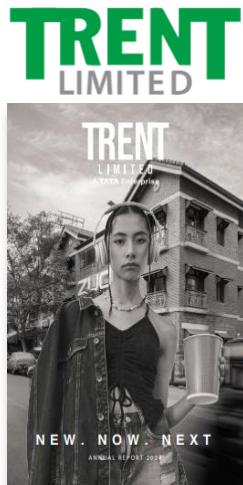


BSE SENSEX 77,301 S&P CNX 23,558



Stock	Info
Bloomberg	TRENT IN
Equity Shares (m)	355
M.Cap.(INRb)/(USDb)	1904.6 / 22.8
52-Week Range (INR)	5452 / 1657
1, 6, 12 Rel. Per (%)	11/70/187
12M Avg Val (INR M)	2565
Free float (%)	63.0

Financials Snapshot (INR b)

INR b	FY24	FY25E	FY26E
Sales	123.8	176.3	224.1
EBITDA	19.2	26.8	34.5
NP	10.4	17.5	22.3
EBITDA Margin (%)	15.5	15.2	15.4
Adj. EPS (INR)	29.2	49.4	62.7
EPS Gr. (%)	162.5	68.9	27.0
BV/Sh. (INR)	122.4	175.2	242.3

Ratios			
Net D:E	0.0	0.3	0.2
RoE (%)	31.2	35.5	32.1
RoCE (%)	18.0	23.0	19.9
Payout (%)	7.7	0.0	0.0

Valuations			
P/E (x)	183.0	108.4	85.3
EV/EBITDA (x)	98.9	71.7	55.5
EV/Sales (x)	15.5	11.0	8.6
Div. Yield (%)	0.1	0.0	0.0

Shareholding pattern (%)			
As On	Mar-24	Dec-23	Mar-23
Promoter	37.0	37.0	37.0
DII	13.9	14.8	16.1
FII	26.8	25.9	24.4
Others	22.3	22.3	22.4

CMP: INR5,358 TP: INR5,800 (+8%) Buy

Aggressive expansion with improved cash flow

We pored over Trent's FY24 annual report to get insights about its performance and other developments. Here are the key takeaways:

Stellar performance continues

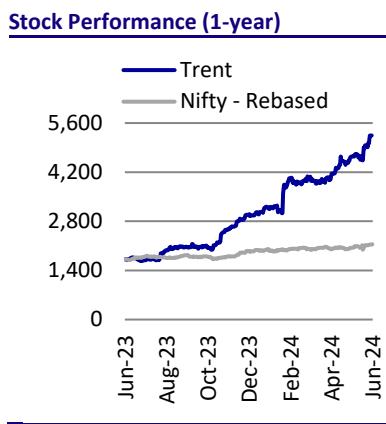
Trent continued to report strong standalone/consolidated revenue growth of 55%/50% YoY to INR119b/INR124b in FY24, aided by 51% YoY area addition and +10% LFL growth. Despite a slight contraction in standalone gross margin by 20bp (due to higher Zudio mix), EBITDA margin (pre Ind-AS) improved to 11.7% (up 300bp YoY), aided by lower ad spending and operating leverage. Standalone adj. PAT improved to INR10.3b (vs. INR5.5b in FY23). In addition, the Booker subsidiary and Star (JV) losses have narrowed. As a result, consolidated PAT surged to INR10.4b (vs. INR4b in FY23). On the standalone basis, Trent generated FCF of INR4b (vs. -INR275m in FY23), and RoCE improved to 21% (vs. 12% in FY23), backed by improved profitability and asset turns.

Profitability improves for standalone formats; Zara moderates

Standalone revenue growth was fueled by Zudio's stellar performance (revenue up 95% YoY to ~INR69b), well supported by Westside (revenue up 20% YoY to ~INR50b). Growth was aided by store additions of 18/193/10 for Westside/ Zudio/Other formats. The company has also increased the average store area by ~16%/19% YoY to 19.4k/9.2k for Westside/Zudio. As per our calculations, both the formats reported ~INR12k/~INR18k sales per sqft, which, along with healthy LFL (+10%) and operating leverage, led to 15%/9% pre-Ind-AS EBITDA margin. Zara revenue grew 8% YoY to INR28b, led by store addition (+15% YoY; 3 stores). Growth in revenue per store moderated to 3% YoY. A contraction in GM by 130bp led to a decline in EBITDAM by 110bp YoY to 15.2%. As a result, dividend received from Zara moderated to INR737m (vs. INR1.46b in FY23). However, the format is funding its growth capex and working capital from internal accruals, with strong RoIC of 47% in FY24.

Star: Strong LFL, but yet to garner EBITDA level profitability

Star revenue grew 21% YoY to INR22b, largely led by 27% LFL growth. Despite an improvement in GM (+150bp YoY), Star posted EBITDA of INR255m (vs. INR1.7b in FY23) and margins of only 1%, which could be due to the reclassification of lease liability and the cost of modification of stores. Trent has funded the losses mainly through the issue of equity (by Trent and Tesco). This could be the reason Star added only three stores in FY24, taking the total count to 66 stores. For the last two years, the company has been constantly optimizing the format. The management indicated to add 20-25 stores in FY25 by following the cluster strategy to expand and focus on its own brands. We believe Star Bazaar might need funds for its expansion for a year, but going forward it may fund its growth internally as the size of the grocery market is INR76t, which provides tailwinds for the sector. Improved traction in productivity with higher margins could drive the next leg of growth.



Healthy return ratios with improved profitability

Return ratios improved in FY24, thanks to healthy profitability and FCF generation of INR3.7b/INR4b on the consolidated/standalone basis. Standalone RoE/RoCE/RoIC improved to 27%/21%/26% (vs. 22%/12%/15% in FY23). Our format-wise financial working (see exhibit 10) indicates that Westside clocked healthy RoIC of 26% and Zudio's EBITDA margin/RoIC improved to 9%/25%. Zara's EBITDA margin/RoIC declined 110bp/9pp YoY to 15%/47%, while Star Bazaar posted ROIC of -12.5%. Trent operates on a strong consolidated net cash position of INR5.1b despite aggressive store additions over the last few years. The cash conversion cycle improved to 27 days (vs. 34 days in FY23), led by a reduction in inventory/payable days to 48/23 (vs. 63/30 in FY23). Trent has effectively managed its debt levels while continuing to pursue its growth objectives.

Valuation and view: Growth levers explain premium valuation; retain BUY

- The discretionary category continues to see muted demand, but Trent has far outpaced the industry. The company delivered industry-leading LFL growth of +10% and hence gained market share over other retailers in the apparel segment (especially in value format).
- Further, despite aggressive store addition, Trent has limited balance sheet risk or weakness in operations. Trent's industry-leading revenue growth is mainly driven by: 1) strong SSSG and productivity, 2) healthy footprint additions, and 3) Zudio's strong value proposition.
- Trent's successful store performance, healthy store economics, and aggressive growth strategy offer a huge runway for growth over the next three to five years.
- We estimate a CAGR of 36%/34% in standalone revenue/EBITDA over FY24-26, led by 20% store addition and healthy SSSG, which explain the premium valuation for the stock. We have ascribed 57x to standalone business, 2x EV/sales to Star Bazaar, and 15x EV/EBITDA to Zara to arrive at our TP of INR5,800. Adjusting Star and Zara value, the stock is trading at 88x FY26E EPS for the standalone business. Weak demand in tier 2-3 cities and a slow turnaround of Star could be the key risks going forward. Retain BUY.

Valuation as on FY26 (INRb)

Particulars	Financial metric	Multiple	EBITDA/Sales	Enterprise Value
Westside and Zudio	EBITDA	57	34.6	1,976
Star	Sales	2	19.4	39
Zara	EBITDA	15	3.3	49
Total Enterprise Value				2,064
Net Debt				2
Equity Value				2,062
Shares (m)				356
Target Price				5,800
CMP				5348
Upside				8%

FY24 – Strong performance amid weak environment

- Standalone revenue grew 55% YoY, driven by a robust footprint expansion (37% store adds YoY and 51% YoY area addition) and healthy LFL (+10%). Despite a slight contraction in GM by 20bp (due to higher Zudio mix), EBITDA margin improved to 11.7% (up 300bp YoY), aided by lower ad spending and operating leverage.
- As per our calculation, Westside/Zudio reported INR12k/INR18k in sales per sqft, which, along with healthy LFL and operating leverage, led to 15%/9% EBITDA margin.
- On the standalone basis, Trent generated FCF of INR4b (vs. -INR275m in FY23), backed by improved profitability.
- The company saw an improvement in its return profile in FY24, backed by profitability and asset turns. Standalone RoE/RoCE stood at 27%/21% vs. 21%/12% in FY23.
- India's apparel market is estimated at USD79b in 2024 (vs. USD69b in 2023), up 15% YoY. Future growth will be led by 1) increased urbanization, 2) positive demographics, and 3) improved income levels.
- The grocery segment continues to be dominated by the unorganized segment. The F&G market contributes 65% of total retail market and the market size stands at INR76tn (USD 927b). However, revenue of modern trade retailers, including select online-led players, seems to be growing.

Growing faster than the industry

- Standalone **revenue** grew 55% YoY to INR119b, driven by strong footprint addition (+51% YoY area addition/+37% YoY store addition) and +10% LFL growth. Consolidated revenue grew 50% YoY to INR124b, led by the standalone performance while Booker consolidated revenue decline 19% YoY.
- As per our calculation, Westside and Zudio grew by 20%/95% YoY to INR50b/INR69b.
- Star revenue grew by 21% YoY to INR22b, led mainly by 27% LFL growth. Average revenue per store grew by 25% YoY.
- Zara revenue grew by 8% YoY, led by store addition (+15% YoY/ +3 stores addition). Average revenue per store grew by 3% YoY.
- Standalone **gross margins** contracted 20bp YoY to 45.2%, which could be due to a) an increase in shrinkages by 20bp YoY to 0.41% and b) higher mix of Zudio, offset by a reduction in RM prices.
- Company indicated that the GM profile remained stable for all the formats.
- Standalone **EBITDA margins (pre Ind-AS)** improved by 300bp YoY to 11.7% despite a slight decline in GM. EBITDA margin improvement was led by a decrease in advertisement expenses (110bp), other expenses (110bp) and operating leverage. EBITDA (pre Ind-AS) jumped 2.1x YoY to INR14b.
- Our workings indicate Westside EBITDA margin is likely to improve by 200bp YoY to ~15% and Zudio's EBITDA margin to improve by 5pp to ~9% in FY24.
- Post Ind-AS EBITDA margin improved 170bp YoY to 16.2%.
- Adjusted standalone PAT jumped 86% YoY to INR10.3b.
- Operating RoCE (pre-Ind-AS and pretax) as reported by the company improved to 33% in FY24 (vs. 22% in FY23) on the back of improved profitability and capital utilization efficiencies.

Reassessment context

- The company clarified that the reassessment of lease liability occurred in 4QFY24, resulting in standalone exceptional gains of INR5.4b (net of tax INR4.1b).
 - INR5.8b in consolidated exceptional gains (net of tax INR4.4b)
- There has been a shift in the strategy, leading to the consolidation of the existing stores into new stores and the extension of the time period even further. This reduces the right-to-use asset and lease liability.
- The company clarified that there is no shift from COCO to FOCO/FOFO stores and there have been no changes in lease contracts.

Exhibit 1: Segment-wise contribution – Zudio's revenue share rose to 58% to FY24 from 46% in FY23

INR m	FY19	FY20	FY21	FY22	FY23	FY24
Standalone revenue	25,317	31,777	20,475	38,807	77,152	1,19,266
Westside revenue	23,407	28,110	14,135	27,250	41,305	49,502
Zudio revenue	2,040	4,780	4,800	11,082	35,371	69,097
Standalone EBITDA (Pre-Ind AS 116)	2,366	2,855	543	3,667	6,732	13,966
Westside EBITDA	2,575	3,092	141	2,997	5,370	7,425
Zudio EBITDA	-209	-237	402	670	1,363	6,541
Zudio revenue contribution			15%	23%	29%	46%
Zudio EBITDA contribution			-8%	74%	18%	47%

Source: MOFSL, Company

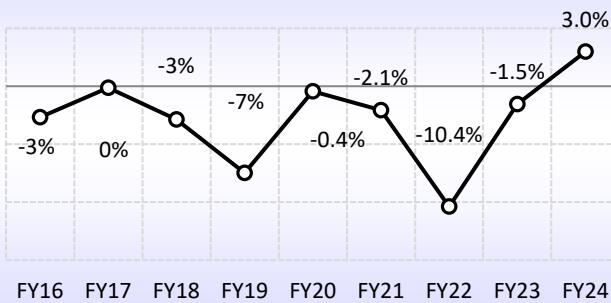
Strong cash flows and return ratio despite aggressive expansion

Standalone segment generates FCF despite aggressive store adds and investments in subsidiary/JV/associates:

- Trent's operating cash flows (OCF) improved to INR7.8b (vs. INR1.9b in FY23), mainly aided by improved profitability.
- After adjusting for capex of INR3.8b (vs. INR2.1b in FY23), FCF stood at INR4b (vs. cash outflow of INR275m in FY23).
- Trent has been investing in subsidiary/JV/associates of INR1b in both FY23 and FY24.
- Dividend received from its subsidiary/JV/associates declined to INR737m (vs. INR1,46b in FY23), which could be due to Zara.
- Company FCF has increased, which led to an increase in dividend to INR783b (vs. INR394b in FY23).
- All these factors result in net cash generation of INR3b (vs. cash outflow of INR196m in FY23), and the net cash position increased to INR4b.
- In FY24, the OCF-to-EBITDA ratio stood at 75% as funds were blocked in working capital.
- Despite strong store addition, its net working capital increased by 23% YoY to INR9b.
 - Inventory days fell to 48 from 63 in FY23, mainly due to improved sales.
 - On a per sqft basis, inventory declined 17% YoY, indicating that new stores are also witnessing high inventory turnover. Inventory per sqft stands at INR1963 (vs. INR2355 in FY23).

Exhibit 2: FCF post-interest/sales stood positive

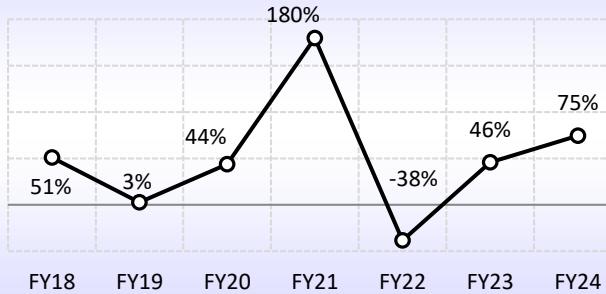
—○— FCF post interest/sales (%)



Source: MOFSL, Company

Exhibit 3: CFO/EBITDA improved to 75%

—○— CFO/EBITDA (%)



Source: MOFSL, Company

Exhibit 4: Standalone EBITDA margin (pre Ind-AS) improving

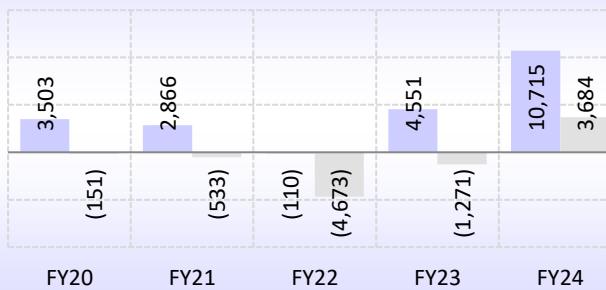
Revenue per sqft —○— EBITDAM



Source: MOFSL, Company

Exhibit 5: Improving FCF generation (INR m)

OCF FCF

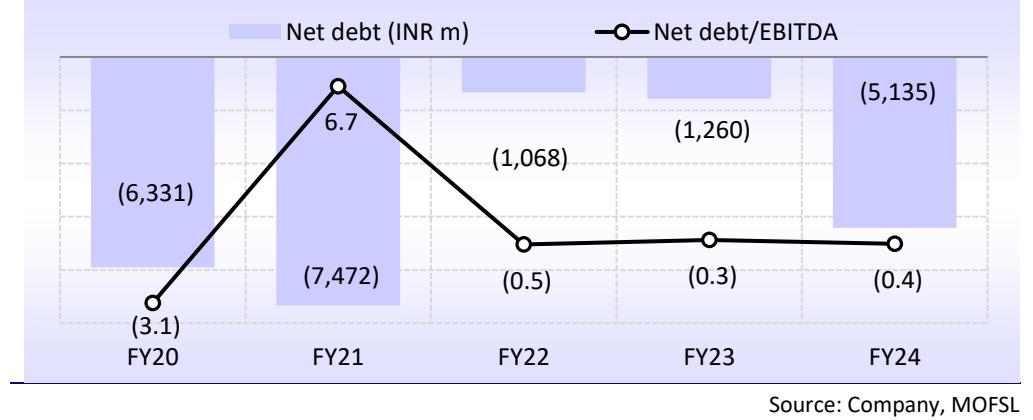


Source: MOFSL, Company

Exhibit 6: Cash flow reconciliation (Standalone)**Cash flow reconciliation**

	FY23	FY24
EBITDA	6,732	13,966
Working capital changes	(2,707)	(2,725)
Other items	(287)	(458)
Tax	(1,869)	(2,942)
Cash from operations	1,869	7,842
Capex	(2,144)	(3,819)
Dividend paid	(394)	(783)
Investments in sub/JV/Ass	(997)	(1,010)
Dividend Recd	1,470	737
Cash generation	(196)	2,968
Net investments made during the year	241	(894)
Net cash movements	45	2,074
Opening balance of cash	744	789
Closing balance of cash	789	2,862

Source: MOFSL, Company

Exhibit 7: Trent (Consolidated) enjoys net cash position (Pre-Ind AS 116)

Source: Company, MOFSL

Exhibit 8: Calculation of inventory per sqft

Standalone	FY20	FY21	FY22	FY23	FY24	YoY Growth	v/s FY20
Inventory	5,865	3,946	8,225	13,369	15,648	17%	167%
Store	245	307	433	566	777	37%	217%
Inventory per store	24	13	19	24	20	-15%	-16%
Inventory per average store	27	14	22	27	23	-13%	-14%
Total area (in m sqft)	3.26	3.80	4.97	6.05	9.58	51%	192%
Inventory per sqft	1,797	1,039	1,656	2,209	1,633	-22%	-9%
Inventory per average sqft	2029	1117	1877	2427	1963	-17%	-3%

Source: MOFSL, Company

Return ratios remain strong

- Standalone pre-Ind-AS ROCE/ROIC (post tax) improved significantly in FY24 to 21.2%/25.6% (vs. 12.2%/14.5% in FY23) on the back of improved profitability and capital utilization efficiencies.
- ROE also improved to 27.3% (vs. 21.6% in FY23), led by an improved asset turnover ratio and profitability.
- Consol. RoE/RoCE/RoIC improved significantly in FY24 to 27.6%/24.7%/32.0% (vs. 15.3%/13.5%/17.7%), led by improvements in standalone business profitability, a decline in Booker losses and Star breakeven in PAT (see Exhibit 9).

Exhibit 9: Reconciliation of Consolidated and Standalone Profit/loss; showing improvement in Booker and Star

	FY23	FY24
Standalone Profit	5,546	14,358
i) Subsidiaries		
a) Nahar Retail Trading Services Limited	25	-37
b) Fiora Business Support Services Limited	57	96
c) Booker India Ltd (include Star Online)	-1,426	-430
d) Trent Global holdings Limited	-2	-2
Subsidiaries Total	-1,347	-372
ii) JV and Associates		
a) Trent Hypermarket Private Limited (Star)	-516	-3
b) Trent MAS Fashion Private Limited	-	-0
c) Inditex Trent India Private Limited (Zara)	1,295	1,195
d) Massimo Dutti India Private Limited	7	44
JV and Associates Total	787	1,236
iii) Adjustment in Consolidated Accounts	-1,049	-447
Consolidated Profit	3,937	14,775

Source: MOFSL, Company

Westside and Zudio seeing healthy improvements

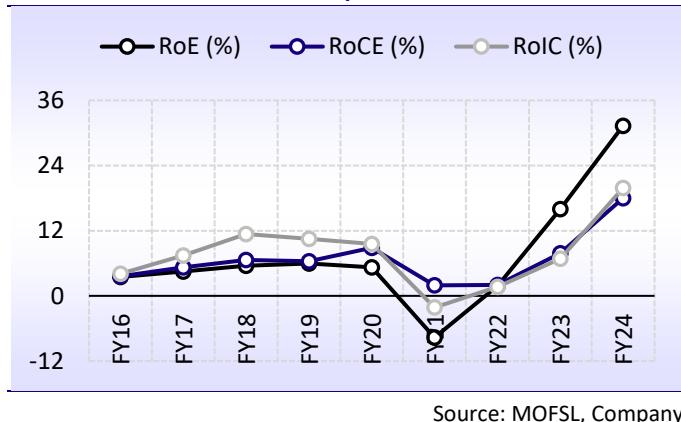
- RoIC of Westside/Zudio improved to ~26%/25%, led by healthy SSSG and strong cost control measures.
- As a result, the standalone business delivered healthy RoIC (post-Tax) of 26% (vs. 15% in FY23).
- **Consolidated RoIC improved to 24% (vs. 16% in FY23), as continued losses in Star Bazaar and moderate Zara performance (47% RoIC) offset the strong standalone performance.**
- Zara posted RoIC of 56% in FY23 and Star posted RoIC of -12% in FY23/FY24.

Exhibit 10: Comparative return analysis under all formats

FY24	Standalone	Westside	Zudio	Star	Zara	Consolidated
Revenue	1,19,266	49,502	69,097	21,889	27,689	1,23,751
Gross Profits	53,859	27,375	26,484	4,437	10,564	54,162
Gross margins	45%	55%	38%	20%	38%	44%
Cost of retailing	39,892	19,949	19,943	4,182	6,353	42,184
EBITDA	13,966	7,425	6,541	255	4,211	11,978
EBITDA margin	12%	15%	9%	1%	15%	9.7%
dep	2,159	1,209	950	1,099	822	2,311
EBIT	11,807	6,217	5,591	(844)	3,388	9,667
EBIT Margin	10%	13%	8%	-4%	12%	8%
PAT	10,292	NA	NA	(6)	2,438	10,387
PAT margin	9%	NA	NA	0%	9%	8%
Capital Employed	49,458	27,658	21,800	6,548	6,699	46,065
Share Capital	44,472	22,672	21,800	6,548	4,864	40,677
Invested Capital	40,394	18,594	21,800	5,324	6,076	35,891
ROCE (pre tax)	27.7%	24.3%	32.8%	-14.2%	54.3%	24.9%
ROE	27.3%	NA	NA	-0.1%	55.5%	31.2%
ROIC (post tax)	25.6%	26.0%	25.1%	-12.5%	47.0%	23.9%

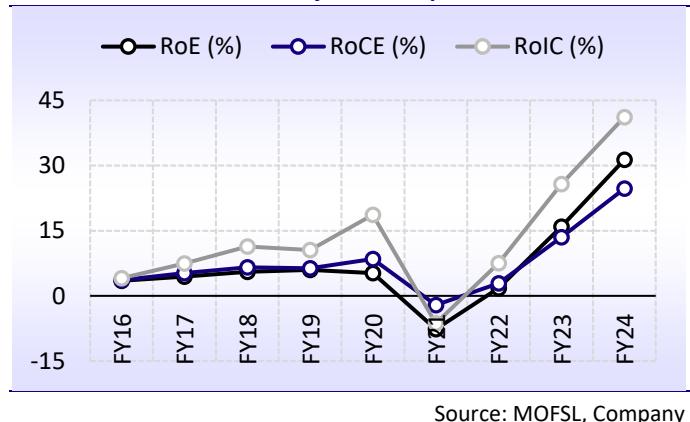
Source: MOFSL, Company

Exhibit 11: Return ratios on reported numbers



Source: MOFSL, Company

Exhibit 12: Return ratios adjusted for pre-Ind-AS 116



Source: MOFSL, Company

Exhibit 13: DuPont analysis for RoE on reported numbers

Du Pont analysis (amount in INR m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Adjusted Net Profit	870	970	1,060	-1,803	422	3,957	10,387
Revenue	21,575	26,302	34,860	25,930	44,980	82,420	1,23,751
Net profit margin (%)	4.0%	3.7%	3.0%	-7.0%	0.9%	4.8%	8.4%
Revenue	21,575	26,302	34,860	25,930	44,980	82,420	1,23,751
Total Assets	23,354	25,587	55,066	57,237	77,260	80,815	71,618
Average total assets	22,759	24,470	40,326	56,152	67,249	79,038	76,216
Assets turnover (x)	0.95	1.07	0.86	0.46	0.67	1.04	1.62
Total debt	3,914	3,942	25,260	26,686	47,338	44,722	17,583
Total equity	15,954	16,465	23,880	23,130	23,640	25,955	40,677
Average equity	15,715	16,209	20,173	23,505	23,385	24,797	33,316
Average total assets	22,759	24,470	40,326	56,152	67,249	79,038	76,216
Financial leverage (x)	1.45	1.51	2.00	2.39	2.88	3.19	2.29
RoE as per Du Pont analysis (%)	5.5%	6.0%	5.3%	-7.7%	1.8%	16.0%	31.2%

Source: Company, MOFSL

Indian apparel Industry is expected to grow backed by

- a) Increased urbanization
- b) Positive demographic position
- c) Improved income levels

Industry outlook remains healthy

- **Urbanization:** By 2035, over 43% of the country's population is expected to live in urban areas. Improved income levels and higher urbanization could fundamentally alter the consumption basket in favor of the lifestyle and fashion segment.
- India's monthly per capita consumption as of 2023 was INR3,773 for rural and INR6,459 for urban population.
- **Positive demography:** India has the largest youth population in the world, with ~66% of this total population below the age of 35. This can be considered as a tailwind for the segment.
- The Indian retail sector is emerging as one of the largest sectors in the economy, accounting for over 10% of GDP and 8% of employment. India's high growth potential compared to global peers has made it a highly favorable investment destination.

Underlying demand drivers in place for the fashion and lifestyle market

- India's Retail market size is estimated to be USD4.5t by 2030 vs. USD1.4t in 2023. This implies an 18% CAGR over 2023-2030.
- India's fashion and lifestyle market is estimated to be INR6.5t (USD 80b) in 2024, out of which 40% is represented by organized players. **Trent's market share in the organized market was 4.6% in FY24.**
- Further, retailer-owned brands have recently become more relevant as they offer shoppers value for money while earning higher margins for retailers, with potential to develop into self-sustaining propositions.

Modern trade and online to drive growth in Food and Grocery (F&G) market:

- While the segment is dominated by unorganized players, revenue of modern trade retailers, including that of select online-led players, seems to be growing.
- Unorganized players include 12m retail outlets and over 1m wholesalers and distributors of large FMCG companies.
- **The food and grocery market in India represents nearly 65% of the total retail market estimated at INR76t (USD927b).**
- However, given the overall growth rate of the underlying market, the share of traditional trade is expected to remain substantial for the foreseeable future. Another trend in this space is the growing consolidation among national modern trade players. There are only a few players (DMart, Reliance, Star) with significant multi-state presence.

Cost and other income analysis: Cost optimization improves EBITDA margin

Decline in advertisement expenses supported other expenses:

- Overall other expenses grew 40% YoY, but as a percentage of total revenue, they declined by 220bp, indicating the effectiveness of cost-saving measures.
- Improvement in other expenses (declined 220bp YoY) was largely due to lower advertising expenses (declined 110bp YoY).
- The contribution of major expenses, such as rent (45% of other expenses), freight (14%), and power & fuel (9%) has increased by ~60% YoY due to a 50% increase in store area.
- This was offset by a ~40% YoY drop in advertising expenses and a ~20% YoY reduction in consumable stores.
- **Overall rent expenses increased by 44% YoY, mainly due to footprint addition (+50% YoY). Rent per sqft grew 2.4% YoY to INR 2082 p.a. (INR170 per sqft per month).**

Exhibit 14: The variabilization of cost helped to improve EBITDA margin in FY24

% of sales	FY21	FY22	FY23	FY24	(YoY bp)
Gross margin	49.7	51.0	45.4	45.2	-20
Employee costs	12.5	8.7	7.5	7.9	35
Rent	16.3	16.3	15.0	13.9	-105
Ad and promotion exp	2.1	2.9	1.8	0.7	-110
Repairs	3.6	2.4	1.2	1.1	-8
Freight and forward	1.8	2.5	2.9	3.0	2
Other expenses	10.8	8.7	8.2	6.9	-132
EBITDA margin (Pre-Ind AS)	2.7	9.4	8.7	11.7	2

Source: MOFSL, Company

Exhibit 15: Cost structure for other expenses (INR m)

Cost structure for other expenses	FY21	FY22	FY23	FY24	v/s FY20	v/s FY23
Rent (including embedded lease component)	1,838	3,663	7,086	11,293	444%	59%
as a % of revenue	9.0%	9.4%	9.2%	14.6%		
Repairs to building, machinery, others	739	931	899	1,293	70%	44%
as a % of revenue	3.6%	2.4%	1.2%	1.7%		
Advertisement and sales promotion	439	1,131	1,420	879	78%	-38%
as a % of revenue	2.1%	2.9%	1.8%	1.1%		
Freight and forward	365	965	2,264	3,528	357%	56%
as a % of revenue	1.8%	2.5%	2.9%	4.6%		
Other expenses	2,209	3,394	6,334	8,217	181%	30%
as a % of revenue	10.8%	8.7%	8.2%	10.7%		
Total cost	5,590	10,084	18,003	25,210	259%	40%
as a % of revenue	27.3%	26.0%	23.3%	32.7%		

Source: MOFSL, Company

Exhibit 16: Rent expenses driven by footprint adds (INR m)

Rent	FY20	FY21	FY22	FY23	FY24	Growth YoY
Rent (part of other exp.)	2075	1838	3663	7,086	11,293	59%
Rent (pre-Ind AS 116 adj.)	4,776	2,814	3,296	3,857	5,303	19%
Total rent	6,851	4,652	6,959	10,943	16,596	44%
<i>Rent as a % of revenue</i>	<i>22%</i>	<i>23%</i>	<i>18%</i>	<i>14%</i>	<i>14%</i>	
<i>YoY growth</i>	<i>115.5%</i>	<i>-32.1%</i>	<i>49.6%</i>	<i>57.3%</i>	<i>43.7%</i>	
Rent per sqft	2,098	1,225	1,401	1,809	1,732	-5%
<i>YoY growth</i>	<i>66.2%</i>	<i>-41.6%</i>	<i>14.4%</i>	<i>29.1%</i>	<i>-4.7%</i>	

Source: MOFSL, Company

Other Income:

- Other income declined 15% YoY to INR3.5b in FY24, mainly due to a decline in dividend income.
- Trent received a dividend of INR1.5b from investments in FY23 and INR747m in FY24. **This could be mainly due to Zara.**

Exhibit 17: Other income schedule (post-Ind AS 116)

Other income (INR m)	FY23	FY24	Growth YoY
Security deposits	94	139	48%
Debentures/Bonds	37	-	-
Loans and advances	18	16	-11%
Others	6	19	198%
Interest income	156	174	12%
Subsidiaries	0	2	2300%
Others	1,482	747	-50%
Dividend income	1,482	750	-49%
Provisions/Liabilities written back	48	40	-15%
Gain on sale of Inv (net)	96	112	17%
Gain on lease modification/termination	983	519	-47%
Profit on sale of FA (net)	1,350	1,567	16%
Rent waiver/reduction	3	-	-
Change in FV of investment	-	348	-
Other income (Non-Operative)	2,479	2,586	4%
Total	4,117	3,509	-15%

Source: MOFSL, Company

Westside – Improving profitability

- Total revenue grew ~20% YoY, aided by healthy SSSG of +10% and area addition.
- Total store area increased by 25% YoY to 4.5m sqft and the store count increased by 8% YoY to 232 stores. This was due to the consolidation of smaller stores into bigger stores and an increase in new store area to 50k sqft vs. average 18k sqft in FY23.
- For the overall Westside format, the average store size increases by 16% YoY to 19,397 sqft. Going forward the company targets to add +20k sqft stores.
- Pre-Ind-AS EBITDA margin (calc.) improved to 15% (vs. 13% in FY23), aided by improved productivity.

Strong revenue growth backed by SSSG and area addition

- Westside reported healthy YoY revenue growth of ~20% on the back of LFL growth of +10% and the store area addition of 25%.
- Westside added 30 new stores and closed 12 stores in FY24, taking the total count to 232 stores in 91 cities. The additions were within the guidance given in FY23 AGM (addition of 30 Westside stores).
- In FY24 AGM, company has guided for adding 30 stores of Westside in FY25. We expect to add 30/25 store adds in FY25/26E.
- The average store size has increased to 50k sqft in FY24. Going forward the company targets to add +20k sqft stores.
- For the overall Westside format, the average store size increases by 16% YoY to 19,397 sqft.
- Revenue per store in FY24 improved 11% YoY to INR222m (vs. INR200m in FY23). Due to the addition of larger stores, revenue per sqft grew only 3% YoY to INR12.2k (vs. INR11.9k in FY23).

Exhibit 18: Westside continues to see healthy store productivity

Particulars	FY20	FY21	FY22	FY23	FY24
Stores	165	174	200	214	232
Revenue (INR m)	28,110	14,135	27,250	41,305	49,502
YoY growth (%)	20%	-50%	93%	52%	20%
SSSG (%)	7%	-45%	56%	49%	10%
Westside sales/sqft	10,393	7,159	9,950	11,973	12,243
Westside sales/store (INR m)	178	83	146	200	222
Sales/sqft YoY growth (%)	9%	-55%	73%	36%	3%
Sales/store YoY growth (%)	21%	6%	16%	8%	25%

Source: Company, MOFSL

EBITDA margin improvement led by SSSG

- We have increased GM by 20bp because company has not taken price hikes in FY23 which led to reduction in GM in FY23, but now with cool off in RM we expect westside GM could have improved
- Standalone GM declined 20bp YoY, likely due to higher Zudio mix.
- EBITDA margin (calc.) expanded by 200bp to ~15% in FY24 on the pre-IND AS 116 basis. This improvement can be attributed to enhanced in-store productivity and effective cost-control measures (considering +6% YoY cost per store growth).

Store economics for Westside remain healthy

- Revenue per sqft improved by 3% YoY to INR12,243, with sales per store standing at INR222m (+11% YoY).
- With an average store size of 20,000 sqft, the capital requirement for a single store is ~INR80-90m (vs. INR70-80m earlier), including capex, inventory, and deposits. This implies an asset turn of 2.5-3x. With a typical store-level EBITDA margin of 15%, Westside garners ~26%+ store-level RoIC and 2.5 years of payback period.

Westside targeting higher store sizes

- Westside added 30 new stores and closed 12 stores in FY24, taking the total count to 232 stores in 91 cities. The additions were in line with the guidance provided by the company in its FY23 AGM.
- The average store size addition increased to 50k sqft in FY24. Going forward the company targets to add +20k sqft stores.
- The segment continued to grow in large markets, indicating its concentrated growth approach. Seven major states, MH/GJ/KA/TL/TN/UP/KL, account for 66% of total Westside stores vs. 63% in FY23.
- **Out of 18 net store additions, the company added the highest number of stores in GJ/TL (6/4).**

Westside membership program grew in line with sales growth

- WestStyleClub, the annual subscription program, continued to witness healthy traction, with 10.9m (+27% YoY) overall subscriptions in FY24. It added 2.84m (vs. 0.9m in FY23).
- In FY23, the contribution of WestStyleClub members to Westside's total sales was over 84%. The company has not provided FY24 sales contribution.

Strong supply chain

- Over 80% of merchandise is nearshored from within India, thus ensuring increased agility and transparency in supply chain.

Westside's online contribution at 5%

- Backed by growing audience through westside.com, Tata CliQ and Tata Neu, the online channel contributed around 5% to Westside's total revenue despite the resumption of in-store business.
- Nearly 100% servicing of Westside's online orders is done from stores, thereby reducing the inventory burden and logistics costs.

Exhibit 19: Per store economics in FY24

INR m	Total	
	Per Store	Per sqft
Average store size		20,000
Capex	50	2,500
Deposit	17	850
Inventory	23	1,150
Total	90	4,500
Payback (in years)	2.5	2.5
Revenue	245	12,243
Gross Profit	135	6,770
Gross margin (%)	55%	55%
Other expenses	99	4,934
EBITDA	37	1,836
Margin	15%	15%
EBIT	32	1,586
ROIC	26%	26%

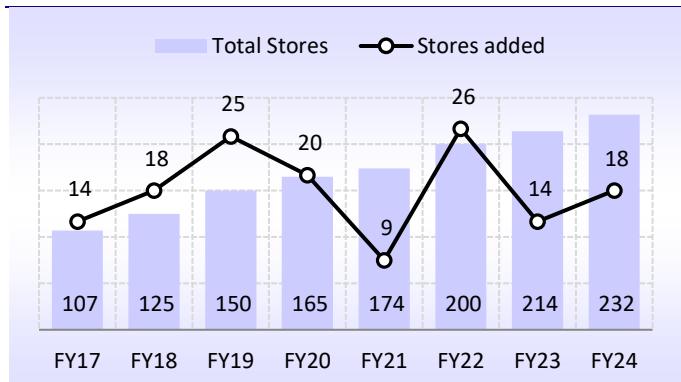
Source: Company, MOFSL

Exhibit 20: Trend in profitability for Westside

Profitability	FY19	FY20	FY21	FY22	FY23	FY24
Westside gross profit (INR m)	13,553	15,770	8,142	15,995	22,759	27,177
Westside EBITDA (INR m)	2,575	3,092	141	2,997	5,370	7,425
Gross margin (%)	58%	56%	58%	59%	55%	55%
EBITDA margin (%)	11%	11%	1%	11%	13%	15%

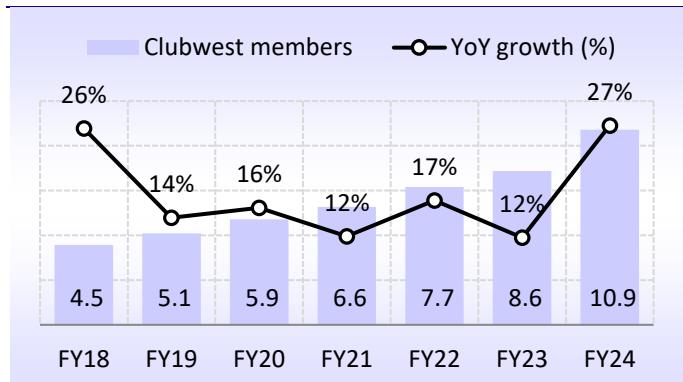
Source: Company, MOFSL

Exhibit 21: Added 18 stores in FY24



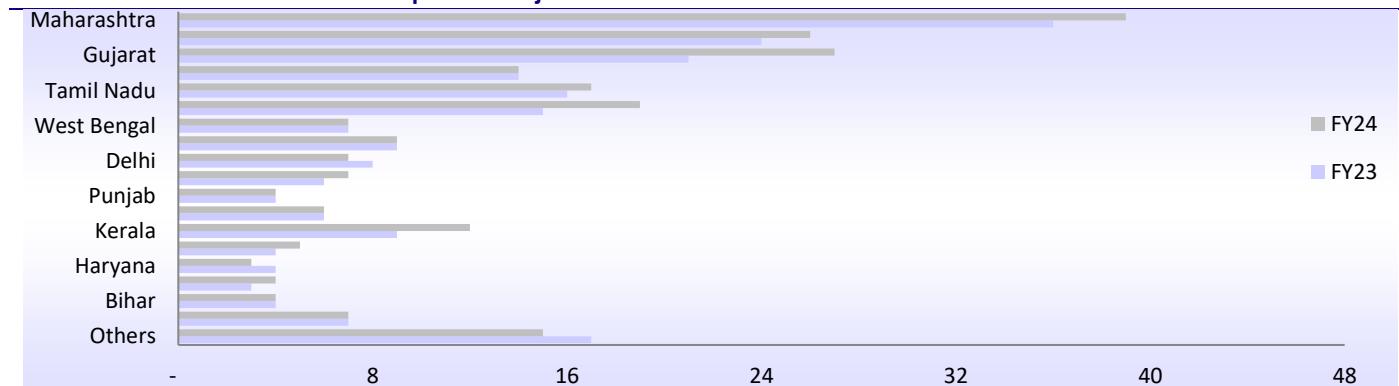
Source: MOFSL, Company

Exhibit 22: Clubwest members stood at 10.9m



Source: MOFSL, Company

Exhibit 23: Westside continues to expand in major states



Source: Company, MOFSL

Zudio – Leading the growth

- As per our calculations, Zudio has achieved its highest-ever productivity of INR18k sqft (up 10% YoY), higher than Westside's INR12k sqft.
- Zudio is witnessing a strong revenue growth backed by store addition. It has achieved a revenue of ~INR69b (up 95% YoY), broadly led by store area addition of 84% YoY and stores growth of 55% YoY. The company increases the average store area by 19% YoY to 9.2k sqft stores.
- Our calculation indicates an improvement in EBITDA margin to 9% for Zudio (from 4% in FY23) as in-store productivity improved.

Improved share in revenue and profitability

- Zudio continues to deliver strong revenue growth, aided by healthy footprint additions. Our calculations indicate Zudio's likely annual revenue was around INR69b, contributing ~58% to the standalone revenue for FY24 (vs. 46% in FY23).
- The segment saw improved profitability with EBITDA margin of 9% (calc.) vs. 4% in FY23.
- This led to an increase in its share of profitability to 47% of standalone EBITDA (vs. 20% in FY23).

Improved store productivity aided EBITDA expansion

- Zudio's sales per store grew 27% YoY to INR154m in FY24, with sales per sqft of ~INR18k (up 10% YoY).
- Its store productivity is by far the best in the fashion industry, which typically operates at ~INR10,000/sqft. Zudio's high sales per sqft helps to offset its low gross margin, thus garnering ~INR6,900/sqft gross profit, which is now higher than Westside's gross profit/sqft and much above other peers' in the fashion segment.
- With an average store size of 10,000 sqft. The capital requirement for a single store is ~INR30-40m, including capex, inventory, and deposits. This implies an asset turn of 4x. With a typical store-level EBITDA margin of ~9%, Zudio garners ~28% store-level RoIC and 2.4 years of payback period.

Store additions remain robust

- The company added 203 new stores and consolidated 10 stores in FY24, taking the net adds to 193 stores and count to 545 stores in 164 cities in FY24.
- Company additions were in line with the guidance provided in FY23 AGM (200 Zudio stores).
- IN FY24 AGM, company continued with guidance of adding 200 stores in FY25. We also expect Zudio to add 200/150 stores in FY25/FY26.
- Along with store additions, the company has increased the average store size by 19% to 9.2k sqft (vs. 7.7k sqft in FY23).

Room to grow

- The segment continued to grow in large markets, indicating its concentrated growth approach. Five major states, MH/GJ/KA/TL/KL, account for 57% of total Zudio stores vs. 61% in FY23.

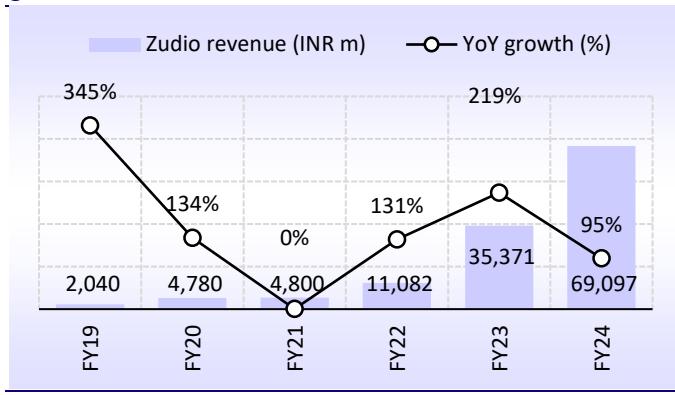
- **Out of 193 net store adds, the company added the highest number of stores in MH/GJ/KL (26/27/19).** In FY24, Zudio entered 46 cities and expanded its presence in 48 cities.
- **Majorly, in Bihar/UP, the number of Zudio stores is less than that of V-Mart — Zudio has 9/33 stores vs. V-Mart's 59/139 stores. Zudio is still behind 150+ stores in only these two states as of FY24. Supported by the increase in per capita income, there is scope to penetrate the existing markets.**
- Since Zudio has cracked the model and is extending its presence across India and overseas, we expect 150 store additions in the next two years.

Exhibit 24: Comparable stores between Zudio and V-Mart

No of stores	Zudio	V-Mart
Andhra Pradesh	18	9
Bihar	9	59
Chhattisgarh	5	-
Delhi	14	5
Gujarat	82	11
Haryana	13	4
Karnataka	58	17
Kerala	44	4
Madhya Pradesh	15	18
Maharashtra	86	5
Odisha	8	10
Punjab	15	4
Rajasthan	21	28
Tamil Nadu	24	29
Telangana	42	15
Uttar Pradesh	33	139
West Bengal	23	19

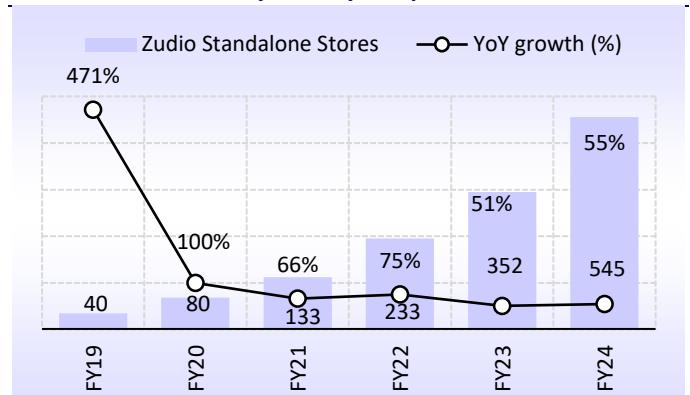
Source: MOFSL, Company

Exhibit 25: Zudio's standalone stores posted strong revenue growth...



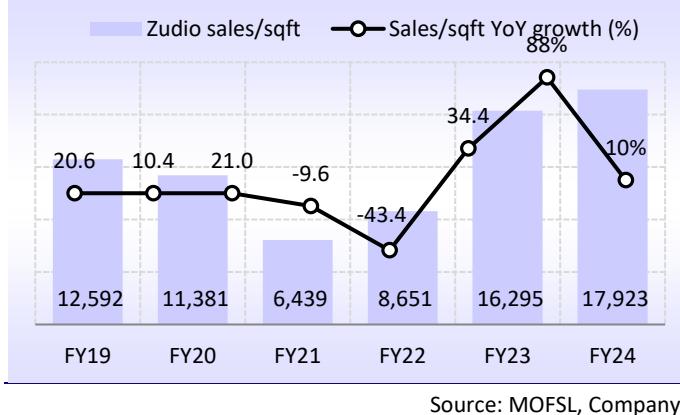
Source: MOFSL, Company

Exhibit 26: ...backed by healthy footprint additions



Source: MOFSL, Company

Exhibit 27: Sales/sqft growing upward



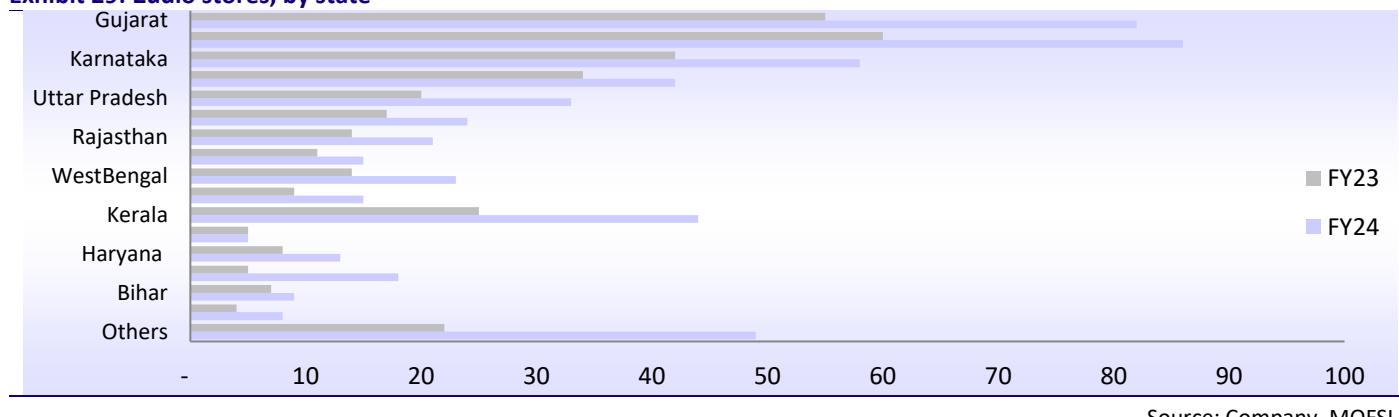
Source: MOFSL, Company

Exhibit 28: Store economics for Zudio

INR m	Total	
	Per Store	Per sqft
Average store size	10,000	
Capex	20	2,000
Deposit	8	850
Inventory	12	1,150
Total	40	4,000
Payback (in years)	2.4	2.4
Revenue	179	17,923
Gross Profit	69	6,870
Gross margin (%)	38%	38%
Other expenses	52	5,173
EBITDA	17	1,697
Margin	9%	9%
EBIT	15	1,497
ROIC	28%	28%

Source: MOFSL, Company

Exhibit 29: Zudio stores, by state



Source: Company, MOFSL

Zara – Moderate SSSG; operating performance declined

- Zara delivered a moderate growth of 3% YoY in revenue per store. After four years of no store addition, Trent added net three stores in FY24, taking the total to 23 stores.
- Operating margins declined 110bp YoY, due to a 130bp decline in GM.
- The segment remains profitable with a healthy return profile at 55% RoE/41% RoCE/ 47% ROIC for FY24.

Moderate revenue led to decline in EBITDA

- Zara achieved a moderate revenue growth of 8% YoY to INR28b in FY24, led by store addition (+15% YoY) and revenue per store (+3% YoY).
 - Per store sales reaching INR1,288m in FY24
 - Zara currently operates 23 stores across 12 cities
 - Zara's GM declined 130bp YoY to 38.2% in FY24. GP grew 5% YoY.
 - It reported EBITDA growth of 1% YoY to INR4.2b in FY24. Margins declined 110bp to 15.2% in FY24, led by a decline in GM.
 - PAT declined 8% YoY to INR2.4b in FY24, led by higher depreciation and interest costs.
- **The format is funding its growth capex and working capital from internal accruals.** It has generated OCF of INR3.2b, led by EBITDA of INR4.2b (INR233m blocked in working capital and the rest used in tax payment). Capex was higher at INR1.8b as it opened three stores in FY24, resulting in FCF generation of INR1.4b. Zara has paid a dividend of INR1.5b (Trent has received INR750m in dividend).
- **Return profile remains robust:** Zara's return profile slightly deteriorated vs. last year due to moderate LFL growth (+3% increase in revenue per store); however, RoCE, RoE, and RoIC remained robust at 41%, 55% and 47%, respectively, in FY24.

Outlook

- **Conservative store additions could limit growth:** The company has remained conservative in incremental store additions that could potentially restrict overall growth. It added three net stores vs. no store addition for previous four years. However, such moderate store addition could limit the segment's growth.
- **Not a strategic investment:** Trent's management has reiterated year after year that it does not consider the investment in the Zara JV as a strategic one as sourcing is exclusive to Inditex Group (JV partner). Further, its products and specifications are all at the partner's discretion, as is the use of brand names in India.

Exhibit 30: Zara's revenue rose 8% YoY

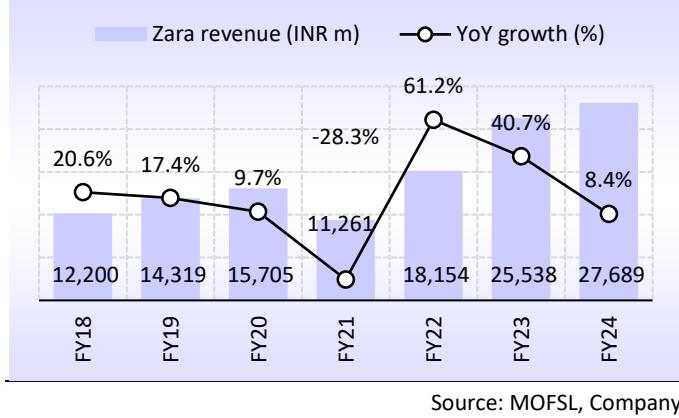


Exhibit 31: Moderate revenue per store growth at 3%

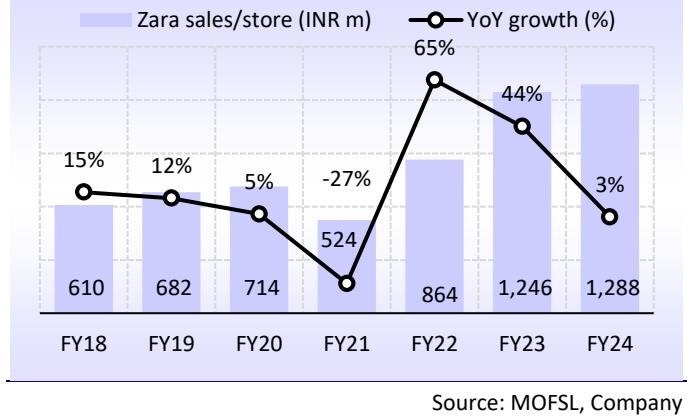


Exhibit 32: Store count stood at 23 in FY24

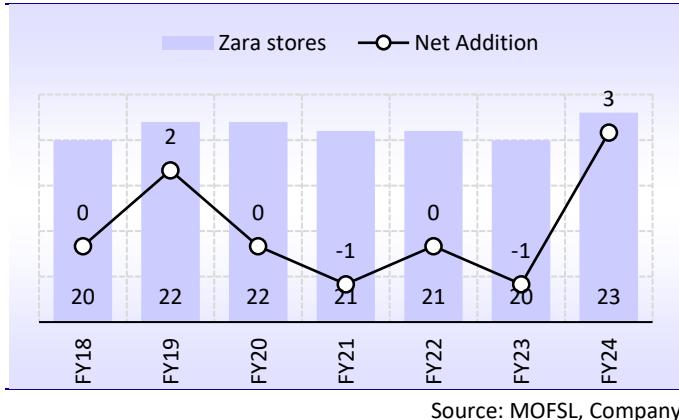


Exhibit 33: Return profile marginally declined, led by decline in PAT and flat EBITDA

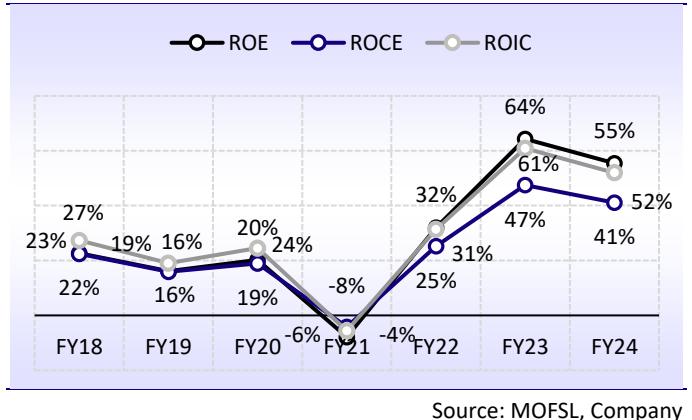


Exhibit 34: In-line margin performance during FY24

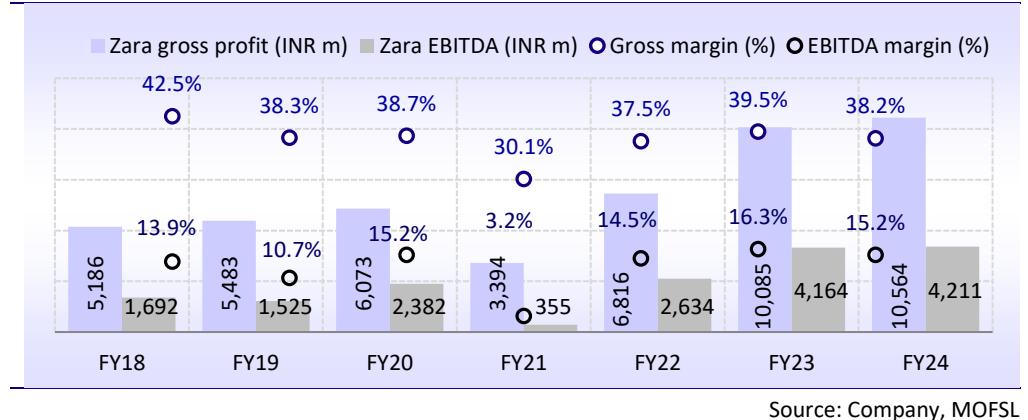


Exhibit 35: Zara's financial snapshot (INR m)

INR m	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	14,319	15,705	11,261	18,154	25,538	27,689
YoY growth (%)	17%	10%	-28%	61%	41%	8.4%
No. of stores	22	22	21	21	20	23
Net store adds	2	0	-1	0	-1	3
EBITDA	1,525	2,382	355	2,634	4,164	4,211
YoY growth (%)	-10%	56%	-85%	642%	58%	1.1%
Margin (%)	10.7%	15.2%	3.2%	14.5%	16.3%	15.2%
Interest cost	2	189	151	140	162	175
PAT	715	1,041	(413)	1,488	2,643	2,438
YoY growth (%)	-13%	46%	-140%	-460%	78%	-7.7%
Margin (%)	5.0%	6.6%	-3.7%	8.2%	10.3%	8.8%
Total equity	4,773	5,514	5,004	4,291	3,928	4,864
Borrowings	-	-	-	-	-	-
Cash and equivalents	831	1,734	1,520	952	995	622
Inventory	1,485	1,300	1,725	2,243	2,160	2,403
Payables	734	498	1,065	1,330	1,768	1,937
Inventory days	38	30	56	45	31	32
Creditor days	19	12	35	27	25	26
NWC days	19	19	21	18	6	6
RoE	16%	20%	-8%	32%	64%	55%
RoCE	16%	19%	-4%	25%	48%	41%
RoIC	19%	24%	-6%	31%	57%	47%

Source: Company, MOFSL

Star – Strong LFL but not funded internally

- Star witnessed a healthy revenue growth of 21%, led by 27% LFL growth. Its revenue per store increase by 25% YoY to INR340m.
- The segment has been successful in achieving healthy GM of 20.3% (due to increase in private labels) vs. 14.1% for DMart.
- Scaling up stores with improved offerings could be key to further turnaround within the segment.

Improved productivity drives growth

- Star reported revenue growth of 21% YoY to INR22b, largely led by LFL growth.
- The company added three stores in FY24, increasing the count to 66 stores in 10 cities.
- Gross margin improved by 150bp YoY to 20.3% in FY24, likely due to an increase in private labels.
- **Private labels' share stands at 69% in FY24 (vs 60% in FY23)**
- Despite an improvement in GM, Star posted EBITDA of INR255m (vs. INR1.7b in FY23) and margins of only 1%. This is led by a substantial increase in other expenses, which surged ~3.3x YoY to INR3.1b in FY24, attributed to re-alignment of certain expenses (from depreciation to opex).
- Exceptional income (due to lease liability reassessment) of INR938m and depreciation re-alignment supported the bottom line. Net loss came in at INR6m in FY24 vs. loss of INR1b in FY23.

Net cash position

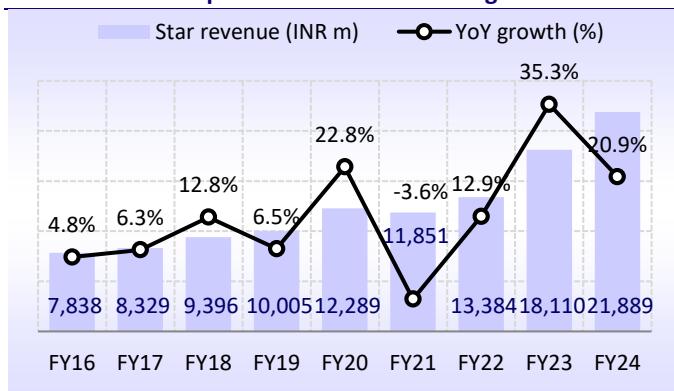
- Star has liquid cash of INR1.2b as of FY24.
- **The company has mitigated its losses mainly through the liquidation of certain financial assets and issue of equity.**
- **During the year, company has raised equity capital of ~INR1.2b by both Trent Ltd. & Tesco Plc UK.**

Star's private label-led offerings

- Star stores operate with a footprint of 18,000-24,000 sqft. In some cases, Star also operates a Zudio format store in Star market.
- Star's exclusive retail brand offerings include **Klia** (cleaning-aids & home care products), **Fabsta** (packaged food and beverages), **Skye** (personal care products), **Smartle** (general merchandise) and **Star** (branded staples and fresh products).
- During FY24, the company launched 'SMARTLE', its own brand in the general merchandise category. This will include cookware, dining, storage, home utility, bath ware, home furnishing, toys, stationery, small appliances and backpacks.
- The exclusive FMCG retail brands span about 660 SKUs. Share of exclusive retail brands in FMCG vertical stood at 14.8% among FMCG categories at the end of FY24.
- Star continued with its cluster-based approach to stores expansion in Maharashtra, Karnataka, and Telangana to achieve cost efficiencies and brand visibility.

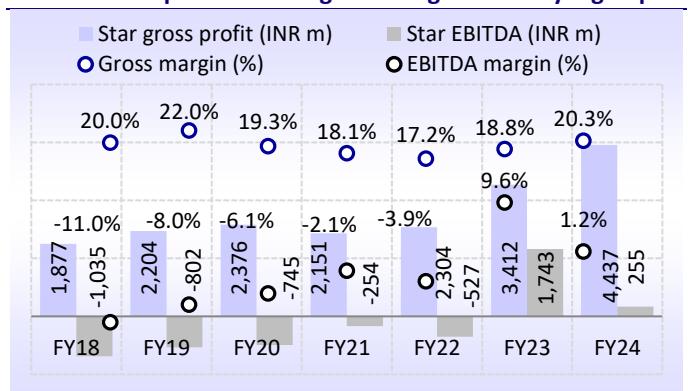
- Starquik, its e-commerce portal, continues to witness encouraging customer traction in the micro markets.
- The current portfolio consists of 66 Star stores across THPL and Fiora Hypermarket, a subsidiary of the company. The company follows a cluster-based expansion model and has concentrated its presence in 10 cities (Bengaluru, Hyderabad, Mumbai, Pune, Ahmedabad, Surat, Nashik, Kolhapur, Vadodara and Solapur).
- **Going forward:**
 - The management targets to add 20-25 stores in FY25 by following the cluster strategy to expand and focus on its own brands, which offer 20-30% savings to consumers. The store count even can go higher if the unit economics aligns. We are factoring 25 store adds in FY25/26.
 - Star targets to improve its offerings via – a) sharp pricing, b) scaling up own brands, c) improved omni-channel presence, and d) improved reach. It is also planning to have a clustered presence in select cities and targets to follow the Star Market plus omni-channel model.

Exhibit 36: Star reported 21% YoY revenue growth



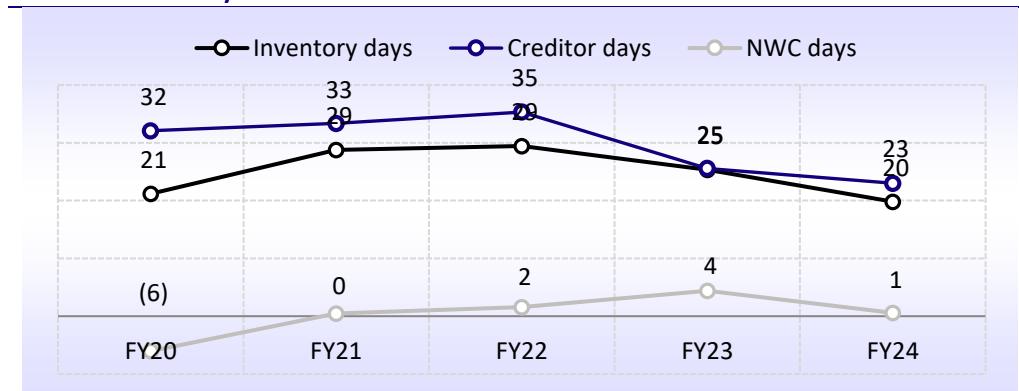
Source: MOFSL, Company

Exhibit 37: Improvement in gross margin offset by high opex



Source: MOFSL, Company

Exhibit 38: NWC days remained stable



Source: Company, MOFSL

Booker India

- Trent acquired a 51% stake in Booker India Ltd. (BIL) in FY20 for INR225m. It operates in the B2B grocery segment with four cash-and-carry stores under the Booker Wholesale banner.
- During the year, the company invested INR372m in BIL, which, in turn, invested in Fiora Online Limited (FOL). **Consequently, FOL became a wholly owned subsidiary of BIL. FOL operates the Starquik online platform.**
- Booker Wholesale operates on a footprint ranging between 15,000 and 20,000 sqft (vs 19-25k sqft previously) and focuses on categories and assortments relevant to small businesses. It offers products across staples, processed foods, confectionery, personal care, home care, soft drinks, dairy, etc. and serves kirana stores, traders, wholesalers, small businesses, hotels, restaurants and caterers.
- BIL registered consolidated revenue of INR4.8b in FY24 (vs INR5.9b in FY23) and incurred a loss of INR476m (vs INR920m loss in FY23) (51% of this was attributable to Trent, as per its shareholding). Its subsidiaries performance-
 - **FOL reported a total income of INR 1.34b and loss of INR108m.**
 - **Fiora Hypermarket reported a total income of INR 1.9b and loss before exceptional items and tax of INR36m.**
- The segment has been realigning its store portfolio, refraining from deeply discounted/negative gross margin trade (due to certain wholesale online platforms) and pivoting toward its own branded range in multiple categories.

Xcite/Misbu

- It offers beauty, personal care and fashion accessories targeted at Gen Z and millennial customers.
- Operates 10 stores (added three stores in FY24) in six cities.

Utsa

- Trent offers ethnic wear with a 100% exclusive own-brand portfolio. The concept is operational through 22 stores (added five in FY24) in 12 cities.
- It operates with an average store size of 2,000-3,000 sqft.

Samoh

- Samoh offers luxurious occasion and ethnic wear for men and women via physical stores.
- It has two stores (started in FY24) in two cities (Bangalore and Mumbai).

Trent MAS Fashion Private Limited (TMF)

- TMF was incorporated as a **50:50 joint venture between Trent and MAS Amity Pte. Ltd.** for undertaking the business of design, development and manufacture of apparel and apparel-related products, including but not limited to intimate wear.
- The venture is in early stages of development and given the domain expertise of both the JV partners, the business is expected to progressively add value.

Related-party transactions

- Apart from the below-mentioned transactions, the company during the year received ~INR0.74b in interest/dividend from Inditex Trent Retail India Private Limited (vs. INR1.47b in FY23).
- The company also paid INR2.5b in interest/dividend to Tata Sons Private Limited (vs. INR0.13b in FY23).

Exhibit 39: Major related party transactions

Related party transactions (INR m)	FY24	FY23
<u>Sales</u>		
Trent Hypermarket Private Limited	7,053	4,923
THPL Support Services Limited	5.9	7
Tata Consultancy Services Limited	14.7	9
Tata International Limited	21.8	16.3
Tata Steel Ltd	4.3	-
Tata Starbucks Private Limited	4.4	-
Tata Digital Private Limited	31.8	-
<u>Purchase</u>		
Tata Sons Private Limited	309.7	264.2
Trent Hypermarket Private Limited	13,189	3,957
Tata Consultancy Services Limited	75.4	146.3
Tata International Limited	31.9	5.3
Tata Communication Limited	90.5	98.2
THPL Support Services Limited	247	118.7
Tata Unistore Limited	25.2	16.4
Tata AIG General Insurance Company Limited	66.6	-
Volta Limited	46	-
The Tata Power Company Limited	34.7	-
Tata Consumer Products Limited	35.1	-
Tata AIA Life Insurance Ltd	417	402.4
<u>Purchase of property, plant and equipment</u>		
Volta Limited	567.9	-
<u>Outstanding receivables</u>		
Trent Hypermarket Private Limited	179.9	127.7
<u>Outstanding payables</u>		
Trent Hypermarket Private Limited	292.5	238.9
Tata Sons Private Limited	161.2	104.5

Source: MOFSL, Company

Change in KMP and directors

- Mr. Mehernosh Surti retired as the Company Secretary and Compliance Officer, with effect from 31st May'23, and Ms. Krupa Anandpara was appointed as the Company Secretary and Compliance Officer, with effect from 1st Jul'23.
- Appointed Ms. Kiran Mazumdar Shaw (DIN: 0347229) as an Additional (Non-Executive) Director and as an Independent Director for a term with effect from 1st Apr'24 to 23rd Mar'28, subject to approval of members.
- The board, upon recommendation of the Nomination and Remuneration Committee, has approved the re-appointment of Mr. Venkatesalu Palaniswamy as Managing Director for a period of five years with effect from 6th Oct'24 to 5th Oct'29, subject to approval of shareholders at the AGM.
- Mr. Palaniswamy, Executive Director and CEO of the company, retires at the ensuing AGM and being eligible, seeks re-appointment.

Exhibit 40: Remuneration of the Non-Executive Directors

Non-Executive Directors	Ratio to Median	Commission (INR m)	Sitting fees (INR m)	% increase/(decrease) YoY
Mr. N. N. Tata	17.09	5	1.8	63.78
Mr. B. Bhat	9.17	3	0.65	42.75
Mr. B. N. Vakil*		1	NA	
Mr. H. Bhat**	4.9	1	0.95	98.98
Mr. J. Merchant	13.01	3.5	1.68	3.79
Ms. S. Given	4.90	1.5	0.45	25.97
Mr. R. S. Gill	7.67	2	1.1	62.75
Ms. H. Ravichandar	8.67	2.5	0.95	59.65
Mr. J. Holtzhausen	5.09	1.5	0.53	350

*Mr. B. N. Vakil ceased to be an Independent Director of the Company w.e.f. 25th June 2022, consequent upon completion of the second term.

**The Non-Executive Directors of the Company who are in the full-time employment with any other Tata Companies are not entitled to the Commission. Mr. Harish Bhat retired from Tata Sons effective November 2022 and accordingly, the Commission was paid to him with effect from 1st December 2022

Source: MOFSL, Company

Financials and valuations – Standalone

Standalone - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	25,317	31,777	20,475	38,807	77,152	1,19,266	1,71,804	2,19,569
Change (%)	22.5	25.5	-35.6	89.5	98.8	54.6	44.1	27.8
Raw Materials	12,324	16,037	10,296	19,009	42,156	65,407	96,210	1,23,507
Employees Cost	2,524	3,131	2,550	3,379	5,801	9,379	13,573	16,468
Other Expenses	4,924	4,950	5,591	10,084	18,003	25,210	35,220	45,012
Total Expenditure	22,951	26,145	18,437	32,472	65,959	99,996	1,45,003	1,84,987
% of Sales	90.7	82.3	90.0	83.7	85.5	83.8	84.4	84.3
EBITDA	2,366	5,632	2,038	6,335	11,193	19,269	26,801	34,582
Margin (%)	9.3	17.7	10.0	16.3	14.5	16.2	15.6	15.8
Depreciation	465	2,311	2,359	2,831	4,632	6,385	5,947	7,142
EBIT	1,902	3,321	-321	3,505	6,560	12,884	20,854	27,440
Int. and Finance Charges	368	2,383	2,380	2,933	3,572	3,094	2,373	3,450
Other Income	363	1,518	2,042	2,790	4,117	3,509	3,509	3,509
PBT bef. EO Exp.	1,897	2,456	-658	3,362	7,105	13,300	21,990	27,499
EO Items	-5	0	-63	-132	0	5,434	0	0
PBT after EO Exp.	1,892	2,456	-721	3,230	7,105	18,733	21,990	27,499
Total Tax	617	909	-211	734	1,559	4,375	5,497	6,922
Tax Rate (%)	32.6	37.0	29.3	22.7	21.9	23.4	25.0	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	1,276	1,546	-510	2,496	5,546	14,358	16,492	20,578
Adjusted PAT	1,279	1,546	-465	2,598	5,546	10,292	16,492	20,578
Change (%)	9.6	20.9	-130.1	-658.4	113.5	85.6	60.2	24.8
Margin (%)	5.1	4.9	-2.3	6.7	7.2	8.6	9.6	9.4

Standalone - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	332	355	355	356	356	356	356	356
Total Reserves	16,636	24,627	24,803	26,845	30,444	44,116	60,609	81,187
Net Worth	16,968	24,983	25,159	27,200	30,799	44,472	60,964	81,542
Total Loans	3,942	24,468	28,612	45,893	43,186	17,383	31,054	41,581
Lease Liability	21,471	25,612	40,835	38,206	12,398	26,068	36,596	
Deferred Tax Liabilities	-72	-1,070	-1,080	-1,225	-1,540	-553	-553	-553
Capital Employed	20,838	48,382	52,690	71,868	72,445	61,302	91,465	1,22,570
Net Fixed Assets	6,271	26,175	29,232	45,083	43,659	24,002	37,228	44,980
Right to use assets	19,041	22,265	37,336	34,346	12,021	22,125	28,650	
Capital WIP	850	231	340	448	415	1,614	1,614	1,614
Total Investments	9,410	16,068	17,292	17,239	16,483	19,022	19,019	19,022
Curr. Assets, Loans&Adv.	9,001	10,399	9,126	14,126	21,114	29,390	51,950	79,881
Inventory	4,894	5,865	3,946	8,225	13,369	15,648	23,535	30,078
Account Receivables	141	133	206	163	314	786	941	1,203
Cash and Bank Balance	509	441	669	744	789	2,862	13,926	32,958
Loans and Advances	3,457	3,960	4,306	4,994	6,642	10,094	13,548	15,642
Curr. Liability & Prov.	4,696	4,492	3,301	5,028	9,226	12,726	18,346	22,926
Account Payables	2,289	2,565	2,196	3,142	6,437	7,523	11,767	15,039
Other Current Liabilities	2,221	1,710	938	1,572	2,121	3,480	4,856	6,165
Provisions	186	218	167	314	669	1,723	1,723	1,723
Net Current Assets	4,306	5,907	5,826	9,098	11,888	16,664	33,604	56,955
Appl. of Funds	20,838	48,381	52,690	71,868	72,445	61,302	91,465	1,22,571

Financials and valuations – Standalone

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	3.8	4.3	-1.3	7.3	15.6	29.0	46.4	57.9
Cash EPS	5.2	11.6	5.7	16.3	30.6	50.2	67.5	83.4
BV/Share	51.1	75.2	75.7	81.9	92.7	133.8	183.5	245.4
DPS	1.3	1.0	0.0	1.7	2.2	3.2	0.0	0.0
Payout (%)	40.8	23.0	0.0	24.2	14.1	7.9	0.0	0.0
Valuation (x)								
P/E	1,389.7	1,229.6	-4,085.8	731.8	342.8	184.7	115.3	92.4
Cash P/E	1,019.3	460.7	938.6	327.4	174.6	106.6	79.2	64.1
P/BV	104.7	71.1	70.6	65.3	57.7	40.0	29.2	21.8
EV/Sales	70.3	60.6	94.2	50.2	25.2	16.1	11.2	8.7
EV/EBITDA	752.5	341.8	946.5	307.2	173.6	99.4	71.6	55.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
FCF per share	-4.7	7.4	8.7	-1.4	12.6	27.2	27.9	53.4
Return Ratios (%)								
RoE	7.7	7.4	-1.9	9.9	19.1	27.3	31.3	28.9
RoCE	7.4	8.7	2.4	7.7	11.3	18.5	23.8	21.5
RoIC	13.3	10.0	-0.7	6.2	9.5	21.1	32.6	32.6
Working Capital Ratios								
Fixed Asset Turnover (x)	3.0	3.2	2.1	3.5	5.7	NA	NA	NA
Asset Turnover (x)	1.2	0.7	0.4	0.5	1.1	1.9	1.9	1.8
Inventory (Days)	71	67	70	77	63	48	50	50
Debtor (Days)	2	2	4	2	1	2	2	2
Creditor (Days)	33	29	39	30	30	23	25	25
Leverage Ratio (x)								
Current Ratio	1.9	2.3	2.8	2.8	2.3	2.3	2.8	3.5
Interest Cover Ratio	5.2	1.4	-0.1	1.2	1.8	4.2	8.8	8.0
Net Debt/Equity	-0.4	0.3	0.4	1.0	0.8	-0.1	0.0	-0.1

Standalone - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	(INR m) FY26E
OP/(Loss) before Tax	1,896	2,454	-658	3,362	7,105	13,300	21,990	27,499
Depreciation	465	2,311	2,359	2,831	4,639	6,392	5,947	7,142
Interest & Finance Charges	180	2,058	2,084	2,725	3,411	2,913	2,373	3,450
Direct Taxes Paid	-781	-807	-1	-782	-1,869	-2,942	-5,497	-6,922
(Inc)/Dec in WC	-1,356	-1,112	1,131	-4,020	-2,707	-2,725	-5,876	-4,318
CF from Operations	404	4,905	4,915	4,116	10,579	16,938	18,937	26,851
Others	-122	-1,220	-782	-2,624	-3,951	-3,455	-3,509	-3,509
CF from Operating incl EO	282	3,685	4,133	1,492	6,628	13,484	15,428	23,342
(Inc)/Dec in FA	-1,859	-1,050	-1,031	-1,979	-2,144	-3,819	-5,500	-4,369
Free Cash Flow	-1,577	2,635	3,102	-487	4,485	9,665	9,928	18,973
(Pur)/Sale of Investments	2,234	-5,870	1,195	2,317	57	-926	0	0
Others	-833	-650	-557	-397	657	-241	3,509	3,509
CF from Investments	-457	-7,570	-393	-59	-1,430	-4,985	-1,991	-860
Issue of Shares	0	9,498	0	0	0	0	0	0
Inc/(Dec) in Debt	1,061	-2,725	0	1,969	-1,202	-2,566	0	0
Interest Paid	-220	-2,437	-2,376	-2,350	-3,557	-3,076	-2,373	-3,450
Dividend Paid	-459	-520	-355	-426	-394	-783	0	0
Others	0	0	-780	-552	0	0	0	0
CF from Fin. Activity	382	3,816	-3,512	-1,359	-5,153	-6,425	-2,373	-3,450
Inc/Dec of Cash	206	-69	229	74	45	2,074	11,064	19,032
Opening Balance	303	509	441	669	744	789	2,862	13,926
Closing Balance	509	441	669	744	789	2,862	13,926	32,958

Financials and valuations – Consolidated

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	26,302	34,860	25,930	44,980	82,420	1,23,751	1,76,290	2,24,054
Change (%)	21.9	32.5	-25.6	73.5	83.2	50.1	42.5	27.1
Raw Materials	13,114	18,818	15,340	24,815	47,197	69,589	1,00,392	1,27,689
Employees Cost	2,868	3,585	3,019	3,990	6,552	10,366	14,560	17,455
Rent and lease expenses	3,165	1,935	0	0	0	0	0	0
Advertising & Sales Promotion	0	0	0	0	0	0	0	0
Other Expenses	4,878	5,083	5,852	10,437	17,934	24,575	34,584	44,376
Total Expenditure	24,025	29,420	24,211	39,241	71,684	1,04,530	1,49,536	1,89,520
% of Sales	91.3	84.4	93.4	87.2	87.0	84.5	84.8	84.6
EBITDA	2,277	5,440	1,719	5,739	10,737	19,221	26,753	34,534
Margin (%)	8.7	15.6	6.6	12.8	13.0	15.5	15.2	15.4
Depreciation	517	2,472	2,573	3,108	4,937	6,711	6,204	7,507
EBIT	1,761	2,967	-854	2,631	5,800	12,510	20,549	27,027
Int. and Finance Charges	368	2,458	2,487	3,047	3,692	3,191	2,512	3,789
Other Income	408	1,445	2,016	1,752	2,609	2,893	3,761	4,889
PBT bef. EO Exp.	1,801	1,954	-1,325	1,335	4,717	12,212	21,797	28,127
EO Items	0	0	-10	-274	-30	5,761	0	0
PBT after EO Exp.	1,802	1,954	-1,335	1,061	4,687	17,973	21,797	28,127
Total Tax	736	590	-237	766	1,584	4,434	5,486	7,080
Tax Rate (%)	40.9	30.2	17.8	72.2	33.8	24.7	25.2	25.2
MI/(Profit)/Loss from Assoc.	95	304	714	-51	-835	-1,236	-1,236	-1,236
Reported PAT	970	1,060	-1,811	346	3,937	14,775	17,547	22,283
Adjusted PAT	970	1,060	-1,803	422	3,957	10,387	17,547	22,283
Change (%)	11.6	9.2	-270.1	-123.4	837.0	162.5	68.9	27.0
Margin (%)	3.7	3.0	-7.0	0.9	4.8	8.4	10.0	9.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	332	355	355	355	356	356	356	356
Total Reserves	16,133	23,525	22,775	23,285	25,599	40,322	57,868	80,151
Net Worth	16,465	23,880	23,130	23,640	25,955	40,677	58,224	80,507
Minority Interest	-29	803	445	459	675	349	349	349
Total Loans	3,942	25,260	26,686	47,338	44,722	17,583	41,534	59,497
Lease Liabilities		23,188	26,637	42,280	39,662	12,544	36,495	54,459
Deferred Tax Liabilities	255	-1,104	-746	-1,264	-1,561	-544	-544	-544
Capital Employed	20,632	48,839	49,515	70,174	69,791	58,065	99,562	1,39,808
Gross Block	9,117	32,192	37,078	55,887	57,819	34,256	63,707	86,040
Less: Accum. Deprn.	2,757	5,078	6,749	9,397	13,093	10,298	16,502	24,010
Net Fixed Assets	6,360	27,114	30,329	46,491	44,726	23,958	47,205	62,030
Right to use assets		19,856	23,185	38,642	35,502	12,021	31,556	44,159
Goodwill on Consolidation	261	272	272	272	272	272	272	272
Capital WIP	872	231	340	448	1,017	2,238	2,238	2,238
Total Investments	8,828	15,148	15,550	13,541	11,370	14,429	15,665	16,901
Curr. Assets, Loans&Adv.	9,265	11,197	10,000	15,245	21,869	30,176	55,253	84,673
Inventory	4,970	6,078	4,284	8,678	13,612	15,827	28,712	36,695
Account Receivables	165	171	208	179	344	817	966	1,228
Cash and Bank Balance	542	614	815	864	863	2,976	10,172	28,861
Loans and Advances	3,587	4,334	4,694	5,525	7,051	10,556	15,403	17,889
Curr. Liability & Prov.	4,955	5,123	6,976	5,823	9,464	13,009	21,070	26,304
Account Payables	2,450	2,976	2,746	3,780	6,652	7,739	14,490	18,415
Other Current Liabilities	2,293	1,893	4,026	1,734	2,098	3,482	4,793	6,101
Provisions	212	254	204	309	713	1,788	1,788	1,788
Net Current Assets	4,311	6,074	3,024	9,422	12,406	17,167	34,183	58,368
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	20,632	48,839	49,515	70,174	69,791	58,064	99,563	1,39,809

Financials and valuations – Consolidated

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	2.9	3.0	-5.1	1.2	11.1	29.2	49.4	62.7
Cash EPS	4.5	10.6	2.3	10.6	26.8	51.5	71.5	89.6
BV/Share	49.5	71.9	69.6	71.1	78.1	122.4	175.2	242.3
DPS	1.3	1.0	0.0	1.7	2.2	3.2	0.0	0.0
Payout (%)	53.7	33.5	0.0	174.6	19.9	7.7	0.0	0.0
Valuation (x)								
P/E	1,831.7	1,793.7	-1,054.4	4,495.9	480.5	183.0	108.4	85.3
Cash P/E	1,195.3	503.1	2,308.0	503.4	199.8	103.9	74.8	59.7
P/BV	107.9	74.4	76.8	75.2	68.5	43.7	30.5	22.1
EV/Sales	67.7	55.2	74.3	43.2	23.6	15.5	11.0	8.6
EV/EBITDA	778.0	351.2	1,111.9	336.6	180.1	98.9	71.7	55.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
FCF per share	-5.2	6.8	8.0	-4.3	10.4	26.9	16.7	49.5
Return Ratios (%)								
RoE	6.0	5.3	-7.7	1.8	16.0	31.2	35.5	32.1
RoCE	6.4	8.9	1.9	2.0	7.9	18.0	23.0	19.9
RoIC	10.5	9.6	-2.1	1.7	6.9	19.8	28.0	24.8
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	1.1	0.7	0.8	1.4	3.6	2.8	2.6
Asset Turnover (x)	1.3	0.7	0.5	0.6	1.2	2.1	1.8	1.6
Inventory (Days)	69	64	60	70	60	47	59	60
Debtor (Days)	2	2	3	1	2	2	2	2
Creditor (Days)	34	31	39	31	29	23	30	30
Leverage Ratio (x)								
Current Ratio	1.9	2.2	1.4	2.6	2.3	2.3	2.6	3.2
Interest Cover Ratio	4.8	1.2	-0.3	0.9	1.6	3.9	8.2	7.1
Net Debt/Equity	-0.4	0.7	0.9	1.7	1.3	0.0	0.3	0.2

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	(INR m)	(INR m)
OP/(Loss) before Tax	1,685	1,650	-2,038	1,387	5,551	13,448	21,797	28,127
Depreciation	517	2,472	2,573	3,108	4,937	6,711	6,204	7,507
Interest & Finance Charges	165	2,126	2,197	2,814	3,524	2,988	2,512	3,789
Direct Taxes Paid	-791	-835	-11	-816	-1,910	-2,989	-5,486	-7,080
(Inc)/Dec in WC	-1,352	-1,033	1,063	-4,293	-2,932	-2,715	-9,820	-5,496
CF from Operations	223	4,381	3,783	2,199	9,170	17,443	15,208	26,847
Others	-14	-828	-45	-1,615	-3,222	-3,953	-3,761	-4,889
CF from Operating incl EO	210	3,553	3,738	585	5,949	13,490	11,447	21,958
(Inc)/Dec in FA	-1,953	-1,142	-910	-2,101	-2,235	-3,937	-5,500	-4,369
Free Cash Flow	-1,743	2,411	2,828	-1,516	3,714	9,552	5,948	17,589
(Pur)/Sale of Investments	2,253	-6,574	1,400	2,084	65	-1,299	0	0
Others	-670	-382	-308	562	1,135	154	3,761	4,889
CF from Investments	-370	-8,098	181	544	-1,036	-5,082	-1,739	520
Issue of Shares	0	9,349	-3	2,504	463	357	0	0
Inc/(Dec) in Debt	1,061	-1,773	0	0	0	0	0	0
Interest Paid	-227	-2,511	-2,489	-2,463	-3,587	-3,094	-2,512	-3,789
Dividend Paid	-459	-398	-355	-427	-393	-783	0	0
Others	0	-50	-872	-694	-1,397	-2,775	0	0
CF from Fin. Activity	375	4,617	-3,719	-1,080	-4,914	-6,295	-2,512	-3,789
Inc/Dec of Cash	214	72	201	49	-1	2,113	7,196	18,689
Opening Balance	328	542	614	815	864	863	2,976	10,172
Closing Balance	542	614	815	864	863	2,976	10,172	28,861

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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