

Metro Brands | BUY

Blockbuster performance; all-around beat

Metro Brands delivered a strong Q3 print with 15% YoY revenue growth, marking the third consecutive quarter of double-digit growth, despite a broader slowdown in discretionary consumption. Growth was volume-led, as ASP grew at 3% YoY. Operational performance remained resilient, despite continued investments in new formats and marketing. Store expansion remained robust with 35 gross openings during the quarter. Management reiterated confidence in its medium-term guidance (GM 55-58%, EBITDA ~30%, PAT ~15%) and highlighted MetroActive, Foot Locker, Fila and Clarks as long-term growth options, with near-term expansion for Fila, Clarks and Foot Locker being calibrated due to BIS-related supply constraints. We maintain BUY rating with a revised TP of INR 1,370 (earlier INR 1,385) based on 58x EPS as we roll forward our multiple to Dec'27. We reduce our FY26-28 Pre-IndAS EPS estimates by 4-6% owing to delay in portfolio ramp-up due to ongoing BIS implementation challenge.

- **Beat on all fronts:** Consolidated revenue grew 15% YoY to INR 8.1bn in 3Q (4% beat). Reported revenue per sqft was flat YoY INR 5,150. EBITDA grew 19% YoY to INR 2.7bn (8% beat) as EBITDA margin expanded ~110bps YoY to 33.1% (JMFe: 31.6%) led by ~50bps YoY expansion in gross margin to 59.1% (JMFe: 58.5%) and ~70bps YoY lower other expense, offset by 10bps higher employee expense (after adjusting for INR 34mn labour code impact). However, Adj. PAT grew slower at 12% YoY to INR 1,304mn (6% beat) due to 22%/23% higher YoY depreciation/interest expense (1%/6% lower vs. expectation) and 31% lower other income due to lower treasury funds (43% miss). Q3 Pre-IndAS PAT margin stood at 17.2%.
- **Both product priced > INR 3,000 and <INR 500 saw increasing in contribution:** In-store sales grew 11% YoY and while omni-channel sales grew 23% YoY and sales of other products jumped 3x YoY. Contribution from **products priced above INR 3,000** increased by 100bps YoY/500bps QoQ to **57%**, that from products between **INR 1,500 and INR 3,000** was **31%** (down 300bps YoY/ down 400bps QoQ), while contribution from products priced between **INR 500 and INR 1,500** was flat YoY and that from **products priced below INR 500** rose **200bps YoY to 4%**. ASP stood at INR 1,625 for Q3FY26 (3% up YoY). Contribution of women's category increased by 100bps YoY possibly led by introduction of Clarks Cloudstepper ladies' range in ~200 MBOs. Own brand contribution contracted by 100bps YoY to 77% vs. 78% in Q3FY25.
- **Store additions picked up pace:** Metro opened 35 new stores and closed 11 stores in Q3 (net addition 24 stores), taking the total store count to 990. It also added one new city during the quarter (212 cities). **Walkway/ Metro/Mochi** format witnessed the highest **addition with 7/4/4 stores**, while **Crocs** added **three** stores and **FitFlop** store additions remained **nil**. It also added **1/2/3 stores of footlocker/New Era/MetroActive**. Out of 24 stores added during the quarter the **South** saw highest addition of **eight stores**, while store-adds in were lowest in the East at 3.
- **New format updates: Footlocker:** There are six stores as of Q3FY26 and given the ongoing BIS implementation the company will be cautious on store openings. **FILA:** Plans to open 2-3 new FILA EBOs in Q4FY26. **New Era:** Launched first New Era kiosk at Bengaluru and has four stores and five kiosks as of Q3FY26. **Clarks:** Complete product range supply is expected by Q2FY27 and post stabilisation of supply chain & assortment, EBO launch is expected in Q3FY27. **MetroActive:** The company's multi-brand sports performance retail concept started in Q3 and launched in Indore, Dehradun, and Jodhpur, with the launch of the website.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,370
Upside/(Downside)	33.5%
Previous Price Target	1,385
Change	-1.1%

Key Data – METROBRA IN

Current Market Price	INR1,026
Market cap (bn)	INR279.7/US\$3.0
Free Float	19%
Shares in issue (mn)	271.7
Diluted share (mn)	272.2
3-mon avg daily val (mn)	INR81.8/US\$0.9
52-week range	1,340/890
Sensex/Nifty	82,345/25,343
INR/US\$	91.8

Price Performance

%	1M	6M	12M
Absolute	-10.4	-15.6	-11.4
Relative*	-7.5	-17.1	-18.3

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	28,353	33,107	39,261
Sales Growth (%)	10.8	6.4	13.1	16.8	18.6
EBITDA	6,996	7,415	8,676	10,594	12,604
EBITDA Margin (%)	29.7	29.6	30.6	32.0	32.1
Adjusted Net Profit	4,125	3,513	4,088	5,119	6,339
Diluted EPS (INR)	15.2	12.9	15.0	18.8	23.3
Diluted EPS Growth (%)	14.1	-14.9	16.4	25.2	23.8
ROIC (%)	44.2	33.7	37.4	44.3	50.2
ROE (%)	24.2	19.7	22.5	24.7	26.2
P/E (x)	67.6	79.5	68.3	54.6	44.1
P/B (x)	15.0	16.3	14.5	12.6	10.7
EV/EBITDA (x)	38.7	36.8	31.3	25.4	21.1
Dividend Yield (%)	0.5	0.5	0.7	0.8	0.9

Source: Company data, JM Financial. Note: Valuations as of 28/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Consolidated quarterly performance

INR mn	Quarterly			Chng (%)	Chng (%)	Estimate	Chng (%)	For the period		Chng (%)
	Q3FY25	Q2FY26	Q3FY26	YoY	QoQ	Q3FY26E	vs. Est.	9MFY25	9MFY26	YoY
Net operating revenue	7,031	6,511	8,113	15	25	7,817	4	18,646	20,907	12
Material cost	(2,908)	(2,914)	(3,319)	14	14	(3,244)	2	(7,875)	(8,788)	12
Gross Profit	4,123	3,598	4,794	16	33	4,573	5	10,772	12,119	13
Employee cost	(634)	(662)	(737)	16	11	(750)	(2)	(1,824)	(2,029)	11
Other expenses	(1,239)	(1,229)	(1,374)	11	12	(1,350)	2	(3,345)	(3,761)	12
Total expenditure	(4,781)	(4,804)	(5,430)	14	13	(5,344)	2	(13,044)	(14,577)	12
EBITDA	2,250	1,707	2,683	19	57	2,473	8	5,602	6,329	13
Other income	232	282	161	(31)	(43)	285	(43)	699	729	4
Interest	(235)	(294)	(288)	23	(2)	(305)	(6)	(661)	(819)	24
Depreciation	(655)	(784)	(799)	22	2	(810)	(1)	(1,879)	(2,272)	21
Pretax profits	1,593	911	1,757	10	93	1,643	7	3,762	3,967	5
Tax	(399)	(221)	(423)	6	91	(414)	2	(932)	(965)	4
Share of Profit/(loss) JV	7	1	4	(39)	600	10	(58)	12	13	
Minority Interest	(5)	(13)	-	(100)	(100)	(5)		(33)	(16)	(52)
Adj. PAT	1,196	677	1,338	12	98	1,234	8	2,809	3,000	7
Extraordinary items	(250)	-	(34)	-		-		(250)	(34)	
Net profit (reported)	946	677	1,304	38	93	1,234	6	2,559	2,966	16
Recurring EPS	4.4	2.5	4.9	12	98	4.5	8	10.3	11.0	7
% of operating revenues										
Gross margin	58.6	55.3	59.1	45 bps	384 bps	58.5	59 bps	57.8	58.0	19 bps
EBITDA margin	32.0	26.2	33.1	106 bps	685 bps	31.6	143 bps	30.0	30.3	22 bps
Material cost	41.4	44.7	40.9	-46 bps	-385 bps	41.5	-60 bps	42.2	42.0	-20 bps
Employee cost	9.0	10.2	9.1	6 bps	-108 bps	9.6	-51 bps	9.8	9.7	-9 bps
Other expenses	17.6	18.9	16.9	-69 bps	-194 bps	17.3	-34 bps	17.9	18.0	5 bps
Income tax rate (% of PBT)	25.0	24.3	24.1	-93 bps	-22 bps	25.2	-110 bps	24.8	24.3	-46 bps

Source: Company, JM Financial

Exhibit 2. We cut our estimates due to impact of ongoing BIS restrictions

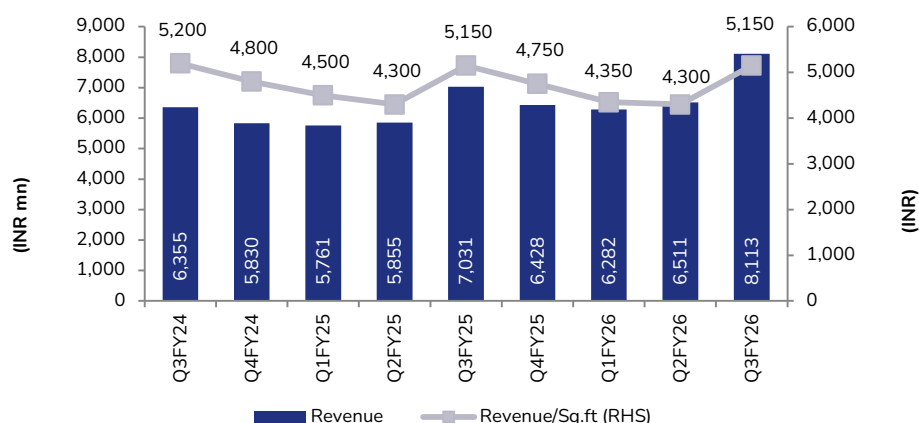
	FY26E			FY27E			FY28E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Net revenues	28,353	28,049	1.1	33,107	33,714	(1.8)	39,261	40,507	(3.1)
Gross Margin (%)	57.7	57.7	0bps	57.9	57.9	-1bps	58.0	58.0	-1bps
EBITDA	8,676	8,436	2.8	10,594	10,658	(0.6)	12,604	12,870	(2.1)
EBITDA margin (%)	30.6	30.1	52bps	32.0	31.6	38bps	32.1	31.8	33bps
PAT	4,088	4,042	1.1	5,119	5,284	(3.1)	6,339	6,599	(3.9)
EPS (INR/share)	15.0	14.8	1.1	18.8	19.4	(3.1)	23.3	24.2	(3.9)
Pre IND AS									
EBITDA	5,618	5,498	2.2	7,064	7,303	(3.3)	8,550	9,067	(5.7)
EBITDA margin (%)	19.8	19.6	21bps	21.3	21.7	-33bps	21.8	22.4	-61bps
PAT	4,428	4,456	(0.6)	5,548	5,803	(4.4)	6,711	7,120	(5.7)
EPS (INR/share)	16.3	16.4	(0.6)	20.4	21.3	(4.4)	24.7	26.2	(5.7)

Source: Company, JM Financial

Concall Highlights

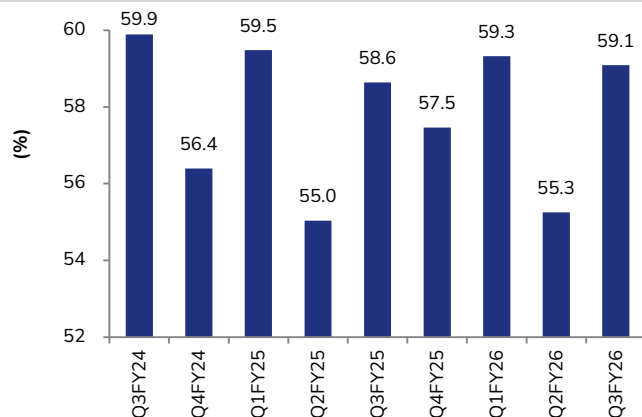
- **Guidance:** No change to medium-term margin guidance, gross margin to remain at 55–58% and EBITDA margin /PAT margin ~30/15%.
- **Growth remains volume-led:** ASP grew at 3% YoY, implying ~12% volume growth in Q3 with trend being similar for the last 3 quarters.
- **MetroActive:** Launched **three pilot stores** in non-metro cities (Indore, Jodhpur, Dehradun) to refine the performance first, before metro rollout. Targets a different consumer than Foot Locker and addresses performance footwear demand. These stores are designed for athletic performance seekers featuring brands like Nike, New Balance, ASICS, and Fila.
- **Foot Locker:** Expansion to remain **measured in the near term** due to ongoing **BIS-related supply constraints**, especially for high-heat imported SKUs priced above INR 15K.
- **New formats (Foot Locker, Metro Active)** are **EBITDA-dilutive during gestation** due to lower gross margin (third-party brands) and higher marketing, but offer **operating leverage over time**. Current contribution remains small, so no impact in the near term.
- **GST impact:** GST rate reduction has been **fully passed on to consumers**, translating to **3–4% lower effective prices at a portfolio level**. **Net reported sales are unaffected**, as GST benefit is accounted for via discounts. Lower prices have aided volumes without compromising margin structure.
- **E-commerce & Omnichannel:** Digital revenue grew ~24% YoY, contributing ~12% of total sales. E-commerce margin is structurally lower due to selective discounting and liquidation role, but remain **brand-accretive and incremental**, especially in pin codes without physical presence.

Exhibit 3. Sales/sqft flat YoY, at INR 5,150 in 3QFY26



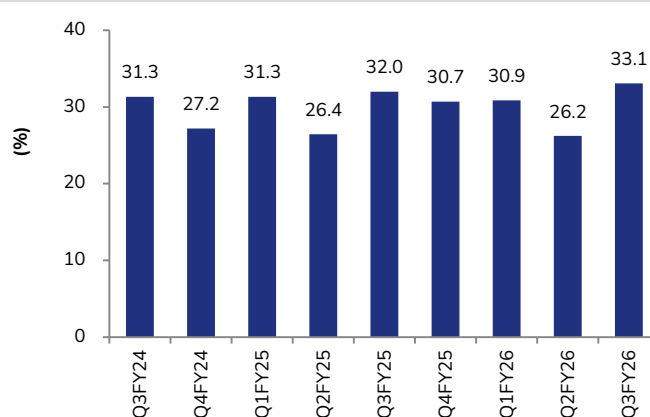
Source: Company, JM Financial

Exhibit 4. GM expanded ~50bps YoY

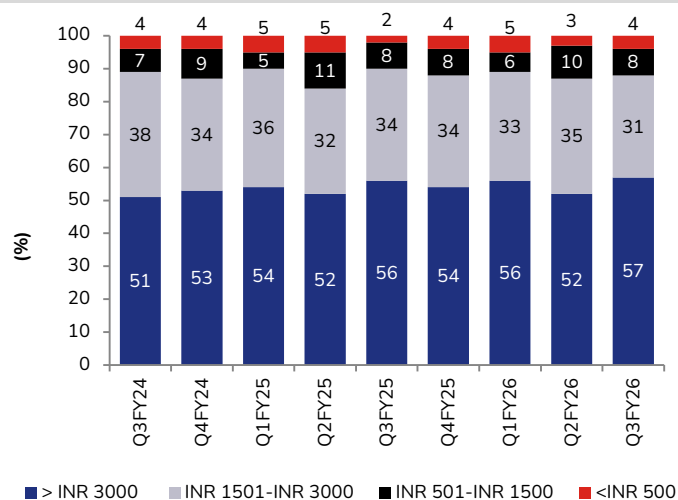


Source: Company, JM Financial

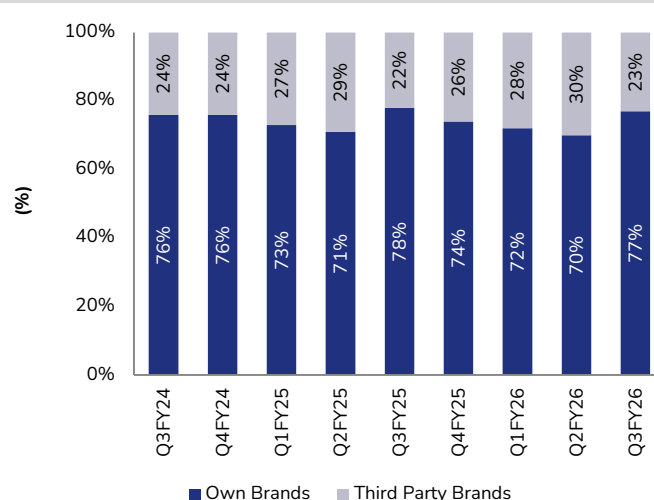
Exhibit 5. EBITDA margin grew ~110bps YoY



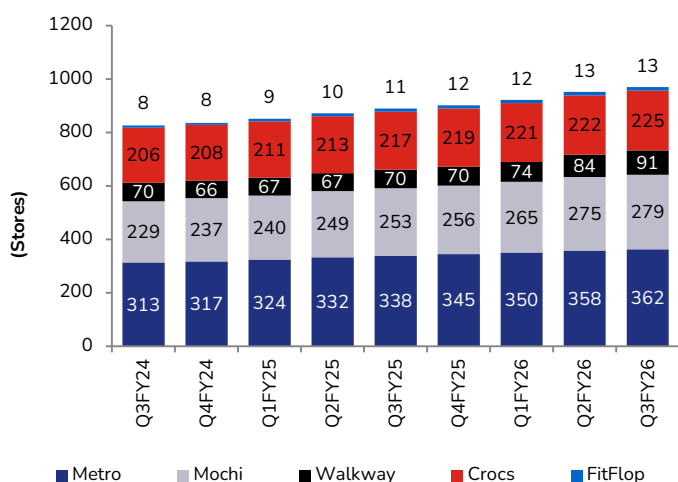
Source: Company, JM Financial

Exhibit 6. Contribution of products > INR 3,000 up ~100bps YoY

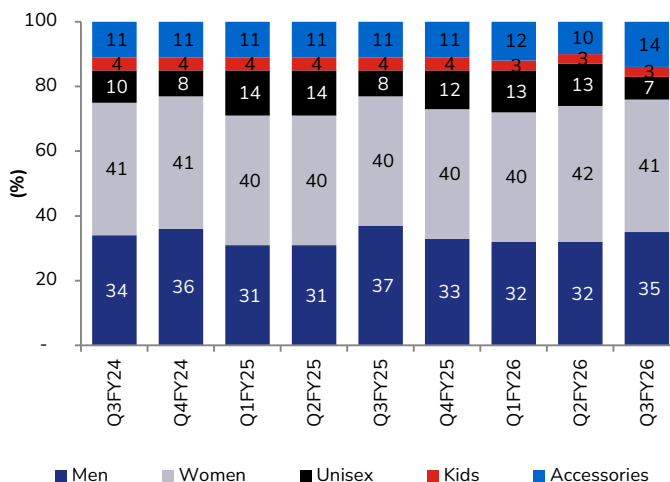
Source: Company, JM Financial

Exhibit 7. Own brands contribution down 100bps in 3Q

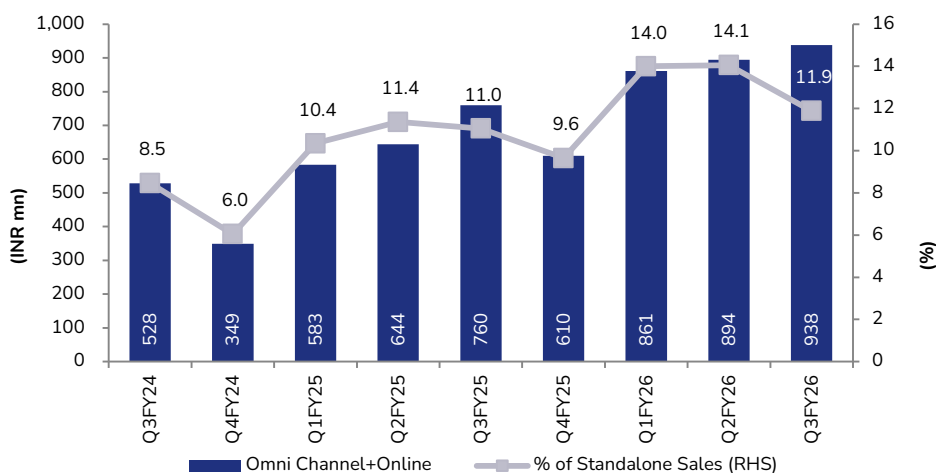
Source: Company, JM Financial

Exhibit 8. Metro/Mochi/Walkway added 4/4/7 stores in 3Q

Source: Company, JM Financial

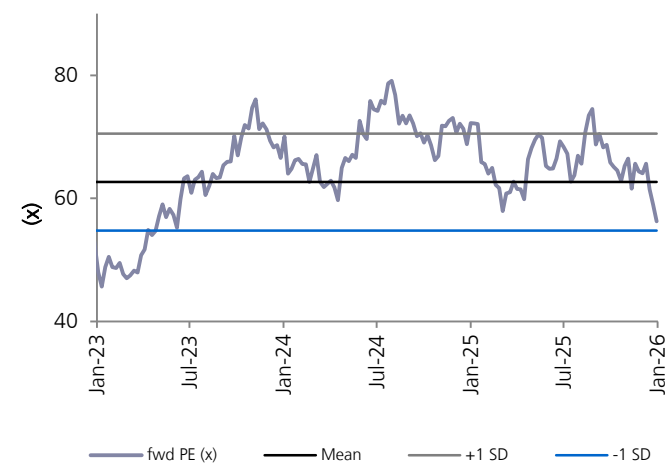
Exhibit 9. Women's contribution increased by ~100bps YoY in 3Q

Source: Company, JM Financial

Exhibit 10. Omni + Online sales stood at 12% of standalone sales

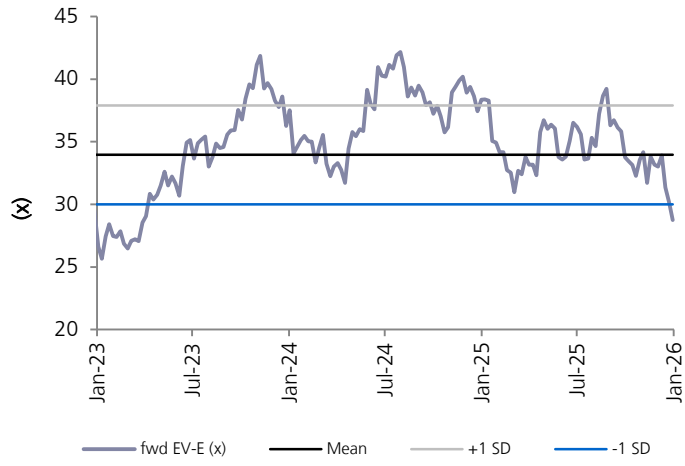
Source: Company, JM Financial

Exhibit 11. PE (x) 1 year forward



Source: Company, JM Financial

Exhibit 12. EV-EBITDA (x) year forward



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	28,353	33,107	39,261
Sales Growth	10.8%	6.4%	13.1%	16.8%	18.6%
Other Operating Income	8	8	0	0	0
Total Revenue	23,567	25,074	28,353	33,107	39,261
Cost of Goods Sold/Op. Exp	9,875	10,609	11,984	13,937	16,497
Personnel Cost	2,280	2,450	2,749	3,119	3,604
Other Expenses	4,417	4,600	4,944	5,457	6,556
EBITDA	6,996	7,415	8,676	10,594	12,604
EBITDA Margin	29.7%	29.6%	30.6%	32.0%	32.1%
EBITDA Growth	3.1%	6.0%	17.0%	22.1%	19.0%
Depn. & Amort.	2,291	2,580	3,129	3,697	4,144
EBIT	4,705	4,835	5,547	6,897	8,460
Other Income	708	930	1,001	1,162	1,343
Finance Cost	789	905	1,116	1,255	1,381
PBT before Excep. & Forex	4,624	4,860	5,431	6,803	8,421
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	4,624	4,860	5,431	6,803	8,421
Taxes	499	1,325	1,369	1,714	2,122
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	60	55	65	70	70
Reported Net Profit	4,125	3,513	4,088	5,119	6,339
Adjusted Net Profit	4,125	3,513	4,088	5,119	6,339
Net Margin	17.5%	14.0%	14.4%	15.5%	16.1%
Diluted Share Cap. (mn)	271.9	272.2	272.2	272.2	272.2
Diluted EPS (INR)	15.2	12.9	15.0	18.8	23.3
Diluted EPS Growth	14.1%	-14.9%	16.4%	25.2%	23.8%
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

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,654	4,877	5,476	6,853	8,476
Depn. & Amort.	2,291	2,580	3,129	3,697	4,144
Net Interest Exp. / Inc. (-)	342	288	465	471	446
Inc (-) / Dec in WCap.	-490	574	-430	-980	-1,273
Others	-57	20	-370	-398	-422
Taxes Paid	-840	-1,363	-1,369	-1,714	-2,122
Operating Cash Flow	5,901	6,975	6,902	7,929	9,249
Capex	-1,161	-861	-1,084	-1,233	-1,278
Free Cash Flow	4,740	6,115	5,818	6,697	7,971
Inc (-) / Dec in Investments	-1,881	1,597	-1,500	-2,000	-2,500
Others	529	488	1,001	1,162	1,343
Investing Cash Flow	-2,513	1,224	-1,584	-2,071	-2,435
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	-3,063	-3,536	-4,060
Financing Cash Flow	-3,227	-7,730	-4,969	-5,714	-6,510
Inc / Dec (-) in Cash	161	469	350	144	304
Opening Cash Balance	318	479	948	1,298	1,443
Closing Cash Balance	479	948	1,298	1,443	1,746

Source: Company, JM Financial

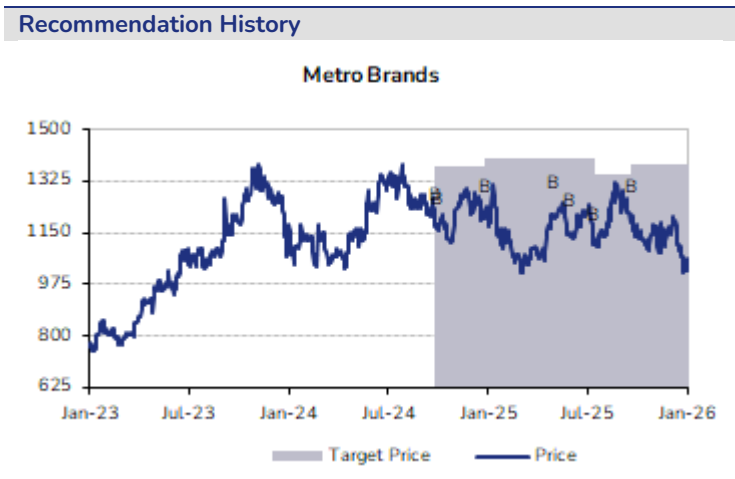
Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	18,637	17,091	19,273	22,214	26,103
Share Capital	1,360	1,361	1,361	1,361	1,361
Reserves & Surplus	17,278	15,730	17,912	20,853	24,742
Minority Interest	294	289	289	289	289
Total Loans	0	0	0	0	0
Lease Liabilities	10,984	12,271	14,033	16,023	17,960
Def. Tax Liab. / Assets (-)	-363	-340	-340	-340	-340
Total - Equity & Liab.	29,553	29,311	33,255	38,186	44,012
Net Fixed Assets	14,916	16,114	17,779	19,585	21,334
Gross Fixed Assets	5,331	5,880	6,964	8,197	9,475
Intangible Assets	1,638	1,645	1,560	1,475	1,390
Less: Depn. & Amort.	1,829	2,173	2,815	3,573	4,457
Capital WIP	9,776	10,762	12,070	13,486	14,926
Investments	7,486	5,445	6,945	8,945	11,445
Current Assets	10,762	11,446	14,029	16,062	18,813
Inventories	7,102	6,369	8,312	9,615	11,294
Sundry Debtors	757	912	932	1,088	1,291
Cash & Bank Balances	1,474	1,010	1,360	1,504	1,808
Loans & Advances	17	14	13	12	11
Other Current Assets	1,414	3,141	3,413	3,843	4,408
Current Liab. & Prov.	3,612	3,694	5,498	6,406	7,580
Current Liabilities	2,574	2,258	3,884	4,535	5,378
Provisions & Others	1,038	1,436	1,614	1,871	2,202
Net Current Assets	7,151	7,752	8,531	9,656	11,233
Total - Assets	29,553	29,311	33,255	38,186	44,012

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	17.5%	14.0%	14.4%	15.5%	16.1%
Asset Turnover (x)	0.9	0.8	0.9	0.9	0.9
Leverage Factor (x)	1.6	1.7	1.7	1.7	1.7
RoE	24.2%	19.7%	22.5%	24.7%	26.2%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	68.5	62.8	70.8	81.6	95.9
ROIC	44.2%	33.7%	37.4%	44.3%	50.2%
ROE	24.2%	19.7%	22.5%	24.7%	26.2%
Net Debt/Equity (x)	-0.5	-0.4	-0.4	-0.5	-0.5
P/E (x)	67.6	79.5	68.3	54.6	44.1
P/B (x)	15.0	16.3	14.5	12.6	10.7
EV/EBITDA (x)	38.7	36.8	31.3	25.4	21.1
EV/Sales (x)	11.5	10.9	9.6	8.1	6.8
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
24-May-25	Buy	1,400	0.0
23-Jun-25	Buy	1,400	0.0
8-Aug-25	Buy	1,350	-3.6
17-Oct-25	Buy	1,385	2.6



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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