

January 17, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	1,177		1,208	
Sales (Rs. m)	29,334	34,402	30,230	35,440
% Chng.	(3.0)	(2.9)		
EBITDA (Rs. m)	8,427	9,730	8,733	10,108
% Chng.	(3.5)	(3.7)		
EPS (Rs.)	15.1	17.7	15.7	18.6
% Chng.	(4.1)	(4.5)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	23,567	25,199	29,334	34,402
EBITDA (Rs. m)	6,996	7,397	8,427	9,730
Margin (%)	29.7	29.4	28.7	28.3
PAT (Rs. m)	4,125	3,573	4,096	4,824
EPS (Rs.)	15.2	13.1	15.1	17.7
Gr. (%)	13.4	(13.4)	14.6	17.8
DPS (Rs.)	4.2	5.2	6.5	7.5
Yield (%)	0.4	0.4	0.5	0.6
RoE (%)	24.2	18.1	18.7	19.7
RoCE (%)	27.6	24.5	25.1	26.2
EV/Sales (x)	13.5	12.5	10.7	9.0
EV/EBITDA (x)	45.4	42.6	37.1	31.7
PE (x)	79.0	91.2	79.6	67.6
P/BV (x)	17.5	15.7	14.1	12.6

Key Data METB.BO | METROBRA IN

52-W High / Low	Rs.1,430 / Rs.990
Sensex / Nifty	76,619 / 23,203
Market Cap	Rs.326bn / \$ 3,767m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.130.46m

Shareholding Pattern (%)

Promoter's	74.15
Foreign	3.05
Domestic Institution	5.60
Public & Others	17.20
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.6)	(10.5)	(2.3)
Relative	(0.6)	(5.7)	(8.8)

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Soft demand but futuristic investments continue

Quick Pointers:

- 3Q sales remain affected, however 4Q likely to be better amid good number of wedding days
- FY26 to see ~130-140 net store addition with 40% stores in new cities

We cut our FY25/26/27 EPS estimate 2.4/4.1/4.5% given 1) persistent tepid demand 2) Tepid store economics led by lower SSG & opening up of store in Tier-2 & Tier-3 cities & 3) BIS issues continue to affect high-end international brand imports. However, MBL operating parameters are on track with 1) addition of 5 new cities in 3Q (3 in Q2) & 40 in FY26 2) healthy online/ Omni channel salience of ~11% to sales with strong growth of 37% YoY and 3) increase in share of >3000 MRP sales by 100ppt YoY to ~54% of sales. Long-term growth strategy is in place led by 1) geographical and store expansion (225 stores in 2 years) 2) brands licenses/acquisitions (Crocs, Fitflop, Birkenstock, New Era) 3) re-launch and scale up in FILA/ footlocker from FY26. We believe that valuations at 69.2x FY27 do not leave any upside in short term. Expect back-ended returns given rich valuations and demand, Retain Hold.

Consol Revenues grew by 10.6% YoY to Rs7bn. (PLe: 7.4bn). Gross margins contracted by -125bps YoY to 58.6% >EBITDA grew by 13.1% YoY to Rs2.3bn (PLe:Rs2.26bn). Margins expanded by 70bps YoY to 32%. (PLe:30.5%). Adj PAT declined by -3.3% YoY to Rs0.9bn (ex of one-time tax, PAT was Rs1.18bn). ASP came at Rs1500 flat YoY/QoQ, while sales/ft came at Rs5150 vs Rs5200/4300 in Q3FY24/Q2FY25. Volume grew by 11% YoY, while sales/store was flat YoY, however, was up by 15% QoQ.

Concall highlights: 1) MBL saw decent demand in Q3 but not upto expectations, however Q4 is expected to be better led by large number of wedding days 2) GM was impacted by 50 bps amidst liquidation of FILA in Q3. 3) Metro is expected to add just ~10 stores in Q4 as it expects rent cost to taper off, FY26 is likely to see addition of ~130-140 stores (ex-FILA). 4) ASP for Q3 was flat QoQ/YoY led by increasing salience of accessories sales 5) E-commerce sales (including Omni-channel) were Rs760rmn in Q3FY25 vs Rs640mn in Q2FY25, with 11% contribution to the total revenues. 6) As per the final notification on BIS, the entire legacy stock as of 31st July, 2024 will be allowed to be liquidated till 31st July, 2026. 7) Supply remains critical for footlocker due to BIS, however other core brands remain unimpacted 8) Fila stock liquidation is complete and it will launch new merchandise by Q4FY25 and will be sold in 90-100 stores of metro-mochi and footlocker 9) MBL is on course to open ~225 stores over FY24-FY26. 10) First Footlocker store in Delhi (Select Saket) is getting good traction and more number of stores are expected to come in next 6 months. 12) East remains key focus area, while further expansion to come from Tier-2 & Tier-3 cities 12) Sales/sq.ft was down 1% YoY in Q3 amid lower SSG and expansion in Tier-2 & Tier-3 cities. 13) Management expects to add 60% stores in existing cities and 40% in new cities in FY26.

Exhibit 1: Consol revenue up by 10.6% YoY, margins up by ~ 70bps YoY

Y/e March (Rs mn)	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	9MFY25	9MFY24	YoY gr. (%)
Net Sales	7,031	6,355	10.6	7,435	(5.4)	5,855	18,646	17,737	5.1
Gross Profit	4,123	3,806	8.3	4,387	(6.0)	3,222	10,772	10,404	3.5
% of NS	58.6	59.9	(124.7)	59.0	(0.4)	55.0	57.8	58.7	(0.9)
Other Expenses	1,873	1,816	3.1	2,119	(11.6)	1,674	5,169	4,994	3.5
% of NS	26.6	28.6	(194.4)	28.5	(1.9)	28.6	27.7	28.2	(0.4)
EBITDA	2,250	1,990	13.1	2,268	(0.8)	1,548	5,602	5,409	3.6
Margins %	32.0	31.3	69.7	30.5	1.5	26.4	30.0	30.5	(45.2)
Depreciation	655	586	11.7	650	0.8	624	1,879	1,701	10.5
Interest	235	204	15.2	235	(0.1)	218	661	586	12.8
Other Income	232	160	45.5	190	22.1	234	699	465	50.5
PBT	1,593	1,359	17.2	1,573	1.3	939	3,762	3,588	4.8
Tax	649	379	71.4	409	58.7	225	1,182	1,007	17.4
Tax rate %	40.7	27.9	12.9	26.0	14.7	23.9	31.4	28.1	3.4
Share of JV/Associates	7	7	(4.2)			5	14	18	(23.9)
Non-controlling Interest	5	10	(47.9)	11		22	33	26	27.3
Adjusted PAT	946	978	(3.3)	1,153	(18.0)	698	2,561	2,573	(0.5)

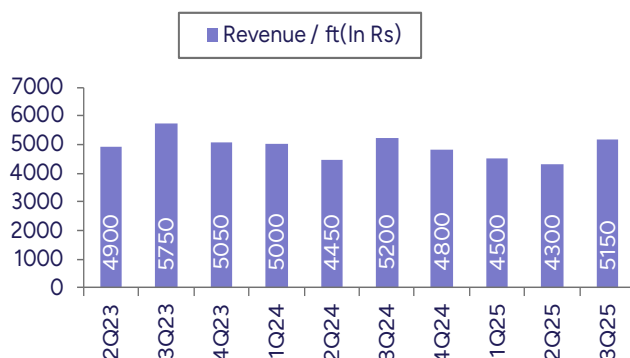
Source: Company, PL

Exhibit 2: >3000 share upby ~100bps QoQ in Q3FY25

Product Pricing wise Sales Mix (Rs)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
>3,000	43%	44%	44%	49%	48%	49%	50%	54%	53%	54%
1,501-3,000	43%	42%	42%	39%	38%	38%	37%	35%	34%	34%
501-1,500	10%	10%	10%	8%	10%	9%	9%	6%	8%	8%
<500	4%	4%	4%	4%	4%	4%	4%	5%	5%	4%
Own Brands Contribution										
Own Brands	73%	74%	74%	70%	70%	72%	73%	73%	72%	72%
Third Party	27%	26%	26%	30%	30%	28%	27%	27%	28%	28%

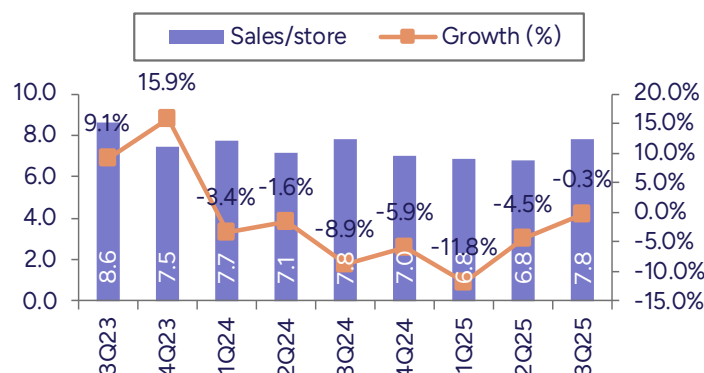
Source: Company, PL

Exhibit 3: Revenue/sq.ft declines 0.5% YoY



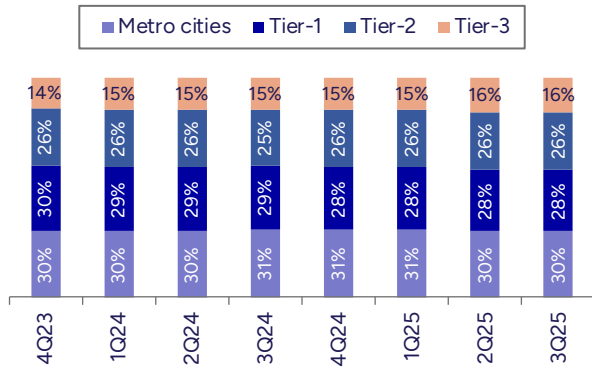
Source: Company, PL

Exhibit 4: Sales/store down 0.3% YoY



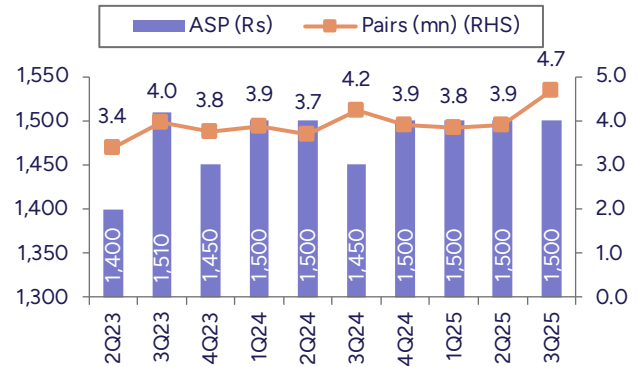
Source: Company, PL

Exhibit 5: Saliency of metro cities stable at 30-31%



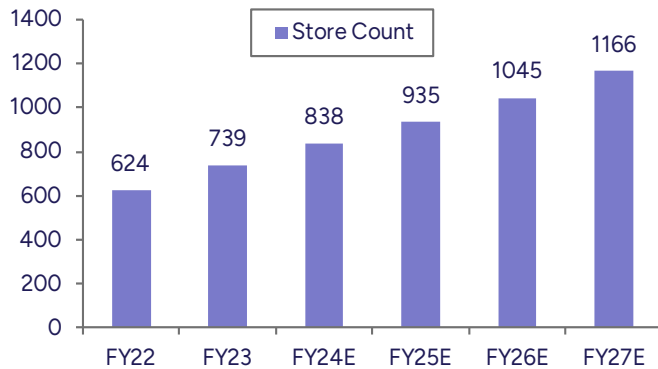
Source: Company, PL

Exhibit 6: ASP at Rs1500 with 4.7mn pairs sold in 3Q25



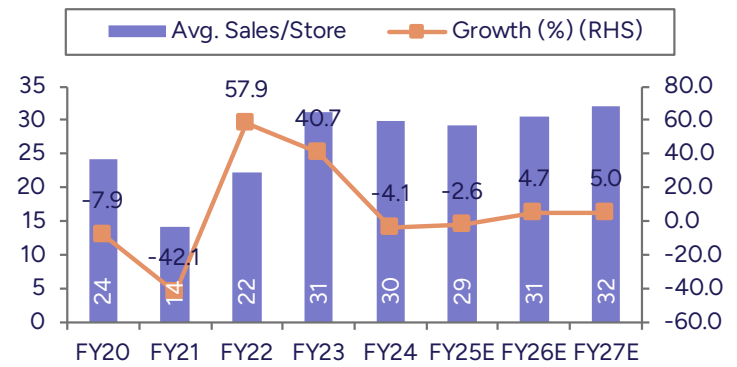
Source: Company, PL

Exhibit 7: ~225 stores to be added till FY26



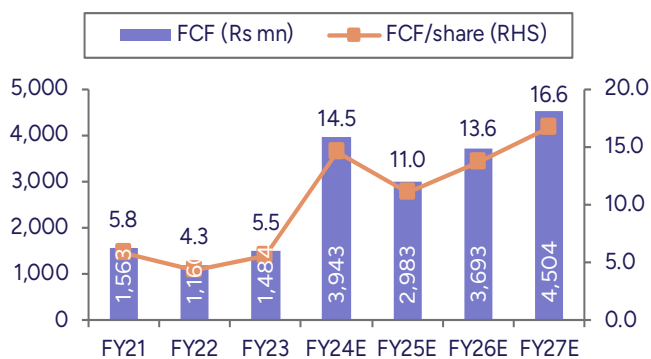
Source: Company, PL

Exhibit 8: Sales/store to increase 10% over FY24-27



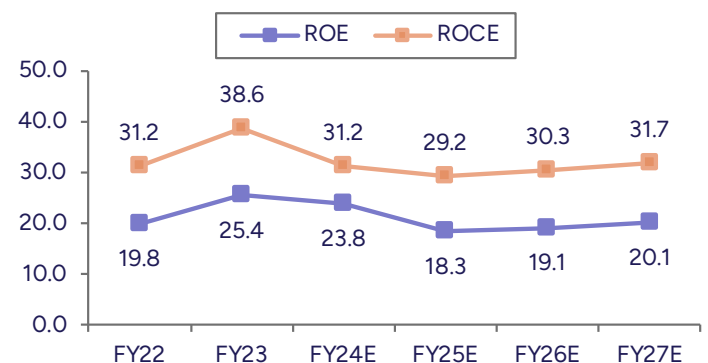
Source: Company, PL

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	FY24	FY25E	FY26E	FY27E
Net Revenues	23,567	25,199	29,334	34,402
YoY gr. (%)	10.8	6.9	16.4	17.3
Cost of Goods Sold	9,875	10,659	12,467	14,707
Gross Profit	13,692	14,540	16,867	19,695
Margin (%)	58.1	57.7	57.5	57.3
Employee Cost	2,280	2,505	3,015	3,584
Other Expenses	4,417	4,638	5,425	6,380
EBITDA	6,996	7,397	8,427	9,730
YoY gr. (%)	3.0	5.7	13.9	15.5
Margin (%)	29.7	29.4	28.7	28.3
Depreciation and Amortization	2,291	2,558	2,911	3,312
EBIT	4,705	4,839	5,516	6,418
Margin (%)	20.0	19.2	18.8	18.7
Net Interest	789	905	1,029	1,159
Other Income	708	894	1,047	1,259
Profit Before Tax	4,624	4,828	5,534	6,518
Margin (%)	19.6	19.2	18.9	18.9
Total Tax	499	1,255	1,439	1,695
Effective tax rate (%)	10.8	26.0	26.0	26.0
Profit after tax	4,125	3,573	4,095	4,823
Minority interest	30	33	36	39
Share Profit from Associate	30	33	37	40
Adjusted PAT	4,125	3,573	4,096	4,824
YoY gr. (%)	13.5	(13.4)	14.6	17.8
Margin (%)	17.5	14.2	14.0	14.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,125	3,573	4,096	4,824
YoY gr. (%)	14.7	(13.4)	14.6	17.8
Margin (%)	17.5	14.2	14.0	14.0
Other Comprehensive Income	12	-	-	-
Total Comprehensive Income	4,137	3,573	4,096	4,824
Equity Shares O/s (m)	272	272	272	272
EPS (Rs)	15.2	13.1	15.1	17.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	6,761	7,662	8,605	9,783
Tangibles	5,331	6,204	7,118	8,266
Intangibles	1,429	1,458	1,487	1,517
Acc: Dep / Amortization	2,050	2,707	3,460	4,336
Tangibles	1,829	2,414	3,092	3,893
Intangibles	221	294	368	444
Net fixed assets	4,711	4,955	5,145	5,447
Tangibles	3,502	3,791	4,025	4,374
Intangibles	1,209	1,164	1,119	1,073
Capital Work In Progress	93	173	200	222
Goodwill	409	409	409	409
Non-Current Investments	1,268	1,398	1,543	1,702
Net Deferred tax assets	359	359	359	359
Other Non-Current Assets	9,766	10,157	10,655	11,189
Current Assets				
Investments	7,994	9,323	12,614	15,997
Inventories	7,102	7,298	8,559	9,083
Trade receivables	757	1,036	1,206	1,414
Cash & Bank Balance	479	1,487	966	1,321
Other Current Assets	432	462	538	631
Total Assets	33,526	37,376	42,671	48,443
Equity				
Equity Share Capital	1,360	1,360	1,360	1,360
Other Equity	17,278	19,426	21,757	24,545
Total Network	18,638	20,786	23,117	25,905
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	7	12	18	25
Other non current liabilities	9,526	10,854	12,601	14,605
Current Liabilities				
ST Debt / Current of LT Debt	-	16	16	17
Trade payables	2,570	2,605	3,267	3,595
Other current liabilities	2,488	2,709	3,146	3,662
Total Equity & Liabilities	33,526	37,376	42,671	48,443

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,624	4,828	5,534	6,518
Add. Depreciation	2,291	2,558	2,911	3,312
Add. Interest	789	905	1,029	1,159
Less Financial Other Income	708	894	1,047	1,259
Add. Other	917	1,135	1,528	1,756
Op. profit before WC changes	8,621	9,426	11,002	12,745
Net Changes-WC	(133)	(316)	(455)	(45)
Direct tax	(530)	(1,159)	(1,328)	(1,564)
Net cash from Op. activities	7,957	7,951	9,218	11,136
Capital expenditures	(4,038)	(3,301)	(3,656)	(4,205)
Interest / Dividend Income	-	-	-	-
Others	(2,020)	(1,328)	(3,290)	(3,383)
Net Cash from Inv. activities	(6,058)	(4,629)	(6,946)	(7,588)
Issue of share cap. / premium	189	1	1	1
Debt changes	(15)	16	-	1
Dividend paid	(1,154)	(1,425)	(1,765)	(2,036)
Interest paid	(789)	(905)	(1,029)	(1,159)
Others	30	-	-	-
Net cash from Fin. activities	(1,739)	(2,314)	(2,793)	(3,194)
Net change in cash	160	1,008	(521)	355
Free Cash Flow	3,919	4,650	5,562	6,932

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	12,241	12,540	12,642	13,878
YoY gr. (%)	18.1	14.1	19.4	22.7
Raw Material Expenses	6,622	6,590	6,889	7,212
Gross Profit	5,619	5,950	5,753	6,666
Margin (%)	92.8	96.7	92.3	95.8
EBITDA	2,629	2,998	2,783	3,511
YoY gr. (%)	45.1	41.9	42.9	39.6
Margin (%)	43.5	48.9	44.6	50.4
Depreciation / Depletion	867	865	897	942
EBIT	1,763	2,133	1,886	2,569
Margin (%)	29.0	34.6	30.0	36.9
Net Interest	203	208	218	235
Other Income	323	247	286	271
Profit before Tax	1,882	2,172	1,953	2,606
Margin (%)	31.0	35.2	31.0	37.4
Total Tax	(289)	525	437	833
Effective tax rate (%)	(23.1)	48.0	44.8	58.9
Profit after Tax	2,171	1,647	1,517	1,773
Minority interest	4	5	22	5
Share Profit from Associates	12	2	5	7
Adjusted PAT	2,179	1,643	1,500	1,775
YoY gr. (%)	162.9	75.9	63.1	25.8
Margin (%)	36.4	26.6	23.7	25.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,179	1,643	1,500	1,775
YoY gr. (%)	162.9	75.9	63.1	25.8
Margin (%)	36.4	26.6	23.7	25.6
Other Comprehensive Income	14	-	(2)	(1)
Total Comprehensive Income	2,193	1,643	1,498	1,774
Avg. Shares O/s (m)	197	197	333	333
EPS (Rs)	16.0	15.3	14.4	15.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	15.2	13.1	15.1	17.7
CEPS	23.6	22.5	25.8	29.9
BVPS	68.5	76.4	85.0	95.3
FCF	14.4	17.1	20.5	25.5
DPS	4.2	5.2	6.5	7.5
Return Ratio(%)				
RoCE	27.6	24.5	25.1	26.2
ROIC	18.8	18.2	19.0	20.6
RoE	24.2	18.1	18.7	19.7
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.6)	(0.7)
Net Working Capital (Days)	82	83	81	73
Valuation(x)				
PER	79.0	91.2	79.6	67.6
P/B	17.5	15.7	14.1	12.6
P/CEPS	50.8	53.2	46.5	40.1
EV/EBITDA	45.4	42.6	37.1	31.7
EV/Sales	13.5	12.5	10.7	9.0
Dividend Yield (%)	0.4	0.4	0.5	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost of Retail	7	7	14	14
Number of Stores added	117	133	147	152

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Hold	1,208	1,251
2	24-Oct-24	Hold	1,208	1,165
3	07-Oct-24	Hold	1,268	1,255
4	26-Sep-24	Hold	1,268	1,253
5	12-Aug-24	UR	-	1,311
6	09-Jul-24	Hold	1,190	1,218
7	23-May-24	Hold	1,115	1,125
8	09-Apr-24	Hold	1,063	1,038
9	19-Jan-24	Hold	1,109	1,166

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,230	2,334
2	Avenue Supermarts	Hold	3,964	3,686
3	Britannia Industries	BUY	5,815	4,860
4	Colgate Palmolive	Hold	2,973	2,790
5	Dabur India	Hold	561	514
6	Emami	Hold	761	584
7	Hindustan Unilever	Accumulate	2,807	2,401
8	ITC	Accumulate	536	450
9	Jubilant FoodWorks	Hold	719	750
10	Kansai Nerolac Paints	Reduce	274	257
11	Marico	Accumulate	675	638
12	Metro Brands	Hold	1,208	1,251
13	Mold-tek Packaging	Accumulate	709	628
14	Nestle India	Accumulate	2,689	2,220
15	Pidilite Industries	Accumulate	3,355	2,908
16	Restaurant Brands Asia	Hold	100	80
17	Titan Company	BUY	3,882	3,484
18	Westlife Foodworld	Hold	817	823

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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