

Trent Limited

July 23, 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	400.00 (Rs. Enhanced from Rs.100 Crore only)	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed

Details of instruments/facilities in Annexure-1

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 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 continuous association with the Inditex (Zara) and Success of Zudio "a value fashion chain store" will support the future performance of the company. The ratings are, however, tempered by the continued losses in Trent HyperMarket JV 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, 2018. 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.

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 (Hypermarket, Value retail), Zudio (a value chain fashion), Landmark (Books and Music), Zara (life style) etc. Trent

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

operates 195 stores (including stores operated by Inditex Trent Retail India Pvt Ltd. and Trent Hypermarket Private Ltd) as on March 31, 2018 under various segments across India.

Improved performance of Westside format:

Trent's flagship format Westside is operating through 125 stores across 66 cities in India. Westside added net 18 new stores in FY18 compared to 14 stores in FY17. Trent reported growth of 18.8% in revenue on a standalone basis in FY18, wherein Westside has contributed 90% of total revenue.

The company posted growth of 8.2% in the bill size to Rs. 2197 in FY18 from Rs.2029 in FY17. Westside total sales grew by 20% in FY18 as compare to 17% in FY17. The same store sales growth for Westside was similar as FY17 i.e. 9%. The company continues to focus on refurbishment of older stores, private labelled merchandise, timely liquidation of stock to avoid undue inventory buildup and reduction of the shrinkage level for realization of better margins.

Healthy capital structure with comfortable liquidity position

Overall debt to equity ratio continues to be at comfortable levels of 0.26x on consolidated basis and 0.25x on standalone basis as on March 31, 2018, thus providing 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)

On a standalone basis, the company has total debt of Rs. 391.43 crore in FY18 against liquid investments (including standalone non-current mutual funds and cash and cash equivalents) of Rs. 403.17 crore as compared to the debt of Rs. 391.74 crore and liquid investments (including standalone non-current mutual funds and cash and cash equivalents) of Rs. 496.62 crore in FY17.

Key Rating Weaknesses

Subdued financial performance by Trent hypermarket (star)

Trent hypermarket has added Rs. 90.50 crore of loss in FY18 as against Rs. 52.49 crore even after increasing the operational performance like SSSG improved by 8.1% in FY18 as compared to 2.1% in FY17. Furthermore, to become EBITA positive with the improvement in operating performance and lower capital requirement are the primary concerns for Trent Limited

Higher competition

The company is competing with the crowded branded apparel segment and facing the intense competition from unorganized players as the entry barrier is low, which 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, 2018. 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, 2018, Trent operated 125 Westside stores, 34 Star Bazaar stores, 7 Zudio Exclusive brand stores and 5 Landmark stores. Furthermore, Trent’s JV with Inditex group (wherein Trent holds 49%) operates 20 ZARA

During FY18, Trent reported Standalone basis total income of Rs. 2087.72 crore and PAT of Rs. 116.73 crore as against total income of Rs. 1757.86 crore and PAT of Rs. 106.87 crore for FY17.

Brief Financials (Rs. crore)	FY17(A)	FY18 (A)
Total operating income	1757.86	2087.72
PBILDT	147.65	238.7
PAT	106.87	116.73
Overall gearing (times)	0.26	0.25
Interest coverage (times)	4.40	7.85

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.

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****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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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
Debentures-Non Convertible Debentures-(Proposed)	-	-	-	300.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Bills discounting/ Bills purchasing	LT	40.00	CARE AA+; Stable	-	1)CARE AA+; Stable (03-Jan-18)	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)
2.	Non-fund-based - ST-BG/LC	ST	18.00	CARE A1+	-	1)CARE A1+ (03-Jan-18)	1)CARE A1+ (24-Mar-17) 2)CARE A1+ (09-Sep-16)	1)CARE A1+ (27-Oct-15)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (27-Oct-15)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (03-Jan-18)	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)
5.	Fund-based - LT-Bills discounting/ Bills purchasing	LT	25.00	CARE AA+; Stable	-	1)CARE AA+; Stable (03-Jan-18)	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (24-Mar-17) 2)CARE AA+ (09-Sep-16)	1)CARE AA (27-Oct-15)
7.	Debentures-Non Convertible Debentures	LT	400.00	CARE AA+; Stable	-	1)CARE AA+; Stable (03-Jan-18)	1)CARE AA+; Stable (24-Mar-17) 2)CARE AA+ (13-Sep-16)	-
8.	Commercial Paper	ST	300.00	CARE A1+	-	1)CARE A1+ (03-Jan-18) 2)CARE A1+ (11-Sep-17) 3)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+ (03-Jan-18) 2)CARE A1+ (11-Sep-17) 3)CARE A1+ (30-Jun-17)	1)CARE A1+ (24-Mar-17)	-

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CIN - L67190MH1993PLC071691