



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

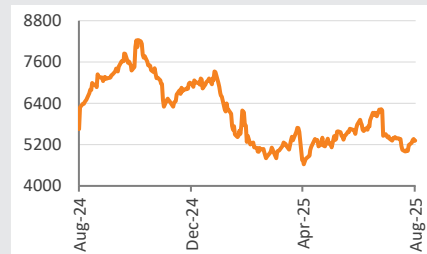
Company details

Market cap:	Rs. 1,88,942 cr
52-week high/low:	Rs. 8,346 / 4,492
NSE volume: (No of shares)	13.0 lakh
BSE code:	500251
NSE code:	TRENT
Free float: (No of shares)	22.4 cr

Shareholding (%)

Promoters	XXXX
FII	XXXX
DII	XXXX
Others	XXXX

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-2.3	1.7	-2.6	-5.8
Relative to Sensex	2.3	2.3	-5.1	-7.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Trent Ltd

Beat on profitability while SSSG moderates

Consumer Discretionary	Sharekhan code: TRENT		
Reco/View: Buy	↔	CMP: Rs. 5,315	Price Target: Rs. 6,480 ↓

Summary

- Trent's Q1FY26 profitability beat estimates, with EBITDA margin rising by 223 bps y-o-y to 17.5% (versus 15.2% expected) and PAT growing 24% y-o-y to Rs. 423 crore (against Rs. 368 crore expected). Revenue grew by 20% y-o-y.
- Revenue growth was driven by store additions (37%/9% y-o-y net additions in Zudio/Westside, respectively) and a low single-digit life-for-like (LFL) growth in the fashion concepts. Gross margins of Westside and Zudio remained consistent.
- Trent added one Zudio store (net) in Q1, taking the count to 248 Westside stores across 86 cities and 766 Zudio stores across 235 cities at Q1FY26-end.
- Stock has corrected by 15% from recent highs and is trading at 49x/40x its FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with a revised SOTP-based PT of Rs. 6,480.

Trent's Q1FY26 performance beat expectations led by higher EBITDA margin than expected, while SSSG moderated to low-single digits versus mid-single digits in Q4FY25. Standalone revenue grew 19.8% y-o-y to Rs. 4,781 crore, despite early onset of monsoon and geopolitical disruptions, in line with our expectation of Rs. 4,790 crore. For the fashion portfolio, LFL growth came in at low single digits. Online revenues grew by 35% y-o-y and contributed to over 6% of Westside revenues. Gross margin declined by 108 bps y-o-y to 45.1%, which is likely due to a change in the product mix, while EBITDA margins expanded by 223 bps y-o-y to 17.5%, aided by operating leverage and investments in technology and automation across multiple areas. EBITDA margin beat ours and the average street expectation of 15.2% and 15.8%, respectively. EBITDA grew by 37.2% y-o-y to Rs. 838 crore. Lower other income (down by 11% y-o-y), higher interest expense (up by 27% y-o-y) and depreciation cost (up by 61% y-o-y) led to 24% y-o-y growth in the PAT to Rs. 423 crore, ahead of ours and the average street expectation of Rs. 368 crore and Rs. 403 crore, respectively.

Key positives

- Gross margins of Westside and Zudio remained consistent.
- Online revenues grew by 35% y-o-y.

Key negatives

- SSSG moderated to low-single digit versus mid/high-single digits in Q4/Q3FY25, respectively.

Management Commentary

- Fashion portfolio's LFL growth was in low-single digits (versus mid/high single digits in Q4/Q3 FY25, respectively).
- Emerging categories (beauty & personal care, innerwear and footwear) continued to gain traction with customers; contributed to over 21% of standalone revenues.
- Online revenue from Westside.com and the Tata Neu platform increased by 35% y-o-y and contributed to over 6% of Westside revenues.
- As of Q1FY26 end, Trent's fashion portfolio included 248 Westside stores, 766 Zudio stores (including two in the UAE) and 29 stores across other lifestyle concepts.
- The Star business, consisting of 77 stores (2 stores added and 3 closed in Q1), delivered 7% y-o-y revenue growth (LFL growth was flat). Own brands share has slightly increased to 73% of revenues versus 72% in Q1FY25.

Revision in earnings estimates - We have reduced our earnings estimates for FY26 and FY27 by ~4% each to factor in near term challenges and will keenly monitor the performance in the coming quarters.

Our Call

View - Retain Buy with a revised PT of Rs. 6,480: Q1 was yet another strong quarter for Trent with an expansion in EBITDA margin aided by cost efficiencies and operating leverage. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 15% since its recent high and is currently trading at 49x/40x its FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with a revised SOTP-based price target (PT) of Rs. 6,480.

Key Risks

Slowdown in consumer demand or increased competition will act as a key risk to our earnings estimates in the near term.

Valuation (Standalone)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	7,715	11,927	16,668	21,205	26,080
EBITDA Margin (%)	14.5	16.2	16.5	16.4	16.5
Adjusted PAT	555	1,070	1,585	1,944	2,429
% YoY growth	-	93.0	48.1	22.7	24.9
Adjusted diluted EPS (Rs.)	15.6	30.1	44.6	54.7	68.3
P/E (x)	-	-	-	97.2	77.8
P/B (x)	61.3	42.5	31.9	24.6	19.0
EV/EBITDA (x)	-	83.7	61.7	48.9	40.0
RoNW (%)	19.1	28.4	30.6	28.6	27.6
RoCE (%)	14.5	24.5	30.1	29.5	29.4

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone)

Particulars						Rs cr
	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)	
Net revenue	4,781.3	3,991.7	19.8	4,106.1	16.4	
Cost of goods sold	2,622.6	2,146.4	22.2	2,355.7	11.3	
Gross profit	2,158.7	1,845.4	17.0	1,750.4	23.3	
Staff cost	284.3	304.6	-6.7	307.3	-7.5	
Rent expenses	498.4	464.8	7.2	306.4	62.7	
Other expenses	538.3	465.4	15.7	480.4	12.1	
Total operating expenses	1,321.0	1,234.8	7.0	1,094.1	20.7	
EBITDA	837.7	610.6	37.2	656.4	27.6	
Other income	40.9	46.1	-11.4	97.0	-57.9	
Interest	39.5	31.2	26.9	37.1	6.6	
Depreciation	283.9	175.9	61.3	263.1	7.9	
Profit before tax	555.2	449.6	23.5	453.3	22.5	
Tax	132.6	107.4	23.4	103.3	28.3	
Reported PAT	422.6	342.2	23.5	349.9	20.8	
EPS (Rs.)	11.9	9.6	23.5	9.8	20.8	
			bps		bps	
GPM (%)	45.1	46.2	-108	42.6	252	
EBITDA Margin (%)	17.5	15.3	223	16.0	154	
NPM (%)	8.8	8.6	27	8.5	32	
Tax rate	23.9	23.9	-1	22.8	109	

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Near-term outlook bleak; long-term growth prospects intact

In the near term, revenue growth for the branded retail and apparel companies is likely to be largely driven by store expansion, steady demand for premium products, and better consumer sentiments in urban markets/ metros. In the medium to long term, market share gains, higher traction on the e-commerce platform, a strong retail space expansion strategy and a sustained expansion of the product portfolio will help branded apparel and retail companies post consistent growth. Better operating leverage, improved efficiencies, and an enhanced mix would help branded apparel and retail companies post higher margins in the coming years.

■ Company Outlook – Multiple levers in place for long-term growth

Trent has begun FY26 on a strong note, with revenues growing by 20% y-o-y, EBITDA margin rising by ~220 bps y-o-y to 17.5% and PAT growing by 24% y-o-y. The company's strong execution capabilities aided it to achieve a robust 5.2x revenue growth and 10.3x PAT growth in FY2025 over FY2020. Trent is seeing strong pick-up in new initiatives/categories through higher contribution from online sales and emerging categories. We expect the company's revenue and PAT to clock a 25% and 24% CAGR, respectively, over FY25-27E.

■ Valuation – Maintain Buy with a revised PT of Rs. 6,480

Q1 was yet another strong quarter for Trent with an expansion in EBITDA margin aided by cost efficiencies and operating leverage. Innovation in product portfolio, 100% contribution from own brands, aggressive store expansions, scaling up of the Star business and leveraging on digital presence will be key growth drivers in the medium term. Stock has corrected by 15% since its recent high and is currently trading at 49x/40x its FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with a revised SOTP-based price target (PT) of Rs. 6,480.

Peer Comparison

Particulars	EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Aditya Birla Fashion & Retail	19.7	18.9	15.4	-2.2	-2.3	-0.8
Trent	61.7	48.9	40.0	30.1	29.5	29.4

Source: Company; Mirae Asset Sharekhan Research

About company

Trent is part of the Tata Group and operates a portfolio of retail concepts. Its primary customer propositions include Westside, one of India's leading chains of fashion retail stores, Zudio, a one stop destination for great fashion at great value and Trent Hypermarket, which operates in the competitive food, grocery and daily needs segment under the Star banner. Westside stores have a footprint of 20,000-30,000 sq. ft. across 86 cities. Zudio, the value fashion format destination, operates with stores having a footprint of 7,000-12,000 sq. ft. Trent's supermarket concept – Star, offers a curated assortment of products including FMCG, staples and a comprehensive fresh offering. In addition, Trent has two separate associations with the Inditex Group of Spain to operate Zara and Massimo Dutti stores in India through Inditex Trent Retail India Private Limited.

Investment theme

Trent is the only branded retail player with close to 100% share of private brands with a pan-India presence. Trent offers a strong set of brands catering to all categories of consumers, which has helped the company report the highest average revenue per square foot compared with other branded players. Trent has maintained its SSSG momentum over the years as well as its profitability is seen increasing on a y-o-y basis. Aggressive store expansion, better store fundamentals, higher contribution from private brands, omni-channel network, and innovative product offerings in the premium and value fashion space would be key growth drivers for the company going ahead.

Key Risks

- ♦ Any slowdown in discretionary demand would impact SSSG, affecting revenue growth.
- ♦ Heightened competition, especially in the form of private labels by other branded players or in the value fashion space, would act as a threat to revenue growth.
- ♦ Any significant increase in key raw-material prices would affect the company's profitability.

Additional Data

Key management personnel

Name	Designation
Noel Tata	Chairman
Venkatesalu Palaniswamy	Managing Director
Neeraj Basur	Chief Financial Officer
Krupa Anandpara	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Yog Siddhartha	4.53
2	Wasatch Advisors Ltd.	3.00
3	Motilal Oswal Asset Management Co Ltd	2.50
4	Vanguard Group Inc.	2.15
5	SBI Life Insurance Co Ltd	2.13
6	Blackrock Inc	2.12
7	SBI Funds Management Ltd.	1.99
8	Amansa Holdings Pvt Ltd	1.32
9	UTI Asset Managment Company Ltd.	1.24
10	Derive Trading Pvt Ltd	1.09

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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