

Trent Limited^(Revised)

November 25, 2022

Rating/Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	160.01	CARE AA+; Stable / CARE A1+ (Double A Plus ; Outlook: Stable/ A One Plus)	Reaffirmed
Short Term Bank Facilities	65.00	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	225.01 (₹ Two Hundred Twenty-Five Crore and One Lakhs Only)		
Non Convertible Debentures	500.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	500.00 (₹ Five Hundred Crore Only)		
Commercial Paper	300.00	CARE A1+ (A One Plus)	Assigned
Total Short Term Instruments	300.00 (₹ Three Hundred Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

CARE has assigned & reaffirmed the ratings assigned to bank facilities, long term and short-term instrument of Trent Limited (Trent). The rating factors in strong growth in Westside and Zudio formats of the company. The ratings are further supported by its strong parentage, experienced management, healthy capital structure and comfortable liquidity position. Trent is a part of the Tata group, with the group holding 37.01% as on Sep 30, 2022. 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 500 stores in over 90 cities). 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 future growth to be driven by aggressive expansion in the value retailing segment under the brand Zudio.

The ratings are, however, tempered by continued losses in some of its retail format like Landmark and Booker India and JVs 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.

Key Rating Sensitivities

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

- Improvement in financial profile on the back of sustainable growth above 20%.

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.

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

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, 2022. 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.49,921 crore as of November 22, 2022.

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 500 stores in over 90 cities as on Sep 30, 2022, 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 67 Star Hyper stores and Star market stores.

Strong financial profile and comfortable liquidity position

Trent's flagship format, Westside, accounted for around 65% of the company's revenues in FY22 (around 75% in FY21). It is operating through 203 stores spread across India as on Sep 30, 2022. Sales per square feet increased to Rs.8,074/- in FY22 as compared with Rs.6,777/- in FY21. Own brands contributed almost all of the total revenues. 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 H1FY23, the company registered profit of Rs.193.87 crore on a total operating income of Rs.3869.6 crore.

The overall gearing including lease liabilities for Trent stood at 2.02x as of March 31, 2022 (vs 1.29x as of March 31, 2021), while the total debt (excluding lease liabilities) remained at Rs.497.38 crore as of March 31, 2022. The additional debt has been utilized for the capex/incremental working capital needs of the newly added 100+ Zudio stores in FY22. The debt coverage indicators such as PBILDT interest coverage boosted from 1.18x as on March 31, 2021 to 2.23x as on March 31, 2022.

The company's liquidity remains comfortable with cash and liquid investments of around Rs.613 crore at consolidated level at the end of March 2022.

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 35 days as of March 31, 2022. 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 continue to incur losses necessitating regular funding support. The subsidiaries put together posted a loss of Rs. 113.22 crores in FY22 (as against loss of Rs.49.64 crore in FY21) primarily due to continued losses by Booker India Ltd. The JVs and associates had mixed performance in FY22 with positive momentum seen in Inditex and Massimo Dutti. The performance of Star stores has been impacted on account of Hyper stores located in malls which had higher restrictions during pandemic. The company's focus on sharp pricing continues.

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

High competition in fashion retail:

Trent faces intense competition from other brick and mortar retailers like Lifestyle International, Aditya Birla Fashion, Shoppers Stop etc. The company also faces competition from online retailers like Amazon, Flipkart, Myntra. Heightened competition from both brick and mortar and online players could impact overall same store sales growth of Trent. The Company is competing with the crowded branded apparel segment and facing the steep competition from unorganized players as the entry barrier is low.

Liquidity: Strong

Liquidity is marked by superior liquidity profile with cash and bank balance and liquid investments of Rs.613 crore at consolidated level at the end of March 31, 2022, against which there are no major term loan repayment. The outstanding NCD of Rs. 500 crore has bullet repayment of principal due in FY27. The company has minimal utilization of its bank lines. Additionally, the capex requirements are expected to be funded mostly by internal accruals.

Analytical approach: Consolidated. The list of subsidiaries consolidated is given below:

S. No	Name of companies/ Entities	% of holding (As on Sep 30, 2022)
1.	Fiora Business Support Services Ltd.	100%
2.	Trent Brands Limited	52.01% (47.99% held by Fiora Business Support Services Ltd.)
3.	Nahar Retail Trading Services Ltd.	100%
4.	Fiora Hypermarket Ltd	0% (100% held by Booker India Ltd)
5.	Fiora Online Limited	0% (85.5% held by Booker India Ltd)
6.	Trent Global Holdings Limited	100%
7.	Booker India Limited	51% (Balance with Tesco Overseas Investment Ltd.)
8.	Booker Satnam Wholesale Limited	0% (100% held by Booker India Limited)
9.	Common Wealth Developers Limited	0% (100% held by NAHAR)

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](#)

[Policy on default recognition](#)

[Consolidation](#)

[Rating Outlook and Credit Watch](#)

[Retail](#)

About the Company

Trent Ltd (Trent) is a part of the Tata group, with the group holding 37.01% as on Sep 30, 2022. 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 Sep 30, 2022, Trent had 203 operational Westside stores and 268 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, 2022.

Brief Financials (Rs. crore)	FY2021 (A)	FY2022 (A)	H1FY23 (UA)
Total operating income	2,713.08	4,658.92	3,869.6
PBILDT	306.84	755.62	661.18
PAT	-181.13	34.60	193.87
Overall gearing (times)	1.29	2.02	-
Interest coverage (times)	1.18	2.33	-

A: Audited, UA: Unaudited

Note: Financials prepared as per CARE Standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Commercial Paper- Commercial Paper (Standalone)		Not yet placed	Market determined	Not yet placed (proposed)	300.00	CARE A1+
Debentures-Non Convertible Debentures	INE849A08082	May 31, 2021	5.78	May 29, 2026	500.00	CARE AA+; Stable
Fund-based - LT/ ST- Working Capital Limits		-	-	-	75.00	CARE AA+; Stable / CARE A1+
Fund-based - LT/ ST- Working Capital Limits		-	-	-	85.01	CARE AA+; Stable / CARE A1+

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 along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)		Not yet placed	Market determined	Not yet placed (proposed)	300.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	65.00	CARE A1+

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT/ST-Working Capital Limits	LT/ST*	85.01	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (04-Oct-22)	1)CARE AA+; Stable / CARE A1+ (05-Oct-21)	1)CARE AA+; Stable (14-Aug-20)	1)CARE AA+; Stable (16-Aug-19)
2	Non-fund-based - ST-BG/LC	ST	65.00	CARE A1+	1)CARE A1+ (04-Oct-22)	1)CARE A1+ (05-Oct-21)	1)CARE A1+ (14-Aug-20)	1)CARE A1+ (16-Aug-19)
3	Fund-based - LT/ST-Working Capital Limits	LT/ST*	75.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (04-Oct-22)	1)CARE AA+; Stable / CARE A1+ (05-Oct-21)	1)CARE AA+; Stable (14-Aug-20)	1)CARE AA+; Stable (16-Aug-19)
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)
5	Commercial Paper	ST	-	-	-	-	1)Withdrawn (11-Aug-20)	1)CARE A1+ (16-Aug-19)
6	Commercial Paper	ST	-	-	-	-	1)Withdrawn (11-Aug-20)	1)CARE A1+ (16-Aug-19)
7	Debentures-Non Convertible Debentures	LT	500.00	CARE AA+; Stable	1)CARE AA+; Stable (04-Oct-22)	1)CARE AA+; Stable (05-Oct-21) 2)CARE AA+; Stable (24-May-21)	-	-
8	Commercial Paper-Commercial Paper (Standalone)	ST	300.00	CARE A1+				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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: Complexity level of various instruments rated for this company

Sr. No.	Name of 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: 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 instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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