Metro Brands

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	METROBRA IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	356.5 / 4.2
52-Week Range (INR)	1441 / 986
1, 6, 12 Rel. Per (%)	-1/7/-4
12M Avg Val (INR M)	270

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	23.6	26.2	31.7
EBITDA	7.0	7.9	9.9
Adj. PAT	4.1	4.0	4.9
EBITDA Margin (%)	29.7	30.2	31.2
Adj. EPS (INR)	12.7	14.8	18.1
EPS Gr. (%)	(5.2)	16.1	22.3
BV/Sh. (INR)	70.2	82.7	97.9
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	20.3	19.8	20.5
RoCE (%)	17.7	14.3	14.6
Payout (%)	14.9	17.6	17.6
Valuations			
P/E (x)	102.6	88.4	72.2
EV/EBITDA (x)	52.2	46.3	37.0
EV/Sales (X)	15.5	14.0	11.5
Div. Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.2	74.2	74.2
DII	5.6	6.0	5.7
FII	3.1	2.7	2.6
Others	17.2	17.1	17.5

FII Includes depository receipts

CMP: INR1,311 TP: INR1,460 (+11%) Buy

Marginal dip in PAT despite weak SSS

- Metro's revenue declined 1% YoY (9% miss), due to weak same-store sales (SSS); however, store additions supported revenue. A higher contribution of INR3,000+ ASP products and own-brand products boosted gross margins. Controlled costs and higher gross margins restricted the decline in EBITDA/PAT to only 3%/2% (11% miss).
- In the near term, we believe that soft demand, delayed BIS implementation (which delayed FILA's repositioning), and margin contraction could weigh on growth. However, in the long term, healthy store economics, steady store additions, and a growth opportunity in Fila/Foot Locker should drive a CAGR of 16%/19% in revenue/PAT over FY24-26. We reiterate our BUY rating on the stock.

Revenue/PAT down 1%/2% YoY

- Consolidated revenue declined 1% YoY to INR5.8b (9% miss) due to a 10% YoY decline in revenue per sqft. Area addition remained strong at 12% YoY.
  - The company added 17 stores (in two new cities) and closed two stores, taking the net store additions of 15 and the total count to 854 stores (including three FILA stores).
  - The management attributed weak revenue growth to fewer wedding dates, election-related headwinds, and subdued footfalls due to intense heatwaves.
- Gross profit was flat at INR3.4b (9% miss), while margin expanded 40bp YoY to 59.5%.
  - **GM remained elevated due to a higher sales contribution from INR3,000+ ASP** products a**nd own-brand products.**
- **Despite weak SSS, the company was able to restrict the EBITDA decline at 3% YoY to INR1.8b (11% miss) due to strong cost-control measures.**
  - Margin contracted 70bp YoY to 31.3% during the quarter.
  - Depreciation/finance costs grew 11%/12% YoY, while other income rose 63% YoY.
- Resultantly, PAT declined 2% YoY to INR919m (11% miss).

Key takeaways from management commentary

- **Guidance remain intact**: The company is expected to open 100/225 stores (excluding FILA but including Footlocker) in the next one/two fiscal years. Given the subdued 1Q, the management has guided for 12-15% growth. However, in the long term, the company reiterated its guidance of 15-18% growth, 55-57% gross margin, 30-33% EBITDA margin and 15-17% PAT margin.