

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
18-Apr-24	Quick Insight	1080	1060 – 1080	1280 – 1300

Q4FY24 Highlights

- Consolidated revenues grew to ₹583crs by 7% YoY. A high base in the corresponding quarter last year led to a moderation in growth.
- Gross margin expanded 50bps to 56.4% YoY in light of better product mix. EBITDA grew 10.5% in Q4FY24 to ₹159crs. EBITDA margin expanded 80bps to 27.2% YoY. Reported PAT more than doubled to ₹156crs due to tax credit and lower interest expenses and PAT margin was at 26.7% (+141bps).
- Added 97 stores in FY24, taking the total store count to 917.
- For FY24, consolidated revenue grew 11% YoY to ₹2357crs. EBITDA grew 3% YoY to ₹700crs led by better gross margin and cost control measures with EBITDA margin at 29.7%.

Concall Highlights

- Despite the high base effect in FY'23 due to post COVID-19 easing, revenue grew by 11% YoY in FY24. Additionally, sales per square foot have increased from ₹17,500 per sq. ft. in FY19 to ₹18,700 per sq. ft. in FY24, reflecting successful adaptation to the new market conditions and the ongoing normalization post-Covid.
- E-commerce sales (including omni-channel) for Q4 and FY'24 were ₹41crs and ₹215crs respectively i.e. YoY growth of 25% and 33% respectively. Further, in FY24, the company achieved a gross margin of 58% and a PAT margin of 18%. The total net stores opening for the year is 97.
- The company continues to see premiumisation by the consumer as sales of products over ₹3,000 represent half the business. MBL's overall sales witnessed a steady increase from 34% in FY20 to 50% in FY24.
- During this quarter, Metro Brands Ltd. also extended its retail agreement with Crocs India, granting exclusive rights to operate and own Crocs stores across the western and southern states in India. Further, MBL will have rights to continue, renew & operate all existing stores that are currently operational in the northern & eastern states of India.
- During the quarter, 21 new store were opened. This was offset by 11 stores closures for the quarter. For full year, there was a net addition of 97 stores (19 new cities covered in FY24) across all formats during the year.
- The company has maintained aggressive store expansion plans and targeted to open ~225 stores by FY24-FY26. Store additions would be across the sub-brands -- Metro, Mochi, Walkway, Crocs and Fitflop -- as well as a recent tie-up with Footlocker.
- During Q4FY24, "Fila business" was demerged from Metro Athleisure Limited, a wholly-owned subsidiary into Metro Brands Limited. Fila business was forming part of consolidated financial statements until YTD Dec 2023 and post demerger, Fila business is incorporated into MBL Standalone financial statements.
- For the quarter and full year FY24, MBL has recognized and utilised tax assets of ₹43crs on carry forward business losses of Fila. Additionally, there is a reduction in tax charge on reversal of deferred tax liability of ₹26crs on certain intangible assets due to demerger.
- The company indicated softer Q1 sales due to fewer wedding days and Lok Sabha election related holidays also due to the impact of BIS regulations implementation.

Important Data

Nifty	22,705
Sensex	74,503
CMP	₹1162.5
Market Cap (₹ crs)	₹31,622
52W High/Low	1440/930
Shares o/s (crs)	27.2
BSE Code	543426
NSE Code	METROBRAND
Bloomberg Code	METROBRA:IN

Shareholding Pattern (%) – Mar'24

Promoter	74.16
FII	02.68
DII	06.02
Public & Others	17.13

Financials

Particulars	(₹ cr)		
	FY22	FY23	FY24
Revenues	1,343	2,127	2,357
YoY Growth	68%	58%	11%
EBITDA	412	680	700
EBITDA Margin	31%	32%	30%
PAT	214	365	415
PAT Margin	16%	17%	18%
EPS	7.8	13.3	15.2
PE	149.0	87.4	76.5

Source: Company, Way2Wealth

Relative performance

Absolute Return (%)	1Yr	3Yr	5Yr
Metro Brand	20	147	-
Nifty 50	22	44	90
Sensex	19	42	87

Source: Company, Way2Wealth Research

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Risk

- Deficient rainfall
- Inflationary raw material prices

VIEW

MBL is poised to deliver strong growth in the years ahead on the back of economic development and the growth of the retail and footwear industry in India. It is strategically positioned to capitalize on the expanding middle class, surging aspirations and spending, shifting consumer preference towards fashionable and premium products, and rising demand for higher ASP (average selling price) segments in the footwear segment.

We appreciate the competitive strengths of Metro Brands Ltd., in terms of the product mix, pricing mix, distribution, third-party brands, etc.

At the current price of ₹1162.5, it is trading at ~76.5 times P/E to its FY24 EPS ₹15.2. Strong margins, asset-light business model, operating efficiency, high share of premium products, the immense size of the opportunity, and innovation justify the premium valuations given to the stock. **We advise investors to accumulate this business.**

Consolidated Financials

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR [%]	Q3FY24	VAR [%]	FY24	FY23	VAR [%]
Net Sales (Net of Excise Duty)	583.0	544.1	7.1%	635.5	-8.3%	2,356.7	2,127.1	10.8%
Other Income	24.4	18.7	29.9%	16.0	52.7%	70.8	54.4	30.1%
TOTAL INCOME	607.3	562.9	7.9%	651.5	-6.8%	2,427.5	2,181.5	11.3%
Purchase of stock in trade	211.8	219.7	-3.6%	302.5	-30.0%	1,051.9	1,065.7	-1.3%
Stock Adjustment	42.4	20.4	108.0%	(47.6)	-189.0%	(64.4)	(173.7)	-62.9%
<i>RMC as a %age of sales</i>	<i>43.6%</i>	<i>44.1%</i>		<i>40.1%</i>		<i>41.9%</i>	<i>41.9%</i>	
Employee Benefit Expenses	59.1	52.3	12.9%	60.4	-2.1%	228.0	184.4	23.7%
<i>EPC as a %age of sales</i>	<i>10.1%</i>	<i>9.6%</i>		<i>9.5%</i>		<i>9.7%</i>	<i>8.7%</i>	
Other Expenses	111.1	108.2	2.7%	121.3	-8.4%	441.7	372.0	18.7%
<i>Other Expenses as a %age of sales</i>	<i>19.1%</i>	<i>19.9%</i>		<i>19.1%</i>		<i>18.7%</i>	<i>17.5%</i>	
TOTAL EXPENDITURE	424.4	400.6	5.9%	436.5	-2.8%	1,657.1	1,448.4	14.4%
EBIDTA	158.6	143.6	10.5%	199.0	-20.3%	699.6	678.8	3.1%
<i>EBIDTA Margins %</i>	<i>27.2%</i>	<i>26.4%</i>		<i>31.3%</i>		<i>29.7%</i>	<i>31.9%</i>	
Finance Costs	20.3	17.5	15.8%	20.4	-0.3%	78.9	63.1	25.1%
PBDT	162.7	144.8	12.4%	194.6	-16.4%	691.5	670.1	3.2%
Depreciation	59.1	50.2	17.7%	58.6	0.8%	229.1	181.0	26.6%
PBT before exceptional items	103.6	94.6	9.6%	136.0	-23.8%	462.4	489.1	-5.5%
Share of Profit/(loss) of JV	1.2	0.8		0.7		3.0	2.0	
Profit before axception item	104.8	95.4	9.9%	136.7	-23.3%	465.4	491.1	-5.2%
PBT	104.8	95.4	9.9%	136.7	-23.3%	465.4	491.1	-5.2%
Tax	(50.8)	26.7	-290.6%	37.9	-234.2%	49.9	125.7	-60.3%
<i>Tax Rate</i>	<i>-48.5%</i>	<i>27.9%</i>		<i>27.7%</i>		<i>10.7%</i>	<i>25.6%</i>	
Reported Profit After Tax	155.6	68.7	126.4%	98.8	57.4%	415.5	365.4	13.7%
<i>PATM %</i>	<i>26.7%</i>	<i>12.6%</i>		<i>15.5%</i>		<i>17.6%</i>	<i>17.2%</i>	
Adjusted Profit After Extra-ordinary item	155.6	68.7	126.4%	98.8	57.4%	415.5	365.4	13.7%
Other Comprehensive Income (Net of tax)- net credit / (charge)	1.4	(1.3)		(0.1)		1.2	(1.9)	
Total Comprehensive Income	157.0	67.4	132.7%	98.8	58.9%	416.7	363.5	14.6%
Basic:								
EPS	5.7	2.5	126.4%	3.6	57.4%	15.3	13.5	13.7%
Equity	135.8	135.8		135.8		135.8	135.8	
Face Value	5.0	5.0		5.0		5.0	5.0	

Source: Company, Way2Wealth

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Name of the Security	METRO BRANDS LTD.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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