

# 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.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
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



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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

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
<b>Gross Profit</b>	<b>4,123</b>	<b>3,598</b>	<b>4,794</b>	<b>16</b>	<b>33</b>	<b>4,573</b>	<b>5</b>	<b>10,772</b>	<b>12,119</b>	<b>13</b>
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
<b>EBITDA</b>	<b>2,250</b>	<b>1,707</b>	<b>2,683</b>	<b>19</b>	<b>57</b>	<b>2,473</b>	<b>8</b>	<b>5,602</b>	<b>6,329</b>	<b>13</b>
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
<b>Pretax profits</b>	<b>1,593</b>	<b>911</b>	<b>1,757</b>	<b>10</b>	<b>93</b>	<b>1,643</b>	<b>7</b>	<b>3,762</b>	<b>3,967</b>	<b>5</b>
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)
<b>Adj. PAT</b>	<b>1,196</b>	<b>677</b>	<b>1,338</b>	<b>12</b>	<b>98</b>	<b>1,234</b>	<b>8</b>	<b>2,809</b>	<b>3,000</b>	<b>7</b>
Extraordinary items	(250)	-	(34)	-	-	-		(250)	(34)	
<b>Net profit (reported)</b>	<b>946</b>	<b>677</b>	<b>1,304</b>	<b>38</b>	<b>93</b>	<b>1,234</b>	<b>6</b>	<b>2,559</b>	<b>2,966</b>	<b>16</b>
Recurring EPS	4.4	2.5	4.9	12	98	4.5	8	10.3	11.0	7
<b>% of operating revenues</b>										
Gross margin	58.6	55.3	59.1	45 bps	384 bps	58.5	59 bps	57.8	58.0	19 bps
<b>EBITDA margin</b>	<b>32.0</b>	<b>26.2</b>	<b>33.1</b>	<b>106 bps</b>	<b>685 bps</b>	<b>31.6</b>	<b>143 bps</b>	<b>30.0</b>	<b>30.3</b>	<b>22 bps</b>
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**

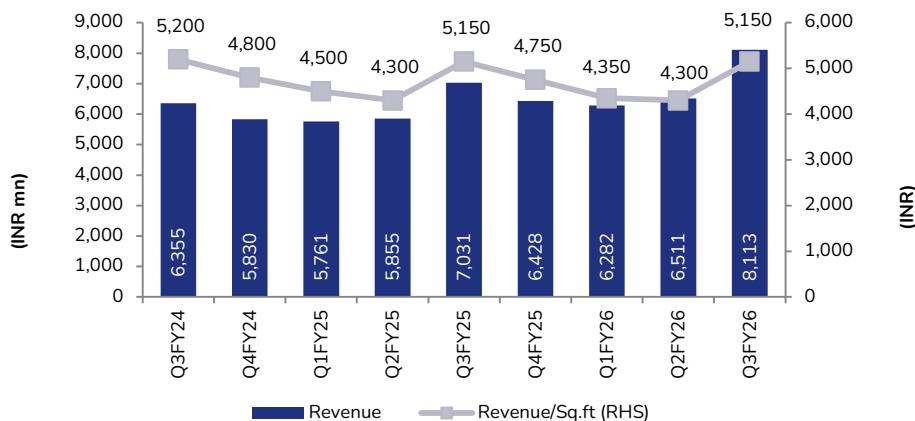
	FY26E			FY27E			FY28E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Net revenues	28,353	28,049	1.1	33,107	33,714	(1.8)	39,261	40,507	(3.1)
Gross Margin (%)	57.7	57.7	0bps	57.9	57.9	-1bps	58.0	58.0	-1bps
EBITDA	8,676	8,436	2.8	10,594	10,658	(0.6)	12,604	12,870	(2.1)
EBITDA 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)
<b>Pre IND AS</b>									
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

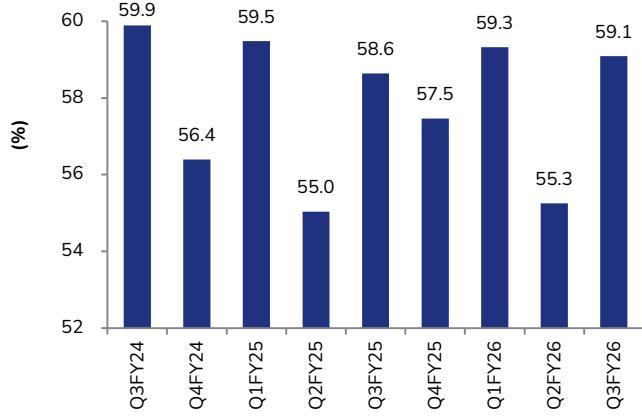
- **Guidance:** No change to medium-term margin guidance, gross margin to remain at 55–58% and EBITDA margin /PAT margin ~30/15%.
- **Growth remains volume-led:** ASP grew at 3% YoY, implying ~12% volume growth in Q3 with trend being similar for the last 3 quarters.
- **MetroActive:** Launched three 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



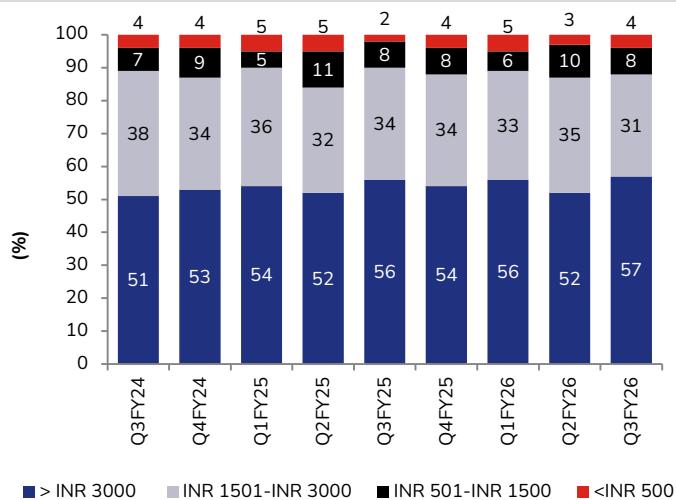
Source: Company, JM Financial

Exhibit 5. EBITDA margin grew ~110bps YoY



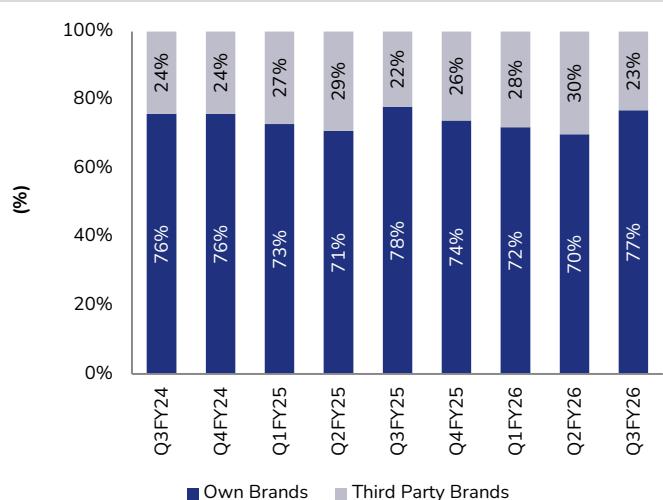
Source: Company, JM Financial

Exhibit 6. Contribution of products &gt; INR 3,000 up ~100bps YoY



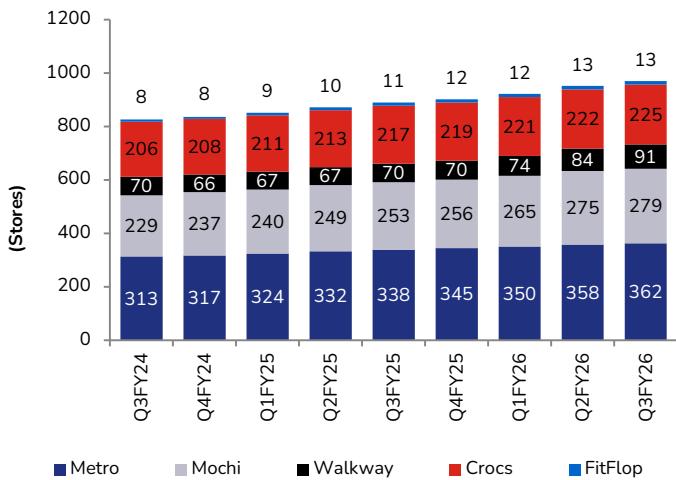
Source: Company, JM Financial

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



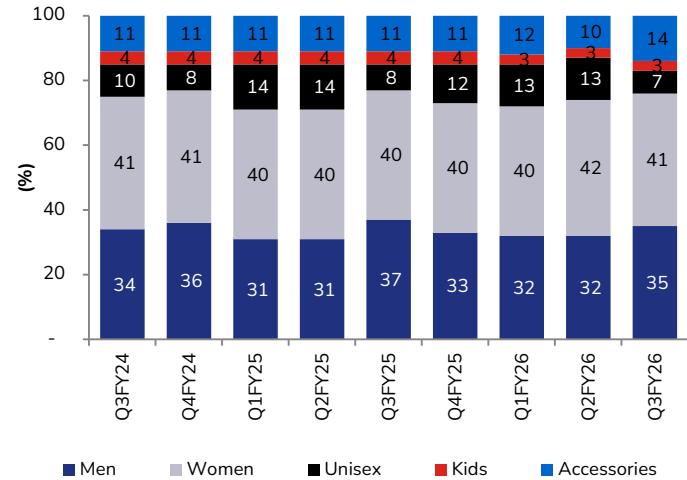
Source: Company, JM Financial

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



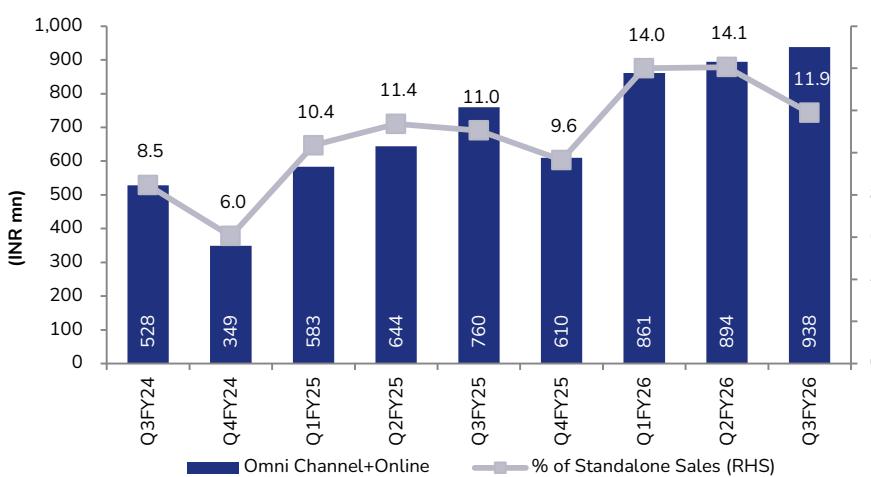
Source: Company, JM Financial

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

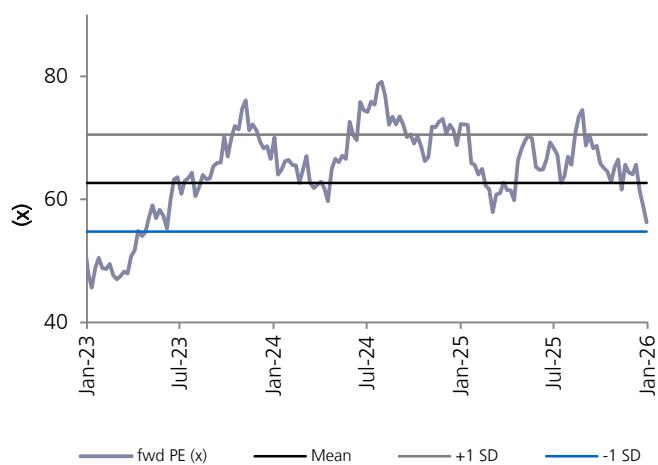
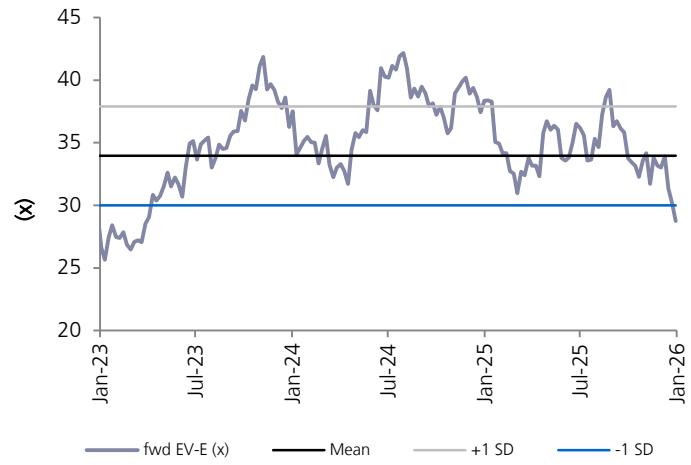


Exhibit 12. EV-EBITDA (x) year forward



## Financial Tables (Consolidated)

Income Statement					Balance Sheet						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	28,353	33,107	39,261	Shareholders' Fund	18,637	17,091	19,273	22,214	26,103
Sales Growth	10.8%	6.4%	13.1%	16.8%	18.6%	Share Capital	1,360	1,361	1,361	1,361	1,361
Other Operating Income	8	8	0	0	0	Reserves & Surplus	17,278	15,730	17,912	20,853	24,742
<b>Total Revenue</b>	<b>23,567</b>	<b>25,074</b>	<b>28,353</b>	<b>33,107</b>	<b>39,261</b>	Minority Interest	294	289	289	289	289
Cost of Goods Sold/Op. Exp	9,875	10,609	11,984	13,937	16,497	Total Loans	0	0	0	0	0
Personnel Cost	2,280	2,450	2,749	3,119	3,604	Lease Liabilities	10,984	12,271	14,033	16,023	17,960
Other Expenses	4,417	4,600	4,944	5,457	6,556	Def. Tax Liab. / Assets (-)	-363	-340	-340	-340	-340
<b>EBITDA</b>	<b>6,996</b>	<b>7,415</b>	<b>8,676</b>	<b>10,594</b>	<b>12,604</b>	<b>Total - Equity &amp; Liab.</b>	<b>29,553</b>	<b>29,311</b>	<b>33,255</b>	<b>38,186</b>	<b>44,012</b>
<i>EBITDA Margin</i>	29.7%	29.6%	30.6%	32.0%	32.1%	Net Fixed Assets	14,916	16,114	17,779	19,585	21,334
<i>EBITDA Growth</i>	3.1%	6.0%	17.0%	22.1%	19.0%	Gross Fixed Assets	5,331	5,880	6,964	8,197	9,475
Depn. & Amort.	2,291	2,580	3,129	3,697	4,144	Intangible Assets	1,638	1,645	1,560	1,475	1,390
<b>EBIT</b>	<b>4,705</b>	<b>4,835</b>	<b>5,547</b>	<b>6,897</b>	<b>8,460</b>	Less: Depn. & Amort.	1,829	2,173	2,815	3,573	4,457
Other Income	708	930	1,001	1,162	1,343	Capital WIP	9,776	10,762	12,070	13,486	14,926
Finance Cost	789	905	1,116	1,255	1,381	Investments	7,486	5,445	6,945	8,945	11,445
PBT before Excep. & Forex	4,624	4,860	5,431	6,803	8,421	Current Assets	10,762	11,446	14,029	16,062	18,813
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	Inventories	7,102	6,369	8,312	9,615	11,294
<b>PBT</b>	<b>4,624</b>	<b>4,860</b>	<b>5,431</b>	<b>6,803</b>	<b>8,421</b>	Sundry Debtors	757	912	932	1,088	1,291
Taxes	499	1,325	1,369	1,714	2,122	Cash & Bank Balances	1,474	1,010	1,360	1,504	1,808
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	17	14	13	12	11
Assoc. Profit/Min. Int.(-)	60	55	65	70	70	Other Current Assets	1,414	3,141	3,413	3,843	4,408
Reported Net Profit	4,125	3,513	4,088	5,119	6,339	Current Liab. & Prov.	3,612	3,694	5,498	6,406	7,580
<b>Adjusted Net Profit</b>	<b>4,125</b>	<b>3,513</b>	<b>4,088</b>	<b>5,119</b>	<b>6,339</b>	Current Liabilities	2,574	2,258	3,884	4,535	5,378
<i>Net Margin</i>	17.5%	14.0%	14.4%	15.5%	16.1%	Provisions & Others	1,038	1,436	1,614	1,871	2,202
Diluted Share Cap. (mn)	271.9	272.2	272.2	272.2	272.2	Net Current Assets	7,151	7,752	8,531	9,656	11,233
<b>Diluted EPS (INR)</b>	<b>15.2</b>	<b>12.9</b>	<b>15.0</b>	<b>18.8</b>	<b>23.3</b>	<b>Total - Assets</b>	<b>29,553</b>	<b>29,311</b>	<b>33,255</b>	<b>38,186</b>	<b>44,012</b>
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					Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,654	4,877	5,476	6,853	8,476	Net Margin	17.5%	14.0%	14.4%	15.5%	16.1%
Depn. & Amort.	2,291	2,580	3,129	3,697	4,144	Asset Turnover (x)	0.9	0.8	0.9	0.9	0.9
Net Interest Exp. / Inc. (-)	342	288	465	471	446	Leverage Factor (x)	1.6	1.7	1.7	1.7	1.7
Inc (-) / Dec in WCap.	-490	574	-430	-980	-1,273	RoE	24.2%	19.7%	22.5%	24.7%	26.2%
Others	-57	20	-370	-398	-422						
Taxes Paid	-840	-1,363	-1,369	-1,714	-2,122						
<b>Operating Cash Flow</b>	<b>5,901</b>	<b>6,975</b>	<b>6,902</b>	<b>7,929</b>	<b>9,249</b>						
Capex	-1,161	-861	-1,084	-1,233	-1,278						
<i>Free Cash Flow</i>	<i>4,740</i>	<i>6,115</i>	<i>5,818</i>	<i>6,697</i>	<i>7,971</i>						
Inc (-) / Dec in Investments	-1,881	1,597	-1,500	-2,000	-2,500						
Others	529	488	1,001	1,162	1,343						
<b>Investing Cash Flow</b>	<b>-2,513</b>	<b>1,224</b>	<b>-1,584</b>	<b>-2,071</b>	<b>-2,435</b>						
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						
<b>Financing Cash Flow</b>	<b>-3,227</b>	<b>-7,730</b>	<b>-4,969</b>	<b>-5,714</b>	<b>-6,510</b>						
Inc / Dec (-) in Cash	<b>161</b>	<b>469</b>	<b>350</b>	<b>144</b>	<b>304</b>						
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

## History of Recommendation and Target Price

## Recommendation History

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

## Metro Brands



## APPENDIX I

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

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