

Trent Limited

January 03, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	65.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	18.00	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	83.00 (Rs. Eight Three crore only)		
Commercial Paper	400.00 (Rs. Four Hundred Crore only)	CARE A1+ (A One Plus)	Reaffirmed
Non-Convertible Debentures	100.00 (Rs. One Hundred Crore only)	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the ratings assigned to bank facilities, long term and short term instrument of Trent Limited (Trent). The rating factors in persistent improvement in the operational and financial performance of the company. The ratings of Trent are supported by its strong parentage, experienced management, healthy capital structure and comfortable liquidity position. The ratings also factor in the Joint Venture (JV) with the British major, Tesco PLC (Tesco), for Trent's Star Bazaar format which is likely to result in operational improvement due to Tesco's established track record in the retail segment and reduction in financial commitments towards the hypermarket segment for Trent.

The ratings are, however, tempered by the continued losses in Trent HyperMarket JV, Landmark and challenging outlook for the lifestyle retailing segment due to intense competition.

The ability of Trent to maintain a favorable capital structure and stabilize the business of its subsidiaries remains the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage and an experienced management team:

Trent Ltd (Trent) is a part of the Tata Group, with the group holding around 32.61% (which includes about 27.74% stake of Tata Sons Limited) as on March 31, 2017. Trent derives immense support from its promoters. It is headed by Mr Noel N Tata (Chairman) & Mr Philip Auld (Managing Director). The management is assisted by a team of experienced professionals across various functions.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Established Brands with a long track record:

Trent is one of the leading retail players in the Indian retail industry with the series of established brands in various retail segments. Trent operates in multiple retail formats in both the value and lifestyle segments such as Westside (life style), Star Bazaar (Hypermarket, Value retail), Landmark (Books and Music), Zara (life style) etc. Trent operates 176 stores (including stores operated by Inditex Trent Retail India Pvt Ltd. and Trent Hypermarket Private Ltd) as on March 31, 2017 under various segments across India.

Improved performance of Westside format:

Trent's flagship format Westside is operational in 107 stores across 58 cities in India. Trent added 14 stores in FY17 compared to addition of 10 stores in FY16. Trent has reported growth of 14% in revenue on a standalone basis in FY17, wherein Westside is the major revenue contributor.

Stable performance of Star Bazaar

Star Bazaar stores have signaled improvement in performance during the year with narrowing losses. The continued like-for-like sales growth of Star Bazaar stores (2.1% in FY17 compared to 8.1% in FY16) along with implementation of cost saving techniques such as reducing procuring cost by sourcing farm produce directly from farms has resulted in the improvement in the operation and financial performance of the company.

Healthy capital structure with comfortable liquidity position

Consolidated overall debt to equity ratio continues to be at comfortable levels of 0.28x as on March 31, 2017 thereby imparting financial flexibility for the company to raise debt if required. On a consolidated basis, Trent has comfortable liquidity with liquid investments (standalone non-current investment in mutual funds, bond investments, preference shares, share of Joint Ventures (current and non-current investments) and consolidated cash and cash equivalents)

Key Rating Weaknesses**Subdued performance of Landmark**

Landmark stores have improved the performance as compare to last year, but the performance has marginally impacted on account of reduction in demand for certain categories of products like books and music (as digital mode is preferred), stiff competition in case of certain mature stores and slow ramp-up of some recently established stores is impacting adversely

Higher competition

The company is competing with the crowded branded apparel segment and facing the steep competition from unorganized players as the entry barrier is low. Hence in future higher competition may curtail company's growth

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Factoring Linkages in Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Retail](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Trent is a part of the Tata group, with the group holding 32.61% (which includes 27.74% stake of Tata Sons Limited) as on March 31, 2017. Trent, entered into retail business in 1998, is one of the major players in the organized retail segment in the country and operates in various segments through different chains; lifestyle segment through the chain 'Westside', hypermarket through 'Star Bazaar', and 'Landmark', a books and music chain. As on March 31, 2017, Trent operated 107 Westside stores, 41 Star Bazaar stores and 5 Landmark stores. Furthermore, Trent's JV with Inditex group (wherein Trent holds 49%) operates 20 ZARA stores in Delhi, Mumbai, Bangalore, Pune and few tier II cities.

During FY17, Trent reported Standalone basis total income of Rs. 1757.86 crore and PAT of Rs. 106.87 crore as against total income of Rs. 1544.47 crore and PAT of Rs. 86.55 crore for FY16.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1544.47	1757.86
PBILDT	159.07	158.97
PAT	86.55	106.87
Overall gearing (times)	0.28	0.26
Interest coverage (times)	3.37	3.54

A: Standalone Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-II

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

Analyst Contact:

Name: Pawan Matkari
 Tel: 022 6754 3529
 Email: pawan.matkari@carerating.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bills discounting/ Bills purchasing	-	-	-	25.00	CARE AA+; Stable
Fund-based - LT-Bills discounting/ Bills purchasing	-	-	-	40.00	CARE AA+; Stable
Non-fund-based - ST-BG/LC	-	-	-	18.00	CARE A1+
Debentures-Non Convertible Debentures	15-Sep-2016	7.84%	10-Sep-2019	100.00	CARE AA+; Stable
Commercial Paper	-	-	-	400.00	CARE A1+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Bills discounting/ Bills purchasing	LT	40.00	CARE AA+; Stable	-	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)	1)CARE AA (17-Oct-14)
2.	Non-fund-based - ST-BG/LC	ST	18.00	CARE A1+	-	1)CARE A1+ (24-Mar-17) 2)CARE A1+ (09-Sep-16)	1)CARE A1+ (27-Oct-15)	1)CARE A1+ (17-Oct-14)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (27-Oct-15)	1)CARE AA (17-Oct-14)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)	1)CARE AA (17-Oct-14)
5.	Fund-based - LT-Bills discounting/ Bills purchasing	LT	25.00	CARE AA+; Stable	-	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)	1)CARE AA (17-Oct-14)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)	1)CARE AA (13-Mar-15)
7.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA+; Stable	-	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (13-Sep-16)	-	-
8.	Commercial Paper	ST	300.00	CARE A1+	1)CARE A1+ (11-Sep-17) 2)CARE A1+ (30-Jun-17)	1)CARE A1+ (24-Mar-17) 2)CARE A1+ (13-Sep-16)	-	-
9.	Commercial Paper	ST	100.00	CARE A1+	1)CARE A1+ (11-Sep-17) 2)CARE A1+ (30-Jun-17)	1)CARE A1+ (24-Mar-17)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 851111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com