



COMPANY ANALYSIS

Trent Ltd.



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Trent Limited is a retail company and a subsidiary of the Tata Group. It has a strong emphasis on the fashion and lifestyle industries. One of its well-known retail brands is "Westside," a well-known network of department shops in India. Westside boutiques include apparel, accessories, cosmetics, and home furnishings. Trent also manages other retail brands, such as the hypermarket chain "Star Bazaar," which sells a range of goods, including groceries, fresh fruit, and household goods.

Industry: Retail Industry

Area of Expertise: Fashion, Lifestyle, Customer Centric

Trent Ltd. around the world: Locations locally and internationally where the offices are present: Bangalore, Mumbai

**Current Market
Capitalization**



INR 73,552 Crores

**Price Earning
Multiple**



164.38

**Current Market
Price**



INR 2.069

Business Model

- Trent Limited was established on December 5, 1952, as Lakme Limited ("Lakme"). Lakme was in the business of producing, selling, and exporting cosmetics, toiletry, and scented items.
- Trent's business approach has developed to provide the optimal blend of quality, pricing, and customer experience.
- Trent emphasizes on own brands, coupled with rapid reactivity to growing customer tastes. It also follows relative pricing stability, which has led to its distinct market stance in the lifestyle arena.
- Trent refrains from discounting and does not make significant marketing investments. Instead, they put their attention on being reachable and creating a critical mass of presence to raise awareness. This methodology allows for a solid, organic connection with their consumers while also providing superior profitability for the company.
- Trent is inherently direct-to-consumer (D2C) in many aspects. This is because they use direct reach and avoid third-party channels and intermediation of any type. The retail company has taken a holistic approach to their stores and digital operations.
- Trent uses technology to improve its operations, such as inventory management, online sales (if applicable), customer relationship management, and data analytics to get insight into client preferences and purchase trends.
- One example is the nearly 100% servicing of Westside online orders from stores and the smooth customer journeys.
- This strategy has resulted in a more precise playout of scale, but it has also given them stronger control over each of its brand offerings. They now observe a developing flywheel of market traction that enables them to accelerate expansion. This is due to the fact that they have reached critical mass with its fashion brands.
- Trent works to develop a portfolio of lifestyle brands that sit on both sides of the fashion-value pyramid. It is upgrading its product proposition in a few categories as part of this strategy. It is also strengthening its core to create efficiencies. In addition to the same, it is promoting premiumization through better products, convenience, and experiences.

SWOT

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Strengths

- Diverse Revenue models
- Market Leadership Position
- Low Debt company
- Wide range of product mix alternatives for customers, leading to the success of new product mix

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Weakness

- Declining Net Cash Flow - Not able to generate net cash
- Business Model - Can be easily imitated by competitors in the Retail (Apparel) industry

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Threats

- Trade relations between US and China - Full-scale trade war can hamper Trent's potential expansion operations in China
- Competitors are catching up to product development

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Opportunities

- Increasing customer base in lower segments
- Customer preferences are fast changing (opportunity to create innovative products aligning with trends)
- Increasing government regulations

Recent Highlights

Trent reported an INR 105 crore increase in consolidated net profit, or 45.1%, for the quarter that ended in June 2023. This is a significant increase. Furthermore, the company's revenue increased by 40.5% to INR 1,846.98 crore.

Trent intends to promote its store brands in order to expand its Star Bazaar grocery chain. This is similar to Trent's strategy of focusing on its own brands. In the next three years, the firm wants to raise the percentage of store brands in Star Bazaar's income from the current 25% to 35%.

Trent has formed an equal joint venture with MAS Amity Fashions. The aim is to pool resources for doing business in the apparel and intimate wear market. The joint venture's business will go by the name MAS Trent Innerwear and Apparel. They would perform design, development and manufacturing activities pertaining to the apparel and intimate wear market.

Sector-wise Trend

01 STRONG REBOUND

Retail sales have been steadily improving in recent months. After the severe COVID-19 outbreak, rising economy and rise of e-commerce are factors that have contributed to this improvement. Accordingly, 2022 marked a turnaround for the industry.

02 SHIFT TO ORGANIZED PLAYERS

1. There is a shift to an organized sector from an unorganized sector. It is due to the rising wealth of the Indian middle class, the expanding penetration of e-commerce, the increased competition from overseas retailers, and the government's reforms.

03 URBANIZATION

New retail formats have emerged. Pop-up shops, for instance, are becoming more and more common in cities. These shops are transient, and many times they are situated in busy areas. They give customers a distinct and memorable shopping experience.

04 COST OPTIMIZATION

A variety of cost optimization trends are emerging in the retail sector, including data-driven decision-making, automated procedures, and a focus on omnichannel. To provide a smooth shopping experience across all channels, retailers are focused on omnichannel commerce.

Financial Highlights

PARTICULARS	FY 20-21	FY 21-22	FY 22-23	COMMENTS
Revenues (INR in crores)	2,593	4,498	8,242	Robust revenue growth.
Inventory Turnover	6.08	5.21	6.08	Healthy inventory ratio helps the company to rotate inventory more frequently.
EBITDA Margin	6.6%	12.8%	13%	Margins increasing with revenue.
ROCE	1.9%	2%	7.9%	ROCE is bit low but on an increasing phase.
ROE	-7.7%	1.8%	16%	ROE Jumped multifold as profits increased.

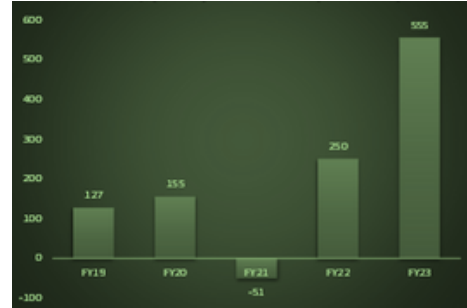
Ratio Analysis

REVENUE (IN CR.)



Over the past five years, the revenue has grown at a CAGR of 33%. The top line of the company doubled within the past year showing robust growth in demand.

PROFIT/LOSS AFTER TAX



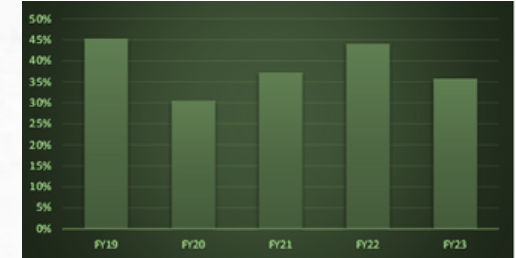
The PAT for the company is increasing at a CAGR of 45%. During the last year, the profits more than doubled showcasing the company's ability to generate good profits from its revenues.

DEBT SERVICE COVERAGE RATIO



The Debt Service Coverage ratio is falling. This is because the company has increased its lease liabilities. Its long-term debt is at INR 497.95cr for FY 23 and INR 3,966.19cr in lease liabilities.

LTV



The company is maintaining its LTV between 35% - 40% range which is a good sign as the company is not over leveraging its expansions by increasing too much debt.

Future Outlook

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FOR THE INDUSTRY

- Year 2022 marked a turnaround for the Indian retail industry. It is estimated to reach \$ 2 trillion by 2032.
 - The sector is also emerging as one of the largest sectors in the economy contributing to over 10% of GDP and 8% to employment.
 - By 2035 over 43% of the country's population is expected to live in urban areas.
 - India's apparel market is estimated at \$ 69 billion in 2023 and the Indian fashion industry is estimated to be the fourth largest market in the world.
 - Average income of middle-class Indians triples from INR 4.4 lakh in FY13 to INR 13 lakh in FY22.
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FOR THE COMPANY

- As of FY 23, Trent currently has 684 outlets. In FY 19 they only had 264 outlets. This shows that the company is into robust expansion given the fact that it is increasing its store outlets.
- The revenues and profits of the company are also increasing and it has doubled in the last year. This shows that the demand for its products is increasing which is leading to more and more expansion for the company.
- As the outlook for the industry is positive and the working of the company is also smooth, Trent's future outlook looks positive.