

BSE SENSEX 40,359 S&P CNX 11,914



Stock Info

Bloomberg	TRENT IN
Equity Shares (m)	332
M.Cap.(INRb)/(USDb)	179.1 / 2.5
52-Week Range (INR)	568 / 313
1, 6, 12 Rel. Per (%)	-7/33/41
12M Avg Val (INR M)	79
Free float (%)	63.0

Financials Snapshot (INR b)

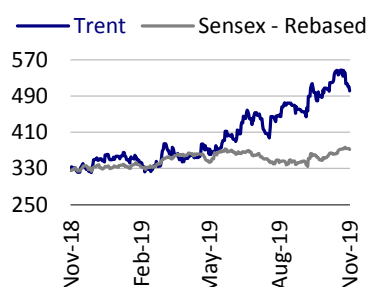
Y/E Mar	2019	2020E	2021E
Net Sales	26.3	34.4	44.1
EBITDA	2.3	5.5	7.5
PAT	1.0	1.5	2.7
EPS (INR)	2.9	4.6	8.0
Gr. (%)	11.6	56.9	74.1
BV/Sh (INR)	49.5	82.7	90.7
RoE (%)	6.0	6.9	9.2
RoCE (%)	6.4	8.8	8.4
P/E (x)	149.0	110.2	63.3
P/BV (x)	8.8	6.1	5.6

Shareholding pattern (%)

As On	Sep-19	Jun-19	Sep-18
Promoter	37.0	32.6	32.6
DII	15.9	17.1	15.1
FII	21.0	22.1	23.7
Others	26.1	28.1	28.6

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR504

TP: INR605 (+20%)

Buy

Zudio – Bazooka in the closet!

Encouraging insights from store visit

We visited two Zudio stores – TRENT's recently started value fashion format – to explore its offerings. Key insights highlighted below:

- We came back enthused with Zudio's value proposition – it targets the youth with stylish interiors, good fashionable/fast churning product inventory, sharp pricing and high focus on throughputs – which we believe would help in garnering healthy store revenue and profitability.
- Zudio's capex light FOCO (franchisee owned company operated) model allows TRENT to retain operations and garner very high ROCE given the latter's limited investment in only inventory, which has nearly 10-12x turns. The franchisee on the other hand spends on store capex and retains about 12-15% IRR.
- The FOCO model should allow Zudio to accelerate its pace of store addition. Of the targeted 100 store adds in FY20, 60 stores are already in place.
- While TRENT is richly valued, we believe that Zudio's high growth and profitability potential can help sustain these valuations. Maintain Buy with TP of INR605/share.

Trendy products with sharp pricing

The Zudio store and products have a trendy look and feel, offer only casual wear (no formals) and is targeted at young value-seeking consumers. Despite operating on the outskirts of the city, the store sells a high proportion of stylish western wear. Yet the pricing is attractive (average price ~INR300-400) with ~65% products priced below INR499 and no product priced over INR999. While this has been partly achieved by offering lower cost polyester-blended fabric with cotton/viscose (clearly below Westside's product quality), it is by no means sub-standard. The lower pricing has also been possible due to (a) passing-on of low gross margin benefits (~30% v/s Westside's 55%), and (b) no marketing costs (in line with Westside).

High throughput (revenue/sqft) and quick inventory churn

Given the low gross margins, Zudio's success lies in its strong turnover – revenue/sqft of ~12-15k/sqft (v/s industry average of INR8-10k/sqft). This is derived through a combination of strong footfalls and healthy conversion, which is ~2x v/s other retail outlets in the apparel/value fashion category that we have visited earlier. Zudio's high fashion appeal and sharp pricing has led to an encouraging store operating metrics. Also, the store's inventory churn is less than one month (corroborating with the CEO's remarks in the AGM) with weekly ~15% product refresh, thus, products are changed every two months.

Aggressive store adds through franchisee model

Zudio has adopted a unique FOCO model, unlike the conventional COCO/FOFO model used in the industry. Therefore, a franchisee’s capex is INR15-20m for a store size of 6k sqft; in turn, a franchisee receives a fixed revenue share, while the company operates the store and retains the profitability. Typically, franchisees get ~16% revenue share and 12-15% IRR, while the company garners strong ROCE on merely one-month inventory capital.

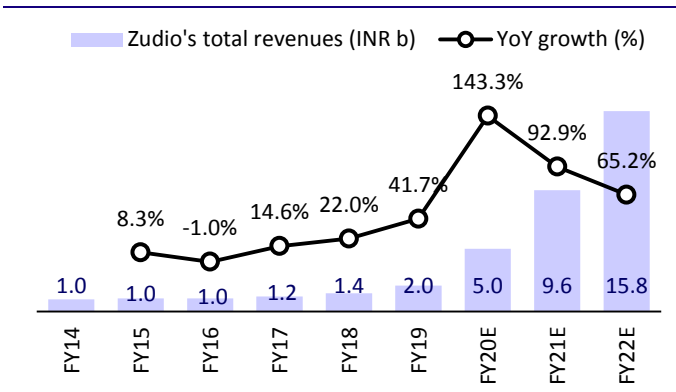
Zudio could be a big revenue/EBITDA contributor in 3-5 years

Zudio made its debut just two years ago. Since then, it has expanded to 40 standalone stores with revenue of INR1.5b in FY19. While currently Zudio’s revenue is insignificant in TRENT’s overall consolidated revenue base of INR26.3b, we expect it to grow tremendously in the coming years. According to our estimates, Zudio will see 70/80/100 store adds in FY20/21/22, taking its total store strength to 290 by FY22. Also, we expect Zudio’s revenue to hit INR14.5b by FY22. Thus, Zudio is expected to contribute 26% to TRENT’s overall revenue; contribution toward EBITDA is also expected at similar level. However, our estimates are conservative and still below management’s target of 100 store adds annually, which would take Zudio’s total store count to 340 by FY22, ensuring stable 6-7% EBITDA margin. Note that our estimated average revenue/sqft of ~INR8k is much below the like-to-like INR14k/sqft indicated in the company’s Annual Report 2019 and even for the two Zudio stores that we visited.

Valuation and view

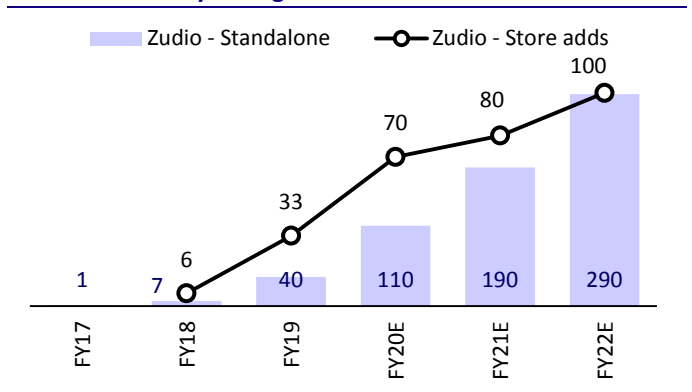
In our opinion, Westside/Zudio should see higher pace of store addition at 105/250 stores cumulatively over FY19-22E. Also, we expect TRENT’s consolidated revenue/EBITDA/PAT to register CAGR of 29%/62%/62% on pre-Ind AS 116 over FY19-22E. With strong contribution from margin-accretive private labels (over 90%) and faster execution capabilities of new launches, TRENT should witness healthy growth. While the recent fund raise is expected to have a near-term impact of equity dilution on earnings growth and RoIC, over a three-year period, the dilution could drive accelerated growth. Our SOTP-based TP of INR605 values Westside and Zara at 30x EV/EBITDA and Star at 2x EV/sales on Sep’21E. Due to Zudio being currently loss-making, it has suppressed Westside’s earnings. But, we expect valuations to normalize as Zudio turns profitable over the next 3-5 years. Maintain Buy.

Exhibit 1: Zudio to witness 8x growth in revenues over FY19-FY22E...



Source: MOFSL, Company

Exhibit 2: ...led by strong focus on store additions



Source: MOFSL, Company

Healthy economics - Working on FOCO model, with low margin, high turns

Unique **FOCO (Franchisee Owned Company Operated)** model allows Zudio to garner up to **60% RoCE** at store level.

Capex light model retaining high ROCE

- Unlike the conventional COCO/FOFO model operated by retail companies, TRENT has adopted the FOCO model, where it seeks franchisees to spend on capex with a potential IRR of 12-15%, but retains control over operations.
- The FOCO model requires franchisees to spend ~INR20m toward a Zudio store and INR50m toward a Westside store.
- As the investment from TRENT is merely toward inventory, it is able to generate very high ROCE. This allows the company to operate on a capex light model as well as maintain the quality standards in the store.
- Further, the rent and electricity payout obligations are with the franchisee. Therefore, if store productivity suffers, the larger burden is shifted to the franchisee.

Margin sharing with franchisees

- Of the 38% gross margin generated, the franchisee gets 16% margin, while the franchisor (ZUDIO) retains 22%.
- The franchisee bears rent and electricity costs and profits the rest of the margin i.e. about 4-5%. On the other hand, the franchisor manages the entire operations, with key expenses like employee, inventory management (transportation, discount, shrinkage, etc.), housekeeping, security and all day-to-day expenses.
- On net basis, the franchisor retains 5% margin. Since the franchisor's investment is merely in the inventory (~INR10m), a 5% margin on healthy annual revenue of INR120m works out to ~60% store level ROCE.

Exhibit 3: Per store metrics (INR m, unless stated)

Per store Metrics	Westside	Zudio
Size (sq. ft.)	15k-25k	6k-8k
Investment (INR/sq ft.)	2300	2000
Size (in sq. ft. for calculation)	15000	6000
Rent/month/sqft (INR)	100	80
Capex (INR m)	34.5	12
Franchisee Fee	1	1
Security Deposit (6 month rental)	9	2.9
Stamp Duty and Registration	3	2
Consultancy/Brokerage (15 days)	0.8	0.2
Total Investment (INRm/store)	48.3	18.1

Source: MOFSL, Company

Exhibit 4: Margin sharing FOCO Model (as % of MRP)

Product MRP	100%
Total Gross Margin	38%
Franchisee Margin (FOCO)	16%
Franchisor Margin	22%

Source: MOFSL, Company

Exhibit 5: Franchisee income comparison – FOCO v/s FOFO model

Zudio	FOCO Model	FOFO Model
Revenue	10	10
Franchisee Commission	1.6 (@ 16%)	2.8 (@28%)
Rent	1	1
Electricity	0.1	0.2
Salary	NA	0.5
Others (AMC, License, HK, Security, EDC, Other day to day)	0.1	0.5
Total Expense	1.2	2.2
Net Franchisee Income	0.4	0.6
IRR for franchisee (7 years)	12-15%	NA

Source: MOFSL, Company

Exhibit 6: Margin sharing in FOCO Model (as % of MRP)

(INR m)	Monthly Profitability
Franchisor Income (Trent) P&L	2.2
Stock Inventory	10
Employment	0.5
House Keeping	0.1
Security	0.1
Advertisement and Promotion	0.2
EDC Machine	0.3
License and All DTDOA*	0.2
Stock (Transport/Shrinkage/Discount)	0.3
Total Expense	1.7
Profit	0.5
Net Franchisor Margin	5%
ROCE	60%

*Day to Day operating activity

Source: MOFSL, Company

Financial insights from Zudio store visit

The key strengths of the store are:

- Sharp pricing driven by low gross margin of 30% and higher blend of low price poly viscose v/s cotton.
- High turnover, driven by significantly better footfalls and conversion rate v/s other value fashion stores. This helps in leveraging operating costs better as well as to garner high inventory turns and better ROCE.
- Locations: So far, Zudio is catering to consumers on the outskirts of Tier-1 or Tier-2 cities. Thus, it is present in good catchment locations with low competition and moderate rentals, which allows it to maintain a lean cost structure and sharp pricing.

Store 1 (6,800 sqft – Opened in Apr'19)

- **Revenue scale:** The store makes ~INR7-8m in monthly revenues and achieved revenues of ~INR45m in 1HFY20. Management is confident of easily surpassing FY20 target of INR80m, reaching over INR90m revenue, as the upcoming 2-3 months are seasonally strong on account of the festive season.
- **Revenue metrics:** Average throughput (revenue/sqft/day) is at INR33, implying throughput of INR1,000/sqft/month and INR12,000/sqft/year. Monthly footfall has reduced from 42k in the first month of opening to 29k in the second month, and is expected to stabilize at around 20k. Store conversion rate stands at ~33%. Average target conversion stands at 35% for overall Zudio independent stores and ~20% for stores in malls. Average bill size is INR1,100/customer with 3.2 pieces per store. Store focus is to increase conversion rate and bill size through higher units sold per customer as well as better inventory management and improvised customer service.
- **Revenue trend:** Footfall and sales in Sep-Oct'19 were lower probably due to online discount sales; however, post the online sale period, higher footfalls are expected.
- **Category mix:** Store category mix – women's wear - 40%, kids wear - 24% and men's wear - 36%. The store has the highest kids wear contribution at 24% across India, else kids wear mix at Zudio store is ~15-20%.
- **Inventory:** Total store inventory stands at 30k pieces with average selling price of INR285 and cost price of INR200/piece. 65% of the products are below INR500 and no product is priced above INR999, thus total store inventory (below one month) stands at a meager INR6m. There is a minimum 10-15% store inventory change every week with average churn of 20%, thus ~50% of the inventory is replenished every month while the entire inventory is replenished every two months.
- **Product cost:** Lower product cost at Zudio (compared to Westside) is achieved through polyester blends with cotton and viscose fabric; which doesn't result in low quality fabric (Zudio offers three months' guarantee on apparels over color quality and apparel fit).
- **Operating costs:** Of INR7m monthly revenue and 30-35% gross margin, raw material expenses would be ~5m, rent is around INR800k, electricity cost is at INR200k and maintenance cost would be ~INR200k. Therefore, operating profit would be INR800-1,000k with 11-14% operating margin.

Focus is to drive revenue via higher conversion of footfalls, higher units sold per customer and improved customer service.

- **Employee cost:** The store has 20 employees (13 floor employees, 2 departmental managers, 1 store manager, 1 security and 2-3 housekeeping staff). Total employee cost is ~INR400-500k/month.
- **Aggressive pace of store addition:** Management plans to add Zudio stores aggressively; target is to reach 150 stores by FY20, 250 stores by FY21 and ~500 stores over the next 3-5 years. Currently, Zudio has 65 stores and many stores are in the final stages of fit-outs (four stores added in first week of Oct'19).

Exhibit 7: Snapshot of products and interiors of Store 1



Source: MOFSL, Company

Savings in marketing and promotional activities allows sharp pricing, giving value to customers.

Store 2 (6,000 sqft store - Opened in Jan'19)

- **Revenue scale:** Monthly sales for the store stand at INR9-10m. FY20 revenue target is INR90m, but the store is expected to touch sales of over INR100-110m over the same period.
- **Revenue metrics:** Average throughput stands at ~INR45-47/sqft/day, i.e. INR1500/sqft/month and INR18,000/year. Average bill size for the store stands at INR1,500/customer with an average 3.8 pieces per customer.
- **Franchisee store:** The store runs on franchisee model wherein the franchisee incurs capex of INR15-20m and earns revenue share (utilized toward payment of rent, electricity and maintenance costs, while the rest is retained as franchisee's profit).

- **Inventory:** Total store inventory volume stands at 30,000 units with average selling price below INR400. Thus, store inventory stands at ~INR12m (on selling price) and ~INR8-9m on cost per month. On an average, ~15-20% of inventory is churned every week and over 50% of the inventory is churned monthly (thus, the store has fresh inventory every two months).
- **Employee costs:** The store has a total of 20 employees, with average salary of INR20k/month, taking the total employee cost to INR400k/month.
- Zudio doesn't engage in marketing and promotional activities, as it believes in passing on the cost benefits through sharp pricing, which drives higher footfalls and word-of-mouth publicity.

Exhibit 8: Snapshot of products and interiors of Store 2



Source: MOFSL, Company

Exhibit 9: Comparative Return Analysis Under All Formats (FY19)

	Standalone	Westside	Zudio	Star	Zara	Investments	Consolidated
Revenue	25,317	23,407	3,309	10,825	14,762	363	26,302
EBITDA	2,366	2,516	(150)	(812)	2,416	363	2,277
EBITDA margin	9.3%	10.7%	-9.7%	-7.5%	16.4%	NA	8.7%
Dep	465	372	93	331	398	NA	517
EBIT	1,902	2,144	(243)	(1,143)	2,018	363	1,761
EBIT Margin	8%	9%	-7%	-11%	14%	NA	7%
PAT	1,276	NA	NA	(880)	1,402	363	970
PAT margin	5%	NA	NA	-8%	10%	NA	4%
Capital Employed	20,838	18,754	1,084	5,472	5,459	NA	20,632
Share Capital	16,968	NA	16,968	5,472	5,459	5,000	16,465
Invested Capital	10,140	8,615	1,084	4,856	5,140	5,000	11,262
ROCE	9%	11%	NA	-21%	37%	NA	9%
ROE	8%	NA	NA	-16%	26%	7%	6%
ROIC (post tax)	13%	17%	-22%	-24%	27%	5%	11%

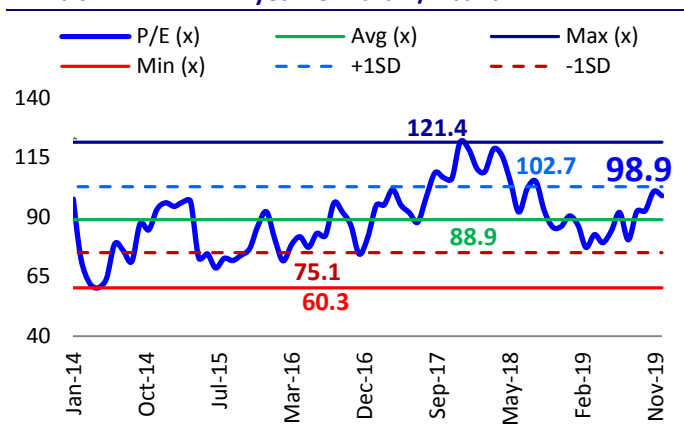
Source: MOFSL, Company

Exhibit 10: Valuation based on SOTP

Particulars	Financial metric	Multiple (x)	EBITDA/Sales (INR b)	Value (INR b)
Standalone	Sept FY21 EBITDA	30	4.7	141
Star	Sept FY21 Sales	1.5	6.8	10
Zara	Sept FY21 EBITDA	30	1.6	48
Total Enterprise Value				199
Net Debt				-16
Equity Value				215
Shares (m)				355
Target Price (INR)				605
CMP (INR)				504
Upside (%)				20%

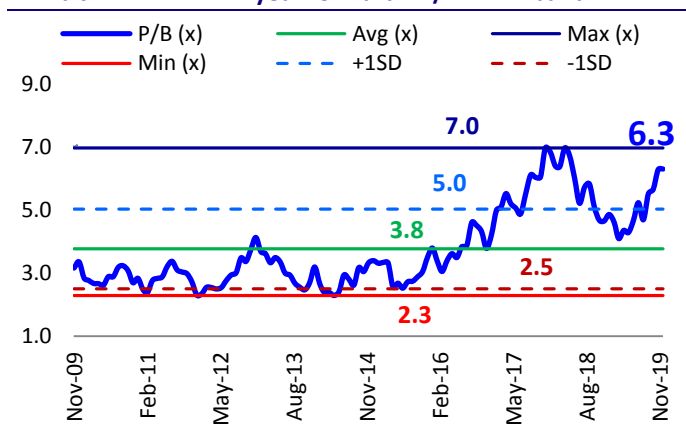
Source: MOFSL, Company

Exhibit 11: TRENT – 1-year forward P/E band



Source: Bloomberg, MOFSL

Exhibit 12: TRENT – 1-year forward EV/EBITDA band



Source: Bloomberg, MOFSL

Exhibit 13: Westside to see healthy revenue growth...

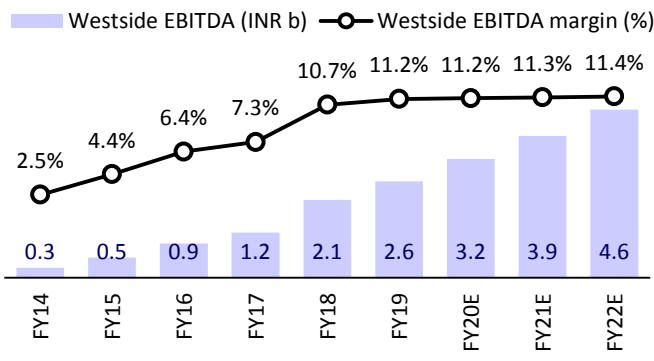


Exhibit 14:alongside Zara's improved margins

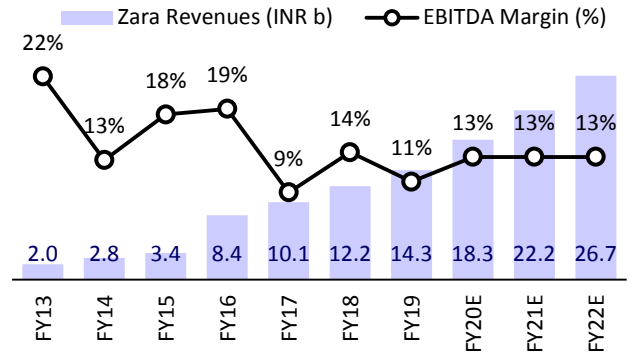


Exhibit 15: Star to see losses subsiding

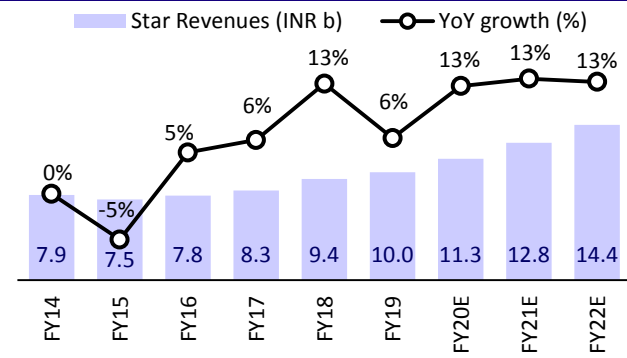


Exhibit 16: Zara to add stores at a modest rate

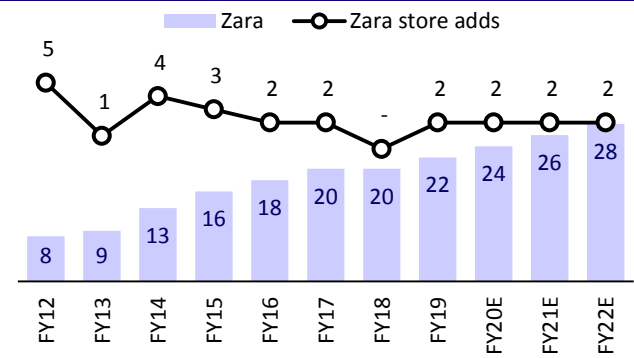


Exhibit 17: See strong 105 Westside store adds in FY20/FY21

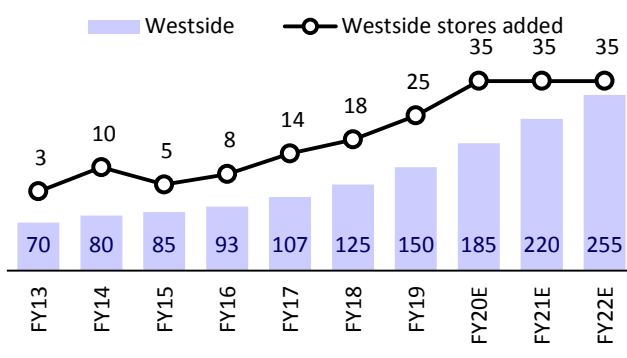


Exhibit 18: Expect healthy 9% SSSG for Westside over FY19-21

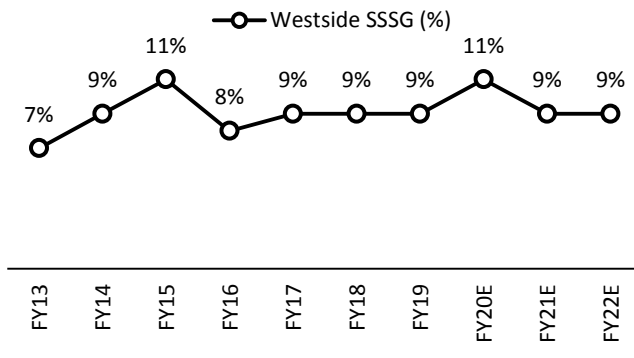


Exhibit 19: Consolidated revenue to grow at healthy 29% CAGR over FY19-22E

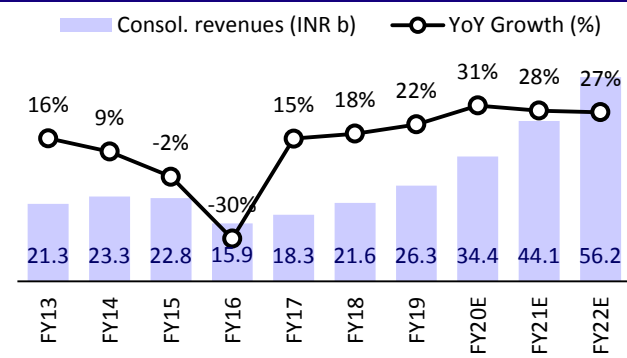
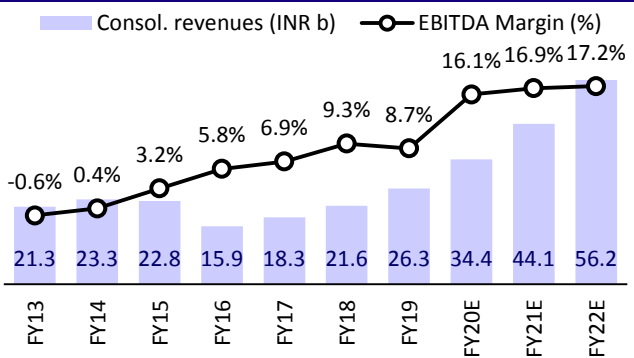


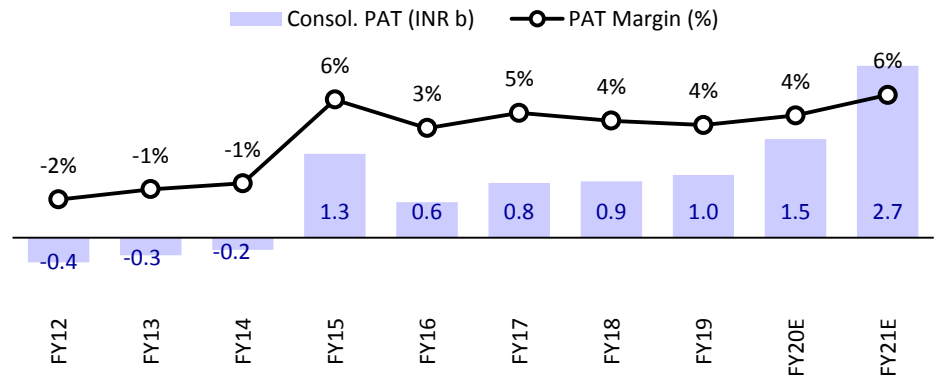
Exhibit 20: Conso. EBITDA margin post Ind As 116 effect



Source: MOFSL, Company

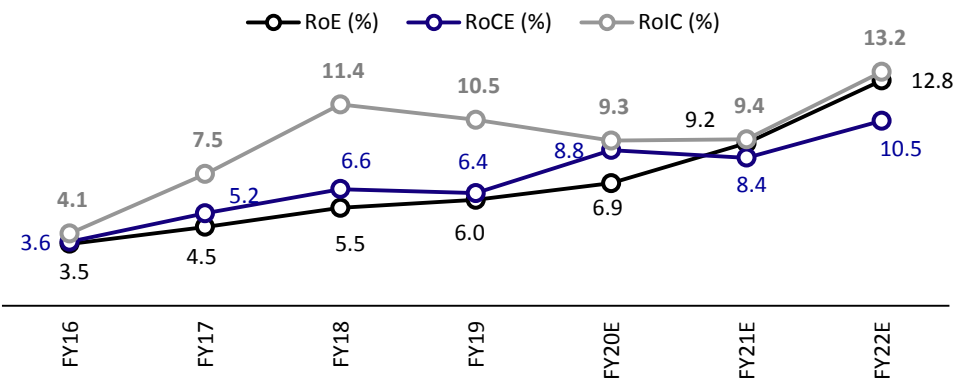
Source: MOFSL, Company

Exhibit 21: Consolidated PAT to witness 61% CAGR over FY19-21



Source: MOFSL, Company

Exhibit 22: Return ratios set to grow (%)



Source: MOFSL, Company

Financials and valuations - standalone

Standalone - Income Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Total Income from Operations	13,580	14,919	17,381	20,663	25,317	33,286	42,909	54,930
Change (%)	9.4	9.9	16.5	18.9	22.5	31.5	28.9	28.0
Raw Materials	6,810	7,213	8,275	9,587	12,324	16,909	21,884	28,289
Employees Cost	1,240	1,323	1,661	2,026	2,524	3,445	4,377	5,493
Rent and lease expenses	1,067	1,874	2,278	2,668	3,179	2,263	2,789	3,570
Advertising & Sales Promotion	404	424	461	398	0	0	0	0
Other Expenses	3,510	3,158	3,479	3,970	4,924	5,059	6,308	7,800
Total Expenditure	13,031	13,992	16,154	18,649	22,951	27,677	35,357	45,153
% of Sales	96.0	93.8	92.9	90.3	90.7	83.2	82.4	82.2
EBITDA	549	927	1,226	2,014	2,366	5,609	7,552	9,778
Margin (%)	4.0	6.2	7.1	9.7	9.3	16.9	17.6	17.8
Depreciation	398	345	376	417	465	2,427	3,007	3,278
EBIT	151	582	850	1,596	1,902	3,182	4,545	6,499
Int. and Finance Charges	70	376	337	306	368	2,424	2,424	2,424
Other Income	745	888	590	426	363	1,597	1,597	1,597
PBT bef. EO Exp.	825	1,094	1,103	1,716	1,897	2,355	3,718	5,672
EO Items	564	-1	247	0	-5	0	0	0
PBT after EO Exp.	1,389	1,093	1,350	1,716	1,892	2,355	3,718	5,672
Total Tax	389	227	282	549	617	710	936	1,428
Tax Rate (%)	28.0	20.8	20.9	32.0	32.6	30.1	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	1,000	866	1,069	1,167	1,276	1,645	2,782	4,245
Adjusted PAT	594	866	873	1,167	1,254	1,645	2,782	4,245
Change (%)	26.9	45.8	0.8	33.7	7.5	31.1	69.2	52.5
Margin (%)	4.4	5.8	5.0	5.6	5.0	4.9	6.5	7.7

Standalone - Balance Sheet

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Equity Share Capital	332	332	332	332	332	355	355	355
Total Reserves	13,899	14,000	15,076	15,839	16,636	27,757	30,540	34,784
Net Worth	14,232	14,332	15,408	16,171	16,968	28,113	30,895	35,140
Total Loans	2,414	3,958	3,917	3,914	3,942	24,238	24,238	24,238
Deferred Tax Liabilities	-184	-86	-101	-28	-72	-72	-72	-72
Capital Employed	16,461	18,205	19,225	20,057	20,838	52,279	55,061	59,306
Net Fixed Assets	3,375	4,160	4,899	5,779	6,271	29,328	29,377	29,435
Capital WIP	462	537	55	96	850	850	850	850
Total Investments	10,484	10,857	11,127	10,519	9,410	9,410	9,410	9,410
Curr. Assets, Loans & Adv.	5,171	5,190	5,644	6,721	9,001	18,717	22,902	29,131
Inventory	2,504	2,701	2,983	3,391	4,894	6,343	8,060	10,167
Account Receivables	22	20	31	131	141	182	235	301
Cash and Bank Balance	273	252	316	303	509	8,209	9,952	13,053
Loans and Advances	2,372	2,217	2,314	2,896	3,457	3,982	4,655	5,610
Curr. Liability & Prov.	3,030	2,538	2,500	3,057	4,696	6,027	7,479	9,521
Account Payables	1,426	1,492	1,328	1,946	2,289	2,918	3,527	4,515
Other Current Liabilities	1,474	916	1,002	929	2,221	2,923	3,766	4,820
Provisions	130	131	169	182	186	186	186	186
Net Current Assets	2,140	2,651	3,144	3,664	4,306	12,690	15,423	19,610
Appl. of Funds	16,461	18,205	19,225	20,057	20,838	52,279	55,061	59,306

Financials and valuations - standalone

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Basic (INR)								
EPS	1.8	2.6	2.6	3.5	3.8	4.9	8.4	12.8
Cash EPS	3.0	3.6	3.8	4.8	5.2	12.3	17.4	22.6
BV/Share	42.8	43.1	46.4	48.7	51.1	84.6	93.0	105.7
DPS	10.0	9.0	1.0	1.1	1.3	0.0	0.0	0.0
Payout (%)	332.2	345.6	31.1	32.7	40.8	0.0	0.0	0.0
Valuation (x)								
P/E					133.8	102.0	60.3	39.5
Cash P/E					97.6	41.2	29.0	22.3
P/BV					9.9	6.0	5.4	4.8
EV/Sales					6.8	5.5	4.2	3.3
EV/EBITDA					72.4	32.8	24.1	18.3
Dividend Yield (%)					0.3	0.0	0.0	0.0
FCF per share					-4.7	-64.0	7.7	11.8
Return Ratios (%)								
RoE	4.3	6.1	5.9	7.4	7.6	7.3	9.4	12.9
RoCE	4.0	6.7	6.1	7.0	7.4	9.1	8.6	10.6
RoIC	1.9	7.8	9.4	12.9	13.3	10.1	9.9	13.7
Working Capital Ratios								
Fixed Asset Turnover (x)	2.8	2.6	2.7	3.0	3.4	1.0	1.2	1.4
Asset Turnover (x)	0.8	0.8	0.9	1.0	1.2	0.6	0.8	0.9
Inventory (Days)	67	66	63	60	71	70	69	68
Debtor (Days)	1	0	1	2	2	2	2	2
Creditor (Days)	38	37	28	34	33	32	30	30
Leverage Ratio (x)								
Current Ratio	1.7	2.0	2.3	2.2	1.9	3.1	3.1	3.1
Interest Cover Ratio	2.1	1.5	2.5	5.2	5.2	1.3	1.9	2.7
Net Debt/Equity	-0.6	-0.5	-0.5	-0.4	-0.4	0.2	0.2	0.1

Standalone - Cash Flow Statement

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
(INR m)								
OP/(Loss) before Tax	825	1,094	1,103	1,716	1,896	2,355	3,718	5,672
Depreciation	398	345	376	417	465	2,427	3,007	3,278
Interest & Finance Charges	-156	160	128	87	180	2,424	2,424	2,424
Direct Taxes Paid	48	-189	-313	-491	-781	-710	-936	-1,428
(Inc)/Dec in WC	-185	280	-336	-668	-1,356	-684	-990	-1,086
CF from Operations	930	1,690	958	1,061	404	5,811	7,223	8,860
Others	-671	-609	-317	-32	-122	-1,597	-1,597	-1,597
CF from Operating incl EO	259	1,081	642	1,029	282	4,215	5,626	7,263
(Inc)/Dec in FA	-1,117	-1,342	-675	-1,296	-1,859	-25,484	-3,056	-3,336
Free Cash Flow	-858	-261	-33	-267	-1,577	-21,269	2,570	3,927
(Pur)/Sale of Investments	-399	-67	176	881	2,234	0	0	0
Others	1,557	517	394	113	-833	1,597	1,597	1,597
CF from Investments	41	-892	-105	-302	-457	-23,887	-1,459	-1,739
Issue of Shares	0	745	-2,000	-1,024	0	9,500	0	0
Inc/(Dec) in Debt	0	0	1,864	1,000	1,061	20,296	0	0
Interest Paid	-70	-204	-330	-317	-220	-2,424	-2,424	-2,424
Dividend Paid	-272	-752	-6	-399	-459	0	0	0
Others	-13	0	0	0	0	0	0	0
CF from Fin. Activity	-355	-211	-472	-740	382	27,372	-2,424	-2,424
Inc/Dec of Cash	-55	-22	64	-12	206	7,700	1,743	3,101
Opening Balance	329	274	252	316	303	509	8,209	9,952
Closing Balance	273	252	316	303	509	8,209	9,952	13,053

Standalone Financials – (Pre Ind-As 116 Basis)

(INR Millions)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Total Revenue from operations	13,580	14,919	17,381	20,663	25,317	33,286	42,909	54,930
YoY growth	9.4%	9.9%	16.5%	18.9%	22.5%	31.5%	28.9%	28.0%
Cost of Goods Sold/ Consumed	6,810	7,213	8,275	9,587	12,324	16,909	21,884	28,289
Employee expenses	1,240	1,323	1,661	2,026	2,524	3,445	4,377	5,493
Rent and lease expenses	1,067	1,874	2,278	2,668	3,179	5,147	6,336	7,934
Advertising & Sales Promotion	404	424	461	398	0	0	0	0
SG&A and other costs	3,510	3,158	3,479	3,970	4,924	5,059	6,308	7,800
Total Operating Costs	13,031	13,992	16,154	18,649	22,951	30,561	38,905	49,516
EBITDA	549	927	1,226	2,014	2,366	2,725	4,005	5,414
EBITDA margin	4.0%	6.2%	7.1%	9.7%	9.3%	8.2%	9.3%	9.9%
D&A expense	398	345	376	417	465	687	867	1,138
EBIT	151	582	850	1,596	1,902	2,037	3,138	4,276
EBIT Margin %	1.1%	3.9%	4.9%	7.7%	7.5%	6.1%	7.3%	7.8%
Add: Other income	745	888	590	426	363	1,597	1,597	1,597
Less: Interest expense	70	376	337	306	368	1,115	1,115	1,115
Add: Exceptional items	564	(1)	247	-	(5)	-	-	-
PBT	1,389	1,093	1,350	1,716	1,892	2,520	3,620	4,758
Less: Provision for Tax	389	227	282	549	617	760	911	1,198
Tax Rate (%)	28.0%	20.8%	20.9%	32.0%	32.6%	30.1%	25.2%	25.2%
PAT	1,000	866	1,069	1,167	1,276	1,760	2,709	3,560
% of sales	7%	6%	6%	6%	5%	5%	6%	6%
YoY (%)	84.4%	-13.5%	23.5%	9.2%	9.3%	37.9%	53.9%	31.4%

Key Parameters	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Operating CF	930	1690	958	1061	404	1,281	2,103	4,217
Total CAPEX	290	892	624	1095	1289	-7,652	3,056	3,336
FCF (Free Cash Flow)	41	-892	-105	-302	-457	8,933	-953	881
ROCE	4.0%	6.7%	6.1%	7.0%	7.4%	5.7%	5.7%	7.2%
RoE	4.3%	6.1%	5.9%	7.4%	7.6%	6.3%	8.8%	10.1%

Financials and valuations - consolidated

Consolidated - Income Statement								(INR m)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Total Income from Operations	22,843	15,893	18,339	21,575	26,302	34,352	44,062	56,176
Change (%)	-2.1	-30.4	15.4	17.6	21.9	30.6	28.3	27.5
Raw Materials	13,290	7,956	9,028	10,315	13,114	17,762	22,806	29,286
Employees Cost	2,079	1,638	1,925	2,305	2,868	3,807	4,769	5,917
Rent and lease expenses	1,156	1,924	2,317	2,725	3,165	2,248	2,772	3,552
Advertising & Sales Promotion	475	440	481	418	0	0	0	0
Other Expenses	5,122	3,007	3,331	3,800	4,878	5,010	6,254	7,742
Total Expenditure	22,121	14,966	17,082	19,563	24,025	28,827	36,600	46,496
% of Sales	96.8	94.2	93.1	90.7	91.3	83.9	83.1	82.8
EBITDA	722	928	1,257	2,012	2,277	5,525	7,461	9,679
Margin (%)	3.2	5.8	6.9	9.3	8.7	16.1	16.9	17.2
Depreciation	743	386	413	455	517	2,479	3,059	3,330
EBIT	-21	542	844	1,557	1,761	3,046	4,403	6,349
Int. and Finance Charges	107	376	338	306	368	2,424	2,424	2,424
Other Income	972	573	605	442	408	1,610	1,608	1,608
PBT bef. EO Exp.	843	739	1,112	1,693	1,801	2,232	3,587	5,534
EO Items	1,152	79	258	0	0	0	0	0
PBT after EO Exp.	1,995	818	1,370	1,693	1,802	2,232	3,587	5,534
Total Tax	701	347	431	596	736	710	936	1,428
Tax Rate (%)	35.1	42.4	31.4	35.2	40.9	31.8	26.1	25.8
Minority Interest	1	-79	91	227	95	0	0	0
Reported PAT	1,293	550	849	870	970	1,522	2,651	4,106
Adjusted PAT	546	505	672	870	970	1,522	2,651	4,106
Change (%)	-206.9	-7.5	33.0	29.5	11.6	56.9	74.1	54.9
Margin (%)	2.4	3.2	3.7	4.0	3.7	4.4	6.0	7.3

Consolidated - Balance Sheet								(INR m)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Equity Share Capital	332	332	332	332	332	355	355	355
Total Reserves	13,887	14,312	15,145	15,621	16,133	27,132	29,783	33,889
Net Worth	14,220	14,644	15,477	15,954	16,465	27,487	30,139	34,244
Minority Interest	26	103	8	8	-29	-29	-29	-29
Total Loans	2,669	3,998	3,917	3,914	3,942	24,238	24,238	24,238
Deferred Tax Liabilities	-21	-26	90	193	255	255	255	255
Capital Employed	16,893	18,719	19,491	20,068	20,632	51,951	54,602	58,708
Gross Block	9,506	6,535	7,492	8,341	9,354	34,838	37,894	41,230
Less: Accum. Deprn.	2,822	2,024	2,266	2,478	2,994	5,473	8,532	11,862
Net Fixed Assets	6,685	4,511	5,226	5,864	6,360	29,365	29,362	29,368
Goodwill on Consolidation	0	261	262	261	261	261	261	261
Capital WIP	921	537	55	96	872	872	872	872
Total Investments	7,397	10,670	10,800	10,229	8,828	8,828	8,828	8,828
Curr. Assets, Loans&Adv.	7,042	5,554	5,823	6,904	9,265	18,923	23,043	29,201
Inventory	3,299	2,792	3,054	3,448	4,970	6,419	8,136	10,243
Account Receivables	177	130	59	151	165	206	259	325
Cash and Bank Balance	555	269	343	328	542	8,185	9,863	12,892
Loans and Advances	3,011	2,363	2,367	2,977	3,587	4,112	4,786	5,741
Curr. Liability & Prov.	5,151	2,821	2,673	3,286	4,955	6,299	7,765	9,822
Account Payables	2,213	1,662	1,422	2,084	2,450	3,092	3,715	4,718
Other Current Liabilities	1,181	997	1,056	997	2,293	2,995	3,838	4,892
Provisions	1,758	162	195	205	212	212	212	212
Net Current Assets	1,890	2,733	3,150	3,618	4,311	12,624	15,278	19,378
Appl. of Funds	16,893	18,719	19,491	20,068	20,632	51,951	54,602	58,708

Financials and valuations - consolidated

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Basic (INR)								
EPS	1.6	1.5	2.0	2.6	2.9	4.6	8.0	12.4
Cash EPS	3.9	2.7	3.3	4.0	4.5	12.0	17.2	22.4
BV/Share	42.8	44.1	46.6	48.0	49.5	82.7	90.7	103.0
DPS	10.0	9.0	1.0	1.1	1.3	0.0	0.0	0.0
Payout (%)	257.0	543.6	39.2	43.9	53.7	0.0	0.0	0.0
Valuation (x)								
P/E					173.0	110.2	63.3	40.9
Cash P/E					112.9	41.9	29.4	22.6
P/BV					10.2	6.1	5.6	4.9
EV/Sales					6.5	5.4	4.1	3.2
EV/EBITDA					75.2	33.3	24.4	18.5
Dividend Yield (%)					0.3	0.0	0.0	0.0
FCF per share					-5.2	-64.2	7.5	11.6
Return Ratios (%)								
RoE	4.5	3.5	4.5	5.5	6.0	6.9	9.2	12.8
RoCE	4.1	3.6	5.2	6.6	6.4	8.8	8.4	10.5
RoIC	-0.2	4.1	7.5	11.4	10.5	9.3	9.4	13.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	2.4	2.4	2.6	2.8	1.0	1.2	1.4
Asset Turnover (x)	1.4	0.8	0.9	1.1	1.3	0.7	0.8	1.0
Inventory (Days)	53	64	61	58	69	68	67	67
Debtor (Days)	3	3	1	3	2	2	2	2
Creditor (Days)	35	38	28	35	34	33	31	31
Leverage Ratio (x)								
Current Ratio	1.4	2.0	2.2	2.1	1.9	3.0	3.0	3.0
Interest Cover Ratio	-0.2	1.4	2.5	5.1	4.8	1.3	1.8	2.6
Net Debt/Equity	-0.4	-0.5	-0.5	-0.4	-0.3	0.3	0.2	0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
OP/(Loss) before Tax	843	785	1,354	1,467	1,685	2,232	3,587	5,534
Depreciation	743	387	413	455	517	2,479	3,059	3,330
Interest & Finance Charges	-100	174	128	88	165	2,424	2,424	2,424
Direct Taxes Paid	-134	-199	-384	-501	-791	-710	-936	-1,428
(Inc)/Dec in WC	-613	313	-244	-643	-1,352	-671	-976	-1,071
CF from Operations	740	1,460	1,268	866	223	5,754	7,158	8,789
Others	-841	-366	-244	-98	-14	-1,610	-1,608	-1,608
CF from Operating incl EO	-101	1,094	1,024	769	210	4,144	5,549	7,181
(Inc)/Dec in FA	-1,555	-1,307	-686	-1,068	-1,953	-25,484	-3,056	-3,336
Free Cash Flow	-1,656	-213	339	-300	-1,743	-21,340	2,493	3,845
(Pur)/Sale of Investments	-2,177	-60	146	928	2,253	0	0	0
Others	671	383	103	100	-670	1,610	1,608	1,608
CF from Investments	-3,062	-984	-437	-40	-370	-23,873	-1,448	-1,728
Issue of Shares	3,500	840	-2,002	-1,024	0	9,500	0	0
Inc/(Dec) in Debt	-9	-4	1,864	1,000	1,061	20,296	0	0
Interest Paid	-110	-213	-365	-317	-227	-2,424	-2,424	-2,424
Dividend Paid	-272	-756	-11	-403	-459	0	0	0
Others	-11	0	0	0	0	0	0	0
CF from Fin. Activity	3,099	-133	-514	-743	375	27,372	-2,424	-2,424
Inc/Dec of Cash	-64	-23	74	-15	214	7,643	1,678	3,029
Opening Balance	619	292	269	343	328	542	8,185	9,863
Closing Balance	555	269	343	328	542	8,185	9,863	12,892

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
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