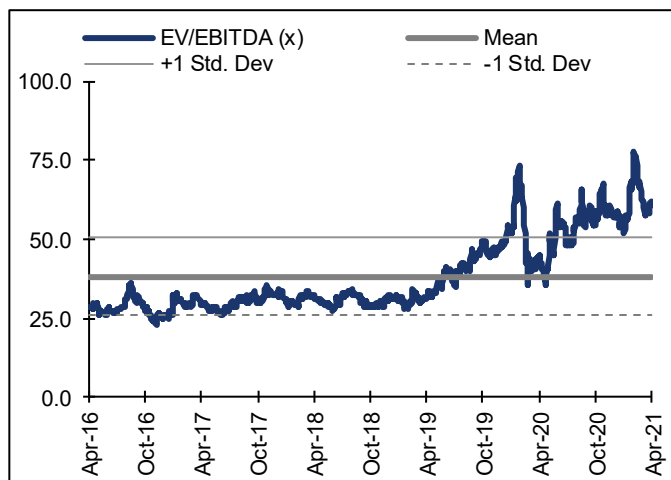
(Rs mn)	FY19	FY20	FY21P	FY22E	FY23E
Revenues					
Westside	22,359	25,972	15,800	27,816	37,313
Landmark	918	734	459	826	991
Zudio	2,040	5,070	4,207	9,366	15,611
Zara- 49% JV	14,319	15,705	9,637	17,716	20,354
THPL- 50% JV	10,005	12,289	13,330	15,690	18,398
EBITDA					
Standalone	2,365	2,833	57	3,163	5,864
Zara- 49% JV	1,525	1,783	256	1,967	2,463
THPL- 50% JV	(802)	(973)	(1,202)	(944)	(739)
EBITDA margin (%)					
Standalone	10.0	10.7	1.1	8.9	11.5
Zara- 49% JV	10.7	11.4	2.7	11.1	12.1
THPL- 50% JV	(8.0)	(7.9)	(9.0)	(6.0)	(4.0)

Source: I-Sec research

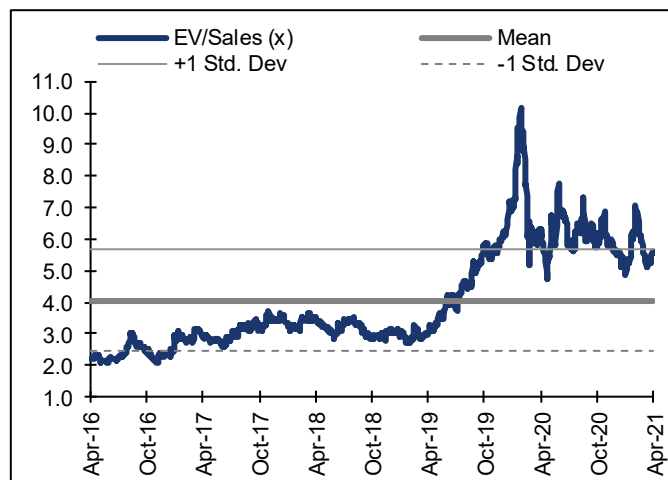
Table 5: DCF-based target price of Rs895/share

(Rs mn)	FY23E
10-year EBITDA CAGR growth (%)	29.9
WACC (%)	10.5
Terminal growth rate (%)	6.0
PV of 10yrs FCF (Rs mn)	47,922
PV of terminal value (Rs mn)	201,655
DCF value (Rs mn)	249,577
Net cash (Rs mn)	3,628
Equity value (Rs mn)	253,205
No. of shares	356
Standalone valuation (Rs/sh)	713
Inditex stake valuation (Rs/sh)- DCF	114
Trent Hypermarket (Rs/sh)- 2xBV	68
Target price	895

Source: I-Sec research

Chart 1: Rolling EV/EBITDA band (pre-IndAS116)

Source: I-Sec research, excluding THPL and other investments and assuming FY21 EBITDA same as FY20 for better analysis

Chart 2: Rolling EV/Sales band

Source: I-Sec research, excluding THPL and other investments

Financial summary (standalone)

Table 6: Profit and Loss statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Operating Income (Sales)	31,777	20,466	38,009	53,916
Operating Expenses	28,944	20,409	34,845	48,051
EBITDA	2,833	57	3,163	5,864
% margin	8.9	0.3	8.3	10.9
Depreciation & Amortisation	651	674	784	939
Gross Interest	423	380	362	362
Other Income	957	650	685	716
Recurring PBT	2,715	(347)	2,702	5,280
Add: Extra ordinaries	(0)	-	-	-
Less: Taxes	909	(115)	681	1,330
Net Income (Reported)	1,806	(233)	2,021	3,949
Recurring Net Income	1,806	(233)	2,021	3,949

Source: Company data, I-Sec research

Table 7: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Assets				
Total Current Assets	10,353	7,332	9,528	13,738
Current Liab. & Prov.	5,163	4,029	5,623	7,667
Net Current Assets	5,190	3,303	3,905	6,071
Investments of which	16,068	17,068	16,668	16,268
Strategic/Group	8,658	9,658	9,658	9,658
Marketable	7,411	7,411	7,011	6,611
Net Fixed Assets*	5,759	6,057	7,513	9,065
of which				
Intangibles	-	-	-	-
Capital Work-in-Progress	231	231	231	231
Goodwill	-	-	-	-
Total Assets	27,017	26,429	28,086	31,404
of which cash & cash equivalents	7,851	7,131	6,641	7,416
Liabilities				
Borrowings	3,013	3,013	3,013	3,013
Deferred Tax Liability	-	-	-	-
Minority Interest	-	-	-	-
Preference share capital	-	-	-	-
Equity Share Capital	356	356	356	356
Face value per share (Rs)	1	1	1	1
Reserves & Surplus	23,649	23,061	24,718	28,035
Net Worth	24,004	23,416	25,074	28,391
Total Liabilities	27,017	26,429	28,086	31,404

Source: Company data, I-Sec research

Table 8: Quarterly trend

(Rs mn, year ending March 31)

	Jun-20	Sep-20	Dec-20	Mar-21
Net sales	963	4,521	7,254	7,737
% growth (YoY)	(87.4)	(44.7)	(16.6)	7.0
Recurring EBITDA	(1,191)	64	1,660	1,366
Margin (%)	NA	1.4	22.9	17.7
Other income	529	364	426	724
Extraordinaries Inc / (Loss)	-	-	-	(63)
Recurring Net Income	(1,395)	(481)	657	632

Source: Company data

Table 9: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Operating Cashflow	1,902	(208)	2,121	4,172
Working Capital changes	(1,112)	1,167	(692)	(991)
Capital Commitments	(1,050)	(973)	(2,240)	(2,491)
Net Operating FCF	(260)	(14)	(811)	691
Investing Activities	(6,856)	(350)	685	716
Issue of Share Capital	9,498	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	(1,930)	-	-	-
Dividend paid	(520)	(356)	(364)	(632)
Others	-	(0)	0	-
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank	(69)	(720)	(491)	775

Source: Company data, I-Sec research

Table 10: Key ratios

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Per Share Data (Rs)				
EPS(Basic)	5.1	(0.7)	5.7	11.1
Diluted Recurring EPS	5.1	(0.7)	5.7	11.1
Diluted Recurring CEPS	6.9	1.2	7.9	13.8
Dividend per share	1.0	1.0	1.0	1.8
Book Value	68	66	71	80
Growth Ratios (% YoY)				
Operating Income	25.5	(35.6)	85.7	41.9
EBITDA	21.8	(98.0)	NA	85.4
Recurring Net Income	41.2	NA	NA	95.4
Diluted Recurring EPS	32.0	NA	NA	95.4
Diluted Recurring CEPS	31.7	(82.0)	NA	74.2
Valuation Ratios (x)*				
P/E	111.9	NA	98.9	54.2
P/CEPS	84.9	NA	74.3	45.5
P/BV	13.7	14.1	12.6	10.5
EV / EBITDA	57.0	NA	57.9	35.0
EV / Operating Income	6.3	9.8	5.3	3.9
Operating Ratios (%)				
Raw Material / Sales	50.5	50.3	50.3	50.3
SG&A expenses / Sales	28.9	35.0	31.4	30.1
Other Income / PBT	35.2	(187.1)	25.3	13.6
Effective Tax Rate	33.5	33.0	25.2	25.2
NWC / Total Assets	0.2	0.1	0.1	0.2
Inventory (x)	5.9	4.2	8.4	9.0
Receivables (days)	2	2	1	1
Payable (days)	55	75	41	42
D/E Ratio (x)	(0.2)	(0.2)	(0.1)	(0.2)
Profitability Ratios (%)				
Rec. Net Income Margins	5.7	(1.1)	5.3	7.3
RoCE	12.4	0.1	11.7	19.1
RoNW	14.5	(1.5)	12.7	21.5
Dividend Payout	19.7	NA	18.0	16.0

Source: Company data, I-Sec research

Note: *Valuations based on ex-THPL and other investments, #pre-IndAS116

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

*New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return*

ANALYST CERTIFICATION

I/We, *Krupal Maniar, CA, CFA; Darshit Shah, CA* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

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

This report is based on information obtained 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. ICICI 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. ICICI 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.

ICICI 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.

ICICI 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.

ICICI 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.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI 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 ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

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

ICICI Securities or its subsidiaries collectively 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 ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.