

## Trent Limited

### October 05, 2021

#### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long-term / Short-term Bank Facilities	165.01 (Enhanced from 85.00)	CARE AA+; Stable / CARE A1+ (Double A Plus; Outlook: Stable / A One Plus)	Revised from CARE AA+; Stable (Double A Plus; Outlook: Stable)
Short-term Bank Facilities	65.00 (Enhanced from 8.00)	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Facilities</b>	<b>230.01</b> <b>(Rs. Two hundred thirty crore and one lakh only)</b>		
Non-convertible Debenture Issue	500.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed
<b>Total Long-term Instruments</b>	<b>500.00</b> <b>(Rs. Five hundred crore only)</b>		

*Details of instruments/facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities and instruments of Trent Limited (Trent) factors in extensive experience of the management and strong financial flexibility being part of the Tata group. Trent is a part of the Tata group, with the group holding 37.01% as on March 31, 2021. The group has supported the company through infusion of funds in the past and CARE Ratings expects need-based support to continue. The ratings derive strength from the company's geographical dispersion of retail stores (around 400 stores in over 90 cities), comfortable liquidity position and strong financial profile. The ratings also factor in the presence in different retail formats/product category joint venture (JV) with British major, Tesco PLC (Tesco), for Trent's Star Bazaar and association with Inditex (Zara & Massimo Dutti) in the high street fashion segment.

The ratings are, however, tempered by the continued losses in some of its retail format like Landmark and Booker India and JVs like Star Bazaar and Massimo Dutti necessitating regular funding support along with presence in the highly competitive branded retail industry which is vulnerable to changes in fashion trends/consumer preferences and economic cycles.

#### Key Rating Sensitivities

*Positive Factors- Factors that could lead to positive rating action/upgrade:*

- Revival of consumer demand leading to significant growth in its sales and improvement in its profitability margins as well as debt coverage indicators on a sustained basis

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Significant adverse impact on the liquidity, working capital cycle and debt coverage indicators of the company.
- Significantly higher-than-anticipated support to subsidiaries/JVs.

#### Detailed Description of the key rating drivers

##### Key Rating Strengths

**Strong parentage and an experienced management team:** Trent is a part of the USD 100 billion Tata group which comprises over 100 operating companies in seven business sectors, namely, communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The group has operations in more than 100 countries across six continents, and its companies export products and services to 85 countries.

The group holding in Trent is around 37.01% (which includes about 32.45% direct stake of Tata Sons Private Limited) as on March 31, 2021. The company is headed by Mr Noel N Tata (Chairman) who is assisted by a team of experienced professionals across various functions. Trent's market capitalization was Rs.35,885 crore as of September 29, 2021.

During FY20 (refers to the period April 1 to March 31), Tata Sons Private Limited infused Rs.950 crore into Trent for funding its expansion plans and back-end investments in warehousing and allied activities, etc.

**Diversified geographical presence, established brands and tie-ups with reputed retailers:** Trent is one of the leading retail players in the Indian retail industry with the series of established brands across retail segments. Trent operates in both the

value and lifestyle segments such as Westside (Lifestyle), Zudio (Value fashion retail), Landmark (Books and Music). Trent operates around 400 stores in over 90 cities as on March 31, 2021, under various segments across India. Westside accounted for majority of the company's revenues and derives its entire revenue from its own private label brands. Star stores are primarily operated by Trent Hypermarket Private Limited (THPL) - a 50:50 JV between Trent Ltd and Tesco PLC UK. Under the star brand, the company has 51 Star Hyper stores and Star market stores.

### ***Strong financial profile and comfortable liquidity position***

Trent's flagship format, Westside, accounted for around 75% of the company's revenues in FY21 (around 80% in FY20). It is operating through 184 stores spread across India as on June 30, 2021. Sales per square feet dipped to Rs.6,777/- in FY21 as compared with Rs.10,393/- in FY20. Own brands contributed over 99% of the total revenues (99% in FY20). Westside's "own-brand-led" business model allows active control across the value chain with respect to key aspects of design, branding, sourcing, logistics, pricing, display, promotion and selling. During Q1FY22, the company incurred loss of Rs.138.29 crore on a total revenue of Rs.544.79 crore.

The overall gearing including lease liabilities for Trent stood at 1.29x as of March 31, 2021 (moderated from 1.09x as of March 31, 2020), while the total debt (excluding lease liabilities) remained at Rs.299.74 crore as of March 31, 2021. The company's operating performance was impacted significantly due to Covid-induced lockdowns with EBITDA down by 37%. Consequently, other debt coverage indicators such as PBILDT interest coverage moderated from 2.45x as on March 31, 2020 to 1.18x as on March 31, 2021.

The company's liquidity remains comfortable with cash and liquid investments of around Rs.816 crore at consolidated level at the end of March 2021.

Trent inventory stocking policy is mostly on 'outright purchase' basis which makes it vulnerable to inventory obsolescence and blocking of working capital in case of a slowdown. However, the company's inventory per square feet has largely remained stable. Also, as majority of the sales occur in cash, the collection cycle is low. The operating cycle remained stable at 37 days as of March 31, 2021. The company's working capital utilization has continued to remain minimal in the past year.

### **Key Rating Weaknesses**

***Subdued performance of subsidiaries/JV; additional investments to fund losses and support growth:*** Some of the company's retail format like Landmark and Booker India and JVs like Star Bazaar and Massimo Dutti continue to incur losses necessitating regular funding support.

Improvement in loss-making subsidiaries/JVs' financial performance and reduced capital requirement from Trent will remain key rating concerns.

***High competition in fashion retail:*** The company is competing with the crowded branded apparel segment and facing the steep competition from the unorganized players as the entry barrier is low.

### **Liquidity: Strong**

Liquidity is marked by superior liquidity profile against nil repayments for H2FY22. The company has already repaid the non-convertible debentures (NCD) of Rs.299.74 crore in Q2FY22. The company has cash and bank balance and liquid investments of Rs.816 crore at consolidated level at the end of March 31, 2021. The company has minimal utilization of its bank lines. The company has capex plan of approximately Rs.100 crore in FY22 and is expected to provide funding support of around Rs.75-100 crore towards its JVs and subsidiaries.

**Analytical approach:** Consolidated. The list of subsidiaries considered for consolidation is given as Annexure 4.

### **Applicable Criteria:**

[Rating Methodology: Consolidation](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Criteria for Short Term Instruments](#)

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Retail](#)

### About the Company

Trent Ltd (Trent) is a part of the Tata group, with the group holding 37.01% as on March 31, 2020. Trent is present in the retail segment and is present in all the segments in fashion from value fashion to luxury products. It runs Westside, a chain of lifestyle retail stores, and Landmark, a books and music chain. As on June 30, 2021, Trent had 184 operational Westside stores and 137 operational Zudio stores. The company is also present in grocery retailing through its JV, Trent Hypermarket Private Limited, which operates Star Stores. The company has nine subsidiaries, a JV with Tesco PLC and two associations with Inditex of Spain as on March 31, 2021.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	3567.21	2713.08
PBILDT	645.55	306.84
PAT	105.98	-181.13
Overall gearing (times)- Including lease liabilities	1.09	1.29
Interest coverage (times)	2.45	1.18

A: Audited

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Please refer Annexure-3

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	90.01	CARE AA+; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	65.00	CARE A1+
Fund-based - LT/ ST-Working Capital Limits		-	-	-	75.00	CARE AA+; Stable / CARE A1+
Debentures-Non-convertible Debentures	INE849A08082	May 31, 2021	5.78%	May 29, 2026	500.00	CARE AA+; Stable

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	90.01	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable (14-Aug-20)	1)CARE AA+; Stable (16-Aug-19)	1)CARE AA+; Stable (23-Jul-18)
2	Non-fund-based - ST-BG/LC	ST	65.00	CARE A1+	-	1)CARE A1+ (14-Aug-20)	1)CARE A1+ (16-Aug-19)	1)CARE A1+ (23-Jul-18)
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	75.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable (14-Aug-20)	1)CARE AA+; Stable (16-Aug-19)	1)CARE AA+; Stable (23-Jul-18)

4	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (09-Aug-21)	1)CARE AA+; Stable (14-Aug-20)	1)CARE AA+; Stable (16-Aug-19)	1)CARE AA+; Stable (23-Jul-18)
5	Commercial Paper	ST	-	-	-	1)Withdrawn (11-Aug-20)	1)CARE A1+ (16-Aug-19)	1)CARE A1+ (23-Jul-18)
6	Commercial Paper	ST	-	-	-	1)Withdrawn (11-Aug-20)	1)CARE A1+ (16-Aug-19)	1)CARE A1+ (23-Jul-18)
7	Debentures-Non-convertible Debentures	LT	500.00	CARE AA+; Stable	1)CARE AA+; Stable (24-May-21)	-	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-**

Type of Instrument	Rated, Listed, Unsecured, Redeemable, Non-Convertible Debentures of Rs.500 crore
Covenants of the issue	<p>General covenants: Maintaining books of account in the manner required by Applicable Laws, complying with all Applicable Laws, complying with the provisions of the Foreign Account Tax Compliance Act and discharging all Taxes, rates, rents and governmental charges upon the Company or its assets under Applicable Laws.</p> <p>Information covenants: Promptly submitting to the Debenture Trustee any information required by the Debenture Trustee in accordance with Applicable Laws</p> <p>Negative covenants: (a) not making any material modification to the structure of the Debentures in terms of interest, conversion, redemption, or otherwise without the prior approval of the stock exchange as required under Applicable Laws; and (b) so long as the Debentures are outstanding, not declaring any dividend to the shareholders in any year until the Company has paid or made satisfactory provision for the payment of the instalments of principal and interest due on the Debentures at that point in time and as required by the applicable laws.</p> <p>On occurrence of an Event of Default, the Debenture Trustee, acting on the instructions of the Majority Debenture Holders, shall also have the right to accelerate the maturity of the Debentures and to exercise any rights available under the Transaction Documents and/or applicable laws.</p>

**Annexure-4: Consolidated details**

S.N o.	Name of companies/ Entities	% of holding
1	Fiora Business Support Services Limited	100%
2	Trent Brands Limited	100% (47.99% of the above held by Fiora Business Support Services Ltd.)
3	Nahar Retail Trading Services Ltd.	100%
4	Fiora Hypermarket Ltd.	100% (held by Booker India Ltd)
5	Fiora Online Ltd.	75% (held by Booker India Ltd)
6	Trent Global Holdings Ltd.	100%
7	Booker India Limited	51% (Balance with Tesco Overseas Investment Ltd.)
8	Booker Satnam Wholesale Limited	100% (held by Booker India Limited)
9	Common Wealth Developers Limited	100%

**Annexure 5: Complexity level of various instruments rated for this Company**

Sr. No	Name of instrument	Complexity level
1	Debentures-Non-convertible Debentures	Simple
2	Non-fund-based - ST-BG/LC	Simple
3.	Fund-based/Non-fund-based – LT/ST	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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