May 08, 2025

Trent Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-Convertible Debenture (NCD)programme	500.00	500.00	[ICRA]AA+ (Stable); reaffirmed
Total	**500.00**	**500.00**	

** Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in Trent Limited's (Trent) strong parentage, the extensive experience of its management team as well as financial flexibility for being a Tata Group entity. ICRA expects its parent, Tata Sons Private Limited (TSPL; rated [ICRA]AAA (Stable)/ [ICRA]A1+), to provide need-based funding support to Trent. The rating derives strength from Trent's established track record in the domestic retail industry, its diversified formats as well as product offerings across various segments viz. apparel, footwear, accessories, groceries, among others, and its wide geographical presence through more than 1,000 stores as on March 31, 2025. ICRA notes the established presence of Trent's key fashion formats, Westside and Zudio, with its continued high share (~100%) of private label brands in the total sales mix, resulting in healthy life-to-like (LTL) sales growth, supporting its gross margins. This coupled with accelerated store expansion (211 net stores additions in FY2024 (including Westside and Zudio) and another 236 net stores in FY2025 taking the total to 1,013 stores as on March 31, 2025 for Westside and Zudio) resulted in a robust YoY growth in consolidated revenues, despite subdued market conditions. ICRA expects Trent to continue witnessing healthy revenue growth, led by sustained store expansion and healthy LTL sales growth across its key formats, although the risk of store cannbalisation remains a key challenge.

The rating also derives strength from the company's net cash surplus position and strong liquidity, with free cash, bank balances, and liquid investments of Rs. 974.5 crore as on March 31, 2025. Despite continued annual capital expenditure (capex) of Rs. 1,200-1,300 crore (as per ICRA estimates), ICRA expects Trent's capital structure and coverage metrics to remain healthy, supported by its healthy cash flows.

ICRA notes the intense competition in the domestic branded apparel segment in which Trent operates. This includes competition from both domestic and international brands, as well as established organised retail players in both brick-and-mortar and online segments. Additionally, the business remains vulnerable to economic slowdowns. The company is also exposed to various risks associated with carrying high inventory, which is inherent in the retail business. These risks include inventory becoming obsolete, damaged or out of fashion. However, over the years, Trent has made significant investments in technology related to warehouse management and analytics, as well as strengthening its back-end processes, which have reduced inventory days in a phased manner. The rating also factors in the weak financial performance of Trent Hypermarket Pvt Limited (THPL) which is a joint venture (JVs), as well as some of the owned non-apparel formats, which have been impacting the consolidated profitability and necessitating regular support and investments for growth. Nonetheless, ICRA notes that these losses have been reducing on a YoY basis, necessitating lower funding support for growth.

The Stable outlook reflects ICRA's opinion that Trent will maintain its strong liquidity profile, supported by healthy cash flows due to its established presence in the branded apparels segment, which will limit its dependence on external debt.

Key rating drives and their description

Credit strengths

Strong parentage of the Tata Group and extensive experience of the management in retail industry – Trent, being a part of the Tata Group, enjoys exceptional financial flexibility. ICRA expects its parent, TSPL (rated [ICRA]AAA (Stable)/ [ICRA]A1+), to provide need-based funding support to Trent. The company also benefits from the extensive experience of its management and its established track record in the domestic retail industry.

Established branded apparel player with wide geographical presence and diversified product offerings – Trent operated over 1,000 stores in more than 242 cities in India as on March 31, 2025. It has a wide geographical presence in India and offers diverse products across varied segments including apparel, footwear, accessories, groceries, beauty products, among others. Westside, Trent's flagship format, has a strong brand connect with a loyal customer base and Zudio with its accelerated store expansion is leading to healthy growth in the entity's topline with 38% growth in operating income in FY2025 to Rs.17,134.6 crore. Despite the decline in discretionary spending amid inflationary pressure in FY2025, fashion concepts (Westside, Zudio, Utsa and Samoh) witnessed a healthy LTL sales growth, led by its differentiated product portfolio along with premium store experience for its customers

Continued net cash surplus status and strong liquidity position – Trent registered its highest ever revenues in FY2025, which increased significantly by 38% over FY2024, led by accelerated store expansion of Zudio and strong LTL across its key formats. Besides, the company benefitted from the economies of scale, resulting in 20 bps improvement in its OPM, which touched 16.1% in FY2025 against 15.9% in FY2024. Led by healthy cash flows, Trent's dependence on external borrowings remained limited, with outstanding debt in the form of non-convertible debentures (NCDs) worth Rs. 499.2 crore as on March 31, 2025. It had free cash and bank balance and liquid investments of Rs. 974.5 crore as on March 31, 2025, resulting in a continued cash surplus position. Along with the controlled working cycle, this has helped limit its dependence on debt.

Credit challenges

Weak financial performance of some of the owned formats as well as those operated through JVs impacting the consolidated profitability – The performance of some of the owned non-apparel formats as well as those operated through JVs remain subdued. These continue to incur losses, although as per the management, the net losses reported by THPL is continuously declining in FY2024 and FY2025, led by growing share of private label sales to 72% in Q4 FY2025 against 69% in Q4 FY2024. The improvement in the financial performance of these formats as well as the quantum of funding support to JVs will remain a key monitorable, going forward. Nonetheless, ICRA notes that these losses have been reducing on YoY basis, necessitating lower funding support for growth.

Stiff competition in the Indian retail industry; revenues susceptible to macro-economic environment – The company faces stiff competition owing to the presence of numerous players in the unorganised segment along with competition from various organised players in the brick-and-mortar and online segments. The retail sector also remains susceptible to adverse macroeconomic environment for being discretionary in nature. Moreover, the company remains exposed to various risks associated with carrying high inventory on the books, as inherent in the retail business. The risks of the inventory getting obsolete, damaged, or out of fashion remain. However, over the years, Trent has made significant investments in technology pertaining to warehouse management and analytics as well as strengthening its backend processes, which have reduced its inventory days in a phased manner.

Environmental and Social Risks

Environmental risks: Trent has low exposure to environmental risks. The sector does not face any major physical climate risk. The company, being a part of the Tata Group, follows the climate change policy, which focuses on areas such as energy waste management, supply chain efficiency and product stewardship.

Social risks: Increasing access to customer data following growing penetration of e-commerce poses privacy and legal risks for retail entities. Trent continuously upgrades its business systems to mitigate this cyber security risk. Being a manpower intensive segment, retail entities are exposed to the risks of disruptions due to inability to properly manage human capital in terms of their safety and the overall well-being. The company is also accountable for responsible sourcing, product and supply chain sustainability, given the high reliance on external suppliers. The company has been subscribing to social compliance platforms for evaluating vendors on key aspects including labour standards, health and safety, management systems, business ethics and environmental safety.

Liquidity position: Strong

The liquidity position of Trent is strong, supported by free cash, bank balance and liquid investments of Rs.974.5 crore as on March 31, 2025. Besides, its sanctioned fund-based limits of Rs. 350.01 crore, remains largely unutilised during FY2025, providing further cushion to its liquidity.

Additionally, free cash flows along with healthy cash and bank balance and liquid investments are expected to be more than sufficient to meet ICRA estimated annual capex requirement of ~Rs. 1,200-1,300 crore for store expansions. ICRA also notes that Trent's debt profile only comprises NCDs amounting to Rs. 499.2 crore as on March 31,2025, which is due for repayment in May 2026.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to report a sustained improvement in revenues, profits and return indicators, while maintaining a healthy credit profile and strong liquidity position. Improvement in the operating performance of JVs, limiting incremental support in the form of investments would also be a key rating monitorable. The return on capital employed (ROCE), improving to above 25% on a sustained basis would also be a positive rating factor.

Negative factors – The rating may be downgraded in case of a sharp decline in sales/ profitability or if any significant debt-funded capex/ acquisition or a stretch in the working capital cycle adversely impacts its credit metrics and/or the liquidity position on a sustained basis. Any revision in the funding support policy of TSPL towards Trent or any weakening in the credit profile of TSPL will also be negative factors.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Parent - Tata Sons Private Limited (rated [ICRA]AAA (Stable)/ [ICRA]A1+) ICRA expects TSPL to provide need-based funding support to Trent. There also exists the track record of TSPL having extended financial support to Trent in the past, whenever a need has arisen.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Trent Limited. As on March 31, 2025, the company had seven subsidiaries, two joint ventures and two associates, which are all enlisted in Annexure-II.

About the Company

Trent Limited (Trent) is a part of the retail venture of the Tata Group. With a presence of more than 1,000 stores as on March 31, 2025 , Trent operates through eight different store concepts. These include a) fashion retailing through owned formats of Westside, Zudio, Utsa, Samoh as well as Zara and Massimo Dutti through alliances/associations, b) grocery retailing though Star Stores, via its joint venture - Trent Hypermarket Private Limited (THPL) and c) Booker wholesale, which operates cash and carry stores.

Westside, with 248 stores as on March 31, 2025 (against 232 stores as on March 31, 2024), is the flagship store concept of Trent Limited. Westside stores, with a store size of 20,000-30,000 sq. ft, are spread across more than 86 cities and offer branded (aspirational to mid-premium) fashion apparel, footwear and accessories for women, men and children, cosmetics and a range of home furnishings and decor. Moreover, on November 27, 2020, westside.com was introduced to augment its e-commerce presence.

As on March 31, 2025, Zudio is present through 765 stores, mainly tier-II/III towns with an average size of 7,000-12,000 sq ft. of retail space. Zudio's range of offerings includes womenswear (western and ethnic), lingerie, kids wear, menswear, footwear, accessories, and beauty, with the format deriving revenues largely from womenswear, and comprises 100% own private label brands. Being in the value fashion segment, the products are priced at lower price points and is driving the revenue growth trajectory of the company.

Key financial indicators (audited)

Trent Consolidated	FY2024	FY2025
Operating income	12,375.1	17,134.6
PAT	1,353.9*	1,447.9
OPBDIT/OI (%)	15.9%	16.1%
PAT/OI (%)	10.9%	8.5%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDIT (times)	0.9	0.8
Interest coverage (times)	5.4	19.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; FY2025 are based on published results
*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * including exceptional gain of Rs.576.07 crore*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Current (FY2026)						Chronology of rating history for the past 3 years					
					FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Outstanding Amount (Rs Crore)	May-08-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	Long Term	500.00		[ICRA] AA+ (Stable)	-	-	10-May-2024	[ICRA] AA+ (Stable)	11-May-2023	[ICRA] AA+ (Stable)	16-May-2022	[ICRA] AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE849A08082	**Non-Convertible Debenture Programme**	May 31, 2021	5.78%	May 29, 2026	500.00	[ICRA]AA+ (Stable)

Source: Company data

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Fiora Business Support Services Limited	100.00%	Full Consolidation
Nahar Retail Trading Services Limited	100.00%	Full Consolidation
Fiora Hypermarket Limited^	-	Full Consolidation
Fiora Online Limited^	-	Full Consolidation
Trent Global Holdings Limited	100.00%	Full Consolidation
Booker India Limited	51.00%	Full Consolidation
Trent Global Trading LLC*	-	Full Consolidation
THPL Support Services Limited^	-	Full Consolidation
Trent Foundation@	100.00%	Full Consolidation
Trent Hypermarket Private Limited	50.00%	Equity method
Inditex Trent Retail India Private Limited	34.94%	Equity method
Massimo Dutti India Private Limited	20.00%	Equity method
Trent MAS Fashion Private Limited	50.00%	Equity method

*Source: Company; ^step-down subsidiaries of Trent Limited; Fiora Hypermarket Limited, Fiora Online Limited and THPL Support Services Limited(effective from March 26,2025) are wholly owned subsidiaries of Booker India Limited and Trent Global Trading LLC is a wholly owned subsidiary of Trent Global Holdings Limited; *TGTL is incorporated on 28th February 2024 as a wholly owned subsidiary of TGHL; @ effective from October 01,2024*

ANALYST CONTACTS

Jitin Makkar
+91 01124 4545368
jitinm@icraindia.com

Kinjal Kirit Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Sakshi Suneja
+91 22 6169 3349
sakshi.suneja@icraindia.com

Taanisha Sharma
+91 22 6169 3344
taanisha.sharma@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches