Metro Brands | BUY

JM FINANCIAL

Strong margin performance; growth outlook robust

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Revenue grew 10% YoY in 4Q (in line) even as revenue /sq ft declined by 1% YoY. Growth was led by continuing wedding and festive momentum from Q3 and addition of 13 (net) stores. Margins surprised positively as EBITDA margin expanded 350 bps YoY to 30.7% (~390 bps ahead of estimates) led by improved gross margin and better cost controls. FILA losses reduced by 50% YoY in FY25 and are expected to reduce further in FY26. MBL will resume earlier rate of store expansion post correction of rentals from peak levels. Management maintained its long term guidance of achieving revenue CAGR of ~15%+, Gross margin of 55-57% EBITDA margin of 30% and PAT margin of 15%. We increase our target EPS multiple from 57x to 58x Mar-27 due to improved performance and better visibility for store addition; though, we cut our EPS estimates by ~2% for FY26-27E due lower than expected other income as management distributed one-time special dividend reducing the cash balance. We maintain our BUY rating with an unchanged target price of INR 1,400 based on 58x EPS Pre Ind AS-116 Mar-27.

- **Revenue in line; better margins drives PBT beat:** Consolidated revenue grew 10% YoY to INR 6.4 bn in Q4 (in line). Revenue/sq. ft. declined 1% YoY INR 4,750. EBITDA grew 24% YoY to INR 2 bn (15% beat) as margin expanded ~350 bps YoY to 30.7% (JMFe: 26.8%) led by ~110 bps YoY expansion in gross margin to 57.5% (JMFe: 55.5%) and ~40bps/200bps lower employee/other expense. EBITDA margins have improved due to better cost controls and restructuring of FILA's royalty to align royalty expenses with expected revenue growth over next 2-3 years. PBT grew 21% YoY to INR 1.3 bn (17% beat). Tax related adjustments in base quarter results into decline in APAT. Company has declared dividend of INR 2.5/ share.
- **13 (net) stores added; premium product share continues to increase:** 18 new stores were added along with closure of 5 stores in Q4 (net addition 13 stores), taking the total store count to 908. E-commerce sales grew 45% YoY to INR 610 mn (contributing 10% to the total revenue). Own brand contribution remained at 74%. Contribution from products priced above INR 3000+ increased to 56% (up 200 bps YoY, down 100 bps QoQ), while contribution from products priced between INR 1,500 to INR 3,000 saw their contribution declining by ~200 bps YoY to 34%. ASP stood at INR 1,550.
- **FY25 Performance:** Consolidated revenue grew 6% YoY to INR 25.1 bn led by addition of 72 (net) stores. EBITDA grew 8% YoY to INR 7.6 bn as EBITDA margins expanded ~50bps YoY to 30.2% despite ~40 bps YoY contraction in gross margin to 57.7% due to ~100bps lower other expenses. PBT grew 9% YoY to INR 5 bn. Core working capital days reduced by 9 days to 73 in FY25 (inventory days reduced by 17 days to 93). It incurred capex of INR 861 mn and declared total dividend of INR 20/share in FY25.
- **Footlocker, FILA, New Era updates:** **Footlocker:** Due to supply chain constraints post BIS implementation, company is cautious on store expansion; however, it is confident of adding 3 new Footlocker store before Q3FY26 . **FILA**: Company re-launched FILA in FY25 leveraging the other brands distribution network and is on track to open new EBO's in H2FY26. **New Era:** Launched New Era website in Q4FY25.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,400
Upside/(Downside)	15.7%
Previous Price Target	1,400
Change	0.0%

Key Data – METROBRA IN	
Current Market Price	INR1,211
Market cap (bn)	INR329.6/US$3.9
Free Float	19%
Shares in issue (mn)	271.7
Diluted share (mn)	272.2
3-mon avg daily val (mn)	INR82.6/US$1.0
52-week range	1,412/890
Sensex/Nifty	81,721/24,853
INR/US$	85.2

Price Performance

%	1M	6M	12M
Absolute	9.9	7.0	9.0
Relative*	6.6	4.8	0.6

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	30,336	36,573	42,656
Sales Growth (%)	10.8	6.4	21.0	20.6	16.6
EBITDA	6,996	7,415	9,628	11,686	13,793
EBITDA Margin (%)	29.7	29.6	31.7	32.0	32.3
Adjusted Net Profit	4,125	3,513	5,042	6,292	7,592
Diluted EPS (INR)	15.2	12.9	18.5	23.1	27.9
Diluted EPS Growth (%)	14.1	-14.9	43.5	24.8	20.7
ROIC (%)	44.2	33.7	42.6	47.6	51.7
ROE (%)	24.2	19.7	27.0	28.2	28.2
P/E (x)	79.8	93.9	65.4	52.4	43.4
P/B (x)	17.7	19.3	16.3	13.5	11.2
EV/EBITDA (x)	45.9	43.6	33.4	27.3	22.8
Dividend Yield (%)	0.4	0.4	0.6	0.7	0.7

Source: Company data, JM Financial. Note: Valuations as of 23/May/2025

Exhibit 1. Quarterly consolidated performance

	Q4FY24	Q3FY25	Q4FY25E	YoY	QoQ	Q4FY25E	vs. Est.	FY24	FY25	YoY
Net operating revenue	**5,830**	**7,031**	**6,428**	**10**	**(9)**	**6,400**	**0**	**23,567**	**25,074**	**6**
Material cost	(2,542)	(2,908)	(2,734)	8	(6)	(2,848)	(4)	(9,875)	(10,609)	7
Gross Profit	**3,288**	**4,123**	**3,694**	**12**	**(10)**	**3,552**	**4**	**13,692**	**14,465**	**6**
Employee cost	(591)	(634)	(626)	6	(1)	(685)	(9)	(2,280)	(2,450)	7
Other expenses	(1,111)	(1,239)	(1,096)	(1)	(12)	(1,150)	(5)	(4,417)	(4,441)	1
Total expenditure	(4,244)	(4,781)	(4,456)	5	(7)	(4,683)	(5)	(16,571)	(17,500)	6
EBITDA	**1,586**	**2,250**	**1,972**	**24**	**(12)**	**1,717**	**15**	**6,996**	**7,574**	**8**
Other income	244	232	231	(5)	(1)	288	(20)	708	930	31
Interest	(203)	(235)	(244)	20	4	(236)	3	(789)	(905)	15
Depreciation	(591)	(655)	(701)	19	7	(696)	1	(2,291)	(2,580)	13
Pretax profits	**1,036**	**1,593**	**1,258**	**21**	**(21)**	**1,073**	**17**	**4,624**	**5,019**	**9**
Tax	508	(399)	(393)	(177)	(1)	(268)	47	(499)	(1,325)	165
Share of Profit/(loss) JV	12	7	4	(64)	(38)	28		30	16	
Minority Interest	(4)	(5)	(6)	48	18	8		(30)	(39)	30
Adj. PAT	**1,552**	**1,196**	**863**	**(44)**	**(28)**	**840**	**3**	**4,125**	**3,672**	**(11)**
Extraordinary items	-	(250)	85	-		-		-	(166)	
Net profit (reported)	**1,552**	**946**	**947**	**(39)**	**0**	**840**	**13**	**4,125**	**3,506**	**(15)**
Recurring EPS	**5.7**	**4.4**	**3.2**	**(44)**	**(28)**	**3.1**	**3**	**15.2**	**13.5**	**(11)**
% of operating revenues										
Gross margin	**56.4**	**58.6**	**57.5**	**106 bps**	**-118 bps**	**55.5**	**196 bps**	**58.1**	**57.7**	**-41 bps**
EBITDA margin	**27.2**	**32.0**	**30.7**	**347 bps**	**-133 bps**	**26.8**	385 bps	**29.7**	**30.2**	**52 bps**
Material cost	43.6	41.4	42.5	-107 bps	117 bps	44.5	-197 bps	41.9	42.3	40 bps
Employee cost	10.1	9.0	9.7	-40 bps	71 bps	10.7	-98 bps	9.7	9.8	9 bps
Other expenses	19.1	17.6	17.0	-201 bps	-57 bps	18.0	-92 bps	18.7	17.7	-103 bps
Income tax rate (% of PBT)	-49.0	25.0	31.3	8028 bps	623 bps	25.0	626 bps	10.8	26.4	1560 bps

Source: Company, JM Financial

Exhibit 2. We cut our EPS estimates by ~2% for FY26-27E due to higher depreciation/interest and lower other income

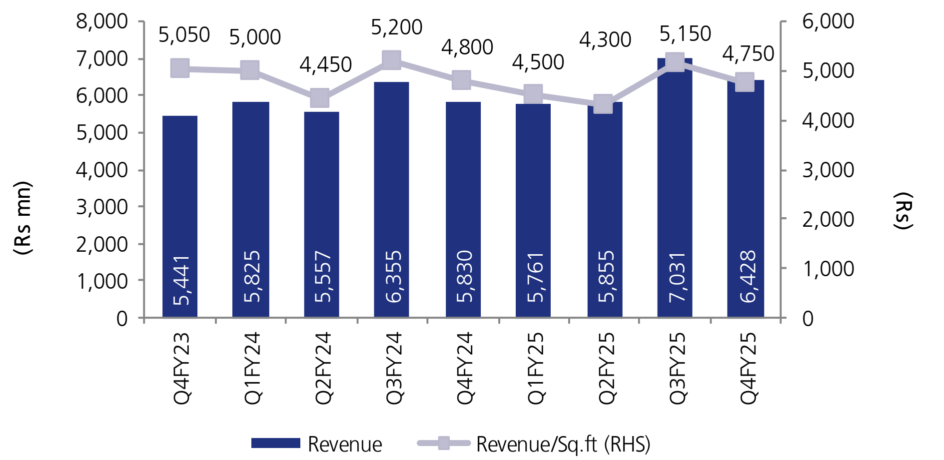
	FY26E			FY27E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Net revenues	30,336	30,192	0.5	36,573	36,404	0.5
Gross Margin (%)	58.0	58.0	0bps	58.2	58.2	0bps
EBITDA	9,628	9,530	1.0	11,686	11,619	0.6
EBITDA margin (%)	31.7	31.6	17bps	32.0	31.9	3bps
PAT	5,042	5,171	(2.5)	6,292	6,419	(2.0)
EPS (INR/share)	18.5	19.0	(2.6)	23.1	23.6	(2.1)
Pre IND AS						
EBITDA	6,673	6,604	1.0	8,335	8,279	0.7
EBITDA margin (%)	22.0	21.9	12bps	22.8	22.7	4bps
PAT	5,259	5,350	(1.7)	6,524	6,651	(1.9)
EPS (INR/share)	19.3	19.7	(1.8)	24.0	24.5	(2.0)

Source: Company, JM Financial

Concall Highlights

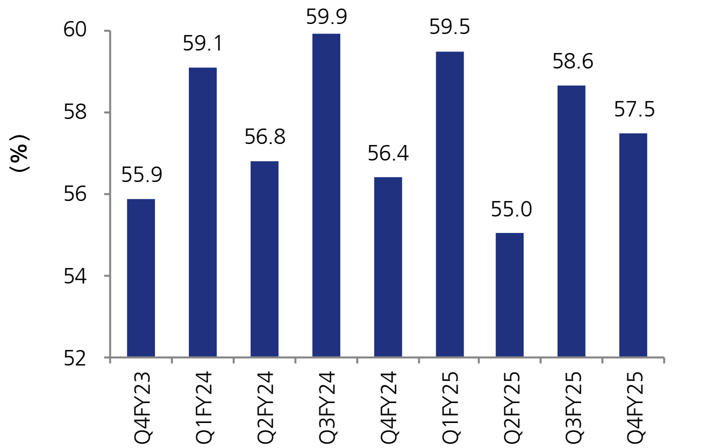
- **E-Commerce** –The focus is on growing omni channel which is full price channel for the company. It expects the contribution from this channel to increase by 100-200bps by FY26. Company wants to grow profitably in this channel
- **Working capital –** Working capital of the company increased in last 2 years due to higher inventory led by compliance of BIS. In FY25, the core working capital days reduced by 9 days to 73 due to reduction in inventory days from 110 in FY24 to 93 in FY25, partially offset by reduction in payable days from 40 in FY24 to 33 in FY25.
- **ASP** for footwear (exc. accessories) is INR 2,400 and overall ASP stood at INR 1,550 in FY25. Management expects the overall ASP to grow in line with the historical trends of 3-5% while the ASP of footwear segment is expected to grow at a higher pace of 5-6%. It is not planning to do any major price hikes as it is not seeing any increase in input prices. ASP increase will be majorly led by change in mix.

Exhibit 3. Sales/sqft declined 1% YoY to INR 4,750 in 4QFY25



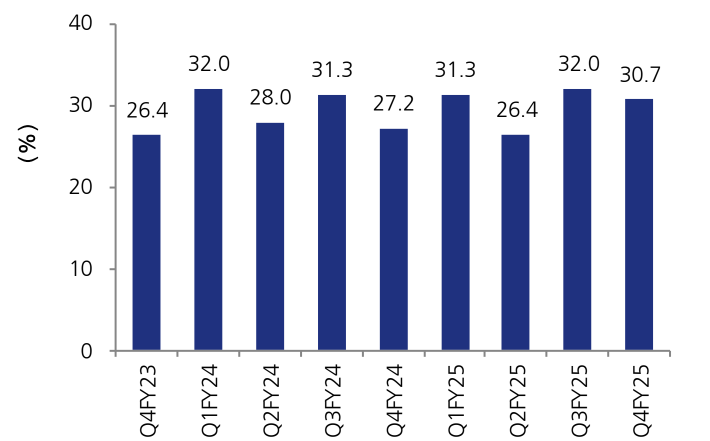
Source: Company, JM Financial

Exhibit 4. GM expanded ~110 bps YoY



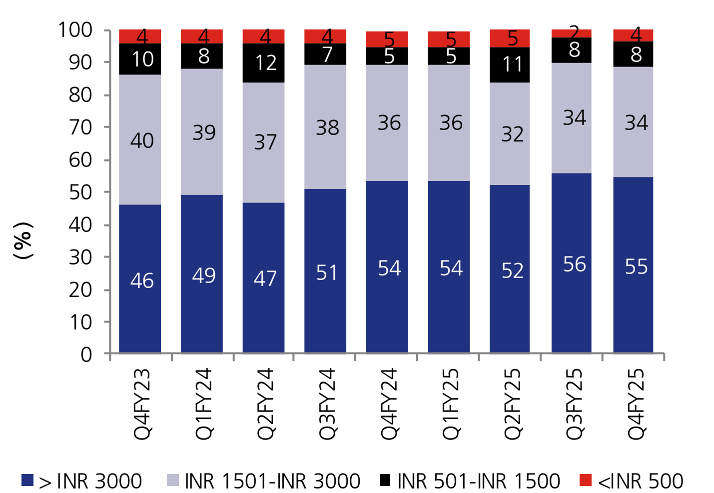
Source: Company, JM Financial

Exhibit 5. EBITDA margin expanded ~350bps YoY



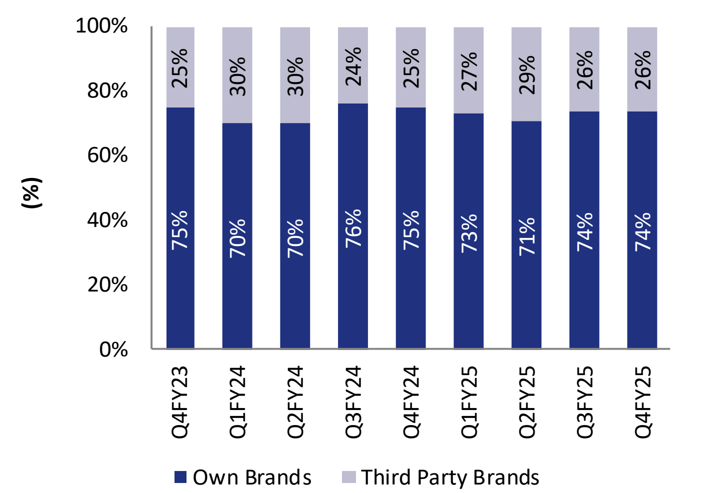
Source: Company, JM Financial

Exhibit 6. Contribution of products > INR 1,500 increased to 90%



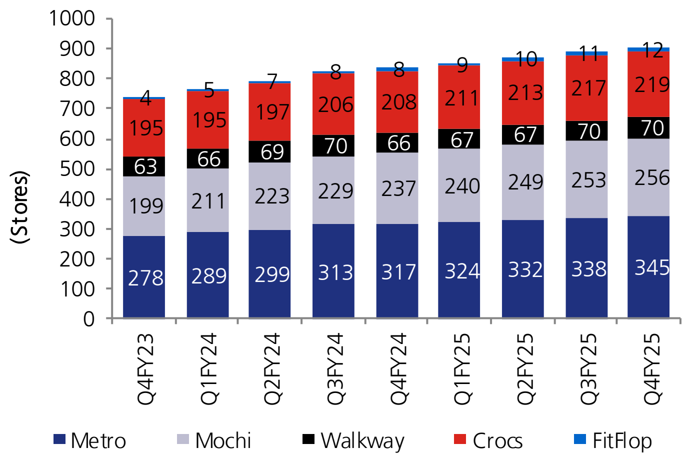
Source: Company, JM Financial

Exhibit 7. Own brands contribution was 74% in 4Q



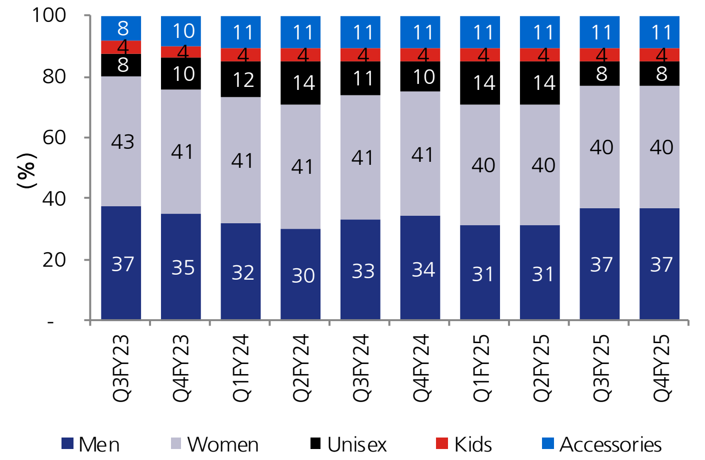
Source: Company, JM Financial

Exhibit 8. Metro/Mochi/Crocs/Fitflop added 7/3/2/1 stores in 4Q



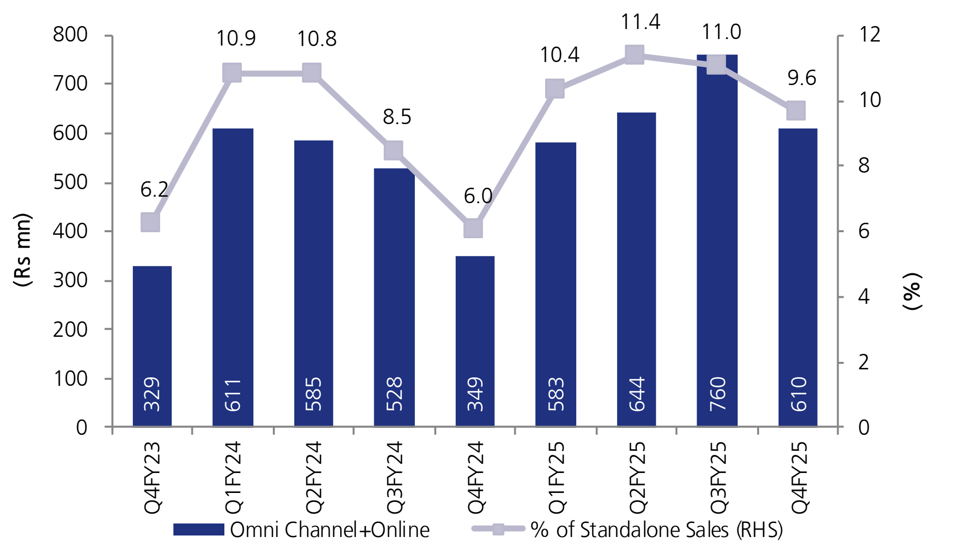
Source: Company, JM Financial

Exhibit 9. Men's contribution increased by 300bps YoY in 4Q



Source: Company, JM Financial

Exhibit 10. Omni + Online sales rose to 10% of standalone sales



Source: Company, JM Financial

Exhibit 11. South /West Rev/store declined by 13%/10% YoY in Q4

Zone Wise	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue per store (INR mn)								
South	7.9	7.6	6.9	6.8	6.8	6.8	6.8	5.9
West	7.2	7.1	7.6	7.7	6.6	6.4	8.3	7.0
North	6.4	5.4	7.3	6.2	6.1	5.4	7.6	7.4
East	7.8	6.5	9.7	5.8	7.1	8.0	8.9	7.9
Growth (% YoY)								
South	-2%	0%	-10%	-7%	-13%	-11%	0%	-13%
West	-6%	2%	-16%	9%	-8%	-10%	9%	-10%
North	-12%	-8%	-6%	2%	-5%	0%	4%	18%
East	-6%	-10%	11%	-23%	-9%	23%	-9%	37%

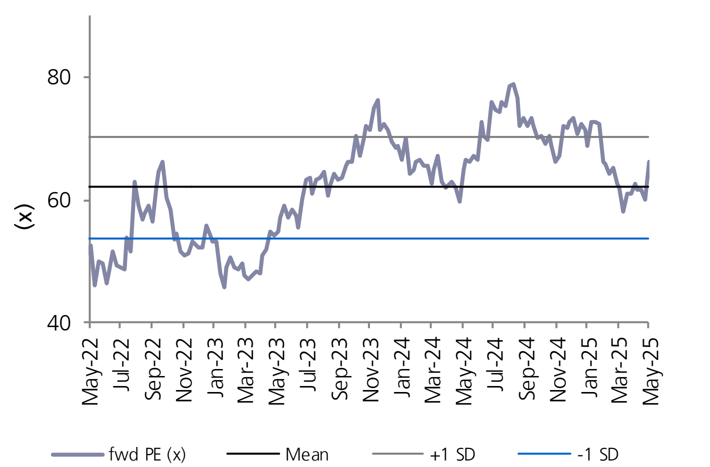
Source: Company, JM Financial

Exhibit 12. Tier 11 towns grew the fastest; Metro region decline 7% YoY

Tier Wise	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue per store (INR mn)								
Metro	9.3	8.5	9.4	8.4	7.9	8.1	9.8	7.8
Tier I	7.2	6.7	7.6	6.9	6.9	6.2	8.4	7.2
Tier II	6.7	6.2	7.1	6.4	6.1	6.0	6.3	7.1
Tier III	4.5	4.0	4.5	4.1	4.4	4.6	4.8	4.1
Growth (% YoY)								
Metro	1%	-4%	-9%	-5%	-14%	-6%	4%	-7%
Tier I	-10%	1%	-8%	-1%	-4%	-7%	12%	4%
Tier II	-1%	1%	-2%	2%	-9%	-4%	-11%	10%
Tier III	-12%	-9%	-10%	-1%	-2%	13%	6%	1%

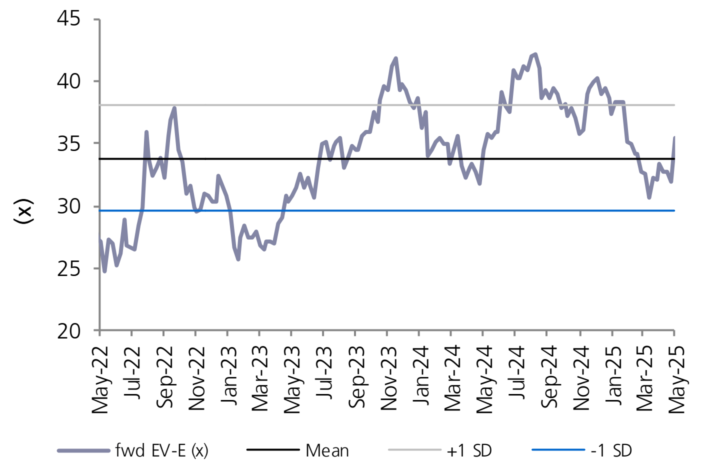
Source: Company, JM Financial

Exhibit 13. PE (x) 1 year forward



Source: Bloomberg

Exhibit 14. EV-EBITDA 1 year forward



Source: Bloomberg

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	30,336	36,573	42,656
Sales Growth	10.8%	6.4%	21.0%	20.6%	16.6%
Other Operating Income	8	0	0	0	0
Total Revenue	**23,567**	**25,074**	**30,336**	**36,573**	**42,656**
Cost of Goods Sold/Op. Exp	9,875	10,609	12,746	15,303	17,790
Personnel Cost	2,280	2,450	2,874	3,452	3,992
Other Expenses	4,417	4,600	5,088	6,133	7,082
EBITDA	**6,996**	**7,415**	**9,628**	**11,686**	**13,793**
EBITDA Margin	29.7%	29.6%	31.7%	32.0%	32.3%
EBITDA Growth	3.1%	6.0%	29.8%	21.4%	18.0%
Depn. & Amort.	2,291	2,580	3,066	3,497	3,938
EBIT	4,705	4,835	6,562	8,189	9,855
Other Income	708	930	1,139	1,282	1,444
Finance Cost	789	905	993	1,100	1,203
PBT before Excep. & Forex	4,624	4,860	6,708	8,371	10,097
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	4,624	4,860	6,708	8,371	10,097
Taxes	499	1,325	1,690	2,110	2,544
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	60	55	65	70	70
Reported Net Profit	4,125	3,513	5,042	6,292	7,592
Adjusted Net Profit	**4,125**	**3,513**	**5,042**	**6,292**	**7,592**
Net Margin	17.5%	14.0%	16.6%	17.2%	17.8%
Diluted Share Cap. (mn)	271.9	272.2	272.2	272.2	272.2
Diluted EPS (INR)	**15.2**	**12.9**	**18.5**	**23.1**	**27.9**
Diluted EPS Growth	14.1%	-14.9%	43.5%	24.8%	20.7%
Total Dividend + Tax	1,360	1,361	1,906	2,178	2,450
Dividend Per Share (INR)	5.0	5.0	7.0	8.0	9.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	18,637	17,091	20,228	24,342	29,484
Share Capital	1,360	1,361	1,361	1,361	1,361
Reserves & Surplus	17,278	15,730	18,867	22,981	28,123
Lease Liabilities	10,984	12,271	13,729	15,093	16,479
Minority Interest	294	289	289	289	289
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	-363	-340	-340	-340	-340
Total - Equity & Liab.	**29,553**	**29,311**	**33,906**	**39,383**	**45,912**
Net Fixed Assets	14,916	16,114	17,815	19,346	20,801
Gross Fixed Assets	5,331	6,232	7,404	8,620	9,871
Intangible Assets	1,638	1,645	1,525	1,405	1,285
Less: Depn. & Amort.	1,829	2,525	3,333	4,262	5,325
Capital WIP	9,776	10,762	12,220	13,583	14,970
Investments	7,486	5,445	6,945	8,945	12,195
Current Assets	10,762	11,446	15,020	18,156	21,140
Inventories	7,102	6,369	8,893	10,621	12,271
Sundry Debtors	757	912	997	1,202	1,402
Cash & Bank Balances	1,474	1,010	1,464	2,074	2,666
Loans & Advances	17	14	14	13	12
Other Current Assets	1,414	3,141	3,651	4,245	4,789
Current Liab. & Prov.	3,612	3,694	5,874	7,064	8,224
Current Liabilities	2,574	2,258	4,156	5,010	5,843
Provisions & Others	1,038	1,436	1,719	2,054	2,381
Net Current Assets	7,151	7,752	9,146	11,092	12,916
Total – Assets	**29,553**	**29,311**	**33,906**	**39,383**	**45,912**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,654	4,877	6,753	8,421	10,152
Depn. & Amort.	2,291	2,580	3,066	3,497	3,938
Net Interest Exp. / Inc. (-)	342	288	374	382	372
Inc (-) / Dec in WCap.	-490	574	-940	-1,337	-1,233
Others	-57	20	-565	-615	-668
Taxes Paid	-840	-1,363	-1,690	-2,110	-2,544
Operating Cash Flow	**5,901**	**6,975**	**6,998**	**8,240**	**10,016**
Capex	-1,161	-861	-1,172	-1,217	-1,251
Free Cash Flow	4,740	6,115	5,826	7,024	8,765
Inc (-) / Dec in Investments	-1,881	1,597	-1,500	-2,000	-3,250
Others	529	488	1,139	1,282	1,444
Investing Cash Flow	**-2,513**	**1,224**	**-1,533**	**-1,935**	**-3,057**
Inc / Dec (-) in Capital	44	83	0	0	0
Dividend + Tax thereon	-1,155	-5,420	-1,906	-2,178	-2,450
Inc / Dec (-) in Loans	-15	0	0	0	0
Others	-2,100	-2,394	-3,105	-3,518	-3,918
Financing Cash Flow	**-3,227**	**-7,730**	**-5,011**	**-5,696**	**-6,368**
Inc / Dec (-) in Cash	**161**	**469**	**454**	**610**	**591**
Opening Cash Balance	318	479	948	1,403	2,012
Closing Cash Balance	479	948	1,403	2,012	2,604

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	17.5%	14.0%	16.6%	17.2%	17.8%
Asset Turnover (x)	0.9	0.8	0.9	1.0	1.0
Leverage Factor (x)	1.6	1.7	1.7	1.7	1.6
RoE	24.2%	19.7%	27.0%	28.2%	28.2%

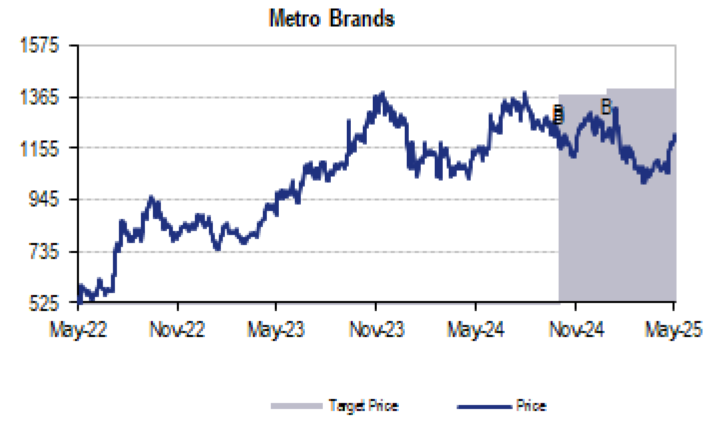
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	68.5	62.8	74.3	89.4	108.3
ROIC	44.2%	33.7%	42.6%	47.6%	51.7%
ROE	24.2%	19.7%	27.0%	28.2%	28.2%
Net Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4	-0.5
P/E (x)	79.8	93.9	65.4	52.4	43.4
P/B (x)	17.7	19.3	16.3	13.5	11.2
EV/EBITDA (x)	45.9	43.6	33.4	27.3	22.8
EV/Sales (x)	13.6	12.9	10.6	8.7	7.4
Debtor days	12	13	12	12	12
Inventory days	110	93	107	106	105
Creditor days	40	33	50	50	50

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
22-Oct-24	Buy	1,375	
24-Oct-24	Buy	1,375	0.0
19-Jan-25	Buy	1,400	1.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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