

12 August 2024

India | Equity Research | Q1FY25 results review

Metro Brands

Consumer Staples & Discretionary

Revenue pressure accentuated due to seasonality; Profitability intact

Metro's Q1FY25 revenue growth continues to be underwhelming at -1% YoY, as lower number of wedding days further accentuated footfalls concerns which the industry was already witnessing. Retail expansion was healthy at 11% YoY and is on track to open 100 stores in FY25 (225 stores in FY25-26). Management expects revenue growth to be ~12-15% in FY25 (lower than its long-term guidance of 14-18% CAGR) while maintaining its profitability guidance. Operating profit margin remains healthy driven by cost focus and lower losses for Cravatex brands. Liquidation of inventory for FILA will be completed by Q2FY25. Metro continues to be the choice of platform for global brands to enter India; signed long-term exclusive distribution agreement with New Era. Increasing management bandwidth (new COO) addresses concerns around managing increasing complexity. Higher number of wedding days (21% YoY) for rest of FY25 keeps us optimistic. Maintain **ADD**.

Weak revenue print; premium continues to outperform

Metro Brands reported revenues of INR 5.8bn, down 1.1% YoY, indicating continued pressure on SSSG and footfalls given the quarter had lower number of wedding dates. That said, the revenue print was slightly soft considering the 10% YoY / 6% QoQ decline in sales throughput (per sq. ft. basis) to INR 4,500. Retail expansion continues to be robust (+11% YoY to 851 stores); 14% YoY in Mochi (EOP: 240 stores) and 12% YoY in Metro (EOP: 324 stores).

It added 17 stores; closed 2 stores in the quarter (net additions – Metro: 7, Mochi: 3, Crocs: 3, Walkway: 1 and Flipflop: 1). Management guides to open 100 stores in FY25 and 125 stores in FY26. The first Footlocker showroom is expected to be opened in Q3FY25.

Online sales (including omni-channel) declined 5% YoY to INR 580mn, contributing about 10.4% of sales. Healthy premiumisation trend was witnessed as >INR 3k price points (~54% of revenues) grew 9% YoY (vs -11% YoY for < INR 3,000 price range) in Q1FY25.

Margin largely stable due to cost savings and lower losses in Cravatex brands

Gross margins expanded 40bps YoY to 59.4% (stable sales mix). Revenue contribution from own/third-party brands stands at 73%/27%, slightly higher than long-term trends. EBITDA margin contracted 73bps YoY to 31.2% due to an increase in staff cost (+11% YoY). EBITDA and PBT declined 3% and 1% YoY, respectively. Impact on profitability was lower despite healthy store expansion as it was offset by reduction in losses for FILA and Proline driven by cost control (Cravatex brand had losses of INR 140mn in Q1FY24).

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	21,271	23,567	27,045	32,522
EBITDA	6,787	6,996	8,381	10,367
EBITDA Margin (%)	31.9	29.7	31.0	31.9
Net Profit	3,614	4,125	4,411	5,676
EPS (Rs)	13.3	15.2	16.2	20.9
EPS % Chg YoY	70.6	13.5	6.9	28.7
P/E (x)	98.0	86.3	80.7	62.7
EV/EBITDA (x)	51.5	49.7	41.2	33.1
RoCE (%)	25.8	24.2	21.5	23.7
RoE (%)	25.3	23.8	21.7	24.1

Manoj Menon

manoj.menon@icicisecurities.com
+91 22 6807 7209

Karan Bhuwania

karan.bhuwania@icicisecurities.com

Akshay Krishnan

akshay.krishnan@icicisecurities.com

Market Data

Market Cap (INR)	356bn
Market Cap (USD)	4,245mn
Bloomberg Code	METROBRA IN
Reuters Code	METB BO
52-week Range (INR)	1,441 /986
Free Float (%)	11.0
ADTV-3M (mn) (USD)	3.0

Price Performance (%)	3m	6m	12m
Absolute	26.4	19.1	21.7
Relative to Sensex	16.9	7.8	(0.2)

Earnings Revisions (%)	FY25E	FY26E
Revenue	(7.4)	(7.5)
EBITDA	(6.6)	(6.3)
EPS	(5.2)	(5.5)

Previous Reports

23-05-2024: [Q4FY24 results review](#)

19-01-2024: [Q3FY24 results review](#)

Inventory liquidation in FILA on track

In FILA, liquidation of excess inventory is on track and may be completed by the end of next EOSS (Q2FY25). As of Jun'24, there are 3 FILA EBOs operational. In FY25, as guided earlier, it will focus to re-launch FILA through Metro/Mochi distribution network. From FY26 onwards, it will start to focus on adding separate FILA EBOs.

Valuation and risks

We cut our earnings estimates by ~5-6% for FY25-26E. We model revenue/EBITDA/PAT CAGR of 17%/22%/17% over FY24-FY26E. Maintain **ADD** rating with a DCF-based revised target price of INR 1,380 (vs. INR 1,210).

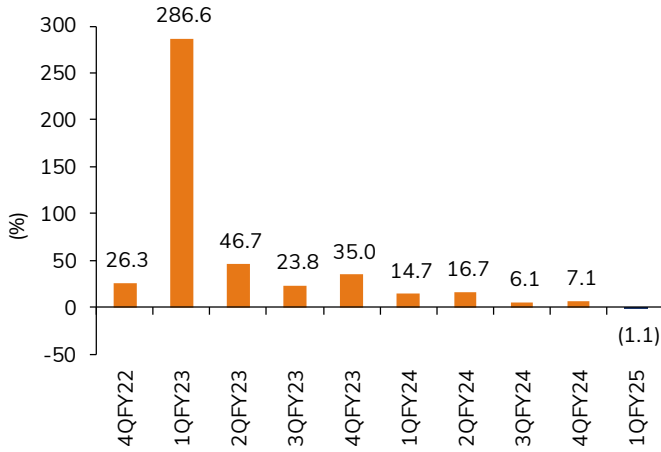
Key risks: 1) Delay in store addition; and 2) likely increased competition from regional players trying to premiumise.

Exhibit 1: Q1FY25 result review (consolidated)

(INR mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net Revenues	5,761	5,825	(1)	5,830	(1)
COGS	(2,334)	(2,384)	(2)	(2,542)	(8)
Gross profit	3,427	3,442	(0)	3,288	4
Staff cost	(594)	(533)	11	(591)	1
Other opex	(1,029)	(1,043)	(1)	(1,111)	(7)
EBITDA	1,804	1,866	(3)	1,586	14
Other income	234	144	63	244	(4)
Finance cost	(208)	(185)	12	(203)	2
D&A	(600)	(543)	11	(591)	2
PBT	1,230	1,282	(4)	1,036	19
Tax	(309)	(353)	(13)	508	(161)
Recurring PAT	921	929	(1)	1,544	(40)
Minority Interest	(3)	(1)	467	8	(144)
Recurring PAT after MI	917	928	(1)	1,552	(41)
Extraordinaries	-	-	-	-	-
Net profit (reported)	917	928	(1)	1,552	(41)
EPS	3.4	3.4	(1)	5.7	(41)
Costs as a % of sales					
COGS	40.5	40.9	-41 bps	43.6	-309 bps
Gross margin (%)	59.5	59.1	40 bps	56.4	308 bps
Staff cost	10.3	9.1	116 bps	10.1	17 bps
Other opex	17.9	17.9	-5 bps	19.1	-120 bps
EBITDA margin (%)	31.3	32.0	-73 bps	27.2	409 bps
Income tax rate (%)	25.1	27.5	-244 bps	(49.0)	7414 bps

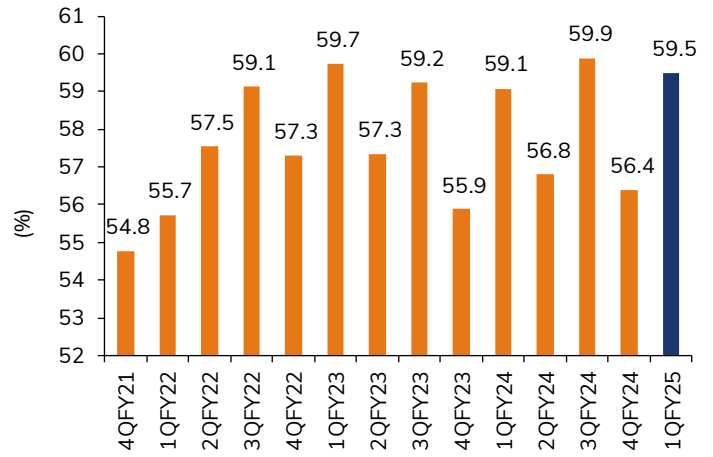
Source: Company data, I-Sec research

Exhibit 2: Revenue growth (%)



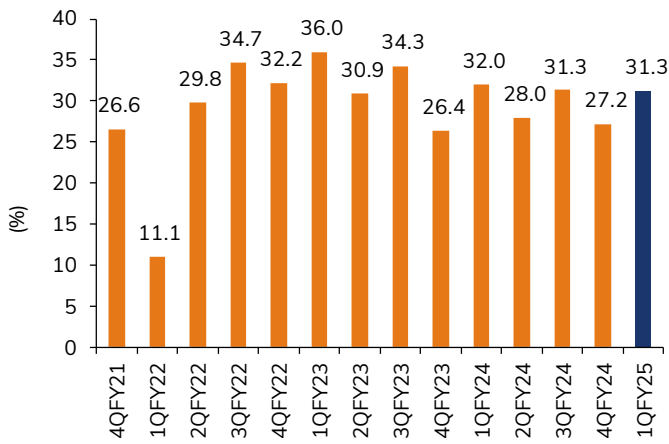
Source: Company data, I-Sec research

Exhibit 3: Gross margin (%)



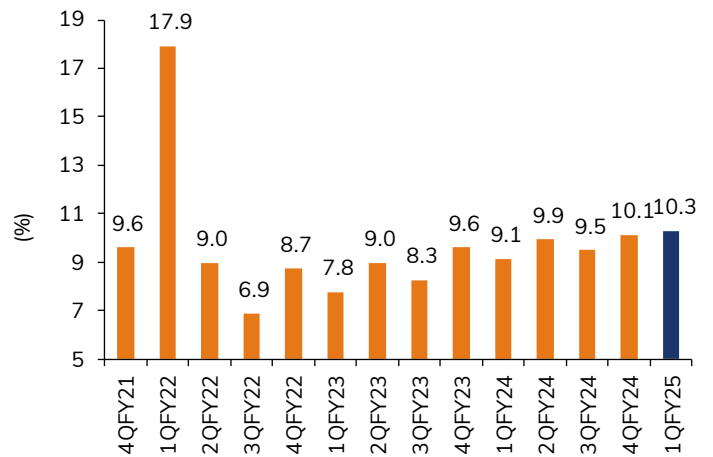
Source: Company data, I-Sec research

Exhibit 4: EBITDA margin (%)



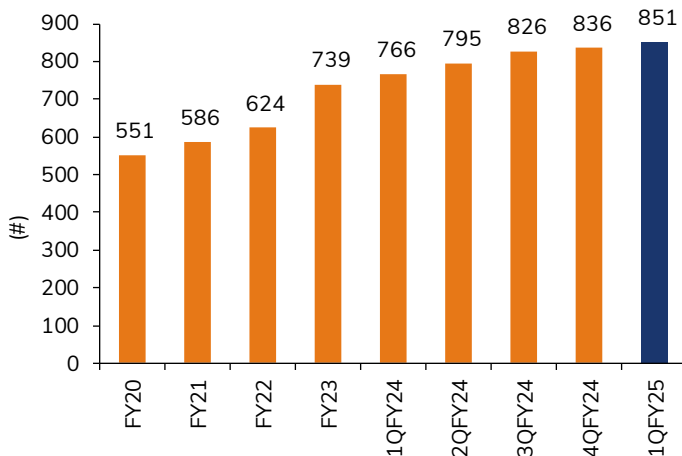
Source: Company data, I-Sec research

Exhibit 5: Staff cost as a % of sales



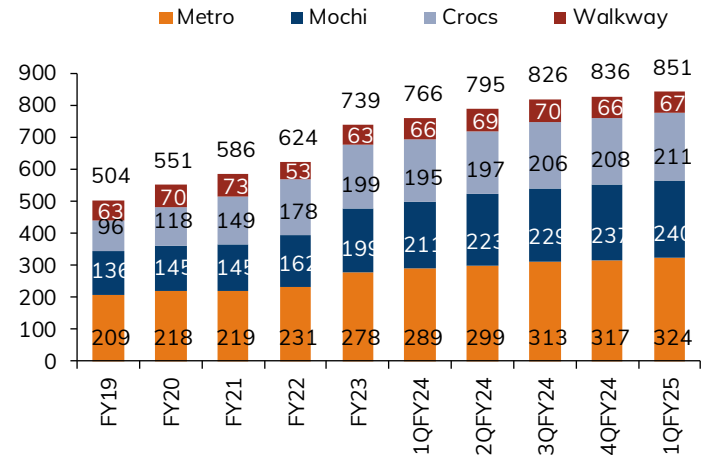
Source: Company data, I-Sec research

Exhibit 6: Store count (EoP)



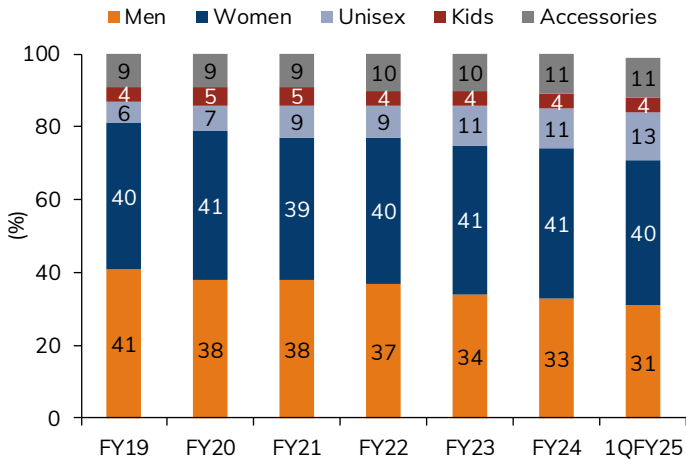
Source: Company data, I-Sec research

Exhibit 7: Store break-up by concepts



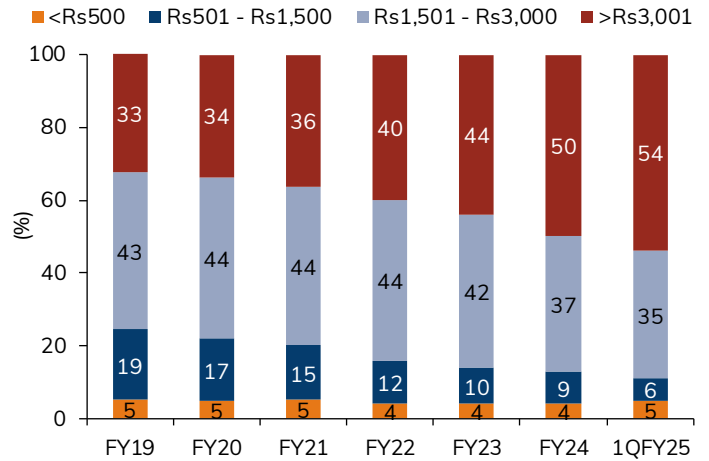
Source: Company data, I-Sec research

Exhibit 8: Revenue break-up by target segment



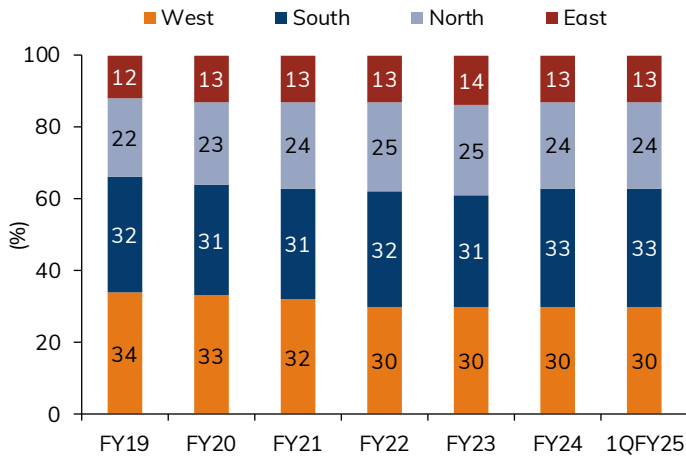
Source: Company data, I-Sec research

Exhibit 9: Revenue break-up by price points



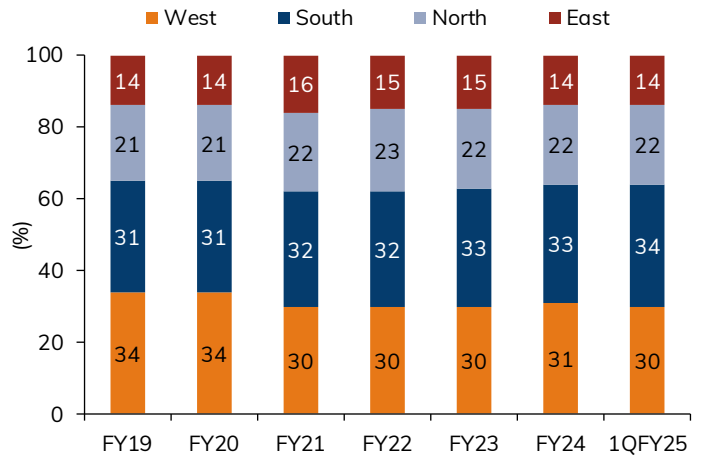
Source: Company data, I-Sec research

Exhibit 10: Store break-up by region



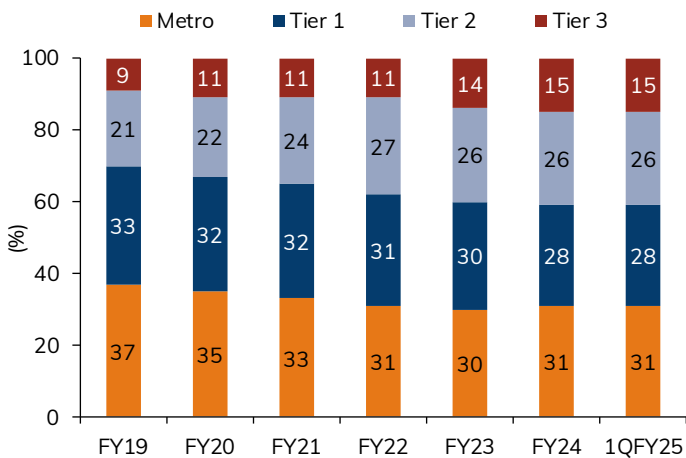
Source: Company data, I-Sec research

Exhibit 11: Sales contribution by region



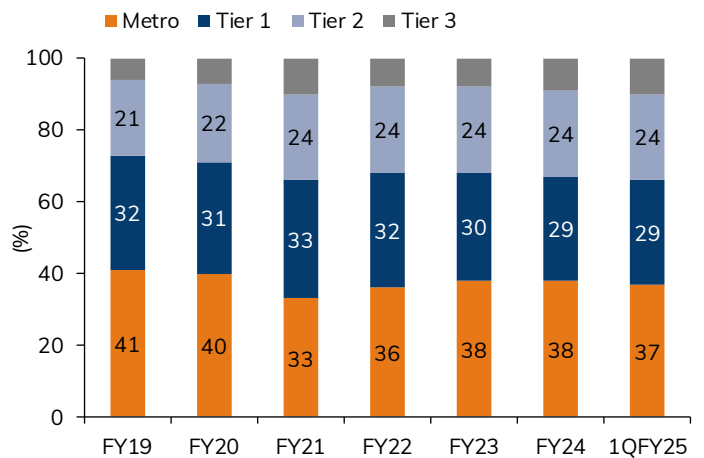
Source: Company data, I-Sec research

Exhibit 12: Store break-up by cities



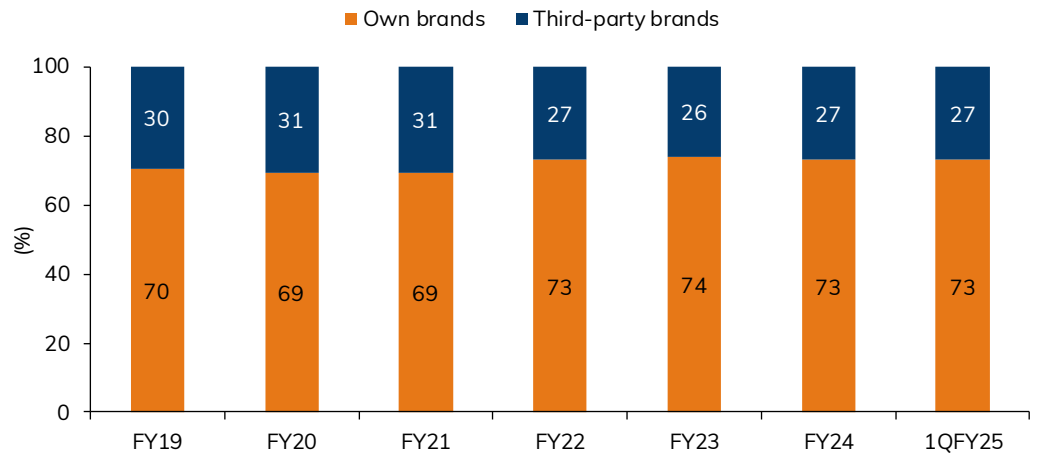
Source: Company data, I-Sec research

Exhibit 13: Sales contribution by cities



Source: Company data, I-Sec research

Exhibit 14: Own brands vs. third-party brands



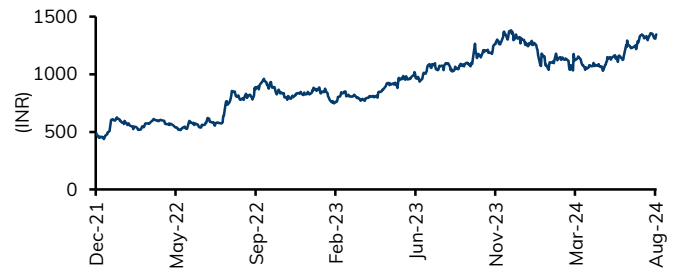
Source: Company data, I-Sec research

Exhibit 15: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	74.2	74.2	74.2
Institutional investors	8.7	8.7	8.6
MFs and other	5.3	5.2	4.8
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	0.6	0.4	0.4
FIIIs	2.8	3.1	3.4
Others	17.1	17.1	17.2

Source: Bloomberg, I-Sec research

Exhibit 16: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 17: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	21,271	23,567	27,045	32,522
Operating Expenses	14,484	16,571	18,664	22,155
EBITDA	6,787	6,996	8,381	10,367
EBITDA Margin (%)	31.9	29.7	31.0	31.9
Depreciation & Amortization	1,810	2,291	2,538	2,908
EBIT	4,977	4,705	5,844	7,459
Interest expenditure	631	789	885	948
Other Non-operating Income	544	708	936	1,073
Recurring PBT	4,891	4,624	5,894	7,584
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,257	499	1,483	1,909
PAT	3,633	4,125	4,410	5,675
Less: Minority Interest	19	(1)	(1)	(1)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	3,633	4,125	4,410	5,675
Net Income (Adjusted)	3,614	4,125	4,411	5,676

Source Company data, I-Sec research

Exhibit 18: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	15,028	16,917	19,980	23,863
of which cash & cash eqv.	1,985	1,123	1,532	3,541
Total Current Liabilities & Provisions	3,882	3,604	4,151	5,010
Net Current Assets	11,146	13,313	15,829	18,854
Investments	105	135	135	135
Net Fixed Assets	3,385	3,911	4,221	4,636
ROU Assets	8,377	9,703	10,864	12,315
Capital Work-in-Progress	178	93	93	93
Total Intangible Assets	1,260	1,209	1,209	1,209
Long Term Loans & Advances	661	1,133	1,301	1,564
Deferred Tax assets	49	363	363	363
Total Assets	25,182	29,922	34,086	39,254
Liabilities				
Borrowings	15	-	-	-
Deferred Tax Liability	-	-	-	-
Provisions	11	7	8	10
Other Liabilities	-	-	-	-
Equity Share Capital	1,359	1,360	1,360	1,360
Reserves & Surplus	14,119	17,278	20,127	23,651
Total Net Worth	15,477	18,637	21,486	25,010
Minority Interest	264	294	294	294
Total Liabilities	25,182	29,922	34,086	39,254

Source Company data, I-Sec research

Exhibit 19: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	5,557	6,355	5,830	5,761
% growth (YOY)	16.7	6.1	7.1	(1.1)
EBITDA	1,554	1,990	1,586	1,804
Margin %	28.0	31.3	27.2	31.3
Other Income	162	160	244	234
Extraordinaries	-	-	-	-
Adjusted Net Profit	667	978	1,552	917

Source Company data, I-Sec research

Exhibit 20: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	4,891	4,624	5,894	7,584
Working Capital Changes	(1,727)	(490)	(813)	(1,293)
Capital Commitments	(915)	(1,111)	(860)	(1,037)
Free Cashflow	920	2,245	2,352	2,895
Other investing cashflow	400	(1,402)	(1,694)	(377)
Cashflow from Investing Activities	(516)	(2,513)	(2,554)	(1,414)
Issue of Share Capital	28	42	-	-
Interest Cost	(1)	(3)	-	-
Inc (Dec) in Borrowings	(1,023)	(15)	-	-
Dividend paid	(883)	(1,153)	(1,562)	(2,152)
Others	-	-	1,988	2,285
Cash flow from Financing Activities	(1,617)	(681)	(248)	(509)
Chg. in Cash & Bank balance	(297)	161	410	2,009
Closing cash & balance	318	479	889	2,898

Source Company data, I-Sec research

Exhibit 21: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	13.4	15.2	16.2	20.9
Adjusted EPS (Diluted)	13.3	15.2	16.2	20.9
Cash EPS	20.0	23.6	25.6	31.6
Dividend per share (DPS)	4.0	5.0	5.8	7.9
Book Value per share (BV)	57.0	68.6	79.1	92.1
Dividend Payout (%)	29.9	32.9	35.4	37.9
Growth (%)				
Net Sales	58.4	10.8	14.8	20.3
EBITDA	65.9	3.1	19.8	23.7
EPS (INR)	70.6	13.5	6.9	28.7
Valuation Ratios (x)				
P/E	98.0	86.3	80.7	62.7
P/CEPS	65.6	55.5	51.2	41.5
P/BV	23.0	19.1	16.6	14.2
EV / EBITDA	51.5	49.7	41.2	33.1
P / Sales	16.7	15.1	13.2	10.9
Dividend Yield (%)	0.3	0.4	0.4	0.6
Operating Ratios				
Gross Profit Margins (%)	58.1	58.1	58.2	58.3
EBITDA Margins (%)	31.9	29.7	31.0	31.9
Effective Tax Rate (%)	25.7	10.8	25.2	25.2
Net Profit Margins (%)	17.0	17.5	16.3	17.5
Net Debt / Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(1.0)	(1.2)	(1.2)	(1.2)
Fixed Asset Turnover (x)	5.2	4.5	4.2	4.4
Working Capital Days	193	198	206	188
Inventory Turnover Days	136	116	117	118
Receivables Days	22	12	12	13
Payables Days	62	42	43	44
Profitability Ratios				
RoCE (%)	25.8	24.2	21.5	23.7
RoE (%)	25.3	23.8	21.7	24.1
RoIC (%)	28.7	27.8	24.9	27.1

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Manoj Menon, MBA, CMA; Karan Bhuwania, MBA; Akshay Krishnan, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

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

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
