

Trent Limited

November 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	285.01	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	65.00	CARE A1+	Reaffirmed
Non-convertible debentures	500.00	CARE AA+; Stable	Reaffirmed
Commercial paper	300.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings of bank facilities, long-term and short-term instruments of Trent Limited (Trent). Ratings continue to factor strong parentage of Tata Sons Private Limited (TSPL) and expected need-based support to Trent. Ratings factor the company's leading position in the domestic retail industry with 831 stores spread across more than 184 cities as on September 30, 2024 and presence in different retail formats/product categories like apparel, footwear, accessories, groceries through joint venture (JV) with the British major, Tesco PLC (Tesco), for Trent's Star Bazaar and association with Inditex (Zara & Massimo Dutti) in the high street fashion segment. Furthermore, the company has recorded healthy operating performance in FY24 with TOI increasing to ₹12,360.07 crore from ₹8,230.12 crore in FY23, a growth of 50% aided by growth in number of stores, increase in total retail area and a +10% Like-For-Like (LFL) growth.

Total sales contribution from Westside and Zudio increased with the addition of stores during the year. The company added 30 stores and consolidated 12 stores of Westside and 203 stores were added and 10 stores were consolidated under Zudio. Sales per sq ft improved to ₹15,776 in FY24 as against ₹12,805 in FY23. Revenue from Star was ₹2,189 crore with 66 stores in FY24 compared to a revenue of ₹1,811 crore and 63 stores in FY23. Sales from Zara was ₹2,769 crore in FY24, a growth of 8.50% y-o-y. CARE Ratings expects the operational performance to continue driven by improvement in same-stores sales and addition of new stores going ahead with aggressive expansion under the brand Zudio. Ratings continue to factor in Trent's seasoned management, strong capital structure and debt metrics (excluding lease liabilities) and a strong liquidity position reflected from cash and liquid investments of ₹990 crore as on September 30, 2024.

The ratings are, however, tempered by continued losses in some of its retail format like Booker India Limited and JV like Star Bazaar 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.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in operating performance while maintaining its strong financial profile and liquidity position and efficient working capital management.

Negative factors

- Increase in working capital intensity or weakening of debt credit metrics leading to further deterioration of capital structure with overall gearing of more than 2 times (including lease liabilities).
- Significantly higher than anticipated support to subsidiaries/JVs.

Analytical approach: Consolidated

Consolidated and factoring linkages with Tata Sons Pvt Ltd, applying parent notch up factoring the strong managerial and financial linkages. The subsidiaries and joint ventures being considered for consolidation are in **Annexure-6**.

Outlook: Stable

The Stable outlook reflects that the company is likely to maintain its strong operational performance with improvements in the financial performance and robust liquidity backed by brand loyalty across various cities in India.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Experienced management team and strong parentage

Trent is part of the Tata Group, enjoys strong managerial and financial support from TSPL, which is expected to fund Trent on need basis as seen historically. During FY20, Tata Sons Private Limited infused ₹950 crore into Trent Limited for funding its expansion plans and back-end investments in warehousing and allied activities among others. Further being part of Tata group, Trent enjoys strong financial flexibility. The company is headed by Noel N Tata (Chairman), who is assisted by a team of experienced professionals across functions.

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 series of established brands across retail segments. Trent operates in both the value and lifestyle segments with an exclusive owned brand portfolio across Westside (Lifestyle), Zudio (Value fashion retail), Utsa (Ethnic Fashion retail), Samoh and Misbu. As of September 30, 2024, Trent has approximately 831 stores in over 184 cities across India. As one of Trent's leading lifestyle brands, Westside plays a vital role in the company's revenue generation, boasting 232 stores across 91 cities as of March 2024, and a robust online presence through Westside.com, Tata CliQ, and Tata Neu. Additionally, Trent's Star stores, primarily located in Maharashtra, Karnataka, and Telangana, aim to create local scale and enhance customer accessibility. The Star portfolio includes 66 stores managed by Trent Hypermarket Private Limited (THPL) and Flora Hypermarket Limited (FHL), a subsidiary of Trent, operating in 10 cities under a joint venture with Tesco PLC UK.

Strong operating performance and improved profitability

The company's total operating income (TOI) increased from ₹8,230.12 crore in FY23 to ₹12,360.07 crore in FY24, a growth of 50% aided by growth in number of stores, increase in total retail area and a +10% LFL growth. Total sales contribution from Westside and Zudio increased with addition of stores during the year. The company added 30 stores and consolidated 12 stores of Westside and 203 stores were added and 10 stores were consolidated under Zudio. Sales per sq ft improved to ₹15,776 in FY24 against ₹12,805 in FY23. Revenue from Star was ₹2,189 crore with 66 stores in FY24 compared to a revenue of ₹1,811 crore and 63 stores in FY23. Sales from Zara was ₹2,769 crore in FY24, a growth of 8.50% y-o-y. Online revenue has been growing steadily through the designated channels contributing around 5% of revenue for Westside.

Strong financial profile and liquidity position

Overall gearing including lease liabilities for Trent improved to 0.44x as of March 31, 2024 (from 1.79x as of March 31, 2023) led by decrease in the long-term lease liability due to the reassessment done in 4QFY24, resulting in exceptional gains of ₹576 crore and improvement in operational performance. This is due to the shift in the strategy of the company, leading to consolidation of existing stores and shorter lease tenure. This reduces right-to-use asset and lease liability.

Capital structure and interest coverage ratio also improved led by strong net profits. The company's liquidity remains comfortable with cash and bank balances of ₹294.55 crore coupled with liquid investments to the tune of ₹734.77 crore. Trent inventory stocking policy is mostly on 'outright purchase' basis, which makes it vulnerable to inventory obsolescence and blocking working capital in case of a slowdown. This is contrary to the SOR (sale or return basis) inventory model, where inventory can be returned to vendor. However, the company's inventory per square feet has largely remained stable. Also, as the majority of the sales occur in cash, collection cycle is low at two days.

Key weaknesses

Subdued performance of subsidiaries/JV; Positive momentum expected going forward

Some of the company's retail format like Booker India Limited (BIL registered consolidated revenue of ₹483.78 crore in FY24 (vs ₹600.93 crore in FY23) and incurred a loss of ₹28 crore (vs ₹92 crore loss in FY23) (51% of this was attributable to Trent, as per its shareholding)). Star Bazar (JV with Tesco PLC) reduced its losses before exceptional items but after tax to ₹94.39 crore in FY24 against ₹103.10 crore in FY23. The improvement in performance of Subsidiaries/JV as well as funding support from Trent would remain a key monitorable.

Exposed to Intensifying competition and economic cyclicalities

Shoppers Stop, Lifestyle International, Aditya Birla Fashion, and other physical retailers are strong rivals of Trent. Online retailers such as Amazon, Flipkart, and Myntra pose a competitive threat for Trent. Overall growth of Trent's same-store sales could be impacted by increased competition from both brick and mortar and internet businesses. Because entrance barriers for branded garment market is low, unorganised players pose a serious threat to the company's market share. The retail sector also remains susceptible to adverse macroeconomic environment for being discretionary in nature.

Liquidity: Strong

The company has strong liquidity as marked by ~₹1029 crore of cash and liquid investments as of March 31, 2024, with a significant proportion of current investments in debt mutual funds (₹719.77 crore). The company has no utilisation of its bank lines for 12-months ended September 2024. The company's capex plans are largely expected to be funded through internal accruals. The company has effectively managed its debt levels, while continuing to pursue its growth objectives.

Operating cycle improved to 30 days as of March 31, 2024 (FY23: 34 days) largely due to improved inventory days (53 days) mainly due to improved sales.

Assumptions/covenants: Not applicable

Environment, social, and governance (ESG) risks

Being under the Tata Sustainability Group (TSG), the company identifies material sustainability issues despite being in the retail sector and not being exposed to most environmental risks. The company identified Product Stewardship risk through recycling waste and conservation of natural resources and has adopted a method to reduce it. Reducing the fabric waste and using of Forest Stewardship Council (FSC) and Better Cotton Initiative (BCI) cotton. The company is also looking into usage of sustainable logistics to save cost and use alternative fuel.

Under the Corporate Governance, the company has adopted the Tata Code of Conduct, which facilitates a fair working environment and appropriate behaviour by employees. Through its Business Responsibility & Sustainability Report the company reports transparently on all adhered compliance. The company is adopting NGRBC Principles and Core Elements into its code of conduct through internal policies and principle wise disclosures.

Retail businesses face issues related to privacy as a result of rising use of customer data considering the expansion of e-commerce. Therefore, to address this social risk, Trent's information technology teams' main areas of focus is cyber security. To reduce risk, business systems are updated frequently. Due to their reliance on human capital for their safety and general well-being, companies in this manpower-intensive sector run the danger of experiencing disruptions. The company may face social risks as a result of human rights issues. Because it relies so heavily on outside suppliers, the corporation, as a retailer, has also impacted other social aspects such as sustainable products and supply chains, and ethical sourcing. Sustainability in social and environmental domains is still emphasised by the corporation across its value chain.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Retail](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Retailing	Distributors

Trent Limited (Trent) is a part of the Tata Group, with the TATA Group holding 37.01% (Tata Sons Pvt Ltd holding 32.45%) as on September 30, 2024. Trent is present in retail segment and is present in all segments in fashion from value fashion to luxury products. It runs Westside (Lifestyle retailing) and Zudio (Value retailing) primarily in retail apparels, beauty and fashion segment. As of March 31, 2024, Trent has 232 Westside and 545 Zudio stores in the portfolio across cities. The company has seven subsidiaries, joint ventures with Trent Hypermarket Private Limited and Trent MAS Fashion Private Limited and two associations with Inditex of Spain and Massimo Dutti as on 30 September 2024.

The company is present in grocery retailing through its JV with Tesco PLC, UK, Trent Hypermarket Private Limited, which operates Star Stores (66 stores across 10 cities). Further, Trent's association with Inditex group operates 23 ZARA stores in 12 cities and three Massimo Dutti in two cities.

Consolidated Financials:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	8,230.12	12,360.1	8,261.11
PBILDT	1,102.25	1,955.65	1,255.71
PAT	393.69	1477.46	726.27
Overall gearing (times)	1.79	0.44	0.40
Interest coverage (times)	2.70	5.36	19.45

A: Audited UA: Unaudited; Note: these are latest available financial results

Note: Financials per CARE Ratings Methodology

Status of non-cooperation with previous CRA: Not applicable**Any other information:** Not applicable**Rating history for last three years:** Annexure-2**Detailed explanation of covenants of rated instrument / facility:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper- Commercial Paper (Standalone)	Proposed	-	-	7-365 days	300.00	CARE A1+
Fund-based - LT/ ST- Working Capital Limits		-	-	-	210.01	CARE AA+; Stable / CARE A1+
Fund-based - LT/ ST- Working Capital Limits		-	-	-	75.00	CARE AA+; Stable / CARE A1+
Non Convertible Debenture	INE849A08082	31-May-2021	5.78	29-May-2026	500.00	CARE AA+; Stable
Non-fund-based - ST- BG/LC		-	-	-	65.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	210.01	CARE AA+; Stable /	-	1)CARE AA+;	1)CARE AA+;	1)CARE AA+; Stable / CARE A1+

				CARE A1+		Stable / CARE A1+ (23-Nov-23)	Stable / CARE A1+ (25-Nov-22) 2)CARE AA+; Stable / CARE A1+ (04-Oct-22)	(05-Oct-21)
2	Non-fund-based - ST-BG/LC	ST	65.00	CARE A1+	-	1)CARE A1+ (23-Nov-23)	1)CARE A1+ (25-Nov-22) 2)CARE A1+ (04-Oct-22)	1)CARE A1+ (05-Oct-21)
3	Fund-based - LT/ST-Working Capital Limits	LT/ST	75.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (23-Nov-23)	1)CARE AA+; Stable / CARE A1+ (25-Nov-22) 2)CARE AA+; Stable / CARE A1+ (04-Oct-22)	1)CARE AA+; Stable / CARE A1+ (05-Oct-21)
4	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (09-Aug-21)
5	Debentures-Non Convertible Debentures	LT	500.00	CARE AA+; Stable	-	1)CARE AA+; Stable (23-Nov-23)	1)CARE AA+; Stable (25-Nov-22) 2)CARE AA+; Stable (04-Oct-22)	1)CARE AA+; Stable (05-Oct-21) 2)CARE AA+; Stable (24-May-21)
6	Commercial Paper-Commercial Paper (Standalone)	ST	300.00	CARE A1+	-	1)CARE A1+ (23-Nov-23)	1)CARE A1+ (25-Nov-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non Convertible Debentures	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Fiora Business Support Services Limited	Full	Operational & Management Linkages
2	Nahar Retail Trading Services Limited		
3	Booker India Limited (BIL)		
4	Fiora Hypermarket Limited (Step Down Subsidiary)		
5	Fiora Online Limited (Step Down Subsidiary)		
6	Trent Global Holdings Limited (Mauritius) (TGHL)		
7	Trent Global Trading LLC (Dubai) (TGHL) (Step Down Subsidiary)		
8	Trent Hypermarket Pvt Ltd	Proportionate (To the extent of share of profit/loss)	
9	Trent MAS Fashion Private Limited		
10	Massimo Dutti India Pvt Ltd (Massimo Dutti)		
11	Inditex Trent Retail India Pvt Ltd (Inditex)		

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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