

January 19, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	1,109		1,187	
Sales (Rs.m)	23,736	28,670	24,559	29,865
% Chng.	(3.4)	(4.0)		
EBITDA (Rs.m)	7,014	8,599	7,261	8,882
% Chng.	(3.4)	(3.2)		
EPS (Rs.)	12.0	15.7	12.8	16.3
% Chng.	(6.3)	(3.7)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	21,278	23,736	28,670	34,347
EBITDA (Rs. m)	6,794	7,014	8,599	10,351
Margin (%)	31.9	29.5	30.0	30.1
PAT (Rs. m)	3,635	3,258	4,274	5,177
EPS (Rs.)	13.4	12.0	15.7	19.1
Gr. (%)	71.6	(10.4)	31.2	21.1
DPS (Rs.)	3.2	4.0	5.0	6.5
Yield (%)	0.3	0.3	0.4	0.6
RoE (%)	25.8	19.7	22.4	23.2
RoCE (%)	35.4	28.2	30.9	31.9
EV/Sales (x)	14.6	12.9	10.6	8.7
EV/EBITDA (x)	45.6	43.6	35.3	28.8
PE (x)	87.1	97.2	74.1	61.2
P/BV (x)	20.5	17.9	15.4	13.2

Key Data METB.BO | METROBRA IN

52-W High / Low	Rs.1,441 / Rs.736
Sensex / Nifty	71,683 / 21,622
Market Cap	Rs.317bn/ \$ 3,815m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.169.14m

Shareholding Pattern (%)

Promoter's	74.17
Foreign	2.68
Domestic Institution	5.97
Public & Others	17.17
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.5)	10.2	33.3
Relative	(11.8)	3.1	13.2

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Demand remains tepid, all eyes on FY25

Quick Pointers:

- Fila inventory destocking/ EBO closure likely by 1Q25, losses nearly peaked
- Footlocker stores to be opened under core and power formats in 2HFY25

We cut our FY25/FY26 EPS estimates by 3.7/5.2% given 1) tepid demand environment 2) longer than expected time to finish old inventory and launch new range/stores in FILA with ramp up slower than earlier estimates and 3) increase in opex ahead of FILA/ Footlocker store launch. MBL continued to sustain operating parameters with 1) addition of 15 new cities in 9M24 (3 in Q3) 2) increase in online/ Omni channel salience to 10% of sales without aggressive discounting 3) 500bps higher share of sales with MRP >Rs3000 in in Q3 4) on tract to open 100 stores in FY24 with 87 store already opened in 9MFY24 (added 31 stores in Q3). While long term growth strategy is in place led by 1) geographical and store expansion 2) brands licenses/acquisitions (Crocs, Fitflop, Birkenstock) 3) re-launch and scale up in FILA/ footlocker from FY25/26. We believe store closures in FILA by 1Q25 will curtail losses from 2QFY25 (Rs150mn in 3Q24 (Rs430mn in 9mFY24) although losses might remain high in 4Q/1Q on high discounting and store closures.

We expect 250 net store additions including FILA and 6.3% sales/store CAGR over FY24-FY26, however we expect this to decline by 4.2% in FY24. We estimate Sales/EBITDA/PAT CAGR of 20.3/21.5/26.1% for FY24-26E. Though FY24 is likely to remain depressed, hopes of FY25 recovery will help support valuations at 60.9x FY26. Retain 'Hold with TP of Rs1109 (Rs1187).

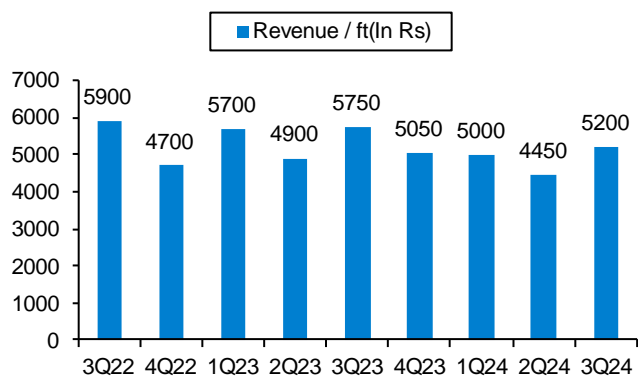
Consol Revenues grew by 6.1% YoY to Rs6.4bn (PLe: Rs6.9bn). Gross margins expanded by 66bps YoY to 59.9% (PLe: 58.0) EBITDA declined by -3% YoY to Rs2bn (PLe: Rs2.13bn). Margins contracted by 296bps YoY to 31.3%. (PLe:31.3%). Adj PAT declined by -12.6% YoY to Rs1bn (PLe: Rs1.12bn) Added 31 new store taking total store count to 826. Sales/store decline by 9% YoY, however it increased by 10% QoQ Cravatex loss came at Rs150mn in Q3 vs loss of Rs140mn in 1Q24/2Q24 with total store count for FILA standing at 14

Concall highlights: 1) Overall demand remains tepid despite festive & wedding season led by persistent high inflationary environment 2) Long term SSG growth to be at 7%-8% 3) Fila losses increased in Q3 to Rs150mn and we expect turnaround in cravatex to further delay by 1-2 quarters. FY25 will be the year of consolidation followed by rapid scale up in FY26. 4) South continues to outperform with share of south increasing YoY/QoQ while share of north decreased YoY/QoQ as northern market are expected to be affected most by inflationary pressure 5) E-commerce sales continue to gain traction with increasing its share (9MFY24-10.2%) in overall sales led by strong demand from in-house brands. 6) Guidance of opening ~200 store in FY24-FY26 remain intact with focus on expanding metro and Mochi brand to new cities 7) identified 50 new cities for new store openings 8) Plan to open 4-6 stores of footlocker by Q4FY24 with store size of ~3000sqft 9) Sales/sqft & sales/store to be slightly higher than metro/mochi store

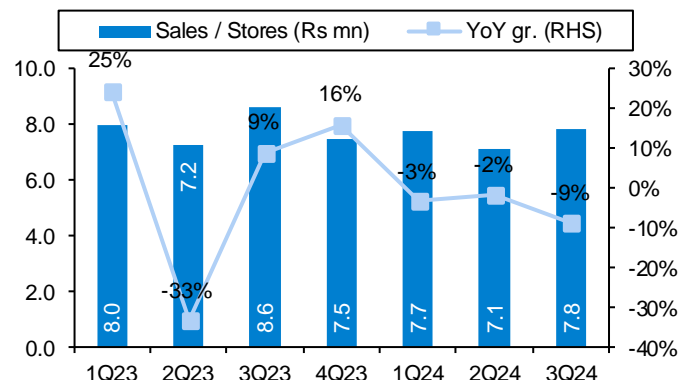
Exhibit 1: Consol revenue grew by 6.1% YoY, margins contract YoY/QoQ

(Rs mn)	3QFY24	3QFY23	YoY gr. (%)	2QFY24	9MFY24	9MFY23	YoY gr. (%)
Net Sales	6,355	5,987	6.1	5,557	17,737	15,830	12.1
Gross Profit	3,806	3,546	7.3	3,156	10,404	9,311	11.7
% of NS	59.9	59.2		56.8	58.7	58.8	
Other Expenses	1,816	1,494	21.5	1,603	4,994	3,959	26.2
% of NS	28.6	25.0		28.8	28.2	25.0	
EBITDA	1,990	2,052	(3.0)	1,554	5,409	5,352	1.1
Margins %	31.3	34.3		28.0	30.5	33.8	
Depreciation	586	504	16.3	572	1,701	1,307	30.1
Interest	204	173	18.0	197	586	456	28.6
Other Income	160	146	9.0	162	465	357	30.3
PBT	1,359	1,521	(10.6)	947	3,588	3,946	(9.1)
Tax	379	394	(3.8)	275	1,007	991	1.7
Tax rate %	27.9	25.9		29.1	28.1	25.1	
Share of JV/Associates	7	2		5	18	12	
Non-controlling Interest	10	10		9	26	37	
Adjusted PAT	978	1,120	(12.6)	667	2,573	2,930	(12.2)

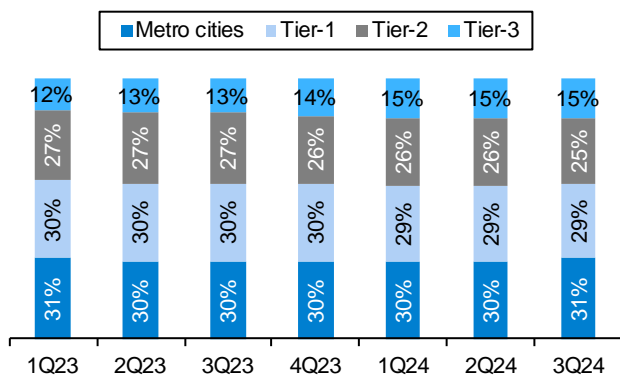
Source: Company, PL

Exhibit 2: Revenue/sq.ft declines 10% YoY on tepid demand


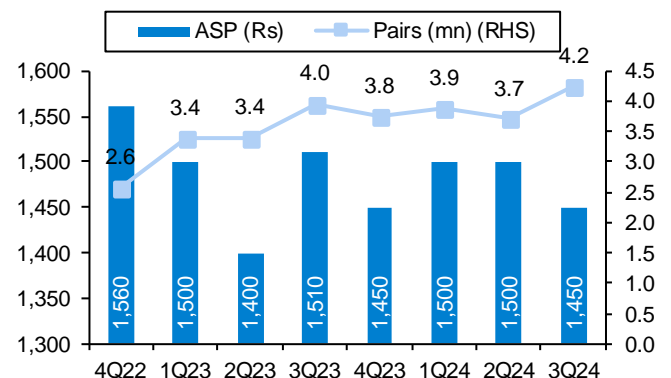
Source: Company, PL

Exhibit 3: Sales/store down 9% YoY


Source: Company, PL

Exhibit 4: Saliency of metro cities increased sequentially


Source: Company, PL

Exhibit 5: ASP at Rs1500 with 4.2mn pairs sold in 3Q24


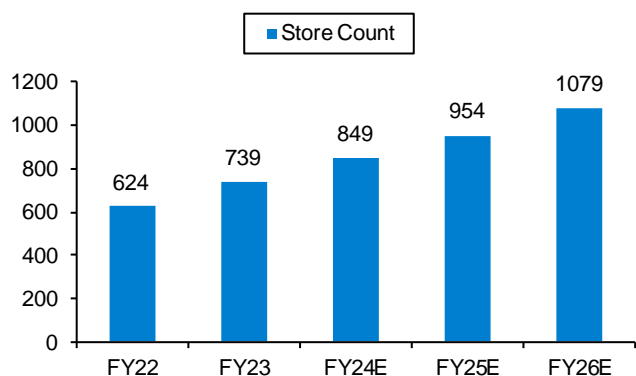
Source: Company, PL

Exhibit 6: Share of >Rs3000 up YoY/QuQ led by premiumisation

Product Pricing wise Sales Mix(Rs)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
>3,000	36%	40%	40%	43%	43%	44%	44%	49%	48%	49%
1,501-3,000	45%	44%	44%	43%	43%	42%	42%	39%	38%	38%
501-1,500	14%	12%	12%	10%	10%	10%	10%	8%	10%	9%
<500	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Own Brands Contribution										
Own Brands		72%	73%	75%	73%	74%	74%	70%	70%	72%
Third Party		28%	27%	25%	27%	26%	26%	30%	30%	28%

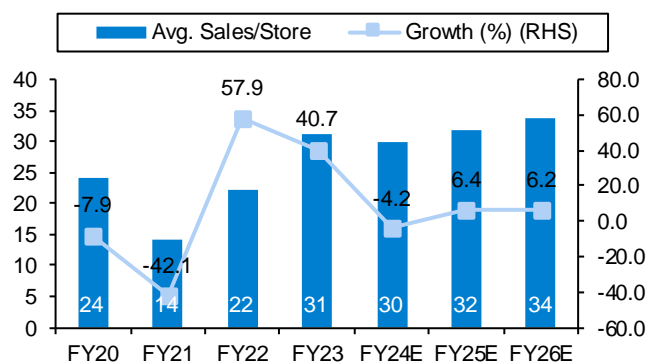
Source: Company, PL

Exhibit 7: Store count likely to cross 1000 count by FY26



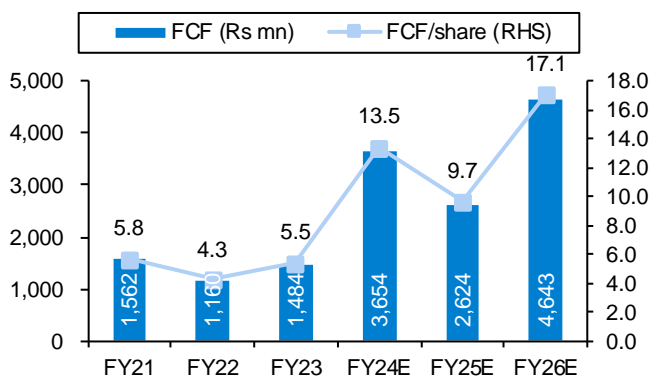
Source: Company, PL

Exhibit 8: Sales/store to stabilize at Rs34mn-Rs36mn



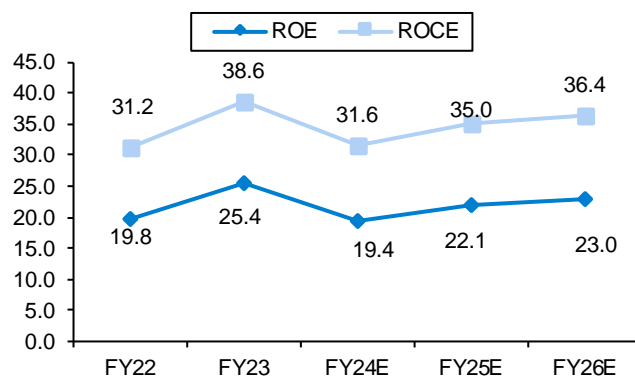
Source: Company, PL

Exhibit 9: FCF shows healthy growth over long term



Source: Company, PL

Exhibit 10: 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	23,736	28,670	34,347
YoY gr. (%)	58.4	11.6	20.8	19.8
Cost of Goods Sold	8,920	10,040	12,041	14,426
Gross Profit	12,358	13,696	16,628	19,921
Margin (%)	58.1	57.7	58.0	58.0
Employee Cost	1,843	2,326	2,849	3,480
Other Expenses	3,720	4,356	5,181	6,090
EBITDA	6,794	7,014	8,599	10,351
YoY gr. (%)	66.1	3.2	22.6	20.4
Margin (%)	31.9	29.5	30.0	30.1
Depreciation and Amortization	1,810	2,339	2,689	3,238
EBIT	4,984	4,675	5,910	7,113
Margin (%)	23.4	19.7	20.6	20.7
Net Interest	617	874	1,011	1,236
Other Income	544	644	870	1,107
Profit Before Tax	4,911	4,445	5,768	6,983
Margin (%)	23.1	18.7	20.1	20.3
Total Tax	1,257	1,166	1,471	1,781
Effective tax rate (%)	25.6	26.2	25.5	25.5
Profit after tax	3,654	3,279	4,297	5,202
Minority interest	40	43	48	53
Share Profit from Associate	20	22	25	27
Adjusted PAT	3,635	3,258	4,274	5,177
YoY gr. (%)	71.7	(10.4)	31.2	21.1
Margin (%)	17.1	13.7	14.9	15.1
Extra Ord. Income / (Exp)	(40)	-	-	-
Reported PAT	3,595	3,258	4,274	5,177
YoY gr. (%)	69.5	(9.4)	31.2	21.1
Margin (%)	16.9	13.7	14.9	15.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,595	3,258	4,274	5,177
Equity Shares O/s (m)	272	272	272	272
EPS (Rs)	13.4	12.0	15.7	19.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	5,936	6,907	8,245	9,905
Tangibles	4,539	5,482	6,791	8,422
Intangibles	1,397	1,425	1,453	1,482
Acc: Dep / Amortization	1,700	2,275	2,990	3,880
Tangibles	1,563	2,067	2,709	3,525
Intangibles	137	208	281	355
Net fixed assets	4,235	4,632	5,254	6,025
Tangibles	2,976	3,416	4,082	4,898
Intangibles	1,260	1,216	1,172	1,127
Capital Work In Progress	178	217	265	300
Goodwill	409	409	409	409
Non-Current Investments	766	867	994	1,138
Net Deferred tax assets	15	(23)	(133)	(268)
Other Non-Current Assets	8,398	8,911	9,552	10,331
Current Assets				
Investments	4,658	3,560	3,916	4,308
Inventories	6,458	6,035	9,054	9,023
Trade receivables	1,261	1,431	1,649	1,882
Cash & Bank Balance	1,985	7,103	9,685	14,104
Other Current Assets	644	665	803	962
Total Assets	29,272	34,184	41,987	48,950
Equity				
Equity Share Capital	1,359	1,359	1,359	1,359
Other Equity	14,118	16,290	19,206	22,619
Total Networkth	15,477	17,649	20,565	23,977
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	11	17	25	34
Other non current liabilities	8,128	10,313	12,788	15,635
Current Liabilities				
ST Debt / Current of LT Debt	15	15	16	16
Trade payables	2,813	2,885	4,518	4,318
Other current liabilities	2,529	2,918	3,573	4,328
Total Equity & Liabilities	29,272	34,185	41,987	48,951

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	4,911	4,445	5,768	6,983
Add. Depreciation	1,810	2,339	2,689	3,238
Add. Interest	617	874	1,011	1,236
Less Financial Other Income	544	644	870	1,107
Add. Other	2,269	2,046	2,373	2,732
Op. profit before WC changes	9,608	9,703	11,841	14,189
Net Changes-WC	(1,777)	668	(1,133)	137
Direct tax	(1,223)	(1,077)	(1,355)	(1,641)
Net cash from Op. activities	6,608	9,294	9,353	12,686
Capital expenditures	(6,081)	(3,307)	(4,024)	(4,848)
Interest / Dividend Income	-	-	-	-
Others	(1,120)	1,112	(356)	(392)
Net Cash from Inv. activities	(7,201)	(2,195)	(4,380)	(5,240)
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)	(874)	(1,011)	(1,236)
Others	40	-	-	-
Net cash from Fin. activities	(1,386)	(1,981)	(2,391)	(3,027)
Net change in cash	(1,979)	5,118	2,582	4,419
Free Cash Flow	527	5,987	5,329	7,838

Source: Company Data, PL Research

Key Financial Metrics

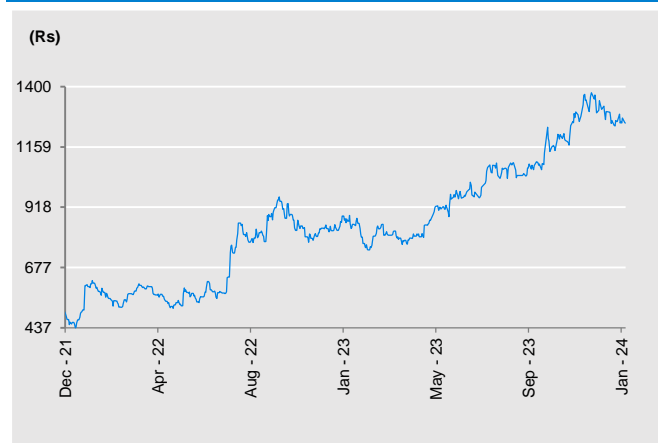
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	13.4	12.0	15.7	19.1
CEPS	20.0	20.6	25.6	31.0
BVPS	57.0	64.9	75.7	88.2
FCF	1.9	22.0	19.6	28.8
DPS	3.2	4.0	5.0	6.5
Return Ratio(%)				
RoCE	35.4	28.2	30.9	31.9
ROIC	22.0	19.9	20.8	23.3
RoE	25.8	19.7	22.4	23.2
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.6)	(0.7)	(0.8)
Net Working Capital (Days)	84	70	79	70
Valuation(x)				
PER	87.1	97.2	74.1	61.2
P/B	20.5	17.9	15.4	13.2
P/CEPS	58.2	56.6	45.5	37.6
EV/EBITDA	45.6	43.6	35.3	28.8
EV/Sales	14.6	12.9	10.6	8.7
Dividend Yield (%)	0.3	0.3	0.4	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	5,441	5,825	5,557	6,355
YoY gr. (%)	35.0	14.7	16.7	6.1
Raw Material Expenses	2,401	2,384	2,401	2,549
Gross Profit	3,040	3,442	3,156	3,806
Margin (%)	55.9	59.1	56.8	59.9
EBITDA	1,436	1,866	1,554	1,990
YoY gr. (%)	10.6	2.0	5.6	(3.0)
Margin (%)	26.4	32.0	28.0	31.3
Depreciation / Depletion	502	543	572	586
EBIT	934	1,323	982	1,403
Margin (%)	17.2	22.7	17.7	22.1
Net Interest	175	185	197	204
Other Income	187	144	162	160
Profit before Tax	946	1,282	947	1,359
Margin (%)	17.4	22.0	17.0	21.4
Total Tax	267	353	275	379
Effective tax rate (%)	28.2	27.5	29.1	27.9
Profit after Tax	679	929	671	981
Minority interest	3	7	9	10
Share Profit from Associates	8	6	5	7
Adjusted PAT	685	928	667	978
YoY gr. (%)	(0.4)	(11.5)	(12.5)	(12.6)
Margin (%)	12.6	15.9	12.0	15.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	685	928	667	978
YoY gr. (%)	(0.4)	(11.5)	(12.5)	(12.6)
Margin (%)	12.6	15.9	12.0	15.4
Other Comprehensive Income	(13)	(1)	-	(1)
Total Comprehensive Income	672	928	667	978
Avg. Shares O/s (m)	136	136	272	272
EPS (Rs)	2.5	3.4	1.2	1.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	20-Oct-23	Accumulate	1,231	1,208
2	28-Sep-23	Accumulate	1,231	1,088

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,140	2,501
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,786	2,578
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Hold	2,704	2,720
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

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



ANALYST CERTIFICATION

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