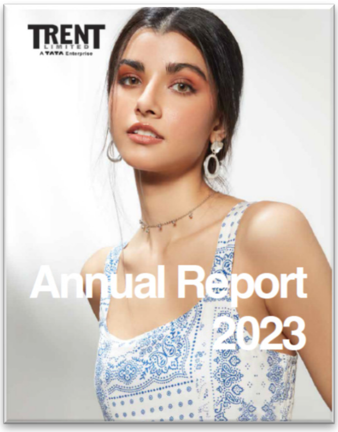
MOTILAL OSWAL FINANCIAL SERVICES

6 June 2023

Annual Report Update | Sector: Retail

Trent - Annual Report

BSE SENSEX	S&P CNX
62,793	18,599



Motilal Oswal values your support in the Asiamoney Brokers Poll 2023 for India Research, Sales, Corporate Access and Trading team. We request your ballot.

Bloomberg	TRENT IN
Equity Shares (m)	355
M.Cap.(INRb)/(USDb)	568.9 / 6.9
52-Week Range (INR)	1610 / 1009
1, 6, 12 Rel. Per (%)	10/9/33
12M Avg Val (INR M)	903
Free float (%)	63.0

Consol.: Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	82.4	108.4	137.0
EBITDA	10.7	15.8	20.4
NP	4.0	7.8	10.4
EBITDA Margin (%)	13.0	14.6	14.9
Adj. EPS (INR)	11.1	21.9	29.3
EPS Gr. (%)	NM	96.7	34.0
BV/Sh. (INR)	78.1	101.5	132.9
Ratios			
Net D:E	1.3	1.1	0.9
RoE (%)	16.0	26.1	26.8
RoCE (%)	7.9	13.9	14.8
Payout (%)	19.9	0.0	0.0
Valuations			
P/E (x)	143.8	73.1	54.5
EV/EBITDA (x)	56.0	38.3	29.9
EV/Sales (x)	7.4	5.7	4.5
Div . Yield (%)	0.1	0.0	0.0
FCF Yield (%)	0.6	1.1	1.7

CMP: INR1,600 TP: INR1,835 (+15%) Buy

Aggressive expansion with a focus on productivity

We pored over Trent's FY23 annual report to get insights about its performance and other developments. Here are the key takeaways:

Robust all-round performance continues

Trent reported an all-round improvement in FY23, coming out of the pandemic impact. Standalone/consolidated revenue nearly doubled YoY to INR77.2b/INR82.4b in FY23, aided by a healthy recovery in store productivity and strong 30% store expansion in both Westside and Zudio. Consolidated revenue grew 83.2%, while Star/Zara revenue grew 35%/41% YoY. Standalone EBITDA margin (pre-Ind AS 116) improved 170bp to 9.5%; however, the Booker subsidiary pulled down consolidated EBITDA margin (pre-Ind AS 116) to 6%. Consolidated PAT surged to INR4b (vs. INR422m in FY22), improving from a low base of the pandemic.

Focus remains on profitable growth

The company's standalone gross margin contracted 560bp YoY to 45.4% in FY23 as it did not pass on higher RM prices. This triggered strong LFL growth of 58% (calc.), driving revenue/sqft across formats. Moreover, strong cost-control measures (Exhibit 14) and its cost-efficient FOCO model (franchise-owned company-operated) that helps in variabilizing costs, offset the impact of higher raw material prices. As a result, EBITDA margins (pre-Ind AS116) saw healthy 170bp improvement. Going ahead, with signs of RM cost decline, gross margin is likely to improve.

Zudio achieves scale; profitability improves across formats

Westside reported its best-ever numbers, with revenue per sqft of INR11,973 (+20% YoY) and EBITDA margins of 13% (pre-Ind AS-116). Bills per store remained below pre-Covid levels (see exhibit 19), which were offset by improved average bill value (ABV) and a higher 84% contribution from loyalty members. Zudio, on the other hand, posted robust revenue growth of 3.2x, backed by a strong footprint expansion. EBITDA margin (calc.) came in at 6% (v/s 3% in FY22). Improved traction in Star's grocery segment with higher productivity and margins could drive the next leg of growth.

Healthy leverage position with improved profitability

Profitability improved in FY23, with healthy returns and FCF generation of INR3.7b/INR4.5b on the consolidated/standalone basis. Consolidated RoE/RoCE improved to 16%/7.9%. Our format-wise financial working (see exhibit 9) indicates that Westside drives healthy 19% RoIC, while Zudio's EBITDA margin/RoIC recover to 6%/9%. The company has effectively managed its debt levels while continuing to pursue its growth objectives. Trent operates on a strong consolidated net cash position of INR1.2b despite aggressive store additions over the last few years.

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@motilaloswal.com)

Research Analyst: Harsh Gokalgandhi (Harsh.Gokalgandhi@motilaloswal.com) | **Tanmay Gupta** (Tanmay.Gupta@motilaloswal.com

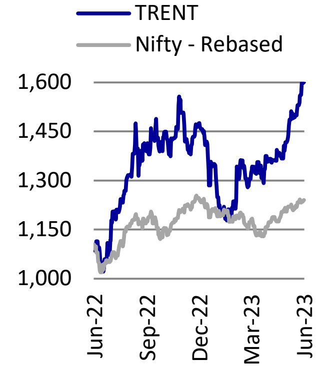
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	37.0	37.0	37.0
DII	16.1	16.1	13.4
FII	24.4	24.8	28.3
Others	22.4	22.1	21.2

Stock Performance (1-year)



Poised for growth

The discretionary category continues to see muted demand, but Trent has far outpaced the industry. Further, despite aggressive store addition, it has restricted balance sheet risk or weakness in operations. There are near-term growth headwinds given the high pent-up base and demand weakness (as per our channel checks), but Trent continues to outperform its peers and offers a huge runway for growth over the next three-to-five years. Trent's industry-leading revenue growth is mainly driven by: 1) strong SSSG and productivity, 2) healthy footprint additions, and 3) Zudio's strong value proposition. We factor in standalone revenue/EBITDA CAGRs of 31%/37% over FY23-25, led by a strong 21% footprint addition and healthy SSSG.

Valuation and View

At 29.9x EV/EBITDA and P/E of 54.5x on FY25E consolidated basis, the valuation is rich, but the high multiple is justified by strong growth. Star's improving store metrics offer a further opportunity. We assign 30x EV/EBITDA to the standalone business (Westside and Zudio;), 1x EV/sales to Star Bazaar, and 15x EV/EBITDA to Zara to arrive at our TP of INR1,835. **We reiterate our BUY rating on the stock.**

FY23 – a year of exponential growth

- **Standalone revenue nearly doubled YoY to INR77.2b, riven by a robust footprint expansion and healthy LFL in Westside. Despite a contraction in gross margin, EBITDA margin improved to 9.5%, aided by better in-store throughput and strong cost controls.**
- **Westside reported its best-ever sales per sqft, which led to healthy LFL and profitability with 13% EBITDA margin. Zudio's improvement in profitability (6% EBITDA in FY23 vs. 3% in FY22) was a positive surprise, while revenue growth remained robust.**
- **On the standalone basis, Trent reported FCF generation of INR4.5b (vs. -INR487m in FY22), backed by improved profitability.**
- **The company saw an improvement in its return profile in FY23, backed by better margins and asset turns. Consolidated RoE/RoCE for FY23 stood at 16%/7.9% vs. 1.8%/2% in FY22.**
- **India's apparel market is estimated at USD69b in 2023 and the Indian fashion industry is estimated to be the fourth largest market in the world at present, with growth likely to be led by: 1) increased urbanization, 2) positive demographics, and 3) improved income levels.**
- **The grocery segment continues to be dominated by the unorganized segment, as revenue of modern trade retailers, including select online-led players, seems to be growing.**

Seeing exponential growth, much ahead of industry

- **Revenue doubled in FY23, 2.4x vs. FY20:** Standalone revenue jumped 98.8% YoY to INR77.2b, driven by strong footprint additions and healthy LFL performance (49% YoY) in Westside. Consolidated revenue from operations grew 83.2% YoY to INR82.4b, led by the strong standalone performance, along with growth in the Star and Zara segments.

Standalone revenue grew ~2x, driven by strong footprint additions and 49% LFL growth in Westside.

- **EBITDA margin (pre-Ind AS) improved 170bp to 9.5% despite lower gross margin:** Standalone EBITDA on reported basis stood at INR11.2b with margin of 14.5%, despite a decline in gross margin to 45% from 51% in FY22. The expansion in EBITDA margin was mainly driven by improved productivity and strong cost control measures. On the pre-Ind AS basis, standalone EBITDA (calculated) surged to INR7.3b (vs. INR3b in FY22), with EBITDA margin of 9.5% (vs. 7.8% in FY22). The improvement was led by healthy 13% EBITDA margin reported by Westside and strong growth in Zudio's operating profit. Our workings indicate Zudio's EBITDA margin is likely to have improved to 6% in FY23, which was near break-even in FY22.
- **Impact on PBT:** Reported PBT on Consolidated/Standalone basis stood at INR4.7b/INR7.1b. Excluding Ind-AS 116 impact (INR1,040m/ INR910m on consolidated/ standalone basis), PBT would be INR5.7b/INR8b on consolidated/Standalone basis in FY23.

Exhibit 1: Segment-wise contribution – Zudio's share rose to 46% to FY23 from 29% in FY22

INR m	FY18	FY19	FY20	FY21	FY22	FY23
Standalone revenue	20,663	25,317	31,777	20,475	38,807	77,152
Westside revenue	19,836	23,407	28,110	14,135	27,250	41,305
Landmark revenue	368	383	1,190	476	476	476
Zudio revenue	458	1,527	2,477	5,865	11,082	35,371
Standalone EBITDA (Pre-Ind AS 116)	2,014	2,366	2,882	(776)	3,040	7,336
Westside EBITDA	2,182	2,575	3,092	141	2,997	5,370
Zudio EBITDA	(168)	(209)	100	(607)	352	1,966
Westside revenue contribution (%)	96	92	88	69	70	54
Westside EBITDA contribution (%)	108	109	107	-18	99	73

Source: MOFSL, Company

Steady cashflows and return ratio despite aggressive expansion

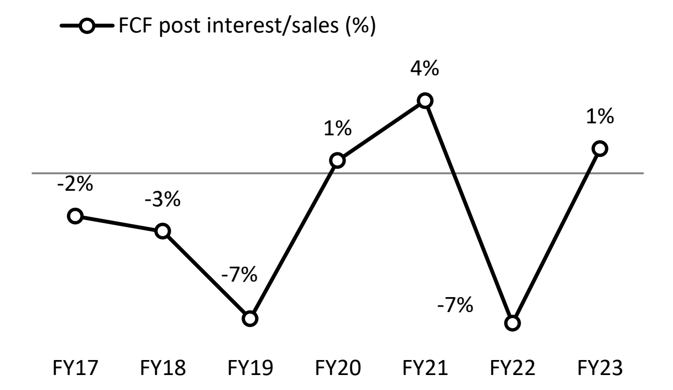
Standalone FCF turns positive despite aggressive store adds:

- Trent's operating cash flows (OCF) improved to INR6.6b (vs. INR1.5b in FY22), mainly aided by improved profitability.
- After adjusting for capex of INR2.1b, FCF stood at INR4.5b. In FY22, Trent reported cash outflow of INR487m as OCF was much lower due to Covid.
- In FY23, the CFO-to-EBITDA ratio stood at 59% as funds were blocked in working capital due to an aggressive footprint expansion. On the pre-Ind AS basis, CFO-to-EBITDA ratio stood at 2% for FY23. The accrual ratio stood at 12% in FY23 on a pre-Ind AS basis (vs. 14% in FY22).
- Net working capital increased by INR2b from FY22 to INR7.2b, largely driven by an increase in inventory.
  - Inventory days fell to 63 from 77 in FY22, mainly due to improved sales.
  - On a per sqft basis, inventory grew 33% YoY (23% above pre-Covid), indicating that new stores are seeing higher inventory stocking.
- Trent remains net debt free as net cash (excl. Lease) for FY23 stood at INR374m vs. INR103m in FY22. External borrowings included outstanding NCDs worth ~INR5b as of Mar'23.

Consolidated cash flow turns positive:

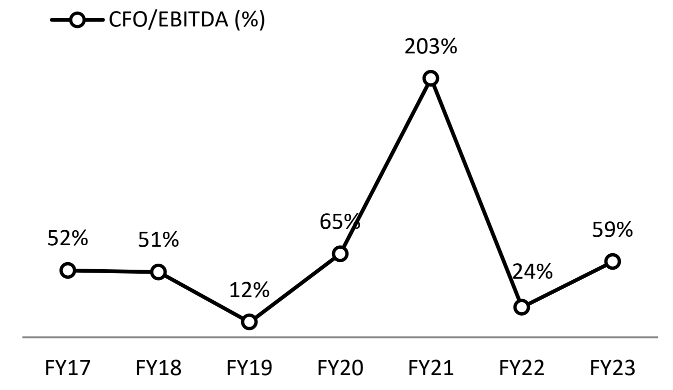
- OCF improved to INR5.9b in FY23 from INR585m in FY22 (INR3.7b in FY20), largely driven by improved profitability. After adjusting for capex of INR2.2b, the company reported FCF of INR3.7b.
- Net working capital increased by INR2.2b, mainly driven by high inventory. However, inventory days have normalized to pre-Covid levels of 60 from 70 in FY22, indicating an increase mainly on account of footprint additions.
- Non-current investments witnessed redemption during FY23 and stood at INR5.6b vs. INR7.8b as of Mar'22.
- The company's net cash position (excl lease) stood at INR1.3b.

Exhibit 2: FCF post-interest/sales improved to 1.2%



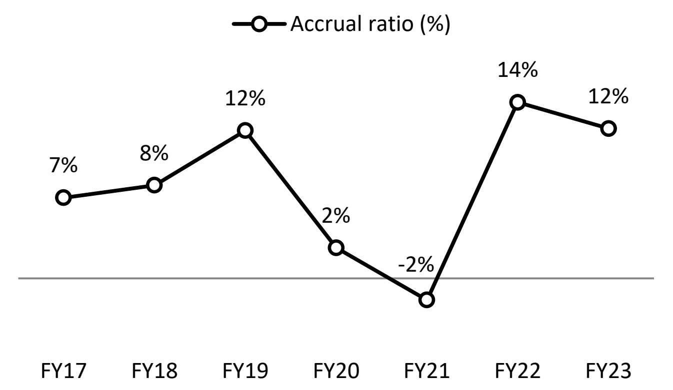
Source: MOFSL, Company

Exhibit 3: CFO/EBITDA improved



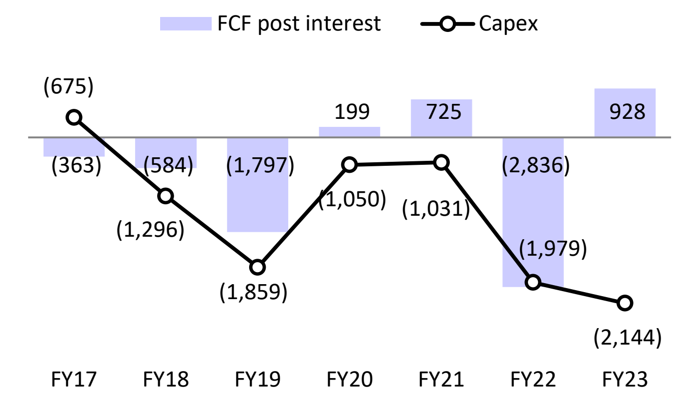
Source: MOFSL, Company

Exhibit 4: Quality of earnings saw marginal decline



Excl. RTU assets ;Source: MOFSL, Company

Exhibit 5: FCF post-interest/capex trend (INR m)



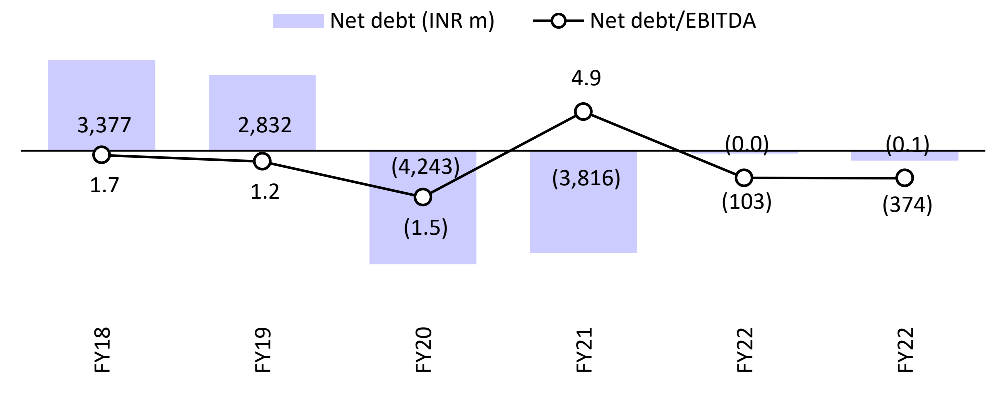
Source: MOFSL, Company

Exhibit 6: Cash flow reconciliation (Standalone)

INR m	FY20	FY22	FY23
Net profit	2,454	3,362	7,105
Working capital changes	-1,112	-4,020	-2,707
Other items	3,149	2,933	4,099
Tax	-807	-782	-1,869
Cash from operations	3,685	1,492	6,628
Cash flow from pref allotment/ fund raise	9,498	-	-
Redemption of securities			
Issue/ (Repayment) of debt	-2,725	1,969	-1,202
Finance cost paid	-2,437	-2,350	-3,557
Dividend paid	-520	-426	-394
Other financing		-552	-
Capex (net)	-1,050	-1,979	-2,144
Investments (Net)	-5,870	4,634	57
Investment in subsidiaries	-451	-2,137	-997
Dividend from subsidiaries, JVs		1,103	1,470
Other investing activities	-200	-1,680	184
Net cash movement during the year	-69	74	45
Opening balance	509	669	744
Closing balance of cash	441	744	789
Short-term investments	6,800	4,417	4,565
Total	**7,240**	**5,161**	**5,353**

Source: MOFSL, Company

Exhibit 7: Trent (standalone) enjoys net cash position (Pre-Ind AS 116)



Source: Company, MOFSL

Exhibit 8: Calculation of inventory per sqft

Standalone	FY19	FY20	FY21	FY22	FY23	YoY Gr. (%)	v/s FY20 (%)
Inventory	4,894	5,865	3,946	8,225	13,369	63	128
Store	190	245	307	433	566	31	131
Inventory per store	26	24	13	19	24	24	-1
Inventory per average store	30	27	14	22	27	20	-1
Total area (in sqft mn)	2.52	3.26	3.80	4.97	6.05	22	85
Inventory per sqft	1,944	1,797	1,039	1,656	2,209	33	23
Inventory per average sq.ft.	2190	2029	1117	1877	2427	29	20

Source: MOFSL, Company

Return ratios reaching mid-high teen levels

- Trent's consolidated RoE/RoCE/RoIC improved significantly in FY23 to 16%/7.9%/6.9%, as business profitability witnessed improvement. Pre-Ind AS 116, RoE/RoCE stood at 15.3%/13.5% in FY23. The strong recovery in return ratios was mainly driven by improved earnings in the core business (Westside and Zudio) and improved performance of Trent Hypermarket (Star Bazaar) and Zara
- Trent's RoE (pre-Ind AS 116), which remained in single digits historically, saw a sharp improvement to 15.3% in FY23, mainly led by an improved asset turnover ratio.

Westside, Zudio, Star all seeing healthy improvements despite GM impact

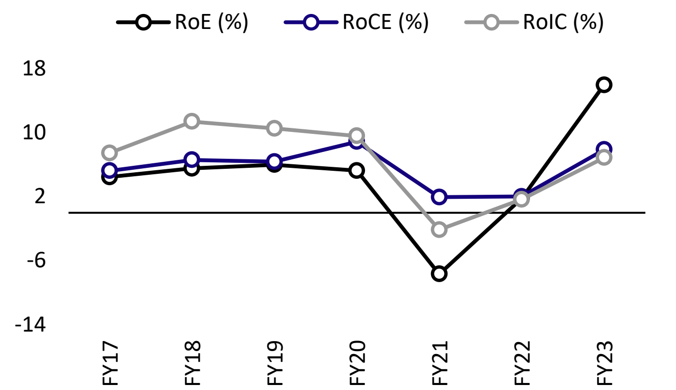
- Trent reported lower gross margins across segments in FY23 as the company did not pass on the increased RM costs to customers.
- Westside's RoIC returned to the per-Covid level of ~20%. While gross margin declined to 55%, improved returns were mainly supported by improved store productivity and strong cost control measures adopted.
- Excluding investments, the standalone business delivered RoIC (post-Tax) of 16%, led by improved profitability in Westside and Zudio.
- Consolidated RoIC was stable at 11.6%, as continued losses in Star Bazaar were partly offset by Zara's rich 52% RoIC and a strong standalone performance.

Exhibit 9: Comparative return analysis under all formats

FY23	Standalone	Westside	Zudio	Star	Zara	Consolidated
Revenue	77,152	41,305	35,371	18,110	25,538	82,420
Gross profits	34,996	22,759	12,237	3,412	10,085	35,223
Gross margins (%)	45	55	35	19	39	43
Cost of retailing	27,660	17,390	9,961	1,669	7,450	30,250
EBITDA	7,336	5,370	2,276	1,743	2,634	4,973
EBITDA margin (%)	10	13	6	10	10	6.0
Depreciation	1,402	826	575	2,529	596	1,489
EBIT	5,934	4,544	1,390	(786)	2,038	3,484
EBIT margin (%)	8	11	4	-4	8	4
PAT	5,546	NA	NA	(1,370)	2,643	1,624
PAT margin (%)	7%	NA	NA	-8%	10%	2%
Capital employed	35,779	23,459	12,320	5,327	3,928	31,690
Share capital	30,799	18,479	12,320	5,327	3,928	25,955
Invested capital	30,426	18,106	12,320	4,841	2,933	31,690
RoCE (pre-tax) (%)	17	19	11	-15	52	11.5
RoE (%)	18	NA	NA	-26	67	6.3
RoIC (post-tax) (%)	16.1	19	9	-16	52	11.6

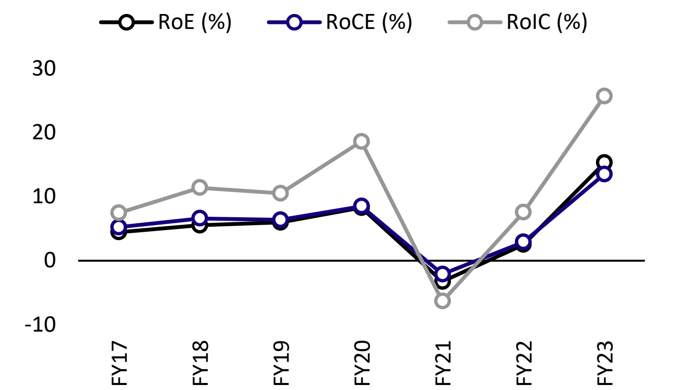
Source: MOFSL, Company

Exhibit 10: Return ratios on reported numbers



Source: MOFSL, Company

Exhibit 11: Return ratios adjusted for pre-Ind-AS 116



Source: MOFSL, Company

Exhibit 12: DuPont analysis for RoE on reported numbers

Du Pont analysis (amount in INR m)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Adjusted Net Profit	672	870	970	1,060	-1,803	422	3,957
Revenue	18,339	21,575	26,302	34,860	25,930	44,980	82,420
Net profit margin (%)	**3.7%**	**4.0%**	**3.7%**	**3.0%**	**-7.0%**	**0.9%**	**4.8%**
Revenue	18,339	21,575	26,302	34,860	25,930	44,980	82,420
Total Assets	22,165	23,354	25,587	55,066	57,237	77,260	80,815
Average total assets	21,865	22,759	24,470	40,326	56,152	67,249	79,038
Assets turnover (x)	**0.84**	**0.95**	**1.07**	**0.86**	**0.46**	**0.67**	**1.04**
Total debt	3,917	3,914	3,942	25,260	26,686	47,338	44,722
Total equity	15,477	15,954	16,465	23,880	23,130	23,640	25,955
Average equity	15,060	15,715	16,209	20,173	23,505	23,385	24,797
Average total assets	21,865	22,759	24,470	40,326	56,152	67,249	79,038
Financial leverage (x)	**1.45**	**1.45**	**1.51**	**2.00**	**2.39**	**2.88**	**3.19**
RoE as per Du Pont analysis (%)	**4.5%**	**5.5%**	**6.0%**	**5.3%**	**-7.7%**	**1.8%**	**16.0%**

Source: Company, MOFSL

Exhibit 13: DuPont analysis for RoE at pre-Ind AS 116

Du Pont analysis (amount in INR m)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Adjusted Net Profit	672	870	970	1,671	-769	584	3,791
Revenue	18,339	21,575	26,302	34,860	25,930	44,980	82,420
Net profit margin (%)	**3.7%**	**4.0%**	**3.7%**	**4.8%**	**-3.0%**	**1.3%**	**4.6%**
Revenue	18,339	21,575	26,302	34,860	25,930	44,980	82,420
Total Assets	22,165	23,354	25,587	35,210	34,052	38,618	45,313
Average total assets	21,865	22,759	24,470	30,398	34,631	36,335	41,966
Assets turnover (x)	**0.84**	**0.95**	**1.07**	**1.15**	**0.75**	**1.24**	**1.96**
Total debt	3,917	3,914	3,942	2,072	50	5,059	5,060
Total equity	15,477	15,954	16,465	23,880	23,130	23,640	25,955
Average equity	15,060	15,715	16,209	20,173	23,505	23,385	24,797
Average total assets	21,865	22,759	24,470	30,398	34,631	36,335	41,966
Financial leverage (x)	**1.45**	**1.45**	**1.51**	**1.51**	**1.47**	**1.55**	**1.69**
RoE as per Du Pont analysis (%)	**4.5%**	**5.5%**	**6.0%**	**8.3%**	**-3.3%**	**2.5%**	**15.3%**

Source: Company, MOFSL

Indian apparel Industry is expected to grow backed by
a) Increased urbanization
b) Positive demographic position
c) Improved income levels

Industry outlook remains healthy

- **Urbanization:** By 2035, over 43% of the country's population is expected to live in urban areas. Improved income levels and higher urbanization could fundamentally alter the consumption basket in favour of the lifestyle and fashion segment.
- Positive Demography: India has the largest youth population in the world, with ~66% of this total population below the age of 35. This can be considered as a tailwind for the segment.
- The Indian retail sector is emerging as one of the largest sectors in the economy, contributing over 10% of GDP and 8% of employment.

Underlying demand drivers in place for the fashion and lifestyle market

- **India's Fashion and Lifestyle market**, which is the fourth largest market in the world, **is estimated at USD69b** in 2023. Further, the recently retailer-owned brands have become more relevant as they offer shoppers value for money while earning higher margins for retailers, with potential to develop into self-sustaining propositions.
- **Modern trade and online to drive growth in Food and Grocery (F&G) market:** While the segment is dominated by the unorganized segment, revenue of modern trade retailers, including that of select online-led players, seem to be growing. However, given the overall growth rate of the underlying market, the share of traditional trade is expected to remain substantial for the foreseeable future. Another trend in this space is the growing consolidation of national modern trade players.

Cost and other income analysis: Cost variabilization to cushion GM impact

Cost optimization offset lower gross margin:

- Overall other expenses grew ~80%, YoY, but their share in total revenue declined by 270bp, indicating the effectiveness of cost saving measures.
- Ad spends during the year grew 26% YoY, mainly due to promotional activities for the StyleClub membership program.
- Overall rent expenses increased by 57% YoY, mainly due to footprint addition. Rent/sqft remained 14% below the pre-Covid level.

Exhibit 14: Cost variabilization aided EBITDA margin improvement in FY23

% of sales	FY20	FY21	FY22	FY23	(YoY bp)
Gross margin	49.5	49.7	51.0	45.4	(565.8)
Employee costs	9.9	12.5	8.7	7.5	(118.9)
Rent	15.0	13.7	8.5	5.0	(349.3)
Other expenses	15.6	27.3	26.0	23.3	(265.0)
EBITDA margin (pre-Ind AS 116)	9.1	(3.8)	7.8	9.5	167.5
Westside EBITDA (INR m)	3,092.1	141.3	2,997.5	5,369.7	
Margin (%)	11.0	1.0	11.0	13.0	200.0
Zudio EBITDA (INR m)	100.0	(607.4)	352.3	1,965.8	
Margin (%)	2.1	(12.7)	3.2	5.6	237.9

Source: MOFSL, Company

Exhibit 15: Cost structure for other expenses (INR m)

Cost structure for other expenses	FY20	FY21	FY22	FY23	v/s FY20	v/s FY22
Rent (including embedded lease component)	2,075	1,838	3,663	7,086	241%	93%
as a % of revenue	*6.5%*	*9.0%*	*9.4%*	*9.2%*		
Repairs to building, machinery, others	759	739	931	899	18%	-3%
as a % of revenue	*2.4%*	*3.6%*	*2.4%*	*1.2%*		
Advertisement and sales promotion	493	439	1,131	1,420	188%	26%
as a % of revenue	*1.6%*	*2.1%*	*2.9%*	*1.8%*		
Freight and forward	772	365	965	2,264	193%	135%
as a % of revenue	*2.4%*	*1.8%*	*2.5%*	*2.9%*		
Other expenses	2,926	2,209	3,394	6,334	116%	87%
as a % of revenue	*9.2%*	*10.8%*	*8.7%*	*8.2%*		
Total cost	7,025	5,590	10,084	18,003	156%	79%
as a % of revenue	*22.1%*	*27.3%*	*26.0%*	*23.3%*		

Source: MOFSL, Company

Exhibit 16: Rent expenses driven by footprint adds (INR m)

Rent	FY19	FY20	FY21	FY22	FY23	Growth YoY
Rent (part of other exp.)	3,179	2075	1838	3663	7,086	93%
Rent (pre-Ind AS 116 adj.)		4,776	2,814	3,296	3,857	17%
Total rent	3,179	6,851	4,652	6,959	10,943	57%
Rent as a % of revenue	*13%*	*22%*	*23%*	*18%*	*14%*	
YoY growth		*115.5%*	*-32.1%*	*49.6%*	*57.3%*	
Rent per sqft	1,263	2,098	1,225	1,401	1,809	29%
YoY growth		*66.2%*	*-41.6%*	*14.4%*	*29.1%*	

Source: MOFSL, Company

Other Income:

- Other income grew 48% YoY to INR4.1b in FY23, mainly driven by an increase in dividend income and the reversal of provisions and recognition of gains on the sale of fixed assets.
- After adjusting for the differential amount of INR1.7b pertaining to Ind-AS 116, other income grew 13% YoY.

Exhibit 17: Other income schedule (post-Ind AS 116)

Other income (INR m)	FY22	FY23	Growth YoY (%)
Security deposits	62	94	52
Debentures/Bonds	58	37	-36
Loans and advances	30	18	-39
Others	52	6	-88
Interest income	**202**	**156**	**-23**
Subsidiaries	25	0	NM
Others	1,089	1,482	36
Dividend income	**1,115**	**1,482**	**33**
Provisions/Liabilities written back	7	48	621
Gain on sale of Inv (net)	47	96	105
Gain on lease modification/termination	435	983	126
Profit on sale of FA (net)	104	1,350	NM
Rent waiver/reduction	647	3	-100
Change in FV of investment	233	-	NM
Other income (Non-Operative)	**1,473**	**2,479**	**68**
Total	**2,790**	**4,117**	**48**

Source: MOFSL, Company

Exhibit 18: Other income schedule (Pre-Ind AS 116)

(INR m)	FY22	FY23	Growth YoY (%)
Other income	**2,142**	**2,417**	**13**
Interest income	202	156	-23
Dividend income	1,115	1,482	33
Provisions/Liabilities written back	7	48	621
Gain on sale of Inv (net)	47	96	105
Others (Inc gain on FA sale)	772	635	-18

Source: MOFSL, Company

Westside – Improved profitability led by strong cost control

- **Total revenue grew ~50% YoY, aided by healthy SSSG of 49%. Lower bill cuts on per store basis vs. FY20 were offset by improved ABV.**
- **Despite lower gross margin, EBITDA margin (pre-IND-AS 116) improved to 13% (vs. 11% in FY22), aided by improved productivity and cost control measures.**
- **The membership program continues to deliver, with 8.6m members (up 12% YoY) contributing 84% to revenue with an improved ABV**

Strong revenue growth backed by SSSG and store adds

- Westside reported healthy YoY revenue growth of ~50% on the back of strong LFL growth of 49% and the addition of 14 stores.
- SSSG stood at 49% (vs. high single digit SSSG pre-Covid), with the addition of 14 stores in FY23.
- The number of bills grew 50% YoY to 14.6m. However, on a per store basis, it remained 5% lower as compared to the pre-Covid level, indicating that major bill cuts originated on account of store additions.
- ABV in FY23 was INR2,824, which remained fairly flat YoY. However, it was up 20% vs. pre-Covid levels. This indicates that growth in SSSG was mainly driven by a higher number of items purchased, while footfalls per store remained lower.
- Westside added 14 stores in FY23, taking the total count to 214 stores as of Mar'23. Revenue per store in FY23 improved 37% YoY to INR200m (vs. INR178m in FY20). Revenue per sqft grew 20% YoY to INR11,973/sqft, the best-ever sales throughput.

Exhibit 19: Westside continues to see healthy store productivity

Particulars	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Stores	93	107	125	150	165	174	200	214
Number of bills (m)	7.8	8.3	9.0	10.0	11.9	5.5	9.7	14.6
YoY growth (%)	5%	7%	9%	11%	19%	-54%	77%	50%
Bills per store	83,660	77,655	72,231	66,915	72,280	31,559	48,730	68,348
YoY growth (%)		-7%	-7%	-7%	8%	-56%	54%	40%
Area (m sqft)	1.5	1.7	1.9	2.2	2.7	2.9	3.3	3.6
Bills per sqft	0.20	0.21	0.21	0.22	0.23	0.52	0.34	0.25
ABV INR	1,860	2,029	2,197	2,332	2,357	2,574	2,796	2,824
YoY growth (%)	9%	9%	8%	6%	1%	9%	9%	1%
Revenue (INR m)	14,472	16,859	19,836	23,407	28,110	14,135	27,250	41,305
YoY growth (%)	15%	16%	18%	18%	20%	-50%	93%	52%
SSSG (%)	8%	9%	9%	9%	7%	-45%	56%	49%
Westside sales/sqft	9,411	9,824	10,398	10,462	10,393	7,159	9,950	11,973
Westside sales/store (INR m)	163	169	171	170	178	83	146	200
Sales/sqft YoY growth (%)	7%	4%	6%	1%	-1%	-31%	39%	20%
Sales/store YoY growth (%)	7%	4%	1%	0%	5%	-53%	75%	37%

Source: Company, MOFSL

Westside did not pass on RM cost rise, seeing GM pressure; yet EBITDA margin improved

- Gross margin: In FY23, the company's gross margin decreased 360bp to 55.1%, primarily due to its decision not to increase prices in response to the rising costs of raw materials, which affected margins but drove strong LFL growth. However, we anticipate that as the prices of raw materials stabilize, gross margin will gradually normalize in the upcoming period.
- EBITDA margin: Despite the contraction in gross margin, EBITDA margin expanded 200bp to 13% in FY23 on pre-IND AS 116 basis. This improvement can be attributed to enhanced in-store productivity and effective cost control measures implemented by the company.
- EBIT margin: EBIT margin for FY23 stood at 11%.

Despite the contraction in gross margin, EBITDA margin expanded due to enhanced in-store productivity and effective cost-control measures implemented by the company.

Store economics for Westside turn healthy

- Westside has shifted its preference for larger stores of 20,000 sqft as against the 18,000 sqft stores earlier.
- It requires a total investment of INR70-80m to establish a new Westside store (vs. IN60m earlier), including capex for building the store, inventory, and rent deposit.
- Revenue per sqft for Westside stores improved to INR11,973, up 20% vs. INR9,950 in FY22 and up 15% from FY20, with sales per store standing at INR200m.

Westside store additions moderate

- Westside added net 14 stores in FY23, taking the total store count to 214. In FY23, it opened 20 new stores and consolidated 6 stores. The company opened 49 stores during the Covid period of FY20-23.
- The segment continued to grow in large markets, indicating its concentrated growth approach. Six major states, MH/KA/GJ/UP/TN/TL, account for 59% of total Westside stores vs. 57% in FY22.

Westside membership program contributing 84% of revenues

- Completing its third year of launch, WestStyleClub – the annual subscription program continued to witness healthy traction, with 8.6m overall subscriptions in FY23. It added 0.9m (net) members in FY23.
- Targeted, customized, and topical campaigns, along with data-driven analytics, have helped it achieve a sales contribution of over 84% of Westside's revenue from members in FY23 vs. 52% in FY20.
- ABV for Club members was 18% higher than that of the average customer (INR3,341 for a Club member vs. INR2,824 for an average customer).

Premium ABV and onboarding of 0.9m members in FY23 helped improve the revenue share of loyalty members to 84% in FY23

Strong supply chain

- The use of technology and strong control over inventory enabled the company to deliver fresh fashion every week and a faster replenishment.
- As a result, its shrinkages remained stable at 0.18%

Westside's online contribution at 6%

- Backed by growing audience through its in-house 'westside.com' and Tata Neu, the online channel registered 24% growth in FY23 on a higher base of FY22 and contributed around 6% to Westside's total revenue despite the resumption of in-store business.
- Nearly 100% servicing of Westside's online orders is done from stores, thereby reducing the inventory burden and logistics costs.
- Products are sold online exclusively through Westside.com, Tata Cliq and now through Tata Neu – the recently launched super app that seeks to integrate the Tata brand universe. It does not sell its products on any third-party marketplace portals.

Exhibit 20: Per store economics in FY23

INR m	Per Store	Per sqft
Average store size		19,000
Capex	58	3,053
Inventory	12	632
Total	**70**	**3,684**
Payback (in years)	**2.8**	**2.8**
Revenue	227	11,973
Gross profit	125	6,597
Gross margin (%)	55%	55%
Other expenses	100	5,280
Store-level EBITDA	25	1,317
Margin	11%	11%

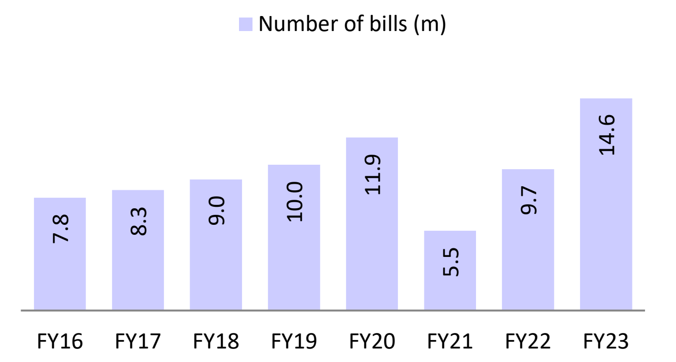
Source: Company, MOFSL

Exhibit 21: Trend in profitability for Westside

Profitability	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Westside gross profit (INR m)	8,119	9,593	11,902	13,553	15,770	8,142	15,995	22,759
Westside EBITDA (INR m)	1,302	1,686	2,182	2,575	3,092	141	2,997	5,370
Gross margin (%)	56.1	56.9	60.0	57.9	56.1	57.6	58.7	55.1
EBITDA margin (%)	9	10	11	11	11	1	11	13

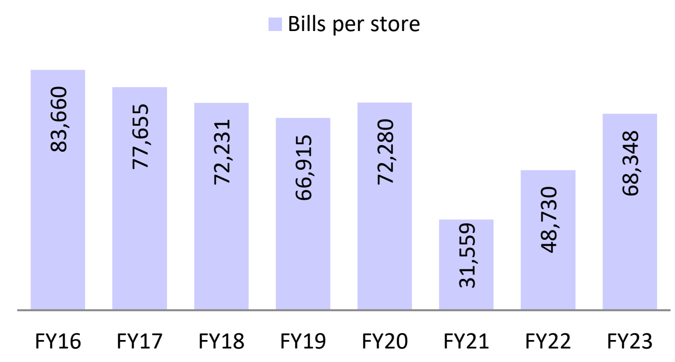
Source: Company, MOFSL

Exhibit 22: Aggregate no. of bills grew to 14.6m in FY23…



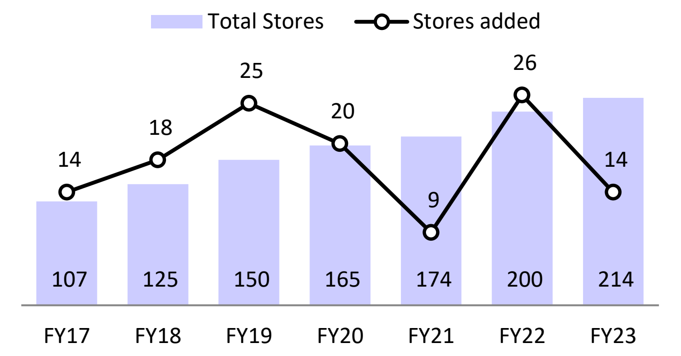
Source: MOFSL, Company

Exhibit 23: …but remained below FY20 levels on per store



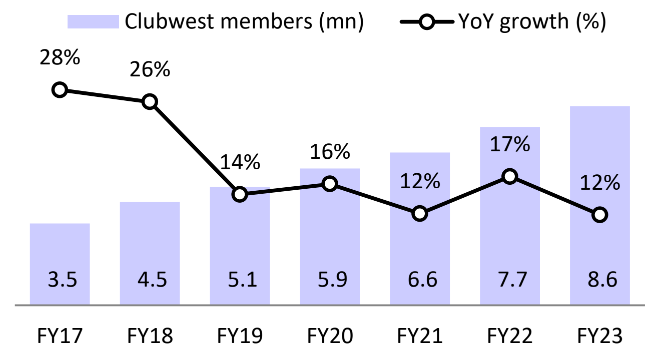
Source: MOFSL, Company

Exhibit 24: Added 14 stores in FY23



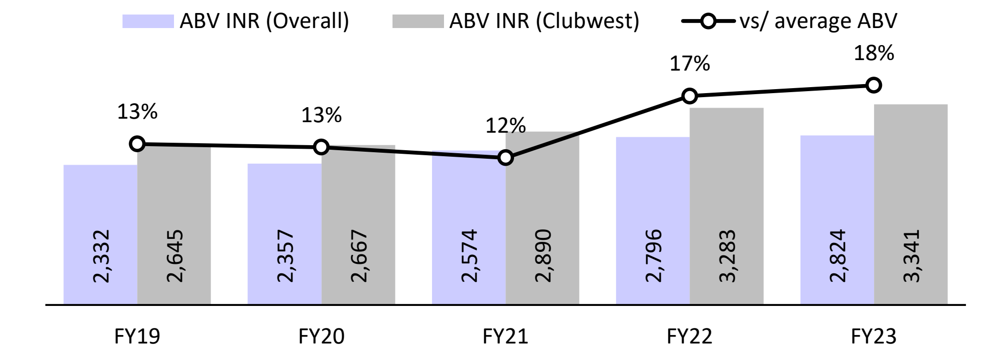
Source: MOFSL, Company

Exhibit 25: Clubwest members stood at 8.6m



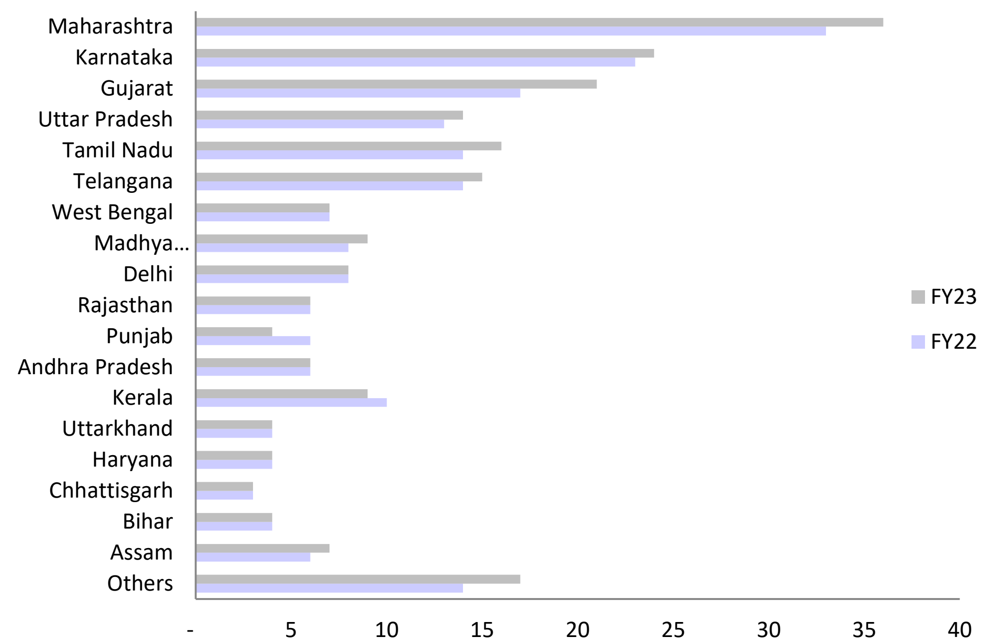
Source: MOFSL, Company

Exhibit 26: Clubwest members ABV at 18% premium to average ABV



Source: MOFSL, Company

Exhibit 27: Westside continues to expand in major states



Source: Company, MOFSL

Zudio – healthy expansion continues; reports improved profitability

- **Zudio is witnessing a strong revenue growth backed by improved productivity. It has achieved a revenue/sqft of ~INR17,300 along with footprint additions. The company added 119 stores in FY23 taking the count to 352 from just 80 stores in FY20.**
- **Our calculation indicates an improvement in EBITDA margin to 6% for Zudio (from 3% in FY22) despite flat gross margin as in-store productivity improved in FY23.**
- **The improved store productivity seen in FY23 indicated that newer stores are witnessing better productivity.**

Zudio: striking fashion – reasonable prices

Zudio focuses entirely on exclusive branded offerings, curated in-house and in line with the latest fashion trends at reasonable prices. Pitched for a younger audience, Zudio focusses on fashion-forward products. Hence, the emphasis is on minimizing lead times and stockpiling fresh collections in stores as quickly as possible similar to the Westside model. The aspiration is to constantly shrink the time window between initial design concepts and being available on shelf. It sells 100% exclusive retail brand portfolio.

Vibrant stores

Zudio stores are present in attractive/prominent locations. Striking windows and in-store displays as well as exciting store ambience are the key factors to drive trial & traction from its audience.

Improved share in revenue and profitability

- Zudio continues to deliver strong revenue growth aided by healthy footprint additions. Our calculations indicate Zudio's likely annual revenue was around INR35.4b, contributing ~46% to the standalone revenue for FY23.
- The segment saw improved profitability with EBITDA margin of 5.6% (calc.)

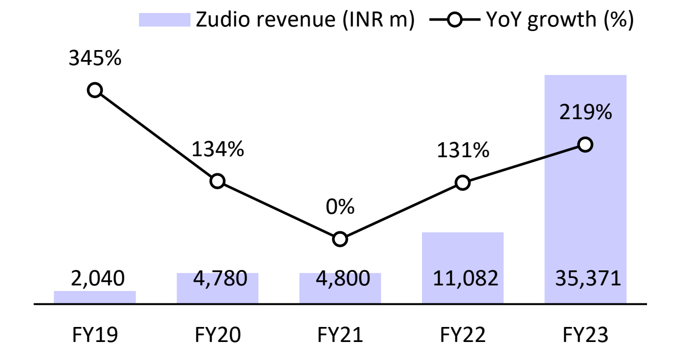
Improved store productivity offsets low gross margin

- Zudio's sales per store jumped ~2x YoY to INR121m in FY23 with sales/sqft of ~INR17,300 which could be due to: a) lower base of FY22, hit by Covid-19 and b) improved contributions from the newly set up stores in FY22.
- The store productivity is by far the best in the fashion industry, which typically operates at ~INR10,000/sqft. Zudio's high sales/sqft helps in offsetting the low gross margin, thus garnering ~INR6,000/sqft gross profit, which is similar to Westside's gross profit/sqft and much above other peers in fashion segment.
- The average store size stood at 7,000-8,000 sqft. The capital requirement for a single store is ~INR20-30m, including capex, inventory, and deposits. This implies an asset turn of 5x. With a typical store-level EBITDA margin of 13%, Zudio garners ~50% store-level RoIC and 1.5 years of payback period.

Store additions remain robust

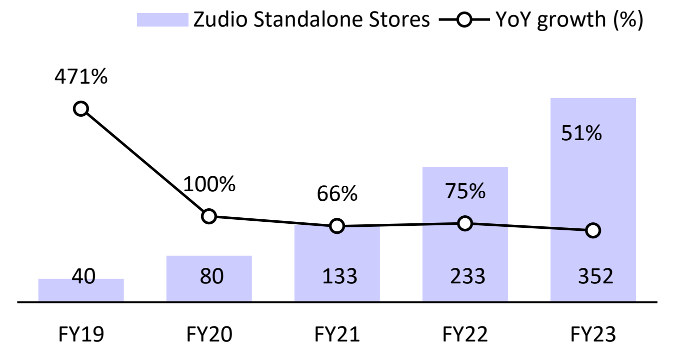
- Zudio added 119 stores in FY23 taking the total count to 352 standalone stores.
- During FY20-23, the company cumulatively added over 300 stores from just 40 stores in FY19.
- Zudio expanded in the underpenetrated markets as the four states – Maharashtra, Karnataka, Telangana, and Gujarat – contributed 54% of total Zudio stores v/s 57% in FY22.

Exhibit 28: Zudio's standalone stores posted strong revenue growth…



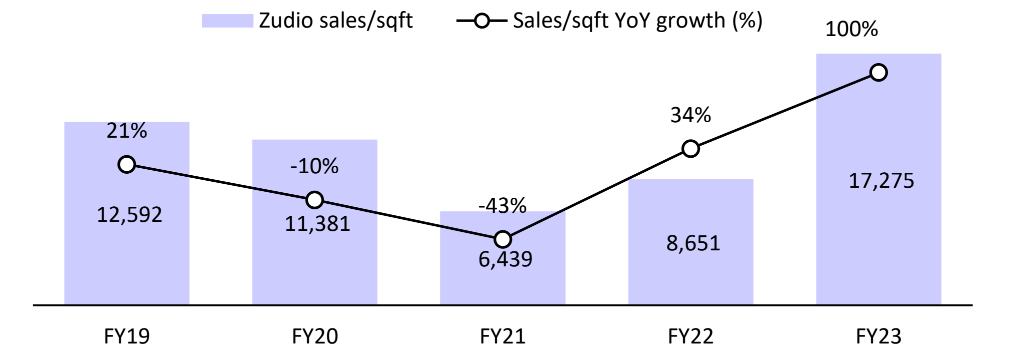
Source: MOFSL, Company

Exhibit 29: …backed by healthy footprint additions



Source: MOFSL, Company

Exhibit 30: Sales/sqft reported strong recovery



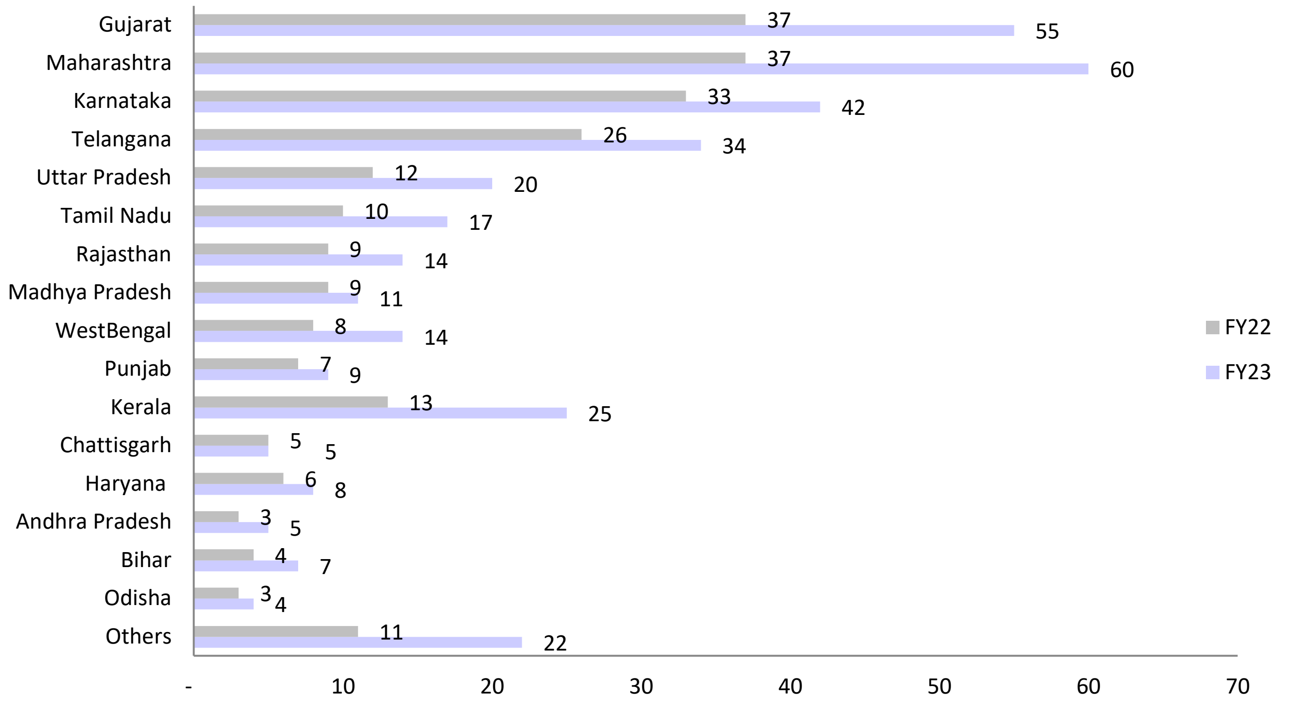
Source: MOFSL, Company

Exhibit 31: Store economics for Zudio (FY23)

INR m	Per Store	Per sqft
Average store size		7,500
Capex	17	2,315
Inventory	8	1,019
Total	**25**	**3,333**
Payback (in years)	**1.5**	**1.5**
Revenue	130	17,275
Gross profit	45	5,976
Gross margin (%)	35%	35%
Other expenses	28	3,690
Store-level EBITDA	17	2,287
Margin	13%	13%

Source: MOFSL, Company

Exhibit 32: Zudio stores, by state



Source: Company, MOFSL

Zara – witnessing a reversal; growth accelerates

- **Zara is experiencing a demand recovery, after the pandemic-induced moderation in growth, with 41% revenue growth supported by improved store productivity.**
- **Margins witnessed improvement driven by pricing strategies and control over opex.**
- **The segment continues to remain profitable with healthy returns profile of 64.3% RoE/47.7% RoCE for FY23.**

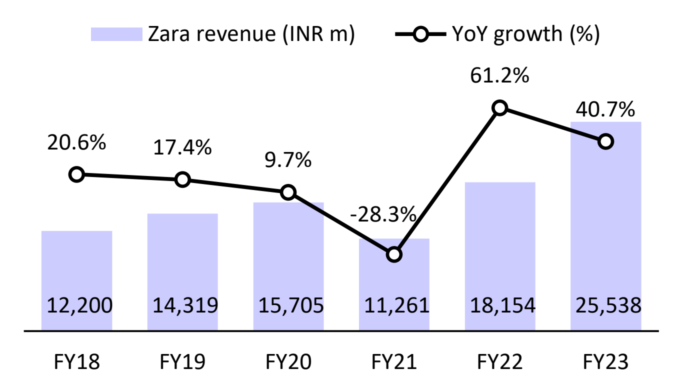
Strong recovery in operating performance, reaching above pre-Covid level

- Zara achieved a robust 41% YoY growth in revenue to INR25.5b in FY23 (+62.6% over FY20). This growth was primarily driven by a strong recovery in sales across stores. Per store sales grew 44% YoY, reaching INR1,246m for FY23.
- Zara's gross profit surged 48% YoY propelled by pricing strategies that led to improved profitability. Consequently, gross margin also improved 200bp YoY to 39.5% in FY23.
- It reported a strong 58% YoY growth in EBITDA, amounting to INR4.2b. This growth was primarily driven by strong revenue growth and effective cost control measures. As a result, margin expanded 180bp to reach 16.3% in FY23.
- The segment achieved a 78% YoY growth in PAT, reaching INR2.6b in FY23. This growth can be attributed to improved operating profitability.
- **Robust returns profile:** Zara delivered an enhanced return profile driven by improved profitability and reduced capex. Its RoCE, RoE, and RoIC stood at 47.7%, 64.3%, and 61.2% in FY23 v/s 25.2%, 32.0%, and 31.4%, respectively, in FY22.

Outlook

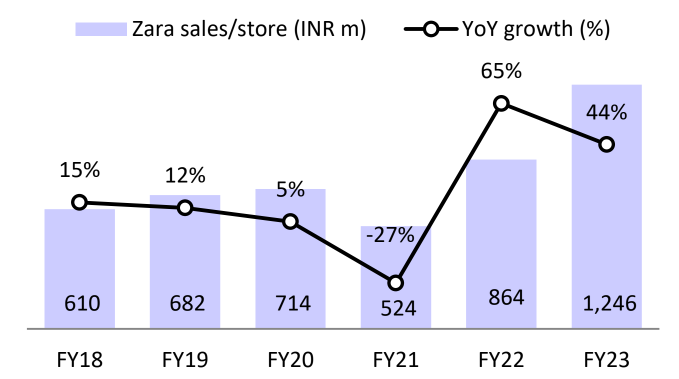
- **Conservative store additions could limit growth:** While the current year is witnessing a revival in revenue growth, the company continues to remain conservative on incremental store additions that could potentially restrict overall growth. Store count for FY23 stood at 20 v/s 21 in FY22.
- **Not a strategic investment:** Trent's management has repeated year after year that it does not consider the investment in the Zara JV as a strategic one as the sourcing is exclusive to Inditex Group (JV partner). Further, its products and specifications are all at the partner's discretion, as is the use of brand names in India.

Exhibit 33: Zara's revenue increased 41% YoY



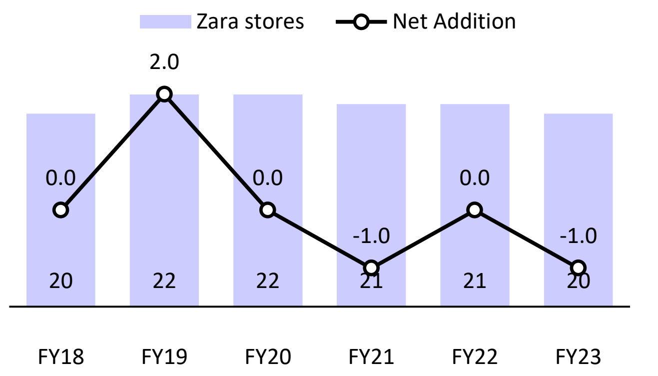
Source: MOFSL, Company

Exhibit 34: Revenue growth led by increase in store sales



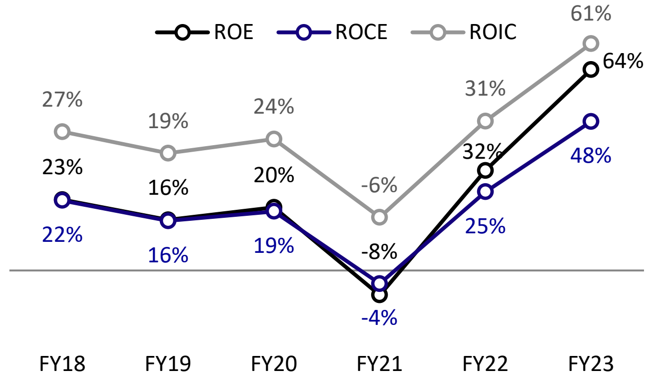
Source: MOFSL, Company

Exhibit 35: Store count at 20 for FY23



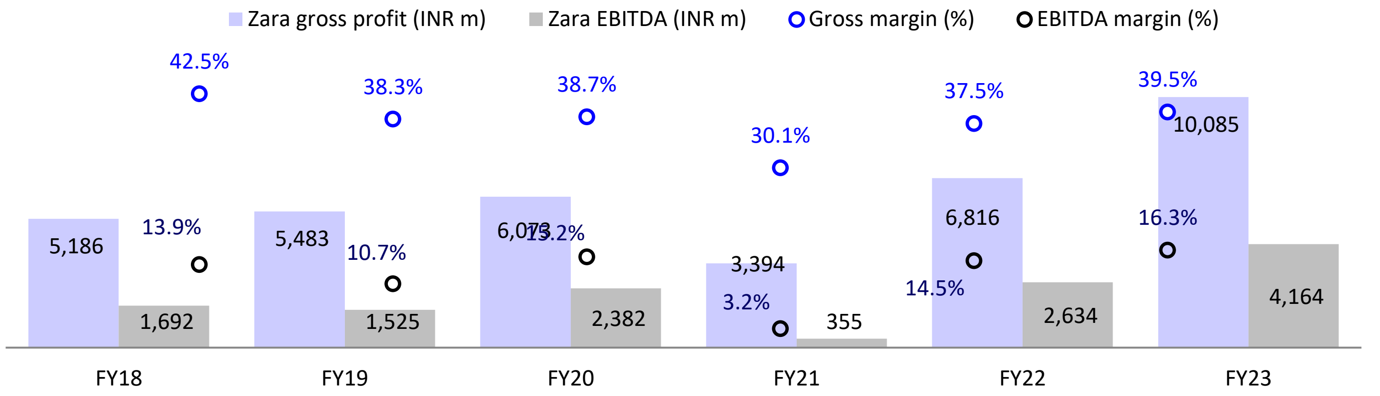
Source: MOFSL, Company

Exhibit 36: Returns profile improved led by profitability



Source: MOFSL, Company

Exhibit 37: Margin improvement witnessed in FY23



Source: Company, MOFSL

Exhibit 38: Zara's financial snapshot (INR m)

INR m	FY18	FY19	FY20	FY21	FY22	FY23
Revenue	12,200	14,319	15,705	11,261	18,154	25,538
YoY growth (%)	*21%*	*17%*	*10%*	*-28%*	*61%*	*41%*
No. of stores	20	22	22	21	21	20
Net store adds	06	2	0	-1	0	-1
EBITDA	1,692	1,525	2,382	355	2,634	4,164
YoY growth (%)	*76%*	*-10%*	*56%*	*-85%*	*642%*	*58%*
Margin (%)	*13.9%*	*10.7%*	*15.2%*	*3.2%*	*14.5%*	*16.3%*
Interest cost	20	2	189	151	140	162
PAT	826	715	1,041	(413)	1,488	2,643
YoY growth (%)	*73%*	*-13%*	*46%*	*-140%*	*-460%*	*78%*
Margin (%)	*6.8%*	*5.0%*	*6.6%*	*-3.7%*	*8.2%*	*10.3%*
Total equity	4,056	4,773	5,514	5,004	4,291	3,928
Borrowings	-	-	-	-	-	-
Cash and equivalents	435	831	1,734	1,520	952	995
Inventory	1,183	1,485	1,300	1,725	2,243	2,160
Payables	799	734	498	1,065	1,330	1,768
Inventory days	35	38	30	56	45	31
Creditor days	24	19	12	35	27	25
NWC days	11	19	19	21	18	6
RoE	**23%**	**16%**	**20%**	**-8%**	**32%**	**64%**
RoCE	**22%**	**16%**	**19%**	**-4%**	**25%**	**48%**
RoIC	**27%**	**19%**	**24%**	**-6%**	**31%**	**61%**

Source: Company, MOFSL

Star – Witnessing a gradual turnaround

- **Star witnessed a demand recovery with 35% revenue growth underpinned by improved bill cuts.**
- **The segment has been successful in achieving healthy gross margin of 18.8% (though below pre-Covid level of 19-20%) v/s 14.5% for DMart led by high private-label focus.**
- **Scaling up of stores with improved offerings could be a key to further turnaround within the segment.**

Revenue performance: Improved footfalls and productivity drive growth

- The segment reported a revenue growth of 35% YoY to INR18.1m aided by improved LFL and footfalls.
- Gross margin improved to 18.8% in FY23 from 17.2% in FY22. This, however, remained below the pre-Covid level of 19-20% that could be due to weak industry demand in high-margin discretionary category.
- The segment posted an EBITDA of INR1.7b with margin of 9.6%. This, however, could be attributed to re-alignment of certain expenses (from opex to depreciation) that has increased ~3.6x (INR2.5b) in FY23 v/s 62% (INR716m) reduction in other expenses on YoY basis.
- The company saw reduced losses at INR1.0b in FY23 v/s 1.4b in FY22.

Net cash position

- Star has a liquid cash of INR486m as of FY23.
- The company has funded the losses and incremental working capital mainly through liquidation of certain financial assets.

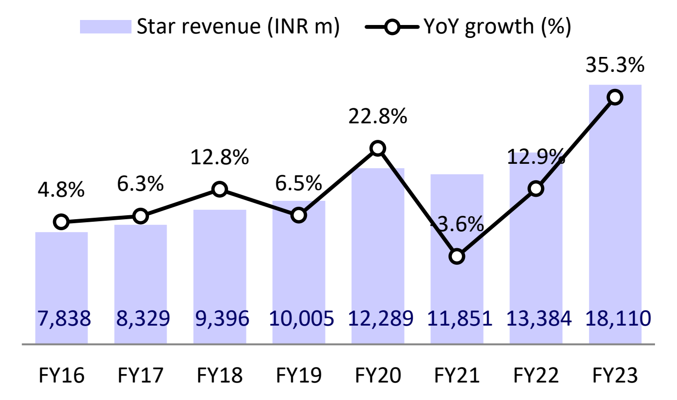
Star's private label-led offerings

- A Star market store has a typical size of 7,000-10,000 sqft, while a Star Hyper outlet has an average size of 17,500 sqft. In some cases, Star also operates a Zudio format store in Star market.
- Star's exclusive retail brand offerings include: **a) Klia** (cleaning-aids & home care products), **b) Fabsta** (packaged food and beverages) and **c) Skye** (personal care products).
- Share of exclusive retail brands (excluding staples, fresh & apparels) improved to 14.0% in FY23 from 10.3% in FY22.
- Star continued with its cluster-based approach at stores in Maharashtra, Karnataka, Telangana, and Gujarat to achieve cost efficiencies and economies of scale. However, it needs scale to achieve profitability.
- Starquik, its e-commerce portal, is continuing to witness encouraging customer traction in the micro markets.
- The intent is to scale up the omni-channel operations over time for enhanced customer convenience and reach.
- The current portfolio consists of 63 Star stores across THPL and Fiora Hypermarket Ltd. (FHL), a subsidiary of the company. The company follows a cluster-based expansion model and has concentrated its presence in 10 cities

(Bengaluru, Hyderabad, Mumbai, Pune, Ahmedabad, Surat, Nashik, Kolhapur, Vadodara and Solapur).

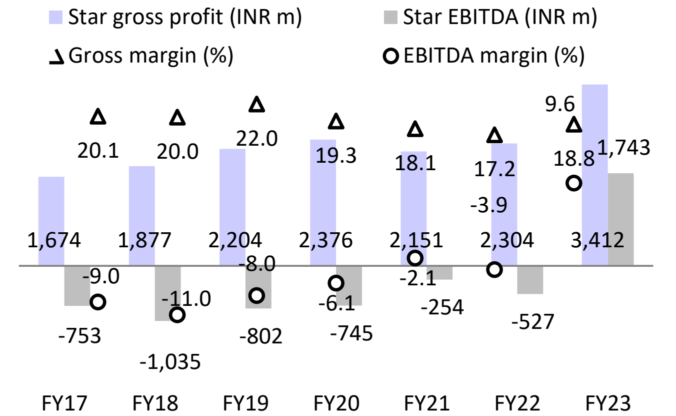
- **Going forward:** Star targets to improve its offerings via – a) sharp pricing, b) scaling up own brands, c) improved omni-channel presence and d) improved reach. It is also planning to have a clustered presence in select cities and targets to follow the Star Market plus omni-channel model.

Exhibit 39: Star reported strong 35% YoY revenue growth



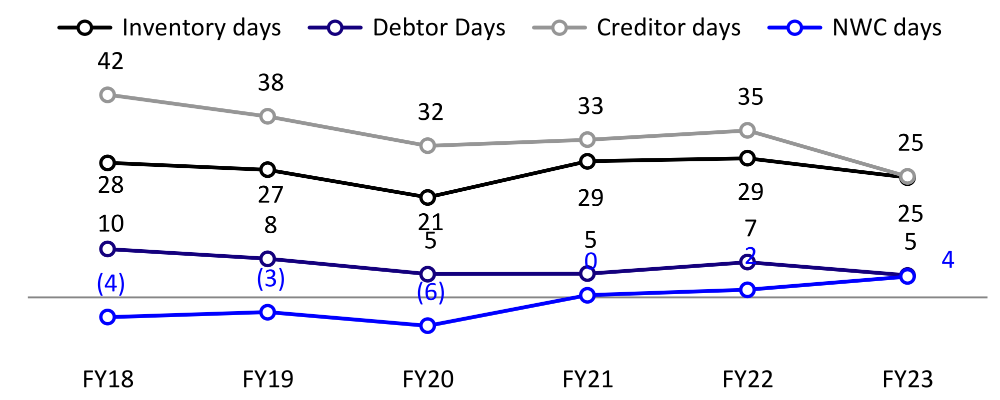
Source: MOFSL, Company

Exhibit 40: With improved margins



Source: MOFSL, Company

Exhibit 41: NWC days increased due to lower payable days



Source: Company, MOFSL

Booker India

- Trent acquired 51% stake in Booker India Ltd. (BIL) in FY20 at an acquisition price of INR225m. It operates in the B2B grocery segment with five cash and carry stores under the Booker Wholesale banner.
- Booker Wholesale operates on a footprint ranging between 19,000 and 25,000 sqft and focuses on categories and assortments relevant to small businesses.
- BIL's trading assortment includes products in categories across staples, processed foods, confectionery, personal care, home care, soft drinks, dairy etc.
- BIL registered consolidated revenue of INR5.9b in FY23 and incurred a loss of INR920m. Out of this, INR860m was attributed to shareholders (51% of this was attributable to Trent, as per its shareholding).
- Trent has merged Booker Satnam Wholesale Limited (BSWL) that has similar business (having five stores) with Booker India Ltd (BIL). It received NCLT approval with effect from 19th Apr'23.
- The segment has been realigning the store portfolio, refraining from deeply discounted/ negative gross margin trade (due to certain wholesale online platforms) and pivoting towards an own branded range in multiple categories.

Landmark Xcite

- Trent incubated the new format store Landmark Xcite – (six stores in four cities) – offering beauty, personal care and fashion accessories targeted at Gen Z and millennial customers.
- It offers its own brand portfolio of Studiowest, Wonderla, et al.

Utsa

- Trent offers ethnic wear with 100% exclusive own-brand portfolio. The concept is operational through six stores in across Pune, Vadodara, Mumbai and Delhi with an average store size of 2,000-3,000 sqft.
- It added two stores each in FY22 and FY21 but has not added any store in FY23.

Related party transactions

- Apart from the below mentioned transactions, the company, during the year received ~INR1.5b towards dividend income from Inditex Trent Retail India Private Limited (v/s INR1.1b in FY22).
- Salary paid to Key Managerial personnel during the year stood at INR38m.
- Remuneration paid to Mr. P. Venkatsalu (CEO) comprised INR17.9m towards salary, INR18.1m towards Perquisites and Allowances, INR15.9m towards Bonus and performance-linked incentives and INR2.2m towards Retirals. The overall remuneration consisted of ~1.4% of consolidated PAT for FY23.

Exhibit 42: Major related party transactions

Related party transactions (INR m)	FY23	FY22
Sales		
Trent Hypermarket Private Limited	4,923	1,759
Tata Unistore Limited	119	-
Tata Consultancy Services Limited	9	5
Tata International Limited	16	2
Purchase		
Tata Sons Private Limited	264	202
Trent Hypermarket Private Limited	3,957	2,285
Tata Consultancy Services Limited	146	188
Tata Communication Limited	98	88
THPL Support Services Limited	402	266
Sale of property, plant and equipment		
Trent Hypermarket Private Limited	90	42
Outstanding receivables		
Trent Hypermarket Private Limited	128	53
Outstanding payables		
Trent Hypermarket Private Limited	239	66
Tata Sons Private Limited	105	52

Source: MOFSL, Company

Change in KMP and directors

- The company appointed Mr. Dharmendar Jain as an interim Chief Financial Officer w.e.f. 1st Feb'22 to 31st May'22.
- Further, after Mr. Jain's completion of term as the interim CFO, the Board appointed Mr. Neeraj Basur as the Chief Financial Officer of the company w.e.f. 1st Jun'22.
- Mr. B. N. Vakil ceased to be a Director of the Company w.e.f. 25th Jun'22, pursuant to completion of his second term as an Independent Director.
- The Board appointed, Mr. J. Holtzhausen as an Independent Director, not being liable to retire by rotation, for a term commencing from 27th April 2022 up to 9th August 2024.
- The Board further appointed Mr. R. S. Gill and Ms. H. Ravichandar as Independent Directors, not being liable to retire by rotation, for their first term from 29th Dec'21 up to 28th Dec'26;

Exhibit 43: Remuneration of the Non-Executive Directors (page 14 of AR)

Non-Executive Directors	Ratio to Median	Commission (INR m)	Sitting fees (INR m)	% increase/ (decrease) YoY
Mr. N. N. Tata	11.35	2.20	1.96	106.6%
Mr. B. Bhat	6.99	1.96	0.60	51.3%
Mr. B. N. Vakil**	9.66	3.16	0.38	34.1%
Mr. H. Bhat	2.68	-	0.98	10.7%
Mr. J. Merchant	13.63	3.26	1.73	110.8%
Ms. S. Given	4.23	1.10	0.45	93.5%
Mr. R. S. Gill	5.12	0.82	1.05	316.4%
Ms. H. Ravichandar	5.91	0.96	1.20	311.6%
Mr S Susman*	1.50	0.55	-	-31.4%
Ms. S. Singh***	2.72	1.00	-	3.1%
Mr. J. Holtzhausen	1.23	-	0.45	-

*Mr. S. Susman ceased to be an Independent Director of the Company w.e.f. 11th May'21, consequent upon completion of the second term

** Mr. B. N. Vakil ceased to be an Independent Director of the Company w.e.f. 25th June 2022.

***Ms. S. Singh ceased to be an Independent Director of the Company w.e.f. 3rd March 2022

Source: MOFSL, Company

Financials and valuations – Standalone

Standalone - Income Statement (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	**20,663**	**25,317**	**31,777**	**20,475**	**38,807**	**77,152**	**1,03,181**	**1,31,716**
Change (%)	18.9	22.5	25.5	-35.6	89.5	98.8	33.7	27.7
Raw Materials	9,587	12,324	16,037	10,296	19,009	42,156	54,944	70,468
	54%	51%	50%	50%	51%	45%	47%	47%
Employees Cost	2,026	2,524	3,131	2,550	3,379	5,801	7,945	10,010
Other Expenses	3,970	4,924	4,950	5,591	10,084	18,003	23,732	30,163
Total Expenditure	**18,649**	**22,951**	**26,145**	**18,437**	**32,472**	**65,959**	**86,620**	**1,10,642**
% of Sales	90.3	90.7	82.3	90.0	83.7	85.5	84.0	84.0
EBITDA	**2,014**	**2,366**	**5,632**	**2,038**	**6,335**	**11,193**	**16,561**	**21,075**
Margin (%)	9.7	9.3	17.7	10.0	16.3	14.5	16.1	16.0
Depreciation	417	465	2,311	2,359	2,831	4,632	4,901	5,451
EBIT	**1,596**	**1,902**	**3,321**	**-321**	**3,505**	**6,560**	**11,659**	**15,624**
Int. and Finance Charges	306	368	2,383	2,380	2,933	3,572	3,321	3,531
Other Income	426	363	1,518	2,042	2,790	4,117	3,705	3,705
PBT bef. EO Exp.	**1,716**	**1,897**	**2,456**	**-658**	**3,362**	**7,105**	**12,043**	**15,798**
EO Items	0	-5	0	-63	-132	0	0	0
PBT after EO Exp.	**1,716**	**1,892**	**2,456**	**-721**	**3,230**	**7,105**	**12,043**	**15,798**
Total Tax	549	617	909	-211	734	1,559	3,031	3,976
Tax Rate (%)	32.0	32.6	37.0	29.3	22.7	21.9	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	**1,167**	**1,276**	**1,546**	**-510**	**2,496**	**5,546**	**9,012**	**11,822**
Adjusted PAT	**1,167**	**1,279**	**1,546**	**-465**	**2,598**	**5,546**	**9,012**	**11,822**
Change (%)	33.7	9.6	20.9	-130.1	-658.4	113.5	62.5	31.2
Margin (%)	5.6	5.1	4.9	-2.3	6.7	7.2	8.7	9.0

Standalone - Balance Sheet (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	332	332	355	355	356	356	356	356
Total Reserves	15,839	16,636	24,627	24,803	26,845	30,444	39,456	51,278
Net Worth	**16,171**	**16,968**	**24,983**	**25,159**	**27,200**	**30,799**	**39,812**	**51,633**
Total Loans	3,914	3,942	24,468	28,612	45,893	43,186	46,774	50,442
Lease Liability			21,471	25,612	40,835	38,206	38,206	38,206
Deferred Tax Liabilities	-28	-72	-1,070	-1,080	-1,225	-1,540	-1,540	-1,540
Capital Employed	**20,057**	**20,838**	**48,382**	**52,690**	**71,868**	**72,445**	**85,045**	**1,00,535**
Net Fixed Assets	**5,779**	**6,271**	**26,175**	**29,232**	**45,083**	**43,659**	**45,636**	**47,143**
Right to use assets			19,041	22,265	37,336	34,346	34,346	34,346
Capital WIP	96	850	231	340	448	415	415	415
Total Investments	**10,519**	**9,410**	**16,068**	**17,292**	**17,239**	**16,483**	**16,483**	**16,483**
Curr. Assets, Loans&Adv.	**6,721**	**9,001**	**10,399**	**9,126**	**14,126**	**21,114**	**34,421**	**51,452**
Inventory	3,391	4,894	5,865	3,946	8,225	13,369	16,961	21,652
Account Receivables	131	141	133	206	163	314	565	722
Cash and Bank Balance	303	509	441	669	744	789	4,427	14,110
Loans and Advances	2,896	3,457	3,960	4,306	4,994	6,642	12,467	14,969
Curr. Liability & Prov.	**3,057**	**4,696**	**4,492**	**3,301**	**5,028**	**9,226**	**11,909**	**14,958**
Account Payables	1,946	2,289	2,565	2,196	3,142	6,437	8,198	10,465
Other Current Liabilities	929	2,221	1,710	938	1,572	2,121	3,042	3,824
Provisions	182	186	218	167	314	669	669	669
Net Current Assets	**3,664**	**4,306**	**5,907**	**5,826**	**9,098**	**11,888**	**22,512**	**36,494**
Appl. of Funds	**20,057**	**20,838**	**48,381**	**52,690**	**71,868**	**72,445**	**85,045**	**1,00,535**

E: MOSL Estimates

Financials and valuations – Standalone

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	**3.5**	**3.8**	**4.3**	**-1.3**	**7.3**	**15.6**	**25.4**	**33.3**
Cash EPS	4.8	5.2	11.6	5.7	16.3	30.6	41.9	52.0
BV/Share	48.7	51.1	75.2	75.7	81.9	92.7	119.8	155.4
DPS	1.1	1.3	1.0	0.0	1.7	2.2	0.0	0.0
Payout (%)	32.7	40.8	23.0	0.0	24.2	14.1	0.0	0.0
Valuation (x)								
P/E	455.5	415.8	367.9	-1,222.4	218.9	102.6	63.1	48.1
Cash P/E	335.6	305.0	137.8	280.8	97.9	52.2	38.2	30.8
P/BV	32.9	31.3	21.3	21.1	19.5	17.3	13.4	10.3
EV/Sales	25.9	21.1	18.7	29.1	15.8	7.9	5.9	4.6
EV/EBITDA	265.9	226.2	105.3	292.8	96.9	54.6	36.9	28.7
Dividend Yield (%)	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0
FCF per share	-0.8	-4.7	7.4	8.7	-1.4	12.6	9.2	26.7
Return Ratios (%)								
RoE	7.4	7.7	7.4	-1.9	9.9	19.1	25.5	25.9
RoCE	7.0	7.4	8.7	2.4	7.7	11.3	14.3	15.3
RoIC	12.9	13.3	10.0	-0.7	6.2	9.5	14.7	17.5
Working Capital Ratios								
Fixed Asset Turnover (x)	3.0	3.0	3.2	2.1	3.5	5.7	NA	NA
Asset Turnover (x)	1.0	1.2	0.7	0.4	0.5	1.1	1.2	1.3
Inventory (Days)	60	71	67	70	77	63	60	60
Debtor (Days)	2	2	2	4	2	1	2	2
Creditor (Days)	34	33	29	39	30	30	29	29
Leverage Ratio (x)								
Current Ratio	2.2	1.9	2.3	2.8	2.8	2.3	2.9	3.4
Interest Cover Ratio	5.2	5.2	1.4	-0.1	1.2	1.8	3.5	4.4
Net Debt/Equity	-0.4	-0.4	0.3	0.4	1.0	0.8	0.6	0.4

Standalone - Cash Flow Statement **(INR m)**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,716	1,896	2,454	-658	3,362	7,105	12,043	15,798
Depreciation	417	465	2,311	2,359	2,831	4,639	4,901	5,451
Interest & Finance Charges	87	180	2,058	2,084	2,725	3,411	3,321	3,531
Direct Taxes Paid	-491	-781	-807	-1	-782	-1,869	-3,031	-3,976
(Inc)/Dec in WC	-668	-1,356	-1,112	1,131	-4,020	-2,707	-6,985	-4,300
CF from Operations	**1,061**	**404**	**4,905**	**4,915**	**4,116**	**10,579**	**10,249**	**16,504**
Others	-32	-122	-1,220	-782	-2,624	-3,951	-3,705	-3,705
CF from Operating incl EO	**1,029**	**282**	**3,685**	**4,133**	**1,492**	**6,628**	**6,544**	**12,798**
(Inc)/Dec in FA	-1,296	-1,859	-1,050	-1,031	-1,979	-2,144	-3,290	-3,290
Free Cash Flow	**-267**	**-1,577**	**2,635**	**3,102**	**-487**	**4,485**	**3,254**	**9,508**
(Pur)/Sale of Investments	881	2,234	-5,870	1,195	2,317	57	0	0
Others	113	-833	-650	-557	-397	657	3,705	3,705
CF from Investments	**-302**	**-457**	**-7,570**	**-393**	**-59**	**-1,430**	**415**	**415**
Issue of Shares	-1,024	0	9,498	0	0	0	0	0
Inc/(Dec) in Debt	1,000	1,061	-2,725	0	1,969	-1,202	0	0
Interest Paid	-317	-220	-2,437	-2,376	-2,350	-3,557	-3,321	-3,531
Dividend Paid	-399	-459	-520	-355	-426	-394	0	0
Others	0	0	0	-780	-552	0	0	0
CF from Fin. Activity	**-740**	**382**	**3,816**	**-3,512**	**-1,359**	**-5,153**	**-3,321**	**-3,531**
Inc/Dec of Cash	**-12**	**206**	**-69**	**229**	**74**	**45**	**3,638**	**9,683**
Opening Balance	316	303	509	441	669	744	789	4,427
Closing Balance	**303**	**509**	**441**	**669**	**744**	**789**	**4,427**	**14,110**

Financials and valuations – Consolidated

Consolidated - Income Statement (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	**21,575**	**26,302**	**34,860**	**25,930**	**44,980**	**82,420**	**1,08,449**	**1,36,985**
Change (%)	17.6	21.9	32.5	-25.6	73.5	83.2	31.6	26.3
Raw Materials	10,315	13,114	18,818	15,340	24,815	47,197	59,985	75,510
Employees Cost	2,305	2,868	3,585	3,019	3,990	6,552	8,696	10,762
Other Expenses	3,800	4,878	5,083	5,852	10,437	17,934	23,929	30,361
Total Expenditure	**19,563**	**24,025**	**29,420**	**24,211**	**39,241**	**71,684**	**92,611**	**1,16,632**
% of Sales	90.7	91.3	84.4	93.4	87.2	87.0	85.4	85.1
EBITDA	**2,012**	**2,277**	**5,440**	**1,719**	**5,739**	**10,737**	**15,838**	**20,352**
Margin (%)	9.3	8.7	15.6	6.6	12.8	13.0	14.6	14.9
Depreciation	455	517	2,472	2,573	3,108	4,937	4,604	5,647
EBIT	**1,557**	**1,761**	**2,967**	**-854**	**2,631**	**5,800**	**11,234**	**14,705**
Int. and Finance Charges	306	368	2,458	2,487	3,047	3,692	4,093	5,007
Other Income	442	408	1,445	2,016	1,752	2,609	3,262	4,240
PBT bef. EO Exp.	**1,693**	**1,801**	**1,954**	**-1,325**	**1,335**	**4,717**	**10,403**	**13,938**
EO Items	0	0	0	-10	-274	-30	0	0
PBT after EO Exp.	**1,693**	**1,802**	**1,954**	**-1,335**	**1,061**	**4,687**	**10,403**	**13,938**
Total Tax	596	736	590	-237	766	1,584	2,618	3,508
Tax Rate (%)	35.2	40.9	30.2	17.8	72.2	33.8	25.2	25.2
MI/(Profit)/Loss from Assoc.	227	95	304	714	-51	-835	0	0
Reported PAT	**870**	**970**	**1,060**	**-1,811**	**346**	**3,937**	**7,784**	**10,430**
Adjusted PAT	**870**	**970**	**1,060**	**-1,803**	**422**	**3,957**	**7,784**	**10,430**
Change (%)	29.5	11.6	9.2	-270.1	-123.4	837.0	96.7	34.0
Margin (%)	4.0	3.7	3.0	-7.0	0.9	4.8	7.2	7.6

Consolidated - Balance Sheet (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	332	332	355	355	355	356	356	356
Total Reserves	15,621	16,133	23,525	22,775	23,285	25,599	33,384	43,814
Net Worth	**15,954**	**16,465**	**23,880**	**23,130**	**23,640**	**25,955**	**33,739**	**44,169**
Minority Interest	8	-29	803	445	459	675	675	675
Total Loans	3,914	3,942	25,260	26,686	47,338	44,722	51,164	62,586
Lease Liabilities			23,188	26,637	42,280	39,662	51,084	62,505
Deferred Tax Liabilities	193	255	-1,104	-746	-1,264	-1,561	-1,561	-1,561
Capital Employed	**20,068**	**20,632**	**48,839**	**49,515**	**70,174**	**69,791**	**84,018**	**1,05,870**
Gross Block	8,341	9,117	32,192	37,078	55,887	57,819	72,531	87,242
Less: Accum. Deprn.	2,478	2,757	3,977	7,093	9,571	13,093	17,697	23,344
Net Fixed Assets	**5,864**	**6,360**	**27,114**	**30,329**	**46,491**	**44,726**	**54,834**	**63,898**
Right to use assets			**19,856**	**23,185**	**38,642**	**35,502**	43,006	49,596
Goodwill on Consolidation	261	261	272	272	272	272	272	272
Capital WIP	96	872	231	340	448	1,017	1,017	1,017
Total Investments	**10,229**	**8,828**	**15,148**	**15,550**	**13,541**	**11,370**	**11,370**	**11,370**
Curr. Assets, Loans&Adv.	**6,904**	**9,265**	**11,197**	**10,000**	**15,245**	**21,869**	**28,478**	**44,987**
Inventory	3,448	4,970	6,078	4,284	8,678	13,612	17,244	22,013
Account Receivables	151	165	171	208	179	344	446	751
Cash and Bank Balance	328	542	614	815	864	863	1,949	11,602
Loans and Advances	2,977	3,587	4,334	4,694	5,525	7,051	8,839	10,622
Curr. Liability & Prov.	**3,286**	**4,955**	**5,123**	**6,976**	**5,823**	**9,464**	**11,954**	**15,675**
Account Payables	2,084	2,450	2,976	2,746	3,780	6,652	8,319	11,259
Other Current Liabilities	997	2,293	1,893	4,026	1,734	2,098	2,921	3,703
Provisions	205	212	254	204	309	713	713	713
Net Current Assets	**3,618**	**4,311**	**6,074**	**3,024**	**9,422**	**12,406**	**16,524**	**29,312**
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	**20,068**	**20,632**	**48,839**	**49,515**	**70,174**	**69,791**	**84,018**	**1,05,869**

E: MOSL Estimates

Financials and valuations – Consolidated

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	**2.6**	**2.9**	**3.0**	**-5.1**	**1.2**	**11.1**	**21.9**	**29.3**
Cash EPS	4.0	4.5	10.6	2.3	10.6	26.8	37.3	48.4
BV/Share	48.0	49.5	71.9	69.6	71.1	78.1	101.5	132.9
DPS	1.1	1.3	1.0	0.0	1.7	2.2	0.0	0.0
Payout (%)	43.9	53.7	33.5	0.0	174.6	19.9	0.0	0.0
Valuation (x)								
P/E	611.4	548.0	536.6	-315.5	1,345.1	143.8	73.1	54.5
Cash P/E	401.3	357.6	150.5	690.5	150.6	59.8	42.9	33.1
P/BV	33.3	32.3	22.3	23.0	22.5	20.5	15.8	12.0
EV/Sales	24.8	20.3	17.0	22.9	13.7	7.4	5.7	4.5
EV/EBITDA	261.0	231.1	106.3	336.9	104.7	56.0	38.3	29.9
Dividend Yield (%)	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0
FCF per share	-0.9	-5.2	6.8	8.0	-4.3	10.4	19.4	29.3
Return Ratios (%)								
RoE	5.5	6.0	5.3	-7.7	1.8	16.0	26.1	26.8
RoCE	6.6	6.4	8.9	1.9	2.0	7.9	13.9	14.8
RoIC	11.4	10.5	9.6	-2.1	1.7	6.9	13.3	14.5
Working Capital Ratios								
Fixed Asset Turnover (x)	2.6	2.9	1.1	0.7	0.8	1.4	1.5	1.6
Asset Turnover (x)	1.1	1.3	0.7	0.5	0.6	1.2	1.3	1.3
Inventory (Days)	58	69	64	60	70	60	58	59
Debtor (Days)	3	2	2	3	1	2	2	2
Creditor (Days)	35	34	31	39	31	29	28	30
Leverage Ratio (x)								
Current Ratio	2.1	1.9	2.2	1.4	2.6	2.3	2.4	2.9
Interest Cover Ratio	5.1	4.8	1.2	-0.3	0.9	1.6	2.7	2.9
Net Debt/Equity	0.2	-0.4	0.7	0.9	1.7	1.3	1.1	0.9

Consolidated - Cash Flow Statement **(INR m)**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,467	1,685	1,650	-2,038	1,387	5,551	10,403	13,938
Depreciation	455	517	2,472	2,573	3,108	4,937	4,604	5,647
Interest & Finance Charges	88	165	2,126	2,197	2,814	3,524	4,093	5,007
Direct Taxes Paid	-501	-791	-835	-11	-816	-1,910	-2,618	-3,508
(Inc)/Dec in WC	-643	-1,352	-1,033	1,063	-4,293	-2,932	-3,032	-3,135
CF from Operations	**866**	**223**	**4,381**	**3,783**	**2,199**	**9,170**	**13,449**	**17,949**
Others	-98	-14	-828	-45	-1,615	-3,222	-3,262	-4,240
CF from Operating incl EO	**769**	**210**	**3,553**	**3,738**	**585**	**5,949**	**10,188**	**13,709**
(Inc)/Dec in FA	-1,068	-1,953	-1,142	-910	-2,101	-2,235	-3,290	-3,290
Free Cash Flow	**-300**	**-1,743**	**2,411**	**2,828**	**-1,516**	**3,714**	**6,898**	**10,419**
(Pur)/Sale of Investments	928	2,253	-6,574	1,400	2,084	65	0	0
Others	100	-670	-382	-308	562	1,135	3,262	4,240
CF from Investments	**-40**	**-370**	**-8,098**	**181**	**544**	**-1,036**	**-29**	**950**
Issue of Shares	-1,024	0	9,349	-3	2,504	463	0	0
Inc/(Dec) in Debt	1,000	1,061	-1,773	0	0	0	0	0
Interest Paid	-317	-227	-2,511	-2,489	-2,463	-3,587	-4,093	-5,007
Dividend Paid	-403	-459	-398	-355	-427	-393	0	0
Others	0	0	-50	-872	-694	-1,397	-4,980	0
CF from Fin. Activity	**-743**	**375**	**4,617**	**-3,719**	**-1,080**	**-4,914**	**-9,073**	**-5,007**
Inc/Dec of Cash	**-15**	**214**	**72**	**201**	**49**	**-1**	**1,086**	**9,652**
Opening Balance	343	328	542	614	815	864	863	1,949
Closing Balance	**328**	**542**	**614**	**815**	**864**	**863**	**1,949**	**11,602**

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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