HDFC securities | 25 YEARS
Powering India's Investments

Deep Dive
TRENT

Trent

Perfect past; priced future

Revenue growth of ~40% YoY and a 110bps YoY margin expansion YoY (to 12.8%) in FY25—for a portfolio where two-thirds of sales come from value fashion. Unheard of! We concur: Trent is by far the most efficient fashion & lifestyle (F&L) play in India. Now that this fact is out of our system and in the price, we prefer focusing on assessing whether it is nearing peak operating performance across its portfolio. We suspect (1) Westside is showing signs of customer fatigue, (2) Zudio's efficiency is optimal, (3) success in *Star* is not a cinch. We'll double-click on each in a bit. We build in 23% revenue and PBT CAGR over FY25-27 (8-10% lower than consensus). We maintain SELL on Trent with an SOTP-based TP of INR 4,300/sh (incl. 60x adj P/E for the standalone operations).

- **Is Westside showing signs of customer fatigue?** Trent's standalone operations grew 39.8% YoY, largely underpinned by expansion. FY25 SSSG was in double digits for F&L. Interestingly, despite Zudio's (sells lower ASP products) rising salience in revenue mix (estimated at 66% in FY25 vs 57% in FY24), F&L's ASPs only marginally corrected, implying a possible premiumization of the Westside offering. Revenue per member has also come down meaningfully (estimated at -18% YoY). This could mean that either purchase frequencies or number of articles/order have meaningfully reduced. The same inference could be drawn using the near-flat GM in F&L in FY25. Hence, we suspect Westside may be showing signs of customer fatigue. One may argue that the sharp jump in loyalty members in Westside (50%+ in FY25) may be a case of upfronting customer acquisition. However, we've factored for the one-time jump in Westside revenue in FY26 (HSIE: 22% YoY in FY26). The complexion of Westside's expansion also shows signs of retrenchment in city presence. Most of the closures in FY25 were in north/north-east states (lower on population density and per capita incomes) whereas additions were in the relatively more populous southern and western states which enjoy higher per capita incomes.
- **Zudio optimized? Margins peak, sales density eases:** While Zudio may continue to expand aggressively, its sales density is showing signs of moderation (unlike the FY20-24 phase when it not only expanded aggressively but also improved its sales density, ergo unit economics). There is a risk that density may ease further as <u>proportion of incremental store additions in states with lower population density is on the rise (from 19% of incremental store additions in FY24 to 26% in FY25).</u> Trent delivered 12.8% pre-INDAS margins and if we assume Westside is firing at mid-double digit EBITDAM, **<u>Zudio's implied EBITDAM margins work out to be 11-12% in FY25 (vs an estimated 10% in FY24). This in turn implies <25% cost of retailing (unheard of!).</u>** Mark-ups on assets/fit-outs sold to franchisee partners (included in pre-INDAS EBITDAM computation) have also declined. <u>This may indicate franchisee partners' preference to absorb costs via margins rather than upfront capex, amid rising competition within value fashion.</u> This metric needs to be keenly monitored.
- ***Star* - model that works, but scaling yet to be tested:** Trent's grocery format *Star* has seen some normalization in SSSGs (FY25: estimated at ~12%; Q4FY25: 2%). FY25 revenue growth stood at 24.8%. While store additions fell short of management expectations (12 net additions vs 25 stores guided in AGM 2024), it remains healthy vs history. We suspect these additions should help Star earn SSSG in subsequent years. On margins, despite the rising GM/apparel salience, overall gross margins have marginally declined (-30bps to 20%). We suspect this may be a consequence of the sharpening of the FMCG value proposition. While staples, Fresh and GM/apparel continued to outpace portfolio growth; FMCG (an important footfall anchor) continued to lag portfolio growth. Star would need to fix this before assuming any elaborate expansion strategy, in our view. Hence, we believe success in Star is not a cinch. Pre-INDAS 116 EBITDAM is estimated to have contracted 230bps to -3.6% in FY25.

SELL

CMP *(on 26 June 2025)*	INR 6,107
Target Price	INR 4,300
NIFTY	25,549

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 4,200	INR4,300
	FY26E	FY27E
EBITDA %	+1.3	+3.8

KEY STOCK DATA	
Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / ($ mn)	2,171/25,329
6m avg traded value (INR mn)	7,421
52 Week high / low	INR 8,346/4,488

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	14.8	(13.5)	13.9
Relative (%)	6.4	(20.3)	7.4

SHAREHOLDING PATTERN (%)	Dec-24	Mar-25
Promoters	37.01	37.01
FIs & Local MFs	15.29	17.24
FPIs	21.68	19.66
Public & Others	26.02	26.09
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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- **As anticipated, Zara dividends disappeared in FY25:** Zara's growth took a pause in FY25 (largely flat at INR27.8bn). The format closed one store for the year (store count: 22). In our Jun-23 note, we had highlighted that Zara's 100%+ dividend payouts over FY22-23 (126% of Zara'a PAT) seem unsustainable and hinted at Trent liquidating/reducing stake in its Zara JV, which is exactly what played out. In FY25, Trent reduced its stake ITRIPL (Zara JV) from 49% to 34.94% and in MDIPL (Massimo Dutti) from 49% to 20% and Zara dividends disappeared in FY25.
- **Balance sheet and cash flows:** Given the rising skew of Zudio, Trent's working capital management continues to improve (from 27 to 25 days in FY25). CFO was up 24% YoY for FY25 to INR16.7bn, while operational FCFF declined 12% YoY to INR8.5bn.
- **Outlook**: Trent remains a stellar business. However, the ask from the business is too high (from a valuation stencil). Westside seems to be showing signs of customer fatigue, while Zudio seems to be peaking in terms of unit economics. We build in 23% revenue and PBT CAGR over FY25-27 (8-10% lower than consensus). We maintain SELL on Trent with an SOTP-based TP of INR4,300/sh (incl. 60x adj P/E for the standalone operations).

Financial summary (INR mn)

Financial Summary	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	38,807	77,152	1,19,266	1,66,681	2,16,102	2,51,767
EBITDA	3,053	6,753	13,957	21,253	28,748	33,098
APAT	2,496	5,546	14,358	15,848	19,952	23,376
EPS (Rs)	7.4	15.6	29.0	44.6	56.1	65.8
P/E (x)	863.1	388.5	209.2	136.0	108.0	92.2
EV/EBITDA (x)	705.0	318.9	154.0	101.1	74.6	64.1
Core RoCE(%)	13.2	13.5	16.7	31.8	28.4	28.2

Source: Company, HSIE Research

Our SOTP suggests a fair value of INR4,300/sh

	Methodology	Multiple	EBITDA, PBT PAT or Sales	EV (Rs mn)	Per share
Standalone Biz	**Adj P/E**	60	23,152	**13,98,352**	**3,934**
THPL (Star)	EV/Sales	4	44,270	88,540	**249**
FHL	EV/Sales	4	3,153	12,613	**35**
Zara	EV/Sales	1	34,621	34,621	**97**
Consol Enterprise Value				**15,34,126**	**4,316**
Net Debt				**5,484**	**15**
Consol Equity Value				**15,28,642**	**4,300**
CMP					**6,107**
Upside (%)					(29.6)

Source: HSIE Research

We remain 8/10% lower than consensus on revenue/PBT respectively.

INR mn	FY25	FY26E	FY27E
Consensus			
Revenue	1,66,681	2,17,909	2,74,450
EBITDA	27,540	35,874	45,943
PBT	20,766	26,567	34,639
EPS	44.6	58.5	75.4
HSIE			
Revenue	1,66,681	2,16,102	2,51,767
EBITDA	27,540	36,265	41,537
PBT	20,766	26,663	31,239
EPS	44.6	56.1	65.8
Variance vs Consensus			
Revenue	**0**	**(1)**	**(8)**
EBITDA	**0**	**1**	**(10)**
PBT	**0**	**0**	**(10)**
EPS	**0**	**(4)**	**(13)**

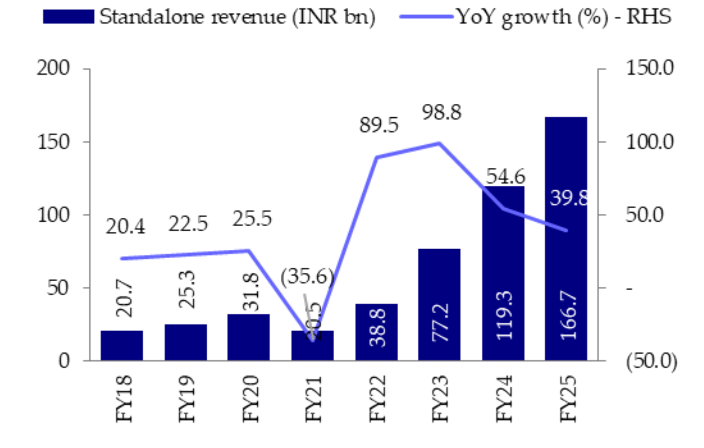
Estimate changes

(Rs mn)	FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	2,16,102	2,15,025	*0.5*	2,51,767	2,49,008	*1.1*
Gross Profit	96,582	96,683	*(0.1)*	1,12,267	1,11,626	*0.6*
Gross Profit Margin (%)	44.7	45.0	***(27 bps)***	44.6	44.8	***(24 bps)***
EBITDA (Pre-IND-AS 116)*	28,748	28,382	*1.3*	33,098	31,885	*3.8*
EBITDA margin (%)*	13.3	13.2	***10 bps***	13.1	12.8	***34 bps***
APAT	19,952	19,409	*2.8*	23,376	22,501	*3.9*
APATM (%)	9.2	9.0	***21 bps***	9.3	9.0	***25 bps***

Story in Charts

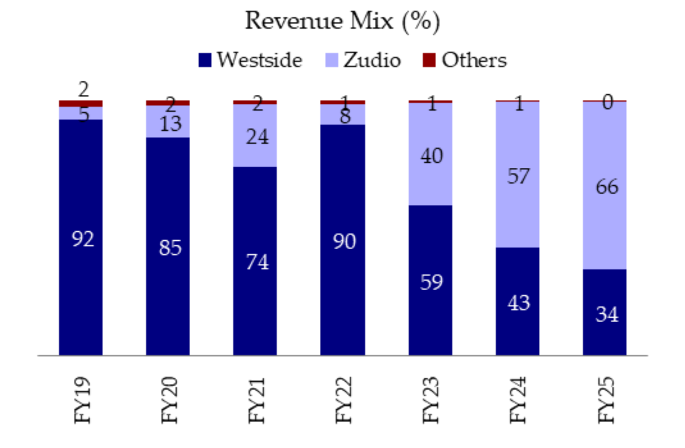
Is Westside showing signs of customer fatigue?

Trent's top-line grew 39.8% YoY in FY25…



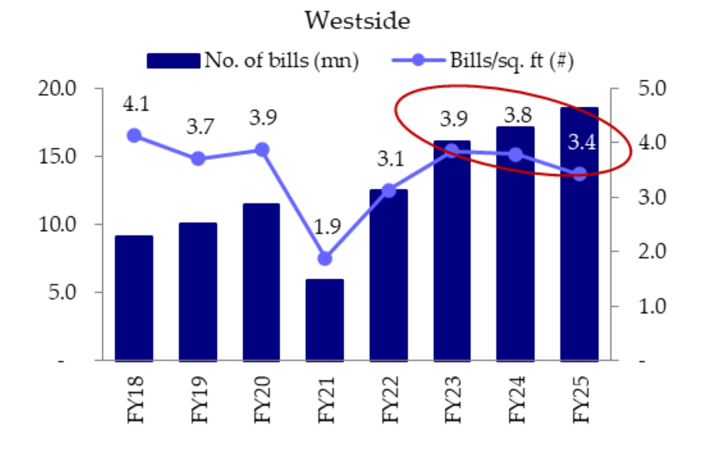
Source: Company, HSIE Research

…Zudio did most of the heavy-lifting

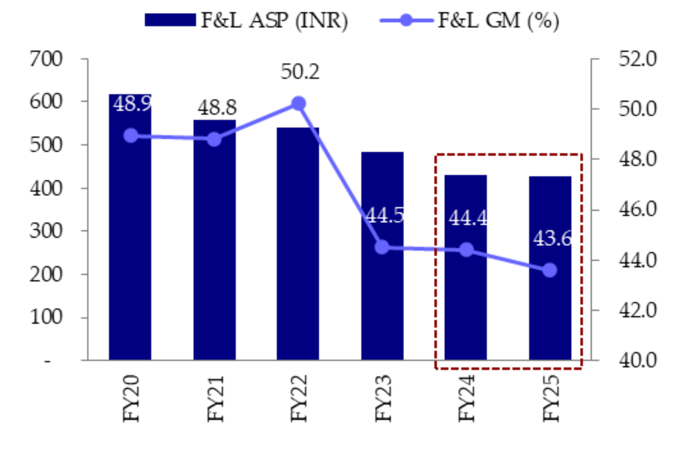


Source: Company, HSIE Research

Our estimates suggest bill density for Westside seems to be moderating as the format is premiumizing or shifting its assortment mix to higher gross margin (GM) categories or both. Hence, the impact on overall GM is minimal in FY25 despite the rising Zudio salience in revenue mix.

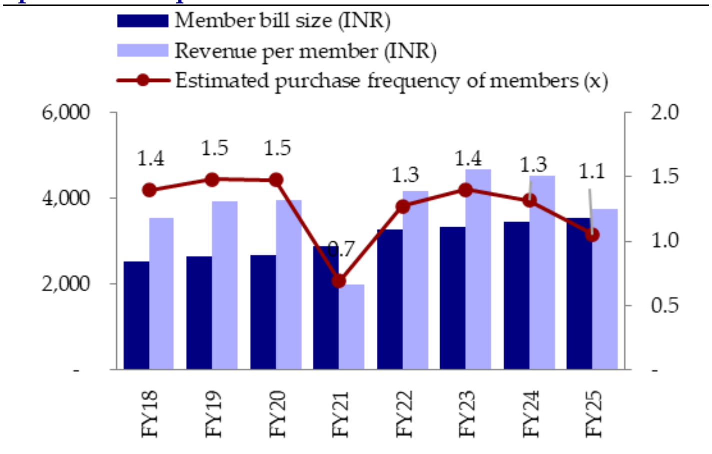


Source: Company, HSIE Research, Note: No. of bills and bill density are estimates



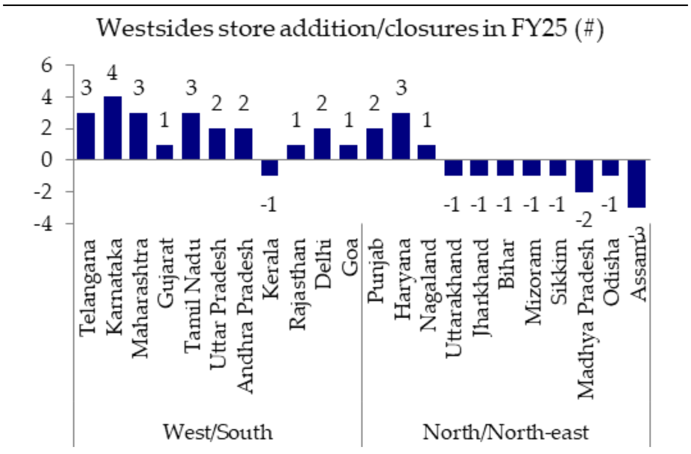
Source: Company, HSIE Research

Initial signs of customer fatigue visible; adj revenue/member reduced, implying deterioration in purchase frequencies or articles/bill…



Source: Company, HSIE Research

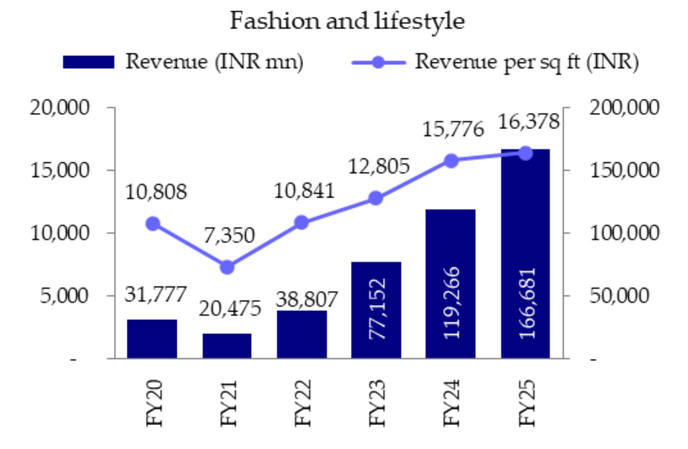
…this is despite the store network densifying in states with higher population density and per capita incomes



Source: Company, HSIE Research (estimates/derived figures)

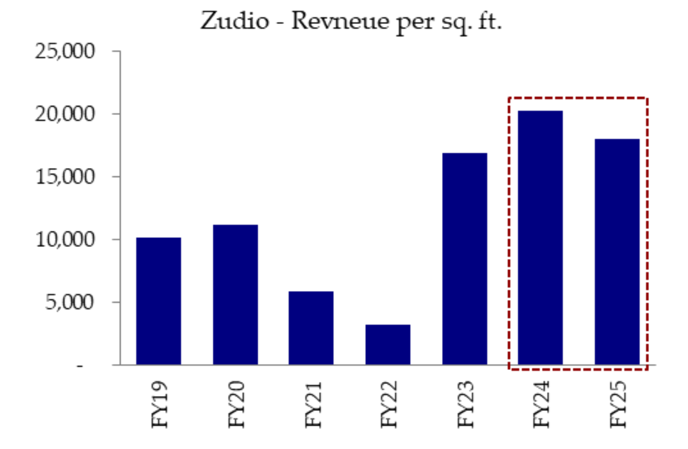
Is Zudio peaking in efficiency?

F&L's reported sales density improved in FY25…



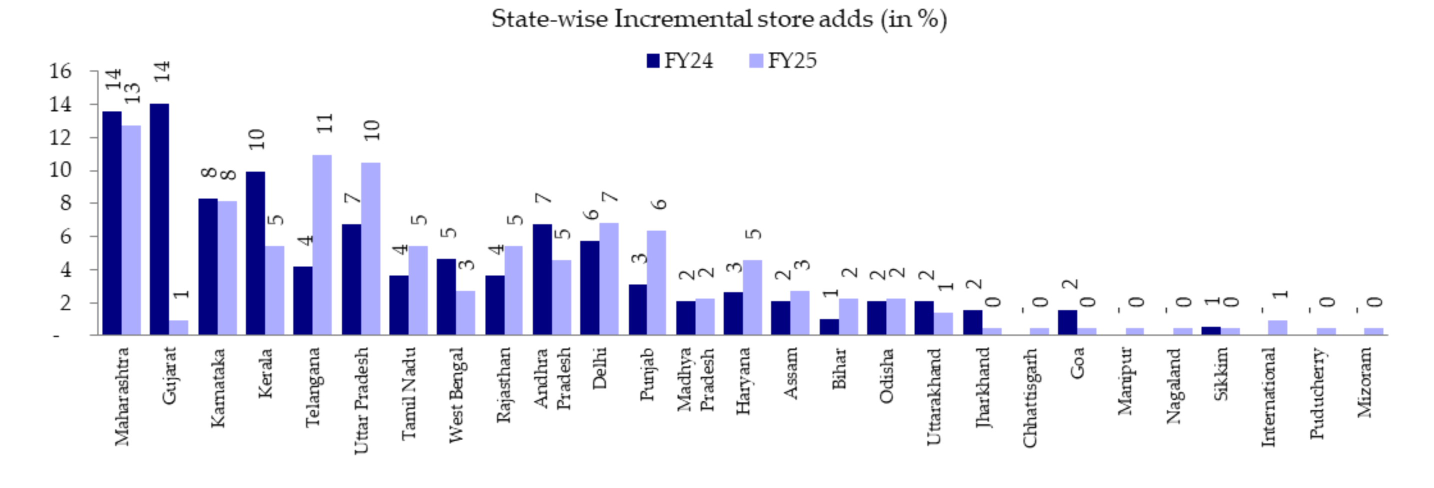
Source: HSIE Research (estimates)

…on exit retail area, there are signs of Zudio revenue per sq. ft moderating; one may argue this KPI will improve as stores mature, however…



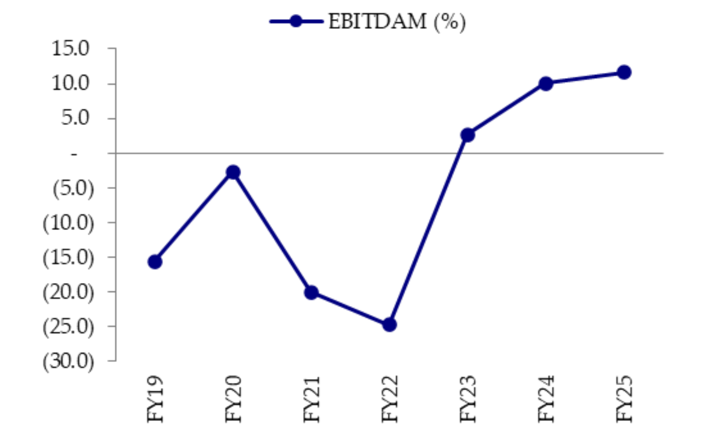
Source: HSIE Research (estimates), based on exit retail area

…the tail of incremental store in low-density states is elongating (from 19% to 26% of store adds in FY25 which may weigh on improvement in sales density)



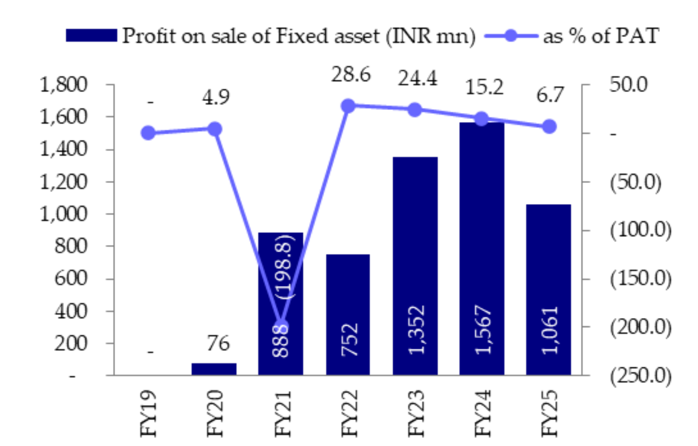
Source: HSIE Research (estimates)

Zudio's EBITDAM is now estimated at 11-12%; this implies <25% of cost of retailing (unheard of!)



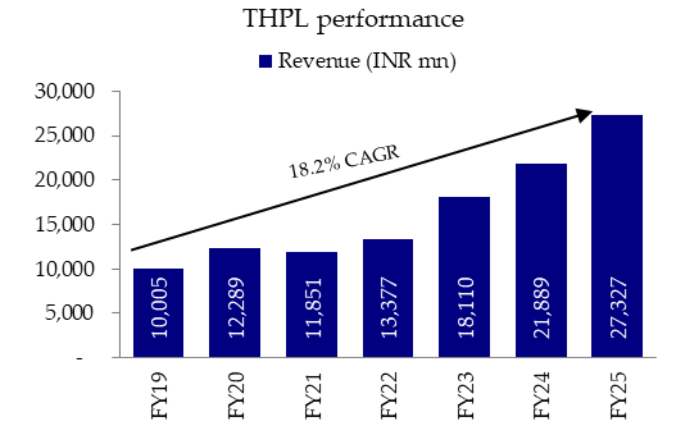
Source: HSIE Research (estimates)

Profits from fixed asset/fit-out sales are inching down; could be a leading indicator of rising competition



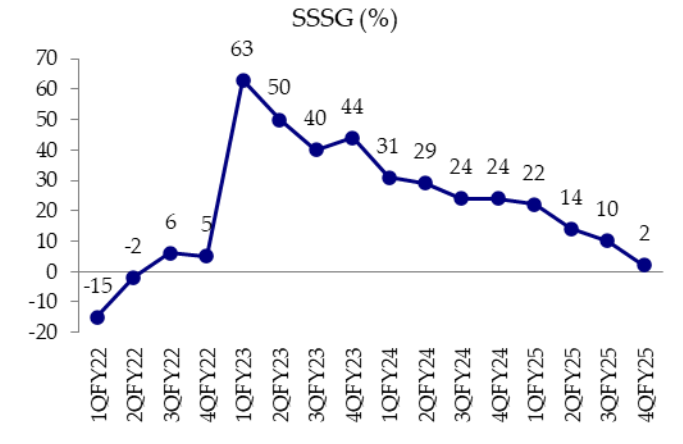
Source: Company, HSIE Research

THPL clocks ~25% YoY in FY25…



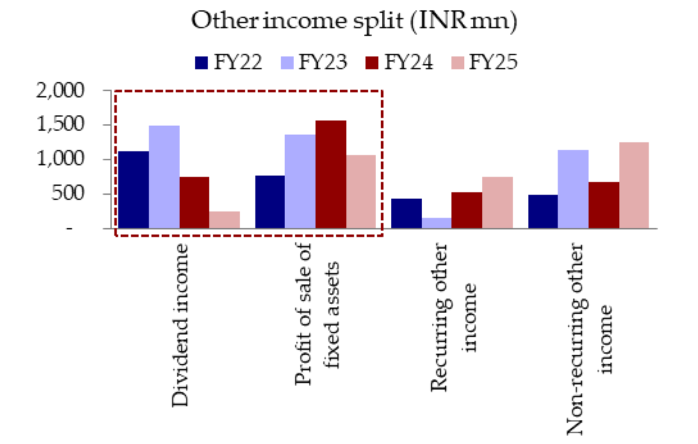
Source: Company, HSIE Research

…well-balanced between SSSG and expansion, but the former is moderating



Source: Company, HSIE Research

Recurring other income cushion recedes in FY25…



Source: Company, HSIE Research

…as Zara dividends disappear

Particular	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Profit of Trent (Std)	1,279	1,546	-447	2,628	5,546	10,298	15,848
Inditex PAT	715	1,041	-413	1,488	2,643	2,438	2,998
Dividend Paid	-	300	97	2,200	3,000	1,500	-
Trent Share in Div	-	147	48	1,078	1,470	735	-
Inditex Net Worth	4,773	5,514	5,004	4,291	3,928	4,864	6,595
Inditex FCFF	186	1,491	189	1,933	3,343	1,768	1,928
Dividend (% of profit)	-	*29*	*-23*	*148*	*114*	*62*	-
Dividend (% of FCFF)	-	20	51	114	90	85	-

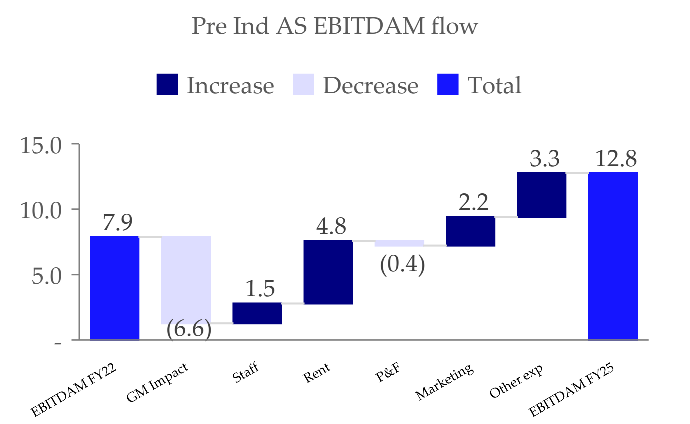
Source: Company, HSIE Research

Markup charged on fixed asset sale continue to decline

	Particulars (INR mn)	FY22	FY23	FY24	FY25
A	**Cost of Asset sold**	**925**	**1,588**	**2,903**	**3,650**
B	Less: Acc. Depreciation	248	331	1,017	1,299
C	**Net Asset (A - B)**	**678**	**1,257**	**1,886**	**2,352**
D	**Amount received on Sale of Asset**	**570**	**2,806**	**3,422**	**4,064**
E	Profit on sale of asset (Calculated) (C - D)	-107	1,549	1,536	1,712
F	Profit on sale of asset (as per P&L)	81	1,348	1,563	1,018
G	Timing difference (E - F)	-189	201	-28	695
H	Adjusted Sale Value (D - G)	759	2,605	3,450	3,369
I	**Margin on Cost of asset - Net (F/H)*100**	**11%**	**52%**	**45%**	**30%**

Source: Company, HSIE Research

FY22-25 EBITDAM waterfall



Source: Company, HSIE Research

Format-wise stores with their average store size and Store:City ratio

Format	Avg Store Size (sq. ft.)	No of Stores						No of Cities					
		FY20	FY21	FY22	FY23	FY24	FY25	FY20	FY21	FY22	FY23	FY24	FY25
Westside	20,000	165	174	200	214	232	248	87	90	89	90	91	86
Zudio	10,000	80	133	233	352	545	765	44	57	89	119	164	235
Star Bazaar	18,000-24,000	57	60	70	63	66	78	7	7	9	10	10	10
Zara	18,000-30,000	22	21	21	20	23	22	12	11	11	11	12	13
Utsa	2,000-3,000	2	4	6	17	22	20	2	4	5	11	12	13
Booker India	15,000-20,000	6	9	10	5	4	4	3	3	6	NA	NA	NA
Landmark/Xcite/Misbu		4	6	6	7	10		3	4	4	5	6	
Massimo Dutti		3	3	3	3	3	3	2	2	2	2	2	2
Samoh						2	5					2	4
Zudio Beauty							5						4

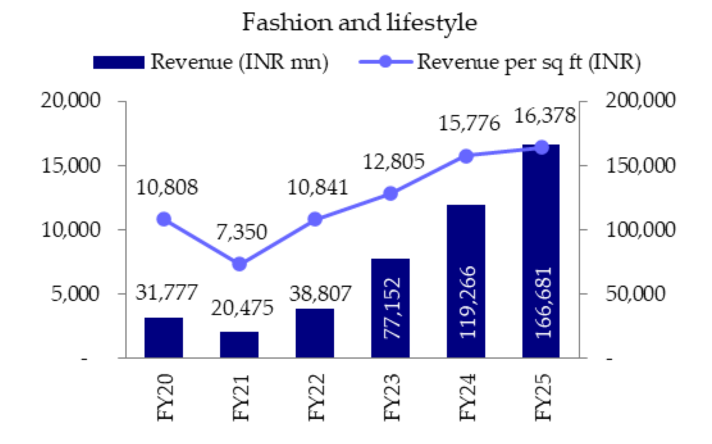
Format	Store:City ratio					
	FY20	FY21	FY22	FY23	FY24	FY25
Westside	1.90	1.93	2.25	2.38	2.55	2.88
Zudio	1.82	2.33	2.62	2.96	3.32	3.26
Star Bazaar	8.14	8.57	7.78	6.30	6.60	7.80
Zara	1.83	1.91	1.91	1.82	1.92	1.69
Utsa	1.00	1.00	1.20	1.55	1.83	1.54
Booker India	2.00	3.00	1.67			
Landmark/Xcite/Misbu	1.33	1.50	1.50	1.40	1.67	
Massimo Dutti	1.50	1.50	1.50	1.50	1.50	1.50
Samoh					1.00	1.25
Zudio Beauty						1.25

Source: Company, HSIE Research

Fashion and Lifestyle

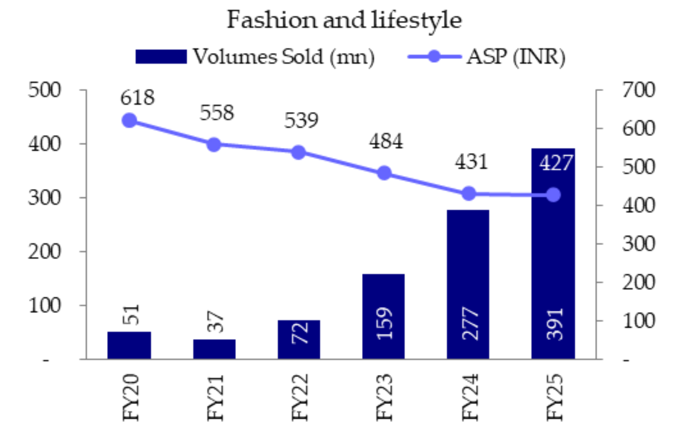
- Trent's fashion and lifestyle (F&L) segment (which includes Westside, Zudio, and Samoh) grew 39.8% in FY25, fueled by (1) a 3.8% growth in revenue per sq. ft and (2) 34.6% increase in retail space. The growth was predominantly volume-led (41% YoY). Note: Despite the aggressive expansion (Zudio-led), volume density inched up ~5% YoY to ~38 articles/sq. ft in FY25 (vs 36.6 articles/sq. ft).
- **Interestingly, despite the rising *Zudio* skew in revenue mix (from an estimated 57% to 66% in FY25), ASPs have only marginally declined. This implies a meaningful shift (upwards) in Westside's value proposition from product as well as pricing point of view. This gets further corroborated by the fact that despite Trent getting Zudio-heavy, gross margins only marginally contracted (by ~80bps YoY to 43.6%).** Note: Lifestyle/non-apparel/emerging categories form 20% of sales (largely unchanged YoY).
- Like for like (LFL) growth for F&L portfolio stood in double digits in FY25— a year when peers struggled with negative to low-single-digit LFL growth. Volume CAGR over FY21-25 stood at 149/92/73% for beauty/innerwear/footwear respectively.
- Margins seem to be near the peak. Despite the marginal GM contraction, estimated EBITDAM/operating EBITM expanded by 110/120bps to 12.8/11.1% respectively as sales densities improved. Note: Shrinkage continues to remain manageable at 0.37% of net sales in FY25.

Revenue and Revenue/sq. ft. grew 39.8%/3.8% in FY25 respectively



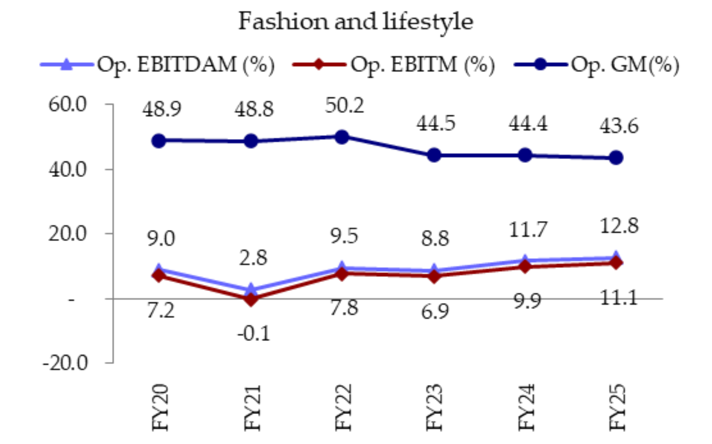
Source: Company, HSIE Research

Higher mix of Zudio led the spree in volumes sold but impacted the ASP



Source: Company, HSIE Research. Note: FY25 volume growth was over 40%.

Scale-led efficiencies continue to drive margins



Source: Company, HSIE Research

Shrinkage increase in FY24/25 was due to aggressive expansion in Zudio

Source: Company, HSIE Research

Fashion and lifestyle KPIs (includes Westside, Zudio, Utsa, Samoh and Misbu)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	YoY (%)	FY20-25 VAGR
Revenue (INR mn)	31,777	20,475	38,807	77,152	1,19,266	1,66,681	39.8	39.3
Growth (%)		*-36*	*90*	*99*	*55*	*40*		
Revenue per sq ft (INR)	10,808	7,350	10,841	12,805	15,776	16,378	3.8	8.7
Growth (%)		*-32*	*47*	*18*	*23*	*4*		
Volumes Sold (mn)	51	37	72	159	277	391	41.0	50.0
Growth (%)		*-29*	*96*	*121*	*74*	*41*		
ASP (INR)	618	558	539	484	431	427	-0.9	-7.1
Growth (%)		*-10*	*-3*	*-10*	*-11*	*-1*		
Volume/sq ft (#)	17	13	20	26	37	38	4.7	17.0
Operational area (mn sq. ft) - Implied	3	3	4	6	8	10	34.6	28.2
Area (Exit; mn sq ft)	4	4	6	7	10	13	26.7	29.0
Op. EBITDAM (%)	9.0	2.8	9.5	8.8	11.7	12.8		
Op. EBITM (%)	7.2	-0.1	7.8	6.9	9.9	11.1		
Op. GM(%)	48.9	48.8	50.2	44.5	44.4	43.6		
Shrinkage (% to sales)	0.21	0.18	0.19	0.22	0.41	0.37		

Source: Company, HSIE Research, Note: FY25 Volume is derived

Is Westside showing signs of customer fatigue?

- **Are there signs of customer fatigue at Westside?** As highlighted earlier, despite Zudio's rising skew, F&L ASPs have only marginally corrected (from INR 431 to INR 427) and Westside's emerging category mix (beauty, innerwear, and footwear) remains unchanged at 20% of sales. Odds are that Westside as a format is premiumizing (assuming Zudio remains aggressive in its positioning) or it's mix has decisively shifted towards higher GM categories. However, if one triangulates this finding (Westside's ASP inching up) with the fact that the number of members have gone up by ~50% (contributing to 90% of Westside's sales, FY25 estimated revenue growth ~12%), it seems revenue per member has come down meaningfully. This in turn means either frequency of visits or number of articles per bill has meaningfully deteriorated. Could this mean customer engagement levels have dropped? Or one may argue it is just upfronting customer acquisition which may later earn more sales (factored in). We remain uncertain of any surprises here as most of the membership benefits kick in beyond a bill size of INR4,000 (bill size of members on average have only once exceeded INR4,000 in FY24). Note: FY22/23 were years when overall purchase frequencies were higher than usual as the world recuperated from the pandemic. Hence, member bill sizes were elevated.

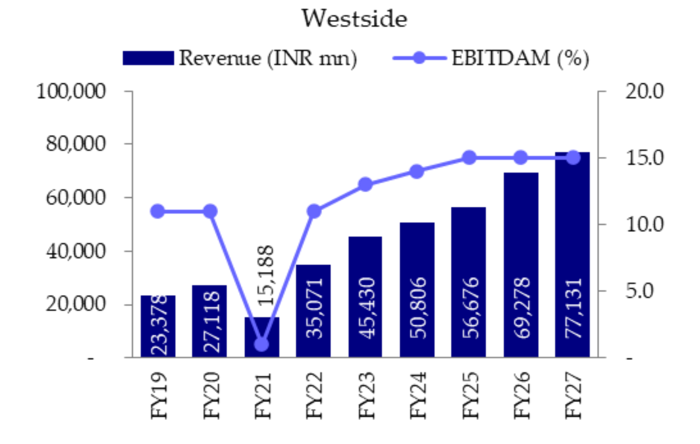
- **Expansion:** In FY25, the company added 40 new stores and consolidated 24 (total stores/ area – 248/5.4mn+ sq. ft.). Westside's store network continues to densify within the top 5 states (Maharashtra, Karnataka, Telangana, Gujarat, and TN) contributing to ~88% of the net store adds over FY23-25. Store closures were seen in the less dense and north/north-east states of MP, Uttarakhand, Bihar, Jharkhand, Assam, and Odisha). Incidentally, these states are relatively low on per capita income too. This again ties into our hypothesis that perhaps Westside is now focused on improving unit economics and sustainability of stores rather than plain-vanilla aggressive penetration plans. Note: **There has been some rationalization in Westside's city presence (86 cities in FY25 vs 90 cities in FY23).** Note: We build in 25 store adds annually over FY25-27 (capital employed for a new Westside store is in the range of INR80-90mn per store, including capex, deposits, and inventory).

- **WestStyle Club:** WestStyle Club, Westside's annual subscription program, has seen remarkable traction, with membership surging by 50.5% from 10.9mn in FY24 to 16.4mn in FY25. Loyalty membership fees was up 75.8% YoY (INR1.2bn). Loyalty program is critical to Westside's business, as over 90% of its revenues are attributable to WestStlye Club members.

- **Financial performance:** We estimate Westside's revenue grew by ~12% YoY to INR 55.3bn (CAGR over FY19-25 – 15.9%) in FY25. This growth is suspected to have been SSSG-heavy as most of the expansion was back-ended in FY25. Retail space grew by 19.78% YoY in FY25 (12.3% CAGR over FY19-25). At an estimated 15% EBITDAM, we believe the room for margin improvement is limited, if at all.

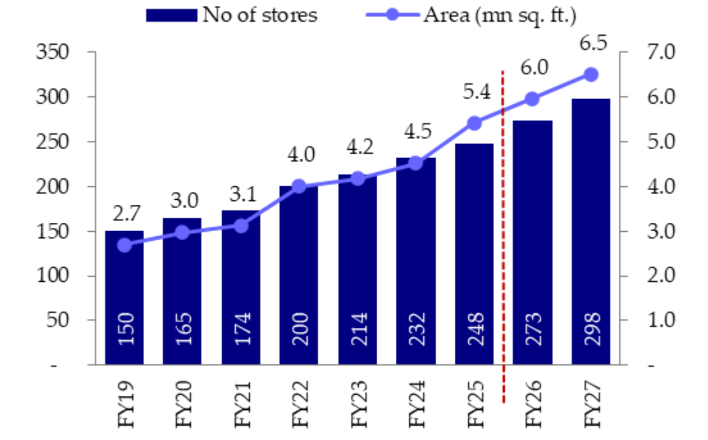
- **Online:** Overall, 6% of Westside's revenue comes from online channels (Westside.com, Tata Cliq, and Tata Neu). The online business reported 41% volume growth in FY25.

Westside's is estimated to have grown at ~12% in FY25; EBITDAM is estimated at ~15%



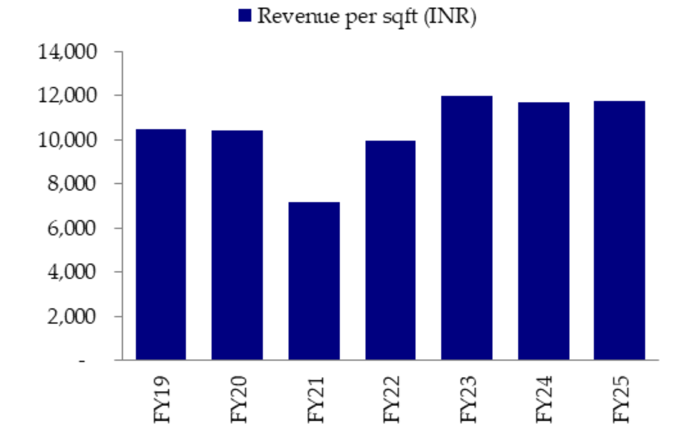
Source: HSIE Research (estimates)

We build in 25 store adds annually (could be at risk if focus remains on premiumizing offerings)

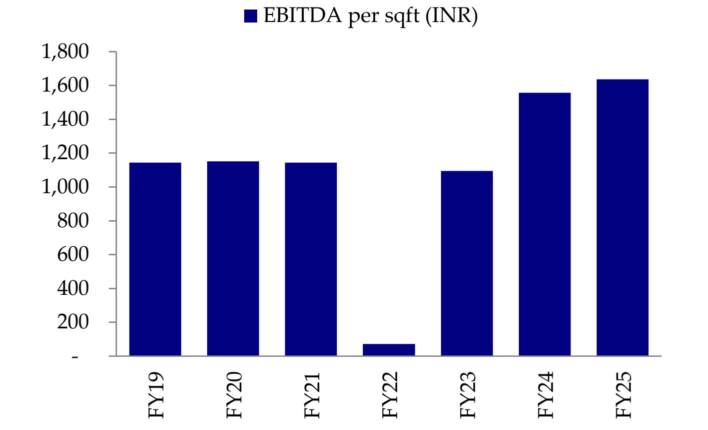


Source: HSIE Research (estimates)

Given the focus on improving unit economics and premiumization, profitability has improved despite steady sales density (likely GM expansion-led)

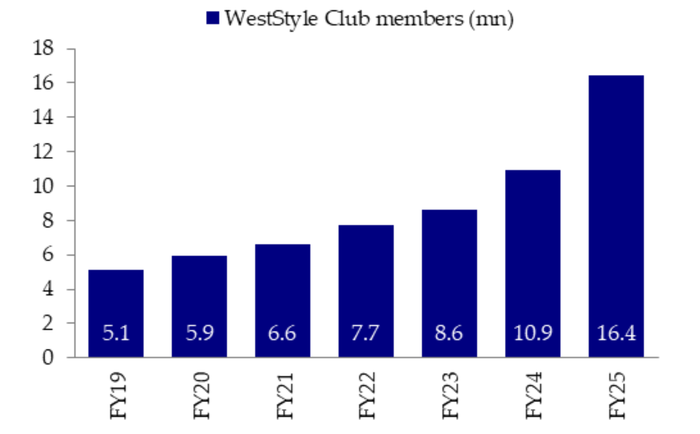


Source: HSIE Research (estimates)



Source: HSIE Research (estimates)

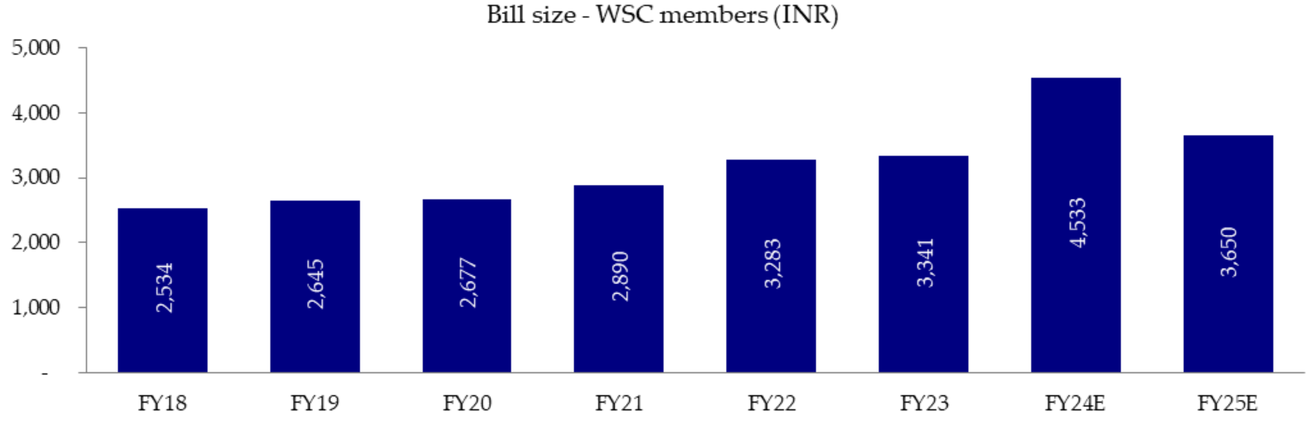
WestStyle Club's membership increased by 50% YoY in FY25; coupled with a higher membership fee per member, resulting in a 75.8% rise in total membership fees for the year



Source: Company, HSIE Research

Source: Company, HSIE Research

Bill size for members on average have only once exceeded INR4,000 in FY24



Source: HSIE Research (estimates)

90% net store adds over FY23-25 were in top-5 states, mainly in south and west, with closures in north and north-east

State	Westside							
	FY22	FY23	FY24	FY25	Abs. Chg.	YoY%	FY24 Mix (%)	FY25 Mix (%)
Maharashtra	33	36	39	42	3	8%	17%	17%
Karnataka	23	24	26	30	4	15%	11%	12%
Gujarat	17	21	27	28	1	4%	12%	11%
Telangana	14	15	19	22	3	16%	8%	9%
Tamil Nadu	14	16	17	20	3	18%	7%	8%
Uttar Pradesh	13	14	14	16	2	14%	6%	6%
Kerala	10	9	12	11	-1	-8%	5%	4%
Delhi	8	8	7	9	2	29%	3%	4%
Andhra Pradesh	6	6	6	8	2	33%	3%	3%
Rajasthan	6	6	7	8	1	14%	3%	3%
West Bengal	7	7	7	7	0	0%	3%	3%
Madhya Pradesh	8	9	9	7	-2	-22%	4%	3%
Punjab	6	4	4	6	2	50%	2%	2%
Haryana	4	4	3	6	3	100%	1%	2%
Uttarakhand	4	4	5	4	-1	-20%	2%	2%
Assam	6	7	7	4	-3	-43%	3%	2%
Chhattisgarh	3	3	4	4	0	0%	2%	2%
Jharkhand	4	4	4	3	-1	-25%	2%	1%
Bihar	4	4	4	3	-1	-25%	2%	1%
Goa	2	2	2	3	1	50%	1%	1%
Nagaland	1	1	1	2	1	100%	0%	1%
Chandigarh	0	2	2	2	0	0%	1%	1%
Odisha	3	3	2	1	-1	-50%	1%	0%
Jammu and Kashmir	1	1	1	1	0	0%	0%	0%
Puducherry	0	1	1	1	0	0%	0%	0%
Mizoram	1	1	1	0	-1	-100%	0%	0%
Sikkim	1	1	1	0	-1	-100%	0%	0%
Himachal Pradesh	1	1	0	0	0	NA	0%	0%
	200	**214**	**232**	**248**				

Source: Company, HSIE Research

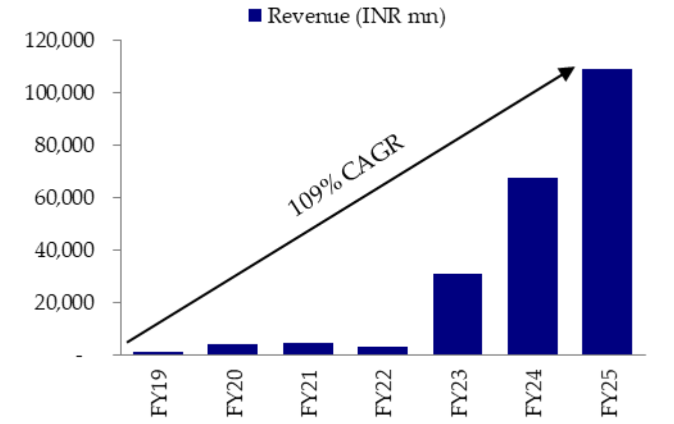
Zudio: Well optimized

- **Expansion back-ended; signs of moderation in sales density seen:** During FY25, the company added 244 new Zudio stores and consolidated 24 stores (total stores/area in FY25 – 765/ 7.9mn+ sq. ft.); most of the expansion was back-ended. Post the FY20-24 blitzscaling, where the format witnessed rapid expansion and significant sales density improvement; **FY25 saw signs of moderation in sales density (HSIE Research). One may argue that this could be due to the back-ended nature of Zudio's expansion in FY25 and that new stores would mature into higher sales density. However, one might want to also take note that the proportion of incremental store adds in states with lower population density is on the rise (from 19% of incremental store adds in FY24 to 26% in FY25).** This may weigh heavy on the sales density metric. Management also highlighted their focus on gaining market share in micro-markets even if it comes at the cost of SSSG (note: In FY25, Zudio entered 67 cities and expanded its presence in 56 existing cities, including many in tier 2 and tier 3 locations; the capital employed for a new Zudio store is in the range of INR30-40mn per store, including capex, deposits, and inventory).

- **Margins seem to be peaking; mark-up charged on fixed asset sale moderating too:** Trent's standalone operations hit 12.8% pre-INDAS margins. If we assume Westside is firing at mid-double-digit EBITDAM, **Zudio's implied EBITDAM margins work out to be 11-12% in FY25 (vs an estimated 10% in FY24). This in turn implies <25% cost of retailing (unheard of!).** While pre-INDAS margins do include the mark-up charged on store fit-outs/capex done by Trent (formed 24/15% of Trent's standalone PAT in FY23/24 vs 6.7% in FY25), moderating mark-ups may indicate franchisee partners' reluctance (at the margin) to pay upfront and rather pay via margins, given the rising competition within value fashion peers. This recalibration indicates a response to maturing market conditions.

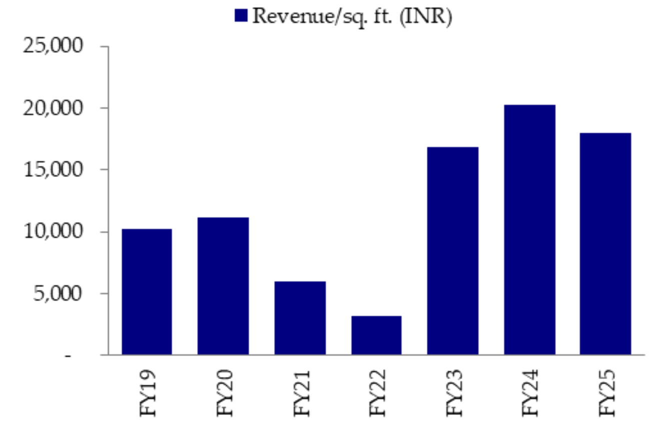
- **Financial performance:** We estimate Zudio's revenue soared by ~61% YoY in FY25 (109% CAGR over FY19-25). The format remains the growth anchor for F&L operations. Sales density for Zudio grew at 10% CAGR over FY19-25. However, due to a significant portion of store expansion being back-ended in FY25 (with 130 net stores added in Q4FY25), Zudio's sales density is expected to have declined by ~10% YoY to INR 18k/ sq. ft. from INR 20k/ sq. ft. in FY24.

While Zudio continues to anchor growth…



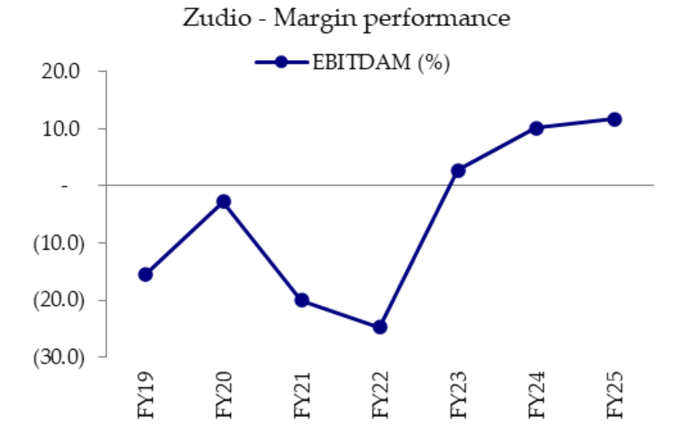
Source: HSIE Research (estimates)

…there are signs of sales density moderating

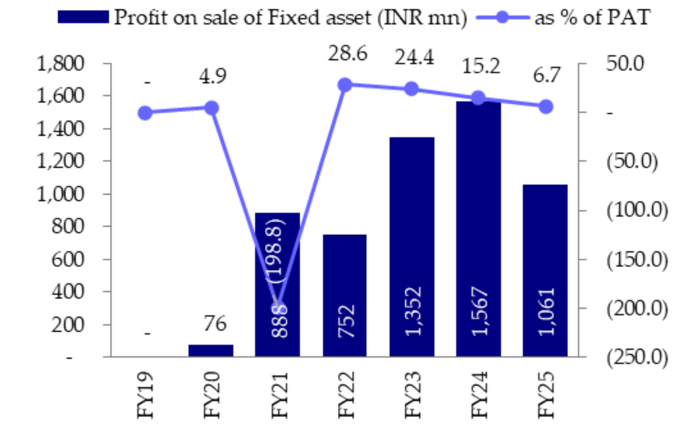


Source: HSIE Research (estimates)

While Zudio's margin is estimated to have improved YoY in FY25 by ~160bps; this should be looked at in conjunction with declining mark-ups of fixed asset sold to franchisees. Could this mean franchisee partners are willing to pay margins rather than pay up-front fees? Is this an inkling of rising competition?

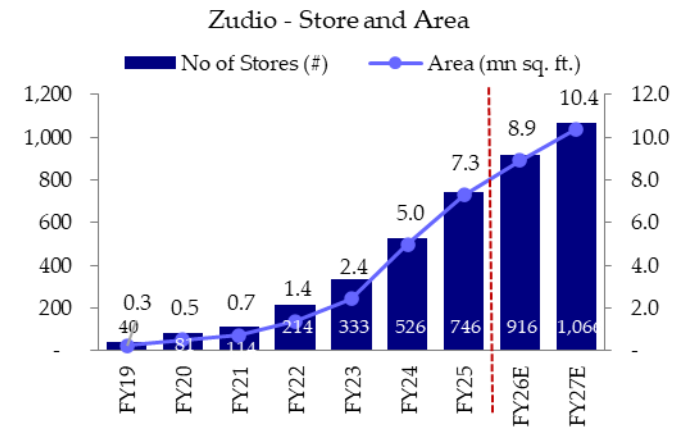


Source: HSIE Research



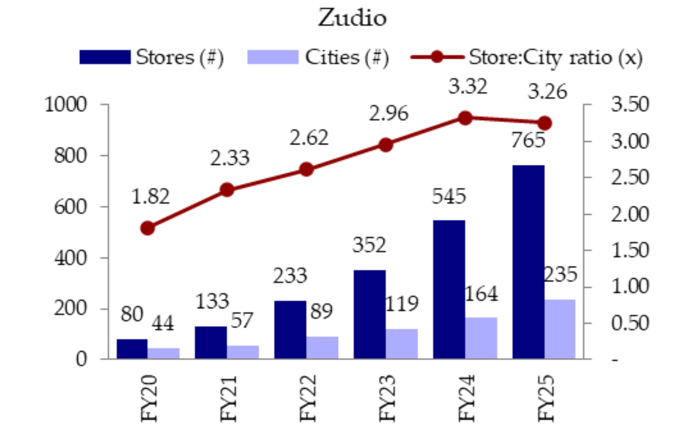
Source: HSIE Research

Store base getting heavier; we build in 19% CAGR over FY25-27



Source: Company, HSIE Research

Initial signs of reining in city density of store network



Source: Company, HSIE Research

Markup charged on fixed asset sale continue to decline

	Particulars (INR mn)	FY22	FY23	FY24	FY25
A	**Cost of Asset sold**	**925**	**1,588**	**2,903**	**3,650**
B	Less: Acc. Depreciation	248	331	1,017	1,299
C	**Net Asset (A - B)**	**678**	**1,257**	**1,886**	**2,352**
D	**Amount received on Sale of Asset**	**570**	**2,806**	**3,422**	**4,064**
E	Profit on sale of asset (Calculated) (C - D)	-107	1,549	1,536	1,712
F	Profit on sale of asset (as per P&L)	81	1,348	1,563	1,018
G	Timing difference (E - F)	-189	201	-28	695
H	Adjusted Sale Value (D - G)	759	2,605	3,450	3,369
I	**Margin on Cost of asset - Net (F/H)*100**	**11%**	**52%**	**45%**	**30%**

State-wise store mix for Zudio; 76% stores located in top 10 states; salience in lower population states rising

State	Zudio							
	FY22	FY23	FY24	FY25	Abs. Chg.	YoY%	FY24 Mix (%)	FY25 Mix (%)
Maharashtra	37	60	86	114	28	33%	15.8%	14.9%
Gujarat	37	55	82	84	2	2%	15.0%	11.0%
Karnataka	33	42	58	76	18	31%	10.6%	9.9%
Telangana	26	34	42	66	24	57%	7.7%	8.6%
Uttar Pradesh	12	20	33	56	23	70%	6.1%	7.3%
Kerala	13	25	44	56	12	27%	8.1%	7.3%
Tamil Nadu	10	17	24	36	12	50%	4.4%	4.7%
Rajasthan	9	14	21	33	12	57%	3.9%	4.3%
Delhi	2	3	14	29	15	107%	2.6%	3.8%
Punjab	7	9	15	29	14	93%	2.8%	3.8%
West Bengal	8	14	23	29	6	26%	4.2%	3.8%
Andhra Pradesh	3	5	18	28	10	56%	3.3%	3.7%
Haryana	6	8	13	23	10	77%	2.4%	3.0%
Madhya Pradesh	9	11	15	20	5	33%	2.8%	2.6%
Assam	1	5	9	15	6	67%	1.7%	2.0%
Bihar	4	7	9	14	5	56%	1.7%	1.8%
Odisha	3	4	8	13	5	63%	1.5%	1.7%
Uttarakhand	2	3	7	10	3	43%	1.3%	1.3%
Jharkhand	2	3	6	7	1	17%	1.1%	0.9%
Goa	2	2	5	6	1	20%	0.9%	0.8%
Chhattisgarh	5	5	5	6	1	20%	0.9%	0.8%
Manipur	0	2	2	3	1	50%	0.4%	0.4%
International	0	0	0	2	2	NA	0.0%	0.3%
Sikkim	0	0	1	2	1	100%	0.2%	0.3%
Nagaland	1	1	1	2	1	100%	0.2%	0.3%
Jammu and Kashmir	1	2	2	2	0	0%	0.4%	0.3%
Puducherry	0	0	0	1	1	NA	0.0%	0.1%
Mizoram	0	0	0	1	1	NA	0.0%	0.1%
Himachal Pradesh	0	0	1	1	0	0%	0.2%	0.1%
Meghalaya	0	1	1	1	0	0%	0.2%	0.1%
	233	**352**	**545**	**765**				

Source: Company, HSIE Research

Star—model that works, but scaling may be a test

- **FY25 growth balanced; at the margin need to earn more SSSG**: Post a stellar FY24 (in terms of SSSG: ~27%; a year earmarked to sharpening value proposition), Trent's grocery format *Star* has seen some normalization in SSSGs (FY25: estimated at ~12%; Q4FY25: 2%). While store additions fell short of management expectations (12 net additions vs 25 stores guided in AGM 2024), it remains healthy vs history**.** We suspect these additions should help Star earn SSSG in subsequent years.

- **Expansion:** Star largely remains a three-state operation (Maharashtra + Karnataka + Telangana; small presence in Gujarat too via FHL). In FY25, the focus remained on densifying the presence in its existing 10 cities (store-to-district ratio up from 6.3x to 7.8x in over FY23-25). The format added 12 stores (net) in FY25 (total stores/area – 78/1.3mn+ sq. ft.). We expect *Star's* expansion (we have built in 20 stores) to be healthy and primarily in existing cities in FY26 in order to protect unit economics.

- **Revenue mix, margins, and working capital management:** Fresh and GM/apparel's salience (higher gross margin categories) is estimated to have inched up in FY25 by ~350bps (from ~47% of sales in FY24 to ~50.5% in FY25). Despite this, overall gross margins have marginally declined (~30bps to 20%). We suspect this may be a consequence of sharpening the FMCG value proposition. While staples, Fresh and GM/apparel continued to outpace portfolio growth; FMCG (an important footfall anchor) continued to lag portfolio growth. Star would need to fix this before planning any elaborate expansion, in our view. Note: PBT margins after achieving near-break-even in FY24 have slipped back into the red (-2.5% in FY25) as we suspect growth investments may have been spruced up. Despite the rising skew of GM/apparel categories in the mix, working capital management has been commendable with focus on reducing inventory days (down from 25 days to 19.6 days) and paying off creditors faster (down from 25 days to 20.1 days) over FY23-25.

- **Investments, FCFF and potential quasi-capital infusion on the cards:** Trent's investments in THPL now stand at ~INR7.54bn over FY25. THPL's cumulative FCFF now stands at a negative INR10bn over FY19-25. Most of these investments have been focused on strengthening supply chain infrastructure (especially for Fresh category), upgrading repackaging unit, improving sourcing, in-store operations. Interestingly, **Trent is seeking shareholder approval for a material RPT with THPL to the tune of INR20bn for FY26 – this does hint towards a quasi-capital infusion for growth – a key monitorable.**

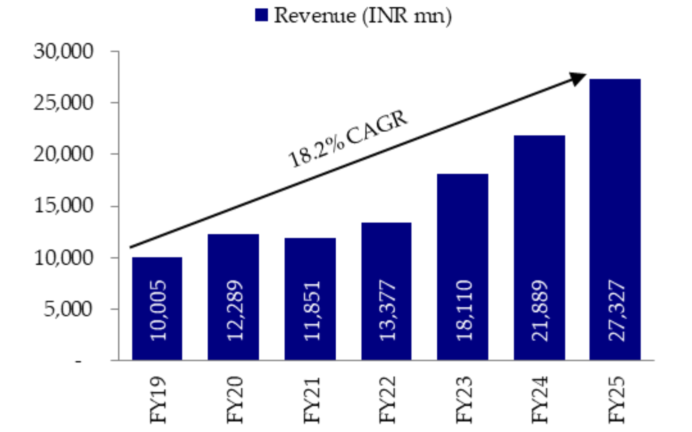
- **Financial performance:** THPL's revenue grew 24.8% YoY in FY25 (CAGR over FY19-25 of 18.2%), registering strong consumer traction, driven by growing footfalls. Revenue/invoices on a like-for-like basis grew over 10% in FY25. Exclusive retail brands in FMCG vertical comprised 17% share amongst FMCG categories at the end of FY25 vs 14.8% in FY24. Furthermore, the share of margin-accretive own brands in the mix increased from 69% in Q4FY24 to 72% in Q4FY25. These strategic initiatives, including an improved value proposition and increased penetration of own brands, coupled with strengthened supply chain, have significantly reduced Pre-INDAS 116 EBITDAM losses from -8.0% in FY19 to -3.6% in FY25 (HSIE estimates).

List of own brands offered under Star format

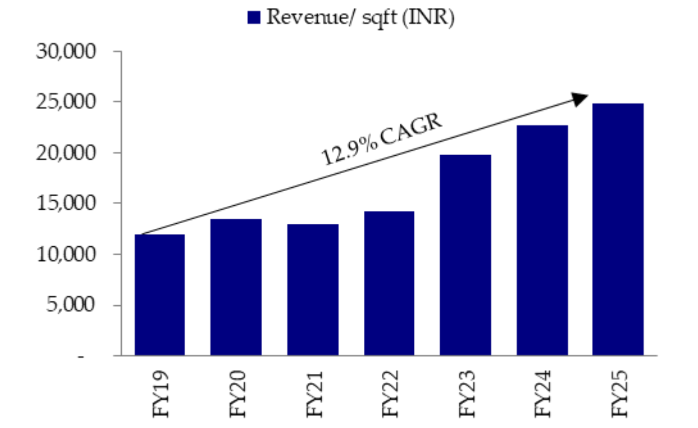
Brand	Offering
Klia	Cleaning-aids and home care products
Fabsta	Packaged food and beverages
Skye	Personal care products
Smartle	General merchandise (cookware, dining, storage, home utility, bath ware, home furnishing, toys, stationery, small appliances and backpacks)
Star	Branded staples and fresh products
Shubh Anand	Pooja products
Vaayo	Disposables and room freshners

Source: Company, HSIE Research

THPL's revenue grew 24.8%, led by improvement in sales densities (a consequence of a sharper value proposition)

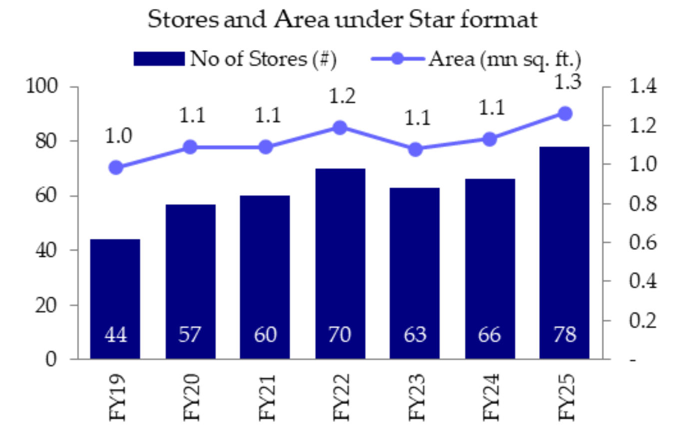


Source: Company, HSIE Research;



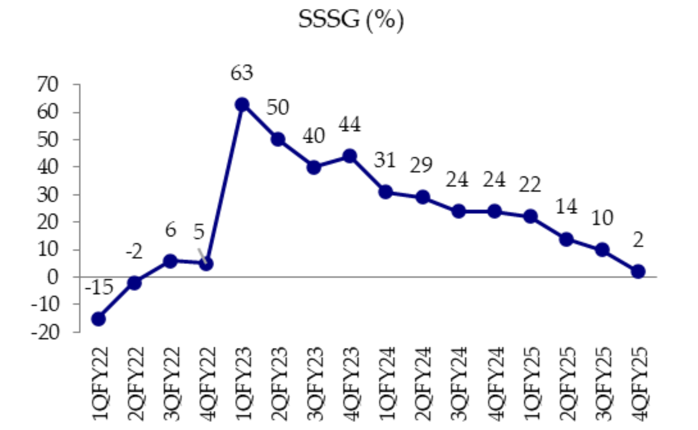
Source: Company, HSIE Research, Area estimated excludes Star formats in FHL

FY25 witnessed a step-up in store expansion; fell short of management's guidance



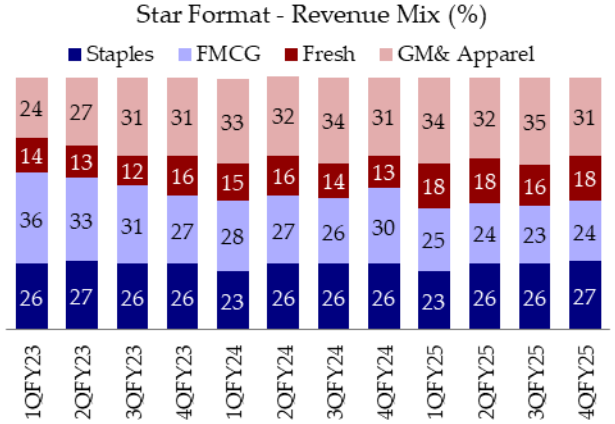
Source: Company, HSIE Research

SSSG continues to normalize on a high base

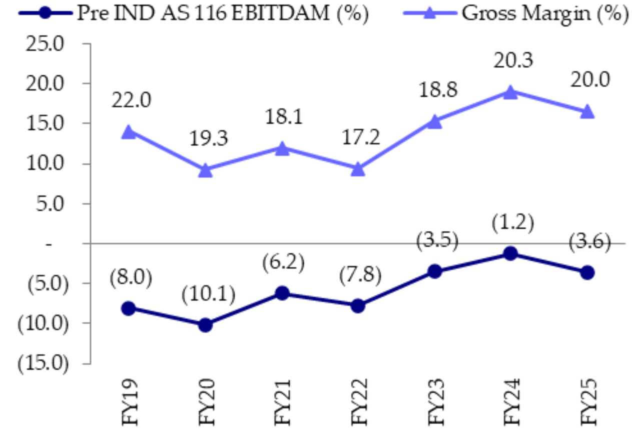


Source: Company, HSIE Research

Despite Fresh and GM/apparel's salience rising, gross margins have marginally declined…we suspect this is to further sharpen the FMCG value proposition



Source: Company, HSIE Research



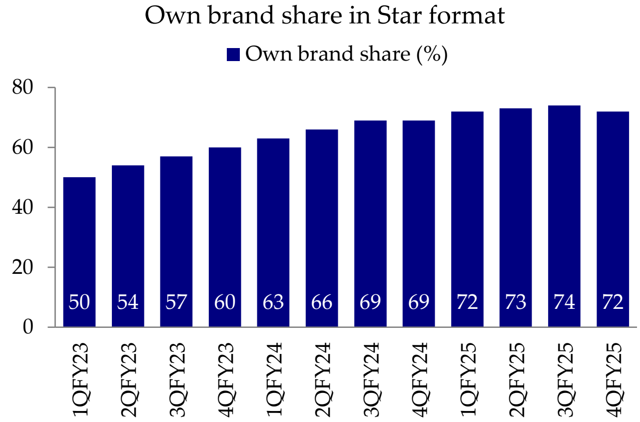
Source: Company, HSIE Research

Quality of WC management continues to improve

	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Inventories	26.8	21.0	28.5	29.2	25.1	19.6	19.6
Trade receivables	8.1	4.9	5.0	7.4	4.6	3.7	1.5
Trade payables	37.9	31.8	33.0	35.0	25.3	22.8	20.1
Other Current assets	43.1	9.8	9.7	10.3	7.0	8.1	5.8
Other Current liabilities	6.6	10.9	9.5	10.9	8.7	7.3	6.8
Cash Conversion Cycle (# days)	**(3.1)**	**(6.0)**	**0.4**	**1.6**	**4.4**	**0.6**	**1.0**

Source: HSIE Research (estimates)

Own brands now account for 72% of sales

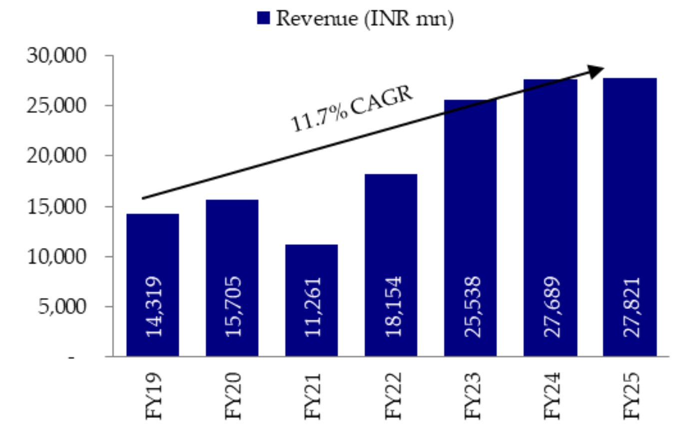


Source: HSIE Research (estimates)

Zara: flat sales, fading dividends

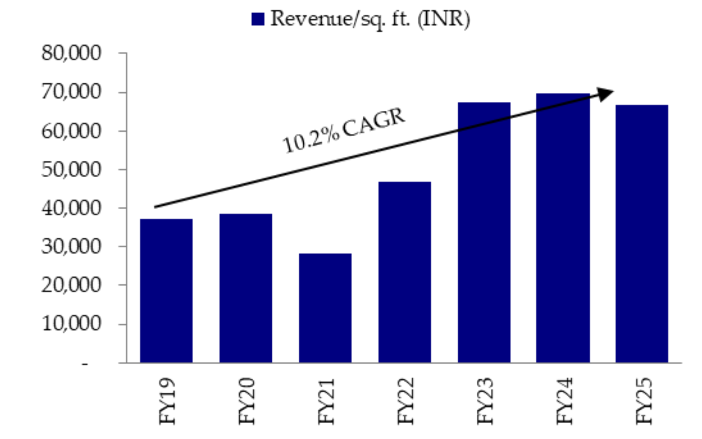
- Trent has two separate associations with the Inditex group of Spain, one for Zara stores and the other for Massimo Dutti stores in India. These joint ventures are obligated to source merchandise exclusively from the Inditex group, which also retains full discretion over product selection and specifications. Given Inditex's complete control over brand ownership and core customer propositions, Trent categorizes its commitments to these entities as financial investments, rather than integral long-term strategic investments within its broader retail operations. The operating activities of these entities are essentially limited to product distribution in India, which inherently impacts the economic value attributable to these businesses. Consequently, Trent has strategically reduced its stake in both entities during FY25:
  - In August 2024, Trent decreased its ownership in ITRIPL (Zara) from 49% to 34.94%.
  - In March 2025, it further reduced its stake in MDIPL (Massimo Dutti) from 49% to 20%.
- **Financial performance:** Zara's top-line largely remained flat in FY25 at INR27.8bn (CAGR of 11.7% over FY19-25). The retailer closed one store in FY25 (total stores/area: 22/0.41mn sq. ft). Sales density in our estimates has normalized (down 4% YoY) from FY24 highs. While GMs improved 175bps YoY to 39.9%; PBT margins (ex-other income) were up ~105bps YoY at 11.1% (vs 10.1% in FY24). WC investments increased from 8 (in FY24) to 13 days in FY25. However, the quality of WC management has improved as inventory days reduced from 32 to 30 days YoY in FY25; while payables reduced to 19 days in FY25 (vs 26 days in FY24). From Trent's point of view, the historically hefty Zara dividends have disappeared (as anticipated and highlighted in our Oct-23 note on Trent).

Zara reported modest growth of 0.5% in FY25



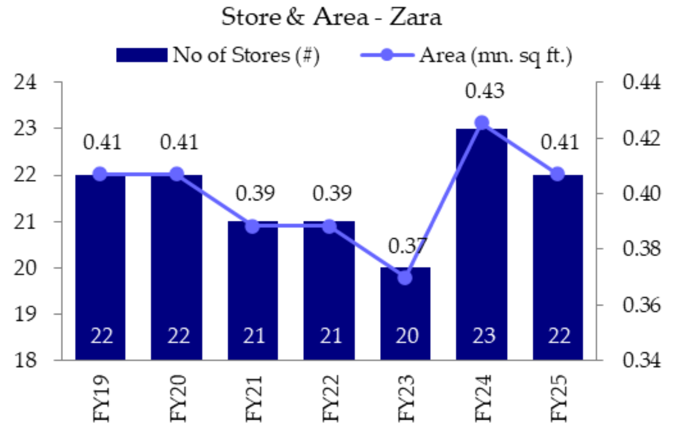
Source: Company, HSIE Research;

Sales density estimated to have normalized downward (on a high base in FY24)



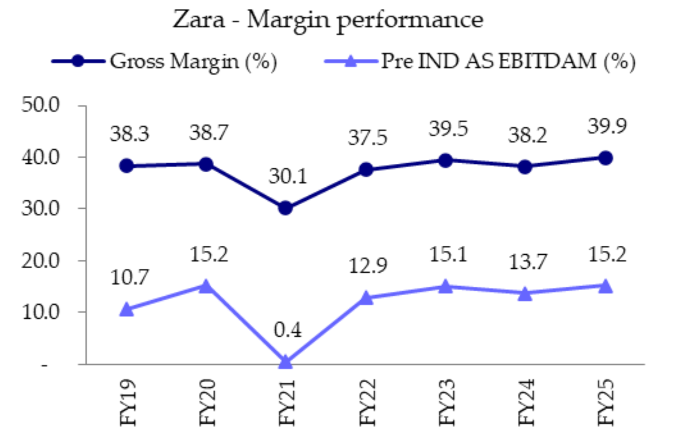
Source: Company, HSIE Research

Closed one store in FY25



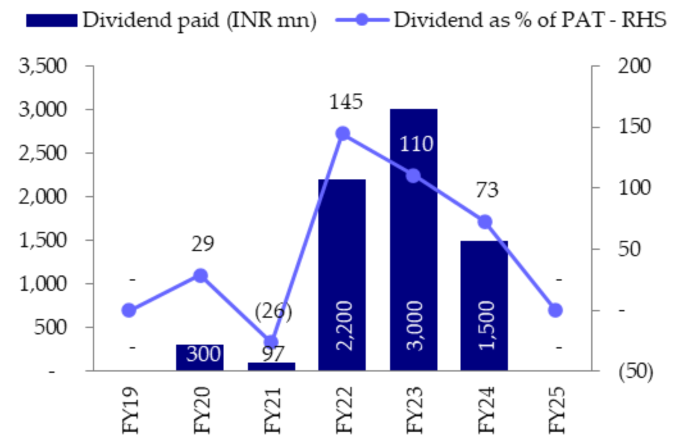
Source: Company, HSIE Research

Gross margin and opex improvement lifted EBITDAM



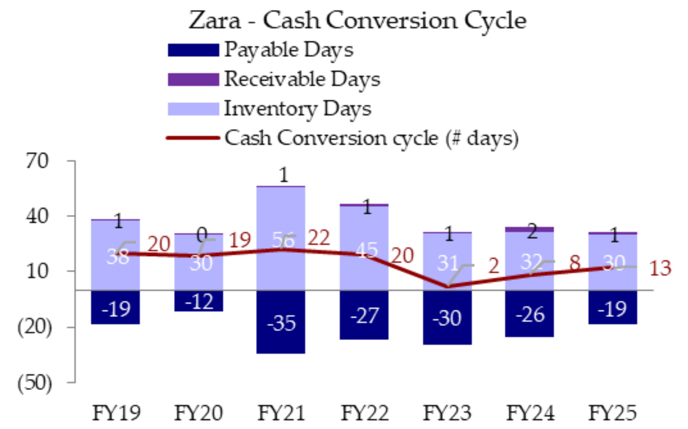
Source: Company, HSIE Research, NOTE: Zara's Pre-IND AS EBITDAM are estimates

After a dividend payout ratio of >100% cumulatively for FY22-24, Zara has not distributed any dividend in FY25



Source: Company, HSIE Research

WC Investment increased from 8 to 13 days in FY25



Source: Company, HSIE Research.

Investments schedule over FY17-25 depicting recurring investment in THPL and Booker India

Non Current Investments (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Booker India		-	-	1,087	1,087	1,658	1,536	2,512	3,485
Trent Brands*	303	303	303	303	303	303	303	-	-
Nahar Retail Trading Services	283	283	283	283	283	1,107	1,107	1,107	1,407
Others	19	19	19	19	254	-	-	-	1
Fiora Hypermarket	451	451	631	-	-	-	-	-	-
Trent Global holdings	40	40	40	40	44	47	47	68	258
Massimo Dutti India	110	184	184	184	184	297	297	297	121
Trent Hypermarket	4,064	4,064	4,916	5,136	5,586	6,136	6,651	7,264	7,540
Fiora Business Support Services	33	297	297	297	297	646	646	646	646
Less: Impairment provision	*-36*	*-36*	*-40*	*-40*	*-104*	*-45*	*-45*	*-45*	*-45*
Total Investment in Subsidiaries	**4,682**	**5,020**	**6,047**	**5,635**	**6,260**	**7,081**	**7,596**	**8,230**	**8,521**
Inditex Trent Retail India	318	318	318	318	318	318	318	318	178
Trent MAS Fashion					-	-	-	5	95
Total Investment in JV/Associates	**5,000**	**5,337**	**6,364**	**5,953**	**6,578**	**7,398**	**7,913**	**8,553**	**8,793**
Other companies	-4,974	-5,307	-6,337	-5,931	-6,544	-7,354	-7,857	-8,352	-8,591
Tata Unistore	360	587	867	870	2,014	1,991	-	-	-
Total Investment in companies	**386**	**617**	**895**	**892**	**2,048**	**2,035**	**57**	**200**	**203**
Incremental investment									**-414**
Trent Investment Corporation	25	28	27	21	33	43	56	199	201
Investment in Pref. Shares - Others	364	100	100		212	1	-	30	30
Tata Group Bonds/NCDs	1,240	1,230	713	611	485	169	-	-	1,003
Total Investments (A)	**1,944**	**2,164**	**1,926**	**1,820**	**2,850**	**2,521**	**374**	**518**	**1,383**
Investment in Pref. Shares - Tata Digital							247	267	288
Investment in Pref. Shares - BIL							604	-	-
Total Other Investments (B)	**3,183**	**3,395**	**2,639**	**2,431**	**3,335**	**2,690**	**1,225**	**784**	**2,673**
Investment in Pref. Shares - Tata Sons	140	151	151	140	151	151	151	151	-
Investment in Government securities									981
Total Non-Current Investments (A+B)	**165**	**179**	**177**	**161**	**184**	**194**	**206**	**349**	**201**

Key takeaways from investor meet

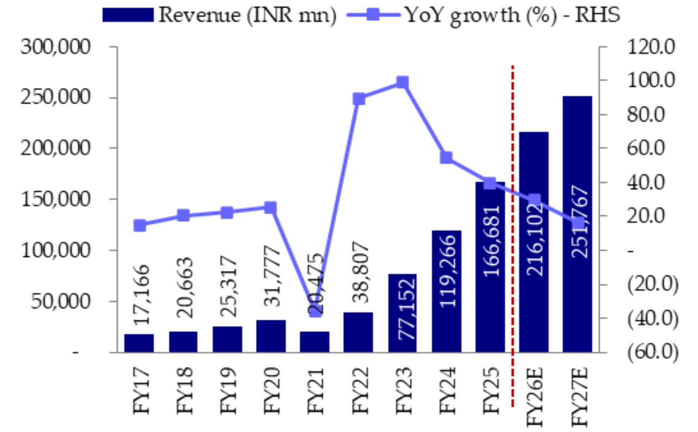
- Despite robust growth over the past few years, management highlighted that Trent's share in India's fashion and lifestyle retail sector is in single digits. Management acknowledges that significant opportunities for expansion still exist within the Indian fashion and lifestyle retail sector.
- Management aims to achieve a 25% CAGR in the long term through its multi-brand and cluster-based store expansion approach for increasing market share in micro markets.
- Management anticipates that while LFL growth may exhibit moderation in the short term, improvement is expected in the long term, supported by a robust product portfolio and solid store fundamentals.
- FY25 was a relatively challenging year for the Indian retail sector. Multiple headwinds, including inflation, impacted discretionary spends. However, India's economy remains resilient, and a young population, rising urbanization, and digital proliferation should drive consumption, going ahead. India's retail sector is expected to grow from ~USD1trn in FY25 to ~USD2.2trn by FY34. Fashion and lifestyle market is poised to grow at 10-12% CAGR to INR18tn by 2028. Within the food and grocery retail, the market opportunity for organized trade continues to expand; premiumization is emerging as a key theme, as consumers are willing to pay for convenience, quality, and wellness.
- The company identifies Zudio as a pivotal driver of future expansion, with substantial recent store additions anticipated to significantly boost growth in the upcoming fiscal year.
- The Star format is dedicated to enhancing customer footfall by rigorously focusing on product freshness and maintaining stringent standards of quality and hygiene.
- Management views building a substantial and impactful presence within the Star retail initiative as a sustained, multi-decade endeavor, reflecting a long-term commitment.
- The company is continuously implementing initiatives to streamline operations and enhance overall efficiency across all store formats. These operational improvements are projected to lead directly to better profit margins and more efficient utilization of capital.
- The company highlights that emerging product segments, including BPC, innerwear, and footwear, now contribute over 20% of sales, driven by robust volume increases in these categories.
- The core business model strongly favors proprietary brands, with no current plans to distribute external third-party labels.
- Management emphasized that it has upgraded its backend technology, moving from an older version of SAP, and technologically integrated every part of the business to support operations and efficiency.
- The company focuses on the direct-to-customer channel in order to drive repeat purchases from a critical mass of consumers rather than occasional purchases.
- The company has observed that initial feedback from Zudio's venture into international markets has been positive, indicating promising reception beyond just the Indian diaspora.

- Management states that efficient supply chain management is considered key to enabling rapid product turnover and maintaining responsiveness to market trends.
- Management confirms that it does not currently foresee an online channel for Zudio, focusing its digital efforts primarily on Westside.
- Segments such as Samoh and Zudio Beauty are not making losses, but management acknowledged these formats have yet to prove their relevance; thereafter, management will focus on blitzscaling.
- Management emphasized a cautious approach regarding achieving specific numeric milestones in the Star format, even if it means missing initial store addition targets.
- The company's franchisee model operates as a property-based arrangement, ensuring it maintains control over the customer proposition and does not sell inventory to franchise partners.

Financials analysis

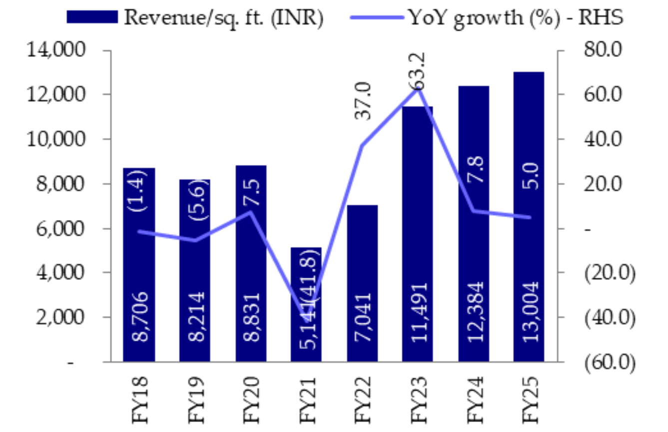
- Trent continued its strong growth in the apparel sector, although the pace of growth is moderating. Standalone revenue grew by 39.8% to INR166.7bn in FY25, primarily driven by over 40% rise in volumes.
- The company's fashion formats clocked robust double-digit SSSG in FY25. Meanwhile, lifestyle and non-apparel categories continued to contribute over 20% of Trent's revenue. Volume CAGR for emerging categories over FY21-25 stood at 149/92/73% for beauty/innerwear/footwear respectively. Despite this growth, the contribution of apparel sales marginally improved by 13bps to 85.46%, with non-apparel making up the remaining 14.54%.
- Blended sales density (derived) grew by 5% to INR13k in FY25 vs INR12.3k in FY24. This growth was impacted by the back-ended store expansion in Q4FY25, as the retailer added 10/130 (net) stores in Westside and Zudio respectively.

Trent continues its strong growth profile amongst apparel peers; albeit pace of growth is moderating



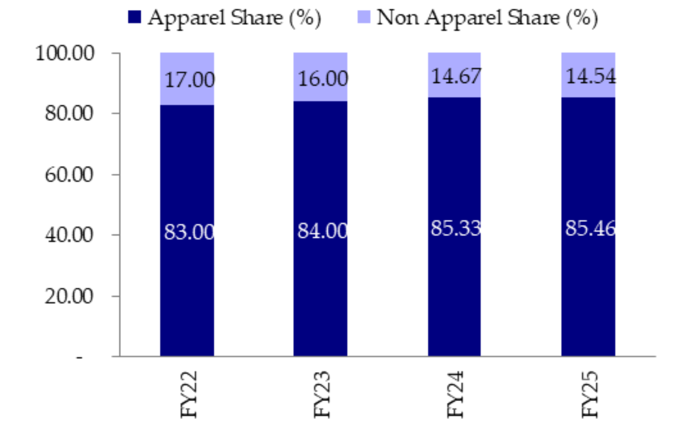
Source: Company, HSIE Research, Standalone Financials

Sales density impacted in FY25 as most of the store expansion was back-ended in Q4



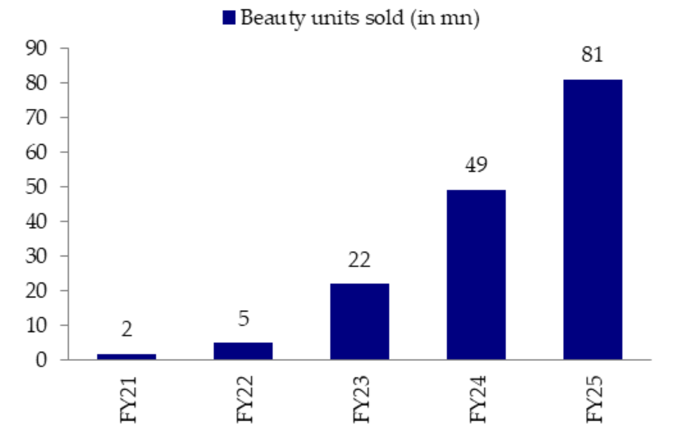
Source: Companies, HSIE Research, Standalone Financials

Share of apparel largely remained stable in FY25



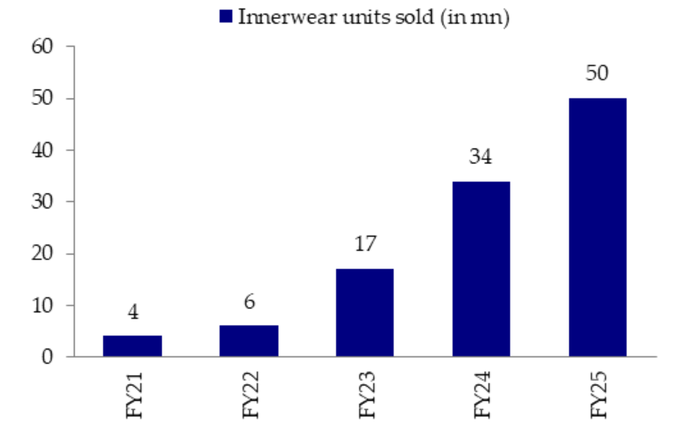
Source: Company, HSIE Research

Beauty units sold increased at 149% CAGR over FY21-25



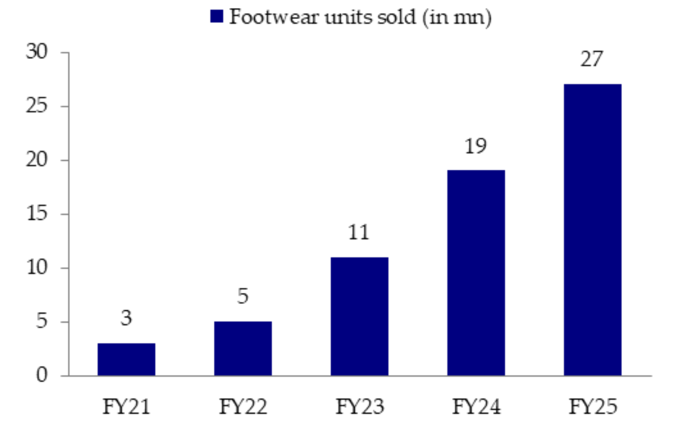
Source: Company, HSIE Research

Innerwear units sold increased at 92% CAGR over FY21-25



Source: Company, HSIE Research

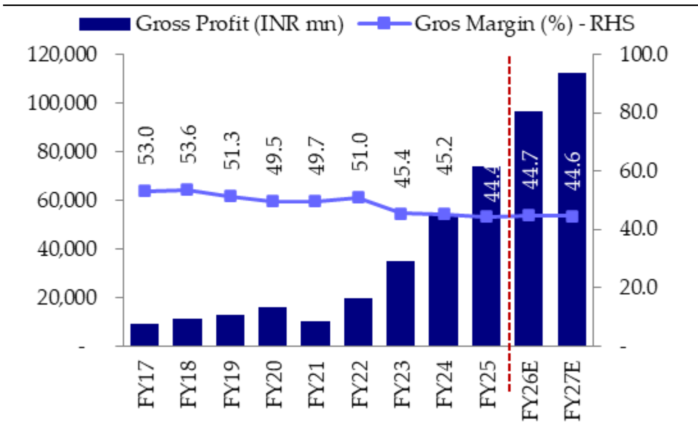
Footwear units sold increased at 73% CAGR over FY21-25



Source: Company, HSIE Research

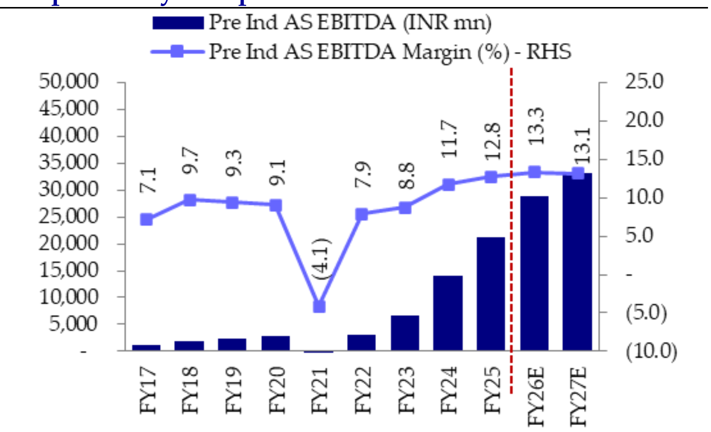
- Despite an increasing revenue contribution from Zudio (estimated to rise from 57% to 66% in FY25), Trent's gross margins saw a slight contraction of 72bps YoY to 44.4% in FY25. This limited impact suggests that the higher sales from Zudio were likely counterbalanced by a potential upward shift in Westside's value proposition, Near stable F&: ASP (INR427 in FY25) indicates the same trend.
- In FY25, the average area covered per employee increased from 390sq. ft. to 422 sq. ft., leading to a 3.79% YoY decline in employee expense per sq. ft. in FY25. Consequently, employee expense as a percentage of revenue stood at 7.2% in FY25 vs 7.9% in FY24.
- Pre-IndAS rent stood at INR21.8bn in FY25 (13.1% of revenue) vs INR16.6bn in FY24 (13.9% of revenue). Total rent/sq. ft. saw a modest 2.83% YoY increase to INR1,806/ sq. ft. (vs. INR1,756/ sq. ft. in FY24). This relatively small increase in per sq. ft. rent is likely attributable to the company's strategy of expanding into tier 2 and tier 3 cities, aligning with management's focus on gaining market share in micro markets.
- Ad spends as a percentage of revenue remained largely stable at 0.7% in FY25.
- Overall, the Pre-IndAS EBITDA margin improved by 105bps YoY to 12.8% in FY25. This improvement in margin expansion was primarily driven by a combination of lower rental expense as a percentage of revenue, enhanced employee efficiency resulting in lower employee expense as a percentage of revenue, and better return on ad spends.

Gross margins are declining due to rising share of Zudio in the overall mix



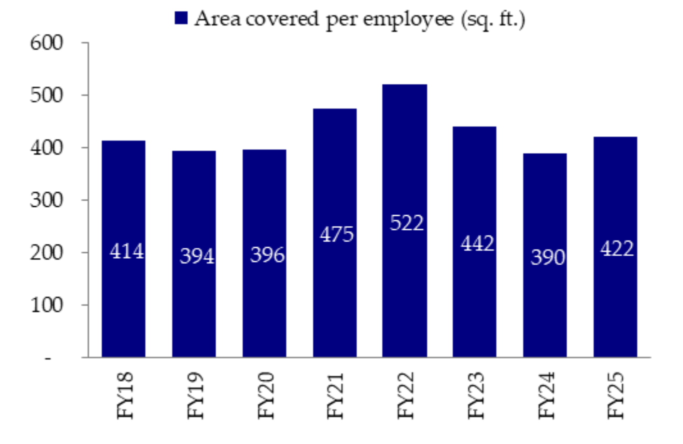
Source: Company, HSIE Research

Despite the rising Zudio mix, Pre-IndAS EBITDAM improved by 105bps in FY25



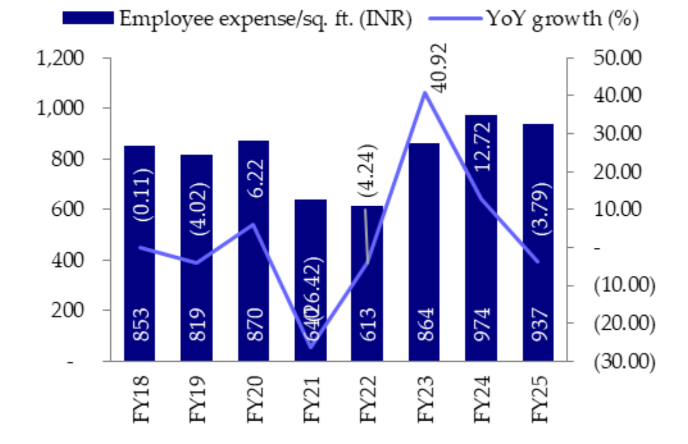
Source: Company, HSIE Research

Increased employee efficiency has led to improvement in area covered per employee in FY25



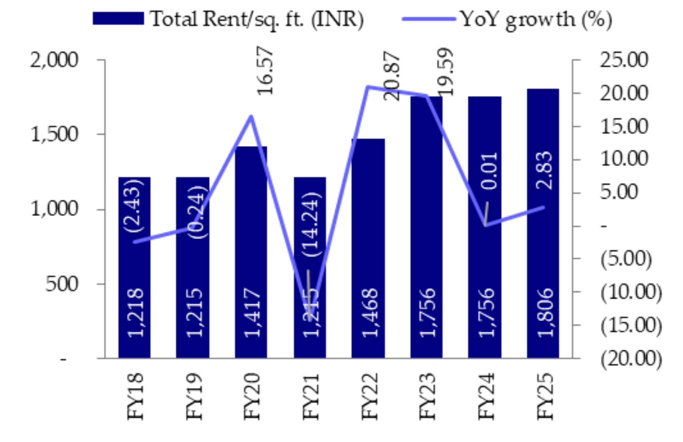
Source: Company, HSIE Research

Employee expense/sq. ft. declined by ~4% in FY25



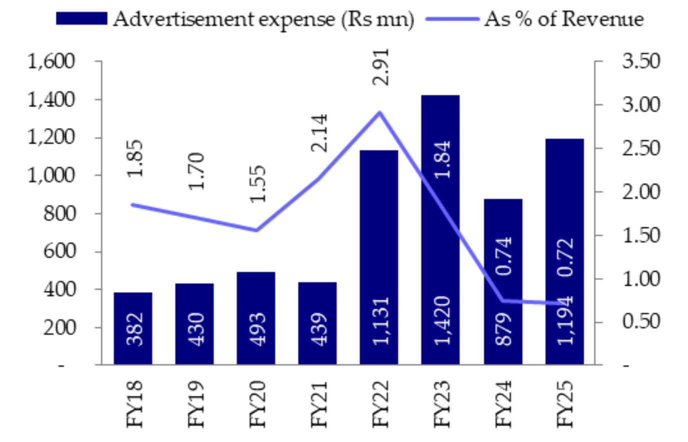
Source: Company, HSIE Research

Rent/sq. ft. increased by modest 2.83% due to expansion at tier 2 and tier 3 locations



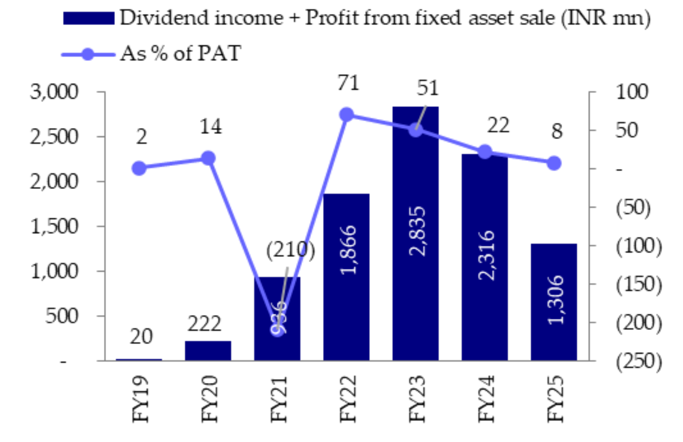
Source: Company, HSIE Research

Ad spends/sq. ft. have largely remained stable after high spends in FY22 and FY23



Source: Company, HSIE Research

Contribution from dividends and profit from fixed asset sale have started to decline



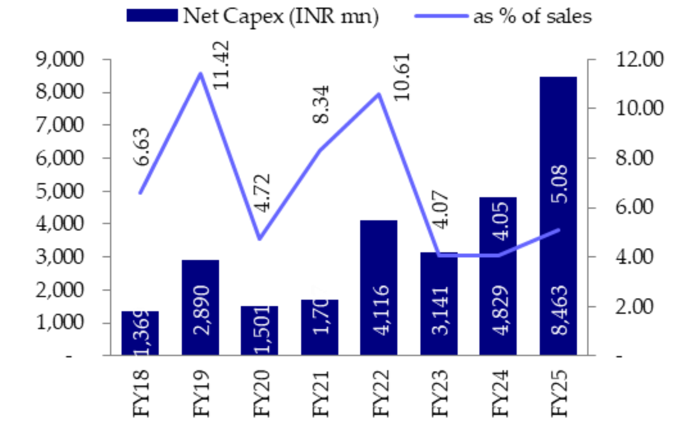
Source: Company, HSIE Research

- In the past fiscal years, the contribution from dividend income and profit from sale of fixed assets significantly boosted Trent's PAT. However, in FY25, this contribution has meaningfully reduced to 8% of PAT.
- This decrease is primarily attributable to two factors: 1) Zara did not pay any dividend in FY25 and 2) markup charged on fixed asset sale has reduced from 52% of adj. asset sales value in FY23 to 30% in FY25

- In FY25, Trent significantly expanded its retail footprint by adding a gross total of 40 Westside stores and 244 Zudio stores. This aggressive expansion has substantially increased the gross capex from INR7.2bn to INR12.2bn. Further, the reduction in markup charged on fixed asset sale resulted in lower-than-anticipated proceeds in FY25. Consequently, the net capex as a % of sales increased from 4.05% in FY25 to 5.08% in FY25.

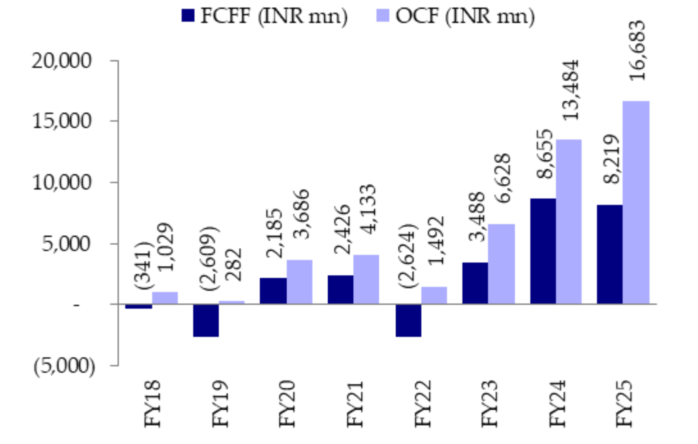
- Despite the higher capex in FY25, FCFF has declined by a modest 5%. This resilience was due to a strong improvement in operating cash flow, which increased from INR13.5bn to INR16.7bn, driven by enhanced operating margins.

Net capex as a % of sales has gone up from 4.05% in FY24 to 5.08% in FY25 due to aggressive store expansion



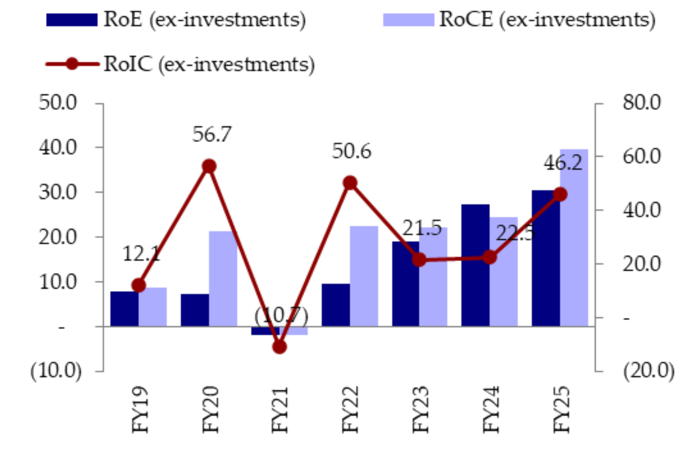
Source: Company, HSIE Research

Despite the higher capex, FCFF declined by just 5% due to higher operating margins



Source: Company, HSIE Research

Return ratios continue to improve due to scale-led efficiencies



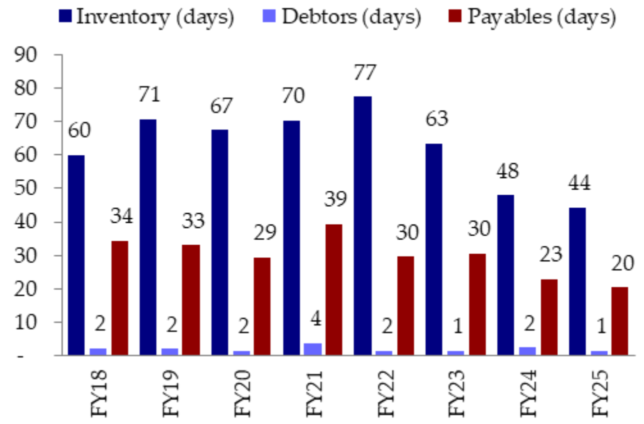
Source: Company, HSIE Research

- Despite the rapid expansion of Zudio, a format that is inherently margin-dilutive for the company, Trent's return ratios notably improved in FY25.
- This improvement was driven by a combination of lower rental expense as % of revenue, enhanced employee efficiency resulting in lower employee expense as % of revenue, and better return on ad spends, leading to better operating margins.
- Improvement in asset turnover ratio from 2.12 in FY24 to 2.83 in FY25 also led to improvement in return ratios.

Dupont Analysis over FY18 to FY25 – Improvement in ROE primarily led by higher asset turnover ratio

Dupont Analysis	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
PAT/Sales (x)	0.06	0.05	0.05	-0.02	0.07	0.07	0.09	0.10
Asset Turnover (ex-investments) (x)	1.49	1.74	1.12	0.49	0.75	1.24	2.12	2.83
Financial leverage factor (x)	0.88	0.88	1.36	1.67	1.98	2.15	1.50	1.14
RoE (%)	**7.39**	**7.72**	**7.37**	**-1.78**	**10.04**	**19.12**	**27.36**	**30.59**

Cash conversion cycle continues to improve from 27 days in FY24 to 25 in FY25



- Inventory days improved from 48 days in FY24 to 44 days in FY25. Management attributes this efficiency to effective supply chain management, which has facilitated rapid product turnover and enabled the company to respond quickly to evolving market trends.
- Receivable days have remained largely stable while trade payable days have declined by three days from 23 in FY24 to 20 in FY25.
- Core cash conversion cycle has improved by two days YoY to 25 days in FY25.

Source: Company, HSIE Research

Financials

Income Statement

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	**31,777**	**20,475**	**38,807**	**77,152**	**1,19,266**	**1,66,681**	**2,16,102**	**2,51,767**
Growth (%)	25.5	(35.6)	89.5	98.8	54.6	39.8	29.6	16.5
COGS	16,037	10,296	19,009	42,156	65,407	92,616	1,19,519	1,39,500
Employee Expense	3,131	2,550	3,379	5,801	9,379	12,009	15,786	18,391
A&P Expense	493	439	1,131	1,420	879	1,194	1,729	1,888
Rent Expense	2,026	1,838	3,663	7,086	11,293	15,558	19,948	24,103
Other Expenses	4,458	3,314	5,290	9,497	13,038	17,765	22,854	26,347
EBITDA	**5,632**	**2,038**	**6,335**	**11,193**	**19,269**	**27,540**	**36,265**	**41,537**
EBITDA Growth (%)	**138.1**	**(63.8)**	**210.8**	**76.7**	**72.2**	**42.9**	**31.7**	**14.5**
EBITDA Margin (%)	**17.7**	**10.0**	**16.3**	**14.5**	**16.2**	**16.5**	**16.8**	**16.5**
Pre IND AS EBITDA	**2,879**	**(848)**	**3,053**	**6,753**	**13,957**	**21,253**	**28,748**	**33,098**
Pre IND AS EBITDA Growth (%)	**21.7**	**(129.4)**	**(460.0)**	**121.2**	**106.7**	**52.3**	**35.3**	**15.1**
Pre Ind AS EBITDA Margin (%)	**9.1**	**(4.1)**	**7.9**	**8.8**	**11.7**	**12.8**	**13.3**	**13.1**
Depreciation	2,311	2,359	2,831	4,632	6,385	8,699	10,712	11,431
EBIT	**3,321**	**(321)**	**3,505**	**6,560**	**12,884**	**18,841**	**25,553**	**30,106**
Pre IND AS EBIT	**2,303**	**(1,421)**	**2,398**	**5,352**	**11,789**	**18,403**	**24,274**	**28,194**
Other Income (Including EO Items)	1,517	1,979	2,658	4,117	3,509	3,294	2,980	3,291
Interest	2,383	2,380	2,933	3,572	3,094	1,369	1,870	2,158
Interest - Pre IND AS	426	274	338	336	348	341	349	349
PBT	**2,455**	**(721)**	**3,230**	**7,105**	**13,300**	**20,766**	**26,663**	**31,239**
	0	63	132	-	(5,434)	-	-	-
PBT (after exceptional items)	**2,455**	**(785)**	**3,098**	**7,105**	**18,733**	**20,766**	**26,663**	**31,239**
Total Tax	909	(211)	734	1,559	4,375	4,918	6,711	7,863
RPAT before share of associate earnings	**1,546**	**(574)**	**2,365**	**5,546**	**14,358**	**15,848**	**19,952**	**23,376**
Share of associate earnings	-	-	-	-	-	-	-	-
Minority share of Profit/(Loss)	-	-	-	-	-	-	-	-
RPAT	**1,546**	**(574)**	**2,365**	**5,546**	**14,358**	**15,848**	**19,952**	**23,376**
Exceptional (Gain)/loss	0	63	132	-	(4,060)	-	-	-
Adjusted PAT	**1,546**	**(510)**	**2,496**	**5,546**	**10,298**	**15,848**	**19,952**	**23,376**
APAT Growth (%)	**20.8**	**(133.0)**	**(589.3)**	**122.2**	**85.7**	**53.9**	**25.9**	**17.2**
Adjusted EPS (Rs)	**4.3**	**(1.4)**	**7.0**	**15.6**	**29.0**	**44.6**	**56.1**	**65.8**
EPS Growth (%)	**12.9**	**(133.0)**	**(589.3)**	**122.2**	**85.7**	**53.9**	**25.9**	**17.2**

Source: Company, HSIE Research

Balance Sheet

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS								
Share Capital - Equity	355	355	356	356	356	356	356	356
Reserves	24,634	24,803	26,845	30,444	44,116	58,789	76,176	96,393
Total Shareholders Funds	**24,990**	**25,159**	**27,200**	**30,799**	**44,472**	**59,144**	**76,532**	**96,748**
Minority Interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Long Term Debt	2,997	-	4,974	4,980	4,986	4,992	4,992	4,992
Short Term Debt	-	-	-	-	-	-	-	-
Total Debt	**2,997**	**-**	**4,974**	**4,980**	**4,986**	**4,992**	**4,992**	**4,992**
Lease Liability	21,471	24,973	40,058	38,206	12,398	17,067	20,949	24,263
Net Deferred Taxes	**(1,070)**	**(1,080)**	**(1,225)**	**(1,540)**	**(553)**	**(458)**	**(458)**	**(458)**
Other Non-current Liabilities & Provns	**69**	**87**	**95**	**215**	**149**	**560**	**560**	**560**
TOTAL SOURCES OF FUNDS	**48,458**	**49,138**	**71,102**	**72,660**	**61,451**	**81,306**	**1,02,575**	**1,26,105**
APPLICATION OF FUNDS								
Net Block	7,142	6,968	7,747	9,313	12,111	19,643	20,035	19,733
CWIP	231	340	448	415	1,614	1,179	1,179	1,179
Other Non-current Assets	9,345	10,352	12,947	14,871	18,207	21,235	36,235	36,235
RoU Assets	19,041	22,265	37,336	34,346	11,891	16,964	15,187	12,755
Total Non-current Assets	**35,759**	**39,925**	**58,478**	**58,945**	**43,823**	**59,021**	**72,636**	**69,902**
Inventories	5,865	3,946	8,225	13,369	15,648	20,284	26,643	30,695
Debtors	133	206	163	314	786	596	773	901
Other Current Assets	2,241	2,204	2,514	3,235	4,089	5,760	7,172	8,011
Cash & Equivalents	**8,883**	**9,710**	**7,516**	**5,808**	**9,681**	**10,869**	**14,794**	**38,905**
Total Current Assets	**17,123**	**16,066**	**18,418**	**22,726**	**30,205**	**37,510**	**49,382**	**78,511**
Creditors	2,565	2,196	3,142	6,437	7,523	9,299	11,760	13,356
Other Current Liabilities & Provns	1,859	4,656	2,652	2,574	5,054	5,926	7,683	8,952
Total Current Liabilities	**4,423**	**6,852**	**5,794**	**9,011**	**12,577**	**15,225**	**19,444**	**22,308**
Net Current Assets	12,699	9,213	12,624	13,715	17,628	22,284	29,939	56,204
TOTAL APPLICATION OF FUNDS	**48,458**	**49,138**	**71,102**	**72,660**	**61,451**	**81,306**	**1,02,575**	**1,26,105**

Source: Company, HSIE Research

CASH FLOW STATEMENT

Year ending March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	2,455	(658)	3,362	7,105	13,300	20,766	26,663	31,239
Non-operating & EO Items	(1,228)	(782)	(2,624)	(3,944)	(3,447)	(3,351)	-	-
Interest Expenses	2,058	2,084	2,725	3,411	2,913	1,063	1,870	2,158
Depreciation	2,319	2,359	2,831	4,632	6,385	8,699	10,712	11,431
Working Capital Change	(1,112)	1,131	(4,020)	(2,707)	(2,725)	(5,579)	(3,729)	(2,155)
Tax Paid	(807)	(1)	(782)	(1,869)	(2,942)	(4,915)	(6,711)	(7,863)
OPERATING CASH FLOW (a)	**3,686**	**4,133**	**1,492**	**6,628**	**13,484**	**16,683**	**28,805**	**34,811**
Capex	(1,501)	(1,707)	(4,116)	(3,141)	(4,829)	(8,463)	(19,866)	(4,602)
Free Cash Flow (FCF)	2,185	2,426	(2,624)	3,488	8,655	8,219	8,940	30,209
Investments	(5,870)	972	2,317	57	(926)	(422)	-	-
Non-operating Income	(200)	343	1,741	1,654	769	312	-	-
(Increase)/decrease in RoU		-	-	-	-	-	-	-
INVESTING CASH FLOW (b)	**(7,570)**	**(393)**	**(59)**	**(1,430)**	**(4,985)**	**(8,573)**	**(19,866)**	**(4,602)**
Debt Issuance/(Repaid)	(4,367)	(2,376)	(5,350)	(3,557)	(3,076)	(1,335)	(1,870)	(2,158)
FCFE	(2,182)	49	(7,974)	(70)	5,579	6,885	7,069	28,051
Share Capital Issuance	9,498	-	4,969	-	-	-	-	-
Dividend	(520)	(355)	(426)	(393)	(783)	(1,136)	(1,778)	(2,437)
Others	-	(780)	(552)	(1,202)	(2,566)	(5,259)	(1,367)	(1,504)
FINANCING CASH FLOW (c)	**4,611**	**(3,512)**	**(1,359)**	**(5,152)**	**(6,425)**	**(7,730)**	**(5,014)**	**(6,099)**
NET CASH FLOW (a+b+c)	**727**	**228**	**74**	**46**	**2,074**	**380**	**3,925**	**24,110**
EO Items, Others	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	441	669	744	789	2,862	3,229	7,154	31,264

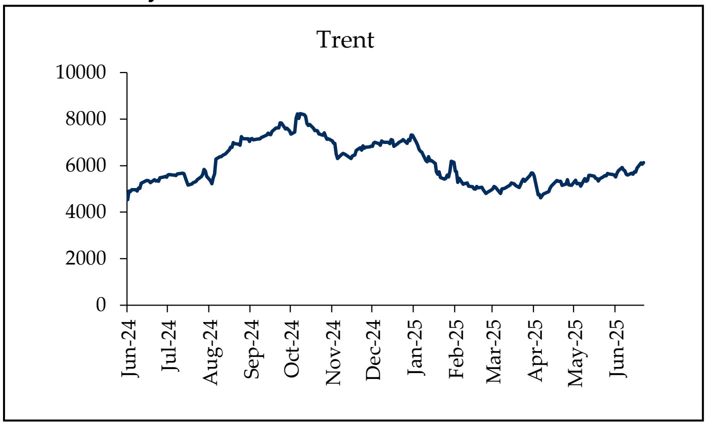
Source: Company, HSIE Research

KEY RATIOS

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY (%)								
GPM	49.5	49.7	51.0	45.4	45.2	44.4	44.7	44.6
EBITDA Margin	17.7	10.0	16.3	14.5	16.2	16.5	16.8	16.5
EBIT Margin	10.5	(1.6)	9.0	8.5	10.8	11.3	11.8	12.0
APAT Margin	4.9	(2.5)	6.4	7.2	8.6	9.5	9.2	9.3
RoE	7.4	(2.0)	9.5	19.1	27.4	30.6	29.4	27.0
RoIC (or Core RoCE)	7.2	(0.6)	5.3	7.9	14.6	23.5	24.2	25.7
RoCE	8.7	2.3	8.0	11.6	18.5	23.7	23.2	21.9
RoE*	6.6	(1.8)	8.6	16.9	27.0	30.5	27.1	23.8
RoIC*	14.2	(5.6)	13.2	13.5	16.7	31.8	28.4	28.2
RoCE*	11.3	(1.2)	12.1	15.5	19.1	29.6	26.3	23.3
EFFICIENCY								
Tax Rate (%)	37.0	32.1	21.8	21.9	32.9	23.7	25.2	25.2
Fixed Asset Turnover (x)	3.7	2.3	3.9	6.2	7.2	6.5	7.1	7.2
Inventory (days)	67	70	77	63	48	44	45	45
Debtors (days)	2	4	2	1	2	1	1	1
Other Current Assets (days)	26	39	24	15	13	13	12	12
Payables (days)	29	39	30	30	23	20	20	19
Other Current Liab & Provns (days)	21	83	25	12	15	13	13	13
Cash Conversion Cycle (days)	44	(9)	48	37	24	25	26	25
Net D/E (x)	(0.2)	(0.4)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.4)
Interest Coverage (x)	1.4	(0.1)	1.2	1.8	4.2	13.8	13.7	14.0
PER SHARE DATA (Rs)								
EPS	4.3	(1.4)	7.0	15.6	29.0	44.6	56.1	65.8
CEPS	10.9	5.2	15.0	28.6	46.9	69.0	86.3	97.9
Dividend								
Book Value	70.3	70.8	76.5	86.6	125.1	166.4	215.3	272.1
VALUATION								
P/E (x)	1,393.8	(4,223.6)	863.1	388.5	209.2	136.0	108.0	92.2
P/BV (x)	86.2	85.6	79.2	70.0	48.4	36.4	28.2	22.3
EV/EBITDA (x)*	746.3	(2,529.7)	705.0	318.9	154.0	101.1	74.6	64.1
EV/Revenues (x)	67.6	104.8	55.5	27.9	18.0	12.9	9.9	8.4
OCF/EV (%)	0.2	0.2	0.1	0.3	0.6	0.8	1.3	1.6
FCF/EV (%)	0.1	0.1	(0.1)	0.2	0.4	0.4	0.4	1.4
FCFE/Mkt Cap (%)	(0.1)	0.0	(0.4)	(0.0)	0.3	0.3	0.3	1.3
Dividend Yield (%)	-	-	-	-	-	-	-	-

Source: Company, HSIE Research

Price History



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

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