

October 20, 2023

Q2FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,231		1,231	
Sales (Rs. m)	30,724	36,829	30,724	36,829
% Chng.	-	-	-	-
EBITDA (Rs. m)	9,486	11,542	9,486	11,542
% Chng.	-	-	-	-
EPS (Rs.)	18.1	22.3	18.1	22.3
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	21,278	25,271	30,724	36,829
EBITDA (Rs. m)	6,794	7,717	9,486	11,542
Margin (%)	31.9	30.5	30.9	31.3
PAT (Rs. m)	3,635	3,900	4,914	6,073
EPS (Rs.)	13.4	14.4	18.1	22.3
Gr. (%)	71.6	7.3	26.0	23.6
DPS (Rs.)	3.2	4.0	5.0	6.5
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	25.8	23.1	24.5	25.3
RoCE (%)	35.4	32.3	33.6	34.4
EV/Sales (x)	15.1	12.6	10.2	8.4
EV/EBITDA (x)	47.3	41.2	33.1	26.7
PE (x)	90.3	84.2	66.8	54.1
P/BV (x)	21.2	17.9	15.0	12.6

Key Data

METB.BO | METROBRA IN

52-W High / Low	Rs.1,299 / Rs.736
Sensex / Nifty	65,398 / 19,543
Market Cap	Rs.328bn / \$ 3,949m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.251.41m

Shareholding Pattern (%)

Promoter's	74.20
Foreign	2.33
Domestic Institution	6.10
Public & Others	17.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.0	42.9	36.8
Relative	12.4	30.3	23.8

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Festive demand, FILA key monitorables

Quick Pointers:

- Added 29 stores in 2QFY24, on course to add 100 stores for FY24
- FILA to be relaunched in FY25 with growth to come in by FY25

MBL 2Q results were impacted by 1) Rs140mn loss in Cravatex brands 2) loss of sales due to delay in festival season by 2/3 weeks and 3) high base due to pent up demand in base quarter. MBL continued to sustain strong operating parameters with 1) addition of 8 new cities in 2Q and 15 in 1H24 2) increase in online/ Omni channel salience to 11% of sales without aggressive discounting 3) 400bps higher share of sales with MRP>Rs3000 in 1H24 and 4) addition of 56 stores across formats in 1H24. FILA integration is on track and MBL has closed 2 more stores in 2Q with 1H24 loss at Rs280mn. Long term growth strategy is in place led by 1) geographical and store expansion 2) brands licenses/acquisitions (Crocs, FILA, Fitflop, Birkenstock, Cheemo) 3) re-launch and scale up in FILA from FY25/26. We expect crocs store addition to accelerate in 2H (18 v/s 2 in 1H) while FILA losses will continue in 2H24.

We expect 355 net store additions including FILA and 6% sales CAGR per store post FY24 (1.1% only). We estimate Sales/EBITDA/PAT CAGR of 20.1/19.3/18.7% for FY23-26E. Though FY24 to remain depressed with 7.3% PAT growth, yet we expect 24.8% CAGR over next 2 years. Retain 'Accumulate' rating with TP of Rs1231.

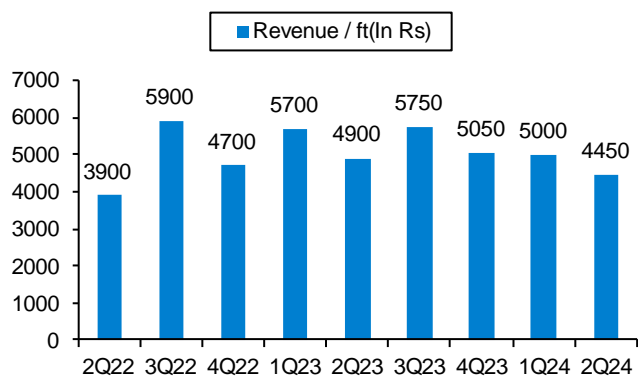
Consol Revenues grew by 14.7% YoY to Rs5.8bn. Gross margins contracted by -64bps YoY to 59.1%. EBITDA grew by 2% YoY to Rs1.9bn (PLe: Rs8.4bn). Margins contracted by -397bps YoY to 32%. (PLe:9.3%). Adj PAT declined by -11.5% YoY to Rs0.9bn. ASP for Q2FY24 came at Rs1500. Added 29 net new stores in Q2 with entering 7 new cities. Ex of Cravatex, sales grew 13.8% while EBITDA grew by 10.7%, margins contracted by 80bps. Cravatex reported sales of Rs300mn, EBITDA and PAT loss of Rs170mn and Rs280mn in 1H24.

Concall highlights: 1) Overall demand remains flattish amid festive season shifting to Q3, however demand is seen picking up in October month with similar trend to be continued for rest of the quarter. 2) Fila inventory will be liquidated by FY24 end and the brand will be re-launched subsequently. FY25 will be the year of consolidation followed by rapid scale up in FY26. 3) West and South continue to outperform while eastern market remains flattish as durga pooja got shifted in Q3FY24 4) E-commerce sales continue to gain traction with increasing its share in overall sales led by strong demand from in-house brands. 5) Contribution of EOSS inched up by 250bps to 7.5% in 1HFY24 vs 5% in 1HFY23. 6) GM to remain in the range of 55%-57% for FY24. 7) EBITDA margin to remain in the range of 30%-33% with Ad spend to be in the range of 3%-4% for FY24. 8) PAT margin to remain at 15%-17% for FY24. 9) ASP ex-accessories came at Rs 2250 10) Guidance of opening ~200 store in FY24-FY26 remain intact with focus on expanding metro and Mochi brand to new cities 11) MBL has opened 2 stores of crocs so far and plans to add 20 stores in FY24 12) Walkway has seen setback as it moved out of 15 D'Mart stores last year, brand offers long term potential

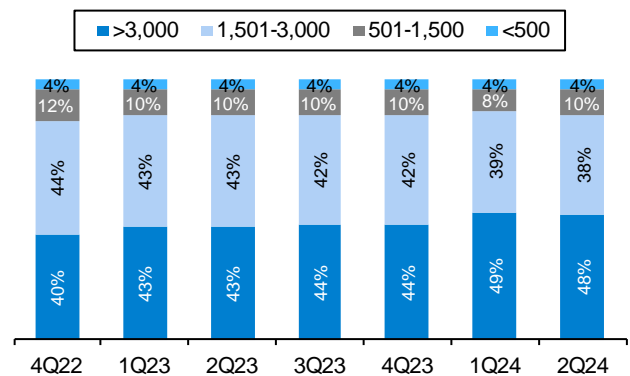
Exhibit 1: Consol revenue grew by 16.7% YoY, margins contract YoY/QuoQ

Y/e March (Rs mn)	2QFY24	2QFY23	YoY gr. (%)	1QFY24	1HFY24	1HFY23	YoY gr. (%)
Net Sales	5,557	4,763	16.7	5,825	11,382	9,843	15.6
Gross Profit	3,156	2,732	16	3,442	6,598	5,765	14.4
% of NS	56.8	57.3	(55)	59.1	58.0	58.6	(0.6)
Other Expenses	1,603	1,260	27	1,576	3,178	2,465	28.9
% of NS	28.8	26.5	239	27.0	27.9	25.0	2.9
EBITDA	1,554	1,472	6	1,866	3,420	3,300	3.6
Margins %	28.0	30.9	(293)	32.0	30.0	33.5	(348.6)
Depreciation	572	414	38	543	1,114	803	38.7
Interest	197	148	33	185	382	283	35.1
Other Income	162	118	37	144	305	210	45.1
PBT	947	1,027	(8)	1,282	2,229	2,425	(8.1)
Tax	275	253	9	353	629	597	5.2
Tax rate %	29.1	24.6	4.5	27.5	28.2	24.6	
Share of JV/Associates	5	5		6	11	10	
Non-controlling Interest	9	16		7	16	27	
Adjusted PAT	667	763	(13)	928	1,595	1,811	(11.9)

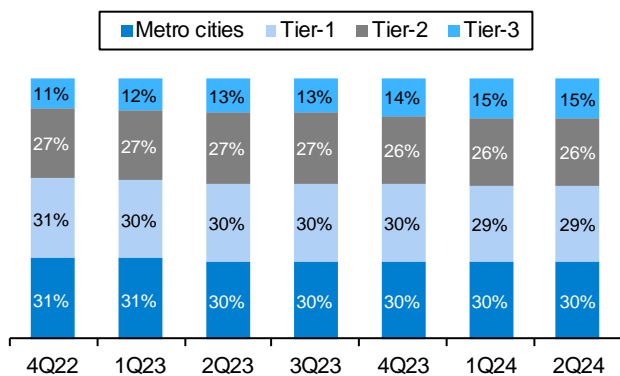
Source: Company, PL

Exhibit 2: Revenue/sq.ft softens due to store openings


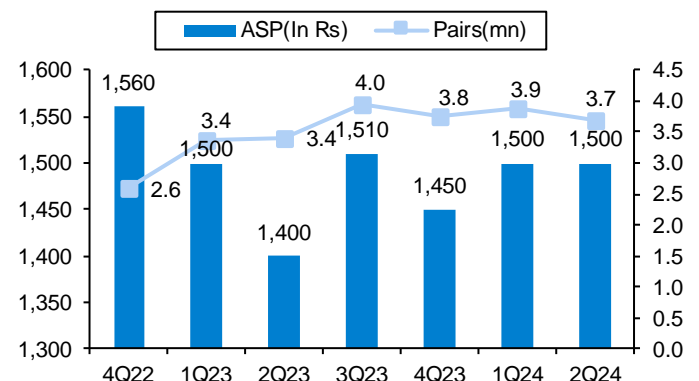
Source: Company, PL

Exhibit 3: Share of Rs501-Rs1500 up QoQ


Source: Company, PL

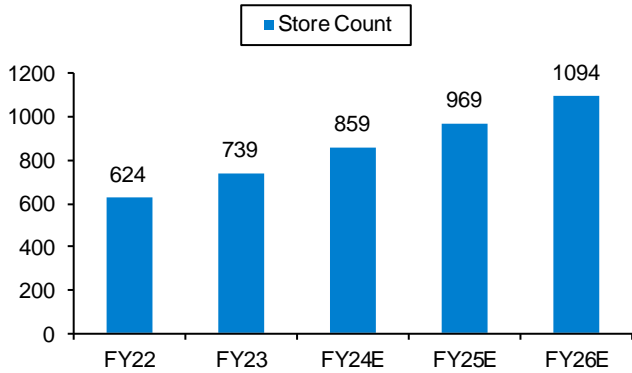
Exhibit 4: Tier composition static


Source: Company, PL

Exhibit 5: ASP at Rs1500 with 3.7mn pairs sold in 2Q24


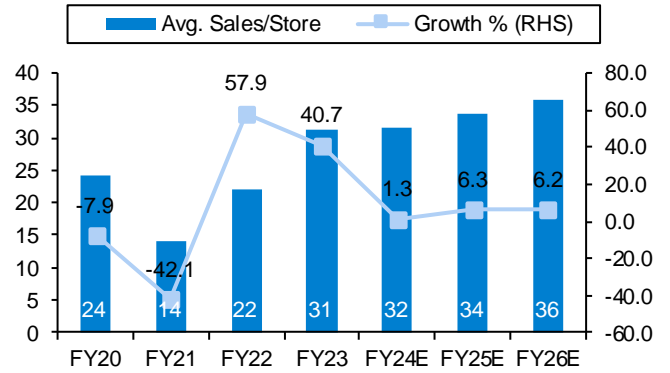
Source: Company, PL

Exhibit 6: Store count likely to cross 1000 count by FY26



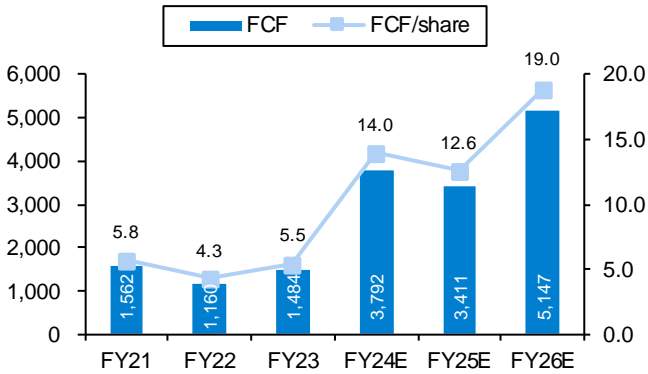
Source: Company, PL

Exhibit 7: Sales/store to stabilize at Rs34mn-Rs36mn



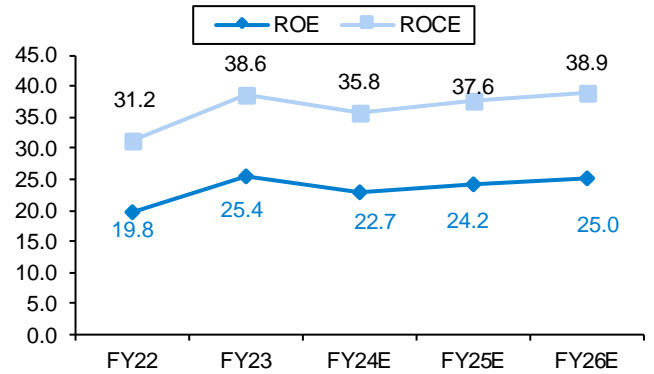
Source: Company, PL

Exhibit 8: FCF shows healthy growth over long term

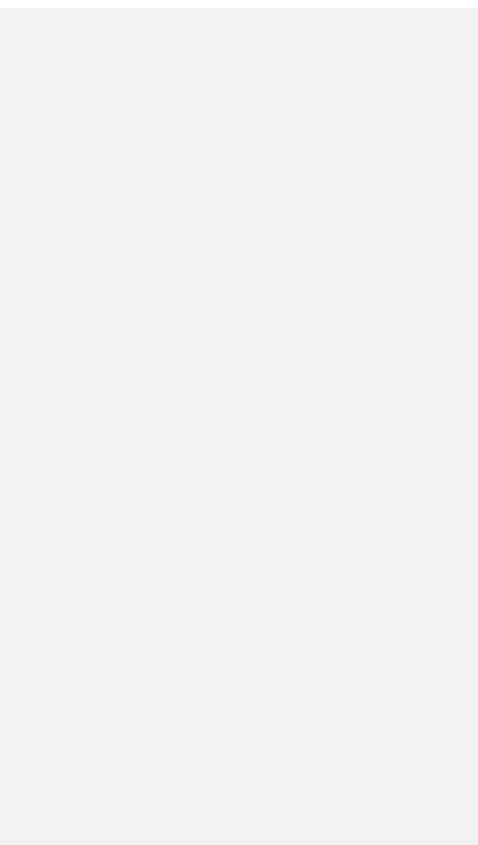


Source: Company, PL

Exhibit 9: ROE & ROCE to stabilize at healthy levels



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	21,278	25,271	30,724	36,829
YoY gr. (%)	58.4	18.8	21.6	19.9
Cost of Goods Sold	8,920	10,867	13,135	15,652
Gross Profit	12,358	14,405	17,590	21,177
Margin (%)	58.1	57.0	57.3	57.5
Employee Cost	1,843	2,279	2,751	3,308
Other Expenses	3,720	4,409	5,352	6,327
EBITDA	6,794	7,717	9,486	11,542
YoY gr. (%)	66.1	13.6	22.9	21.7
Margin (%)	31.9	30.5	30.9	31.3
Depreciation and Amortization	1,810	2,265	2,737	3,290
EBIT	4,984	5,452	6,749	8,252
Margin (%)	23.4	21.6	22.0	22.4
Net Interest	617	878	1,021	1,250
Other Income	544	690	898	1,185
Profit Before Tax	4,911	5,263	6,627	8,186
Margin (%)	23.1	20.8	21.6	22.2
Total Tax	1,257	1,342	1,690	2,087
Effective tax rate (%)	25.6	25.5	25.5	25.5
Profit after tax	3,654	3,921	4,937	6,099
Minority interest	40	43	48	53
Share Profit from Associate	20	22	25	27
Adjusted PAT	3,635	3,900	4,914	6,073
YoY gr. (%)	71.7	7.3	26.0	23.6
Margin (%)	17.1	15.4	16.0	16.5
Extra Ord. Income / (Exp)	(40)	-	-	-
Reported PAT	3,595	3,900	4,914	6,073
YoY gr. (%)	69.5	8.5	26.0	23.6
Margin (%)	16.9	15.4	16.0	16.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,595	3,900	4,914	6,073
Equity Shares O/s (m)	272	272	272	272
EPS (Rs)	13.4	14.4	18.1	22.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	5,936	6,987	8,375	10,049
Tangibles	4,539	5,563	6,922	8,567
Intangibles	1,397	1,425	1,453	1,482
Acc: Dep / Amortization	1,700	2,284	3,013	3,918
Tangibles	1,563	2,075	2,732	3,563
Intangibles	137	208	281	355
Net fixed assets	4,235	4,704	5,362	6,131
Tangibles	2,976	3,487	4,190	5,004
Intangibles	1,260	1,216	1,172	1,127
Capital Work In Progress	178	224	266	301
Goodwill	409	409	409	409
Non-Current Investments	766	883	1,025	1,183
Net Deferred tax assets	15	(39)	(167)	(325)
Other Non-Current Assets	8,398	9,174	9,887	10,645
Current Assets				
Investments	4,658	3,791	4,170	4,587
Inventories	6,458	6,843	9,328	10,056
Trade receivables	1,261	1,523	1,768	2,018
Cash & Bank Balance	1,985	6,839	10,210	15,256
Other Current Assets	644	708	860	1,031
Total Assets	29,272	35,468	43,710	52,111
Equity				
Equity Share Capital	1,359	1,359	1,359	1,359
Other Equity	14,118	16,933	20,489	24,797
Total Network	15,477	18,291	21,848	26,156
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	11	17	24	33
Other non current liabilities	8,128	10,362	12,905	15,811
Current Liabilities				
ST Debt / Current of LT Debt	15	15	16	16
Trade payables	2,813	3,376	4,686	4,914
Other current liabilities	2,529	3,004	3,696	4,481
Total Equity & Liabilities	29,272	35,468	43,710	52,111

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	4,911	5,263	6,627	8,186
Add. Depreciation	1,810	2,265	2,737	3,290
Add. Interest	617	878	1,021	1,250
Less Financial Other Income	544	690	898	1,185
Add. Other	2,269	2,078	2,426	2,777
Op. profit before WC changes	9,608	10,484	12,811	15,503
Net Changes-WC	(1,777)	285	(929)	(198)
Direct tax	(1,223)	(1,237)	(1,557)	(1,924)
Net cash from Op. activities	6,608	9,533	10,324	13,382
Capital expenditures	(6,081)	(3,576)	(4,173)	(4,878)
Interest / Dividend Income	-	-	-	-
Others	(1,120)	882	(379)	(417)
Net Cash from Inv. activities	(7,201)	(2,694)	(4,552)	(5,295)
Issue of share cap. / premium	60	(21)	(23)	(25)
Debt changes	15	-	1	-
Dividend paid	(883)	(1,086)	(1,358)	(1,765)
Interest paid	(617)	(878)	(1,021)	(1,250)
Others	40	-	-	-
Net cash from Fin. activities	(1,386)	(1,985)	(2,400)	(3,040)
Net change in cash	(1,979)	4,854	3,372	5,046
Free Cash Flow	527	5,957	6,151	8,503

Source: Company Data, PL Research

Key Financial Metrics

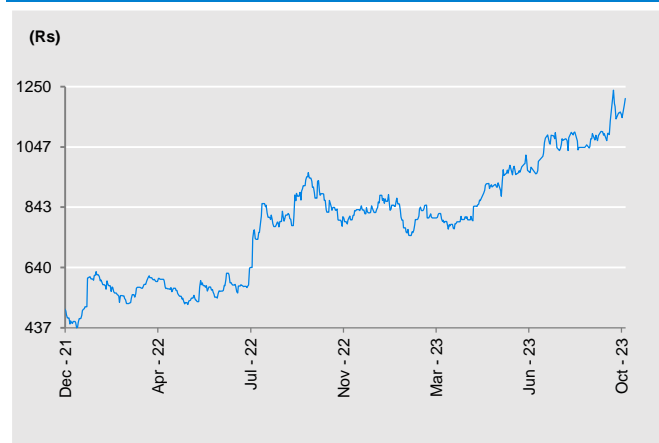
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	13.4	14.4	18.1	22.3
CEPS	20.0	22.7	28.2	34.5
BVPS	57.0	67.3	80.4	96.3
FCF	1.9	21.9	22.6	31.3
DPS	3.2	4.0	5.0	6.5
Return Ratio(%)				
RoCE	35.4	32.3	33.6	34.4
ROIC	22.0	21.9	23.0	25.6
RoE	25.8	23.1	24.5	25.3
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.6)	(0.7)	(0.8)
Net Working Capital (Days)	84	72	76	71
Valuation(x)				
PER	90.3	84.2	66.8	54.1
P/B	21.2	17.9	15.0	12.6
P/CEPS	60.3	53.2	42.9	35.1
EV/EBITDA	47.3	41.2	33.1	26.7
EV/Sales	15.1	12.6	10.2	8.4
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	5,987	5,441	5,825	5,557
YoY gr. (%)	23.8	35.0	14.7	16.7
Raw Material Expenses	2,441	2,401	2,384	2,401
Gross Profit	3,546	3,040	3,442	3,156
Margin (%)	59.2	55.9	59.1	56.8
EBITDA	2,052	1,436	1,866	1,554
YoY gr. (%)	22.2	10.6	2.0	5.6
Margin (%)	34.3	26.4	32.0	28.0
Depreciation / Depletion	504	502	543	572
EBIT	1,548	934	1,323	982
Margin (%)	25.8	17.2	22.7	17.7
Net Interest	173	175	185	197
Other Income	146	187	144	162
Profit before Tax	1,521	946	1,282	947
Margin (%)	25.4	17.4	22.0	17.0
Total Tax	394	267	353	275
Effective tax rate (%)	25.9	28.2	27.5	29.1
Profit after Tax	1,128	679	929	671
Minority interest	10	3	7	9
Share Profit from Associates	2	8	6	5
Adjusted PAT	1,120	685	928	667
YoY gr. (%)	10.5	(0.4)	(11.5)	(12.5)
Margin (%)	18.7	12.6	15.9	12.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,120	685	928	667
YoY gr. (%)	10.5	(0.4)	(11.5)	(12.5)
Margin (%)	18.7	12.6	15.9	12.0
Other Comprehensive Income	2	(13)	(1)	-
Total Comprehensive Income	1,121	672	928	667
Avg. Shares O/s (m)	272	136	136	272
EPS (Rs)	4.1	2.5	3.4	1.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Sep-23	Accumulate	1,231	1,088

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,571	3,196
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,612	4,538
4	Colgate Palmolive	Hold	1,869	1,993
5	Dabur India	Accumulate	597	547
6	Emami	Accumulate	524	527
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	490	533
10	Kansai Nerolac Paints	Accumulate	351	324
11	Marico	Hold	581	537
12	Metro Brands	Accumulate	1,231	1,088
13	Mold-tek Packaging	Hold	956	892
14	Nestle India	Accumulate	25,471	23,263
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	142	125
17	Titan Company	Accumulate	3,312	3,310
18	Westlife Foodworld	Hold	958	955

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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