

Metro Brands | BUY

Performance marred by multiple issues; fundamentals intact

Revenue grew 9% YoY (5% miss) as revenue per sqft declined 3% YoY. The miss was on account of (i) Eid advancement to March, (ii) early onset of monsoon impacting the states of Gujarat and Maharashtra, and (iii) geopolitical tensions. Lower gross margin (~20bps lower YoY) and higher marketing spends towards brand building impacted EBITDA margin (lower ~50bps YoY). Store addition remained healthy as the company added 20 (net) stores; Walkway also registered addition of 4 stores in 1Q after a long time. The company has upped the ante on store openings in Walkway post getting the format right; this will help it to capture 80% of the footwear market. Addition of Clarks will complement the company's existing premium portfolio and is expected to drive synergies at several levels. BIS implementation has led to some delay in the launch of Footlocker and FILA; store addition is expected in H2FY26. The management reiterated its long-term guidance of achieving revenue CAGR of ~15%+, gross margin of 55-57%, EBITDA margin of 30% and PAT margin of 15%. We reduce our FY26 EPS estimates by ~11% owing to weak consumption demand and delay in supplies due to BIS implementation; however, EPS cut for FY27-28 will be lower at 6-8% factoring in gradual recovery in demand. We maintain BUY with a revised TP of INR 1,350 (INR 1,400 earlier) based of 58x EPS as we roll forward our multiple to Jun'27.

- **Miss on revenue; higher marketing spends results in margin contraction:** Consolidated revenue grew 9% YoY to INR 6.3bn in 1Q (5% miss) due to (i) Eid advancement to March, (ii) early onset of monsoon, and (iii) geopolitical tensions. Revenue per sqft declined 3% YoY INR 4,350. EBITDA grew 8% YoY to INR 1.9 bn (9% miss) as EBITDA margin contracted ~50bps YoY to 30.9% (JMFe: 32.2%) led by ~20bps YoY contraction in gross margin to 59.3% (JMFe: 59.5%) and ~60bps YoY higher other expense partially offset by ~30bps YoY lower employee cost. EBITDA margin was lower primarily due to higher marketing spend on brand building and positioning. PAT grew 7% YoY to INR 985 mn (9% miss).
- **20 (net) stores added; premium product contribution continues to increase:** The company opened 23 new stores and closed 3 stores in 1Q (net addition 20 stores), taking the total store count to 928. It also added 1 new city during the quarter (206 cities). Metro/Mochi/Walkway format witnessed the highest addition with 5/9/4 stores, while Crocs witnessed the addition of 2 stores (no store addition in FitFlop). Ecommerce sales (including omni-channel) grew by 45% YoY, contributing to 13.7% of the revenue (vs. 10.4% in Q1FY25). Own brand contribution contracted to 72% vs. 73% in 1QFY25 and 74% in 4QFY25. Contribution from products priced above INR 3,000+ increased to 56% (up 200/100 bps YoY/QoQ), while contribution from products priced between INR 1,500 and INR 3,000 saw their contribution declining by ~300bps YoY to 33%. ASP stood at INR 1,575 on an overall company basis.
- **Footlocker, FILA, New Era updates:** **Footlocker:** The management highlighted its cautious approach towards store opening due to concerns after BIS implementation under the Footlocker format but has guided for addition of 3 footlocker stores before festive season in 3QFY26. **FILA:** Relaunched FILA in FY25 leveraging other brands and is on track to open new EBOs in 2HFY26. **New Era:** Store addition planned in 2QFY26.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	28,439	34,569	41,276
Sales Growth (%)	10.8	6.4	13.4	21.6	19.4
EBITDA	6,996	7,415	8,601	10,797	12,971
EBITDA Margin (%)	29.7	29.6	30.2	31.2	31.4
Adjusted Net Profit	4,125	3,513	4,388	5,667	6,994
Diluted EPS (INR)	15.2	12.9	16.1	20.8	25.7
Diluted EPS Growth (%)	14.1	-14.9	24.9	29.1	23.4
ROIC (%)	44.2	33.7	37.4	44.0	48.4
ROE (%)	24.2	19.7	23.9	26.6	27.6
P/E (x)	73.0	85.9	68.7	53.2	43.1
P/B (x)	16.2	17.6	15.4	13.1	10.9
EV/EBITDA (x)	41.9	39.8	34.1	27.0	22.3
Dividend Yield (%)	0.5	0.5	0.6	0.7	0.8

Source: Company data, JM Financial. Note: Valuations as of 08/Aug/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,350
Upside/(Downside)	21.9%
Previous Price Target	1,400
Change	-3.6%

Key Data – METROBRA IN

Current Market Price	INR1,108
Market cap (bn)	INR301.6/US\$3.4
Free Float	19%
Shares in issue (mn)	271.7
Diluted share (mn)	272.2
3-mon avg daily val (mn)	INR135.1/US\$1.5
52-week range	1,412/890
Sensex/Nifty	79,858/24,363
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	-5.1	-9.5	-16.2
Relative*	-1.9	-13.6	-16.4

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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

Exhibit 1. Quarterly Consolidated performance

INR mn	Quarterly			Chng (%)	Chng (%)	Estimate	Chng (%)	Year ended		Chng (%)
	Q1FY25	Q4FY25	Q1FY26	YoY	QoQ	Q1FY26E	vs. Est.	FY24	FY25	YoY
Net operating revenue	5,761	6,428	6,282	9	(2)	6,628	(5)	23,567	25,074	6
Material cost	(2,334)	(2,734)	(2,555)	9	(7)	(2,684)	(5)	(9,875)	(10,609)	7
Gross Profit	3,427	3,694	3,727	9	1	3,944	(5)	13,692	14,465	6
Employee cost	(594)	(626)	(630)	6	1	(660)	(5)	(2,280)	(2,450)	7
Other expenses	(1,029)	(1,096)	(1,159)	13	6	(1,150)	1	(4,417)	(4,441)	1
Total expenditure	(3,957)	(4,456)	(4,343)	10	(3)	(4,494)	(3)	(16,571)	(17,500)	6
EBITDA	1,804	1,972	1,939	8	(2)	2,134	(9)	6,996	7,574	8
Other income	234	231	286	22	24	255	12	708	930	31
Interest	(208)	(244)	(237)	14	(3)	(240)	(1)	(789)	(905)	15
Depreciation	(600)	(701)	(688)	15	(2)	(710)	(3)	(2,291)	(2,580)	13
Pretax profits	1,230	1,258	1,300	6	3	1,439	(10)	4,624	5,019	9
Tax	(309)	(393)	(320)	4	(19)	(363)	(12)	(499)	(1,325)	165
Share of Profit/(loss) JV	2	4	9	330	100	10		30	16	
Minority Interest	(5)	(6)	(3)	(46)	(51)	(3)		(30)	(39)	30
Adj. PAT	917	863	985	7	14	1,083	(9)	4,125	3,672	(11)
Extraordinary items	-	85	-	-		-		-	(166)	
Net profit (reported)	917	947	985	7	4	1,083	(9)	4,125	3,506	(15)
Recurring EPS	3.4	3.2	3.6	7	14	4.0	(9)	15.2	13.5	(11)
% of operating revenues										
Gross margin	59.5	57.5	59.3	-16 bps	186 bps	59.5	-18 bps	58.1	57.7	-41 bps
EBITDA margin	31.3	30.7	30.9	-45 bps	18 bps	32.2	-133 bps	29.7	30.2	52 bps
Material cost	40.5	42.5	40.7	15 bps	-187 bps	40.5	17 bps	41.9	42.3	40 bps
Employee cost	10.3	9.7	10.0	-29 bps	28 bps	10.0	6 bps	9.7	9.8	9 bps
Other expenses	17.9	17.0	18.4	57 bps	139 bps	17.3	109 bps	18.7	17.7	-103 bps
Income tax rate (% of PBT)	25.1	31.3	24.6	-48 bps	-663 bps	25.2	-57 bps	10.8	26.4	1560 bps

Source: Company, JM Financial

Exhibit 2. We cut our EPS estimates by 6-11% over FY26-28E owing to weak consumer demand

	FY26E			FY27E			FY28E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Net revenues	28,439	30,336	(6.3)	34,569	36,573	(5.5)	41,276	42,656	(3.2)
Gross Margin (%)	57.7	58.0	-31bps	57.8	58.2	-33bps	57.9	58.3	-37bps
EBITDA	8,601	9,628	(10.7)	10,797	11,686	(7.6)	12,971	13,793	(6.0)
EBITDA margin (%)	30.2	31.7	-150bps	31.2	32.0	-72bps	31.4	32.3	-92bps
PAT	4,388	5,042	(13.0)	5,667	6,292	(9.9)	6,994	7,592	(7.9)
EPS (INR/share)	16.1	18.5	(13.0)	20.8	23.1	(9.9)	25.7	27.9	(7.9)
Pre IND AS									
EBITDA	5,746	6,673	(13.9)	7,555	8,335	(9.3)	9,350	10,052	(7.0)
EBITDA margin (%)	20.2	22.0	-180bps	21.9	22.8	-94bps	22.7	23.6	-92bps
PAT	4,680	5,259	(11.0)	5,975	6,524	(8.4)	7,338	7,839	(6.4)
EPS (INR/share)	17.2	19.3	(11.0)	21.9	24.0	(8.4)	27.0	28.8	(6.4)

Source: Company, JM Financial

Concall Highlights

■ Demand

- Increased demand from a higher number of marriage dates was partly offset by the advancement of Eid to March, the early onset of monsoon and geopolitical tensions.
- Early monsoon in major states such as Gujarat and Maharashtra affected demand. It helped Crocs more than the other brands.

■ Margins -

Gross margin remained healthy, but marginal contraction was registered owing to (i) higher growth in the e-commerce channel led by higher discounts in the channel vs. offline, and (ii) mix of outside brands. EBITDA margin was lower on account of higher marketing spends on brand building and positioning

■ Revenue per sq ft

in 1QFY26 declined ~3% YoY to INR 4,350. The management believes that this would have been 2-3% higher after normalising the impact of Eid.

■ ASP

for footwear (excluding accessories) grew 3.5-4% YoY to INR 2,700. Overall ASP grew by 3%. Going forward, the management expects 2-5% growth in ASP in all formats led by better product mix and normal price increase, which the company does on a regular basis.

■ Premiumisation –

Premium value segment products contributed to 89% of the company's revenue in 1Q, up from 88% on a consolidated basis last year. The management sees this premiumisation contribution going up marginally with the addition of Footlocker & Clarks stores. This will be offset by the down-trading that will be seen with the increase of Walkway stores.

■ Walkway -

- 80% of the country's footwear is sold under INR 1,000. The management plans to capitalise on this value segment through its Walkway brand. It has reintroduced products below INR 500 under it to capture demand.
- Walkway is not as profitable as Metro or Mochi but is efficient from a RoCE standpoint. The management expects the Walkway stores to achieve RoCE of 30%+ on a long-term perspective. It will focus on store presentations, cost structures & plans to open more stores under this brand, going forward.

■ E-commerce sales

(including Omni-channel) grew by 45%, contributing to 13.7% of revenue, up from 10.4% in 1QFY25. Monsoon did not dampen e-commerce sales. The management also saw some traction in the quick commerce space. The company will not increase discounts in the format to increase sales in the channel.

■ Guidance -

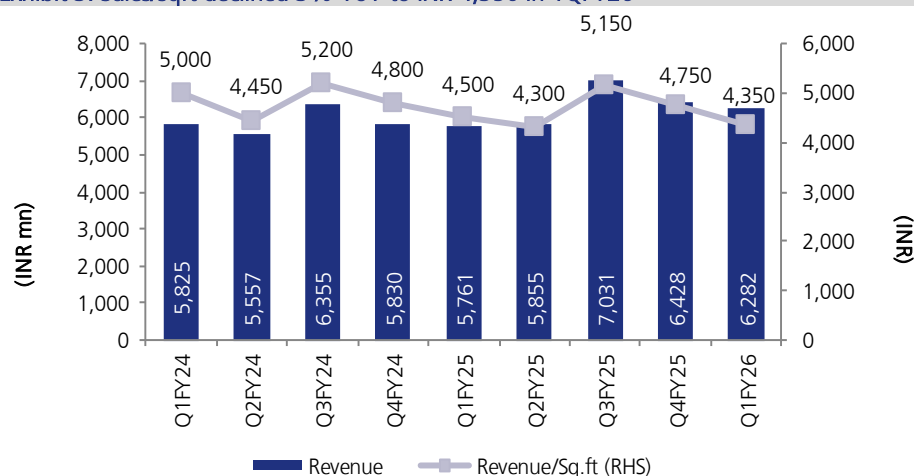
- Targets to spend 3.5-4% of its sales on marketing to ensure brand awareness and brand recall.
- On a long-term basis, it expects 40-45% store level RoCE for Metro & Mochi stores.

■ Clarks –

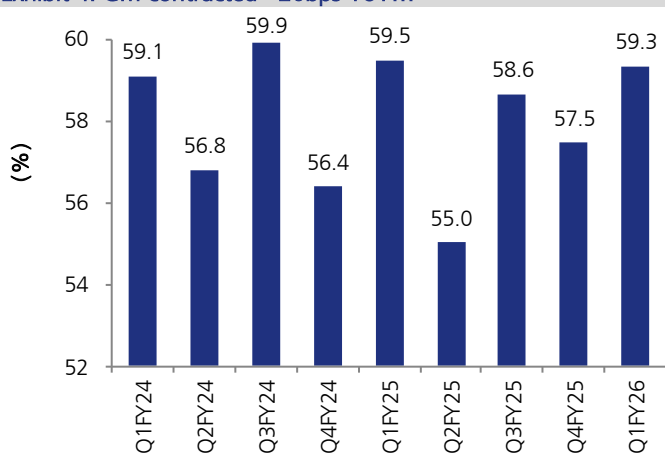
The management has a long term and exclusive agreement with Clarks to supply these shoes in all offline and online formats in India. The company believes that Clarks compliments the existing Metro and Mochi business. ASP is expected to remain ~INR 3,500-4,000.

■ FILA -

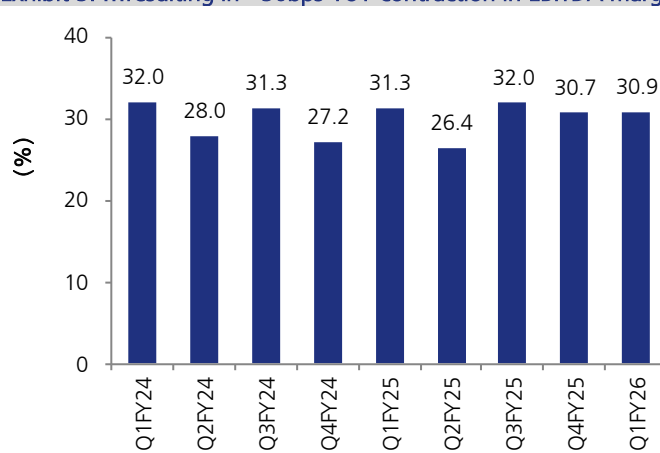
In 2023, Fila had a loss of INR 580mn. Last year this loss was reduced by 40% and the management believes the brand will break-even by FY27. It is planning to test its products in existing Metro and Mochi stores and add FILA stores from 2HFY25.

Exhibit 3. Sales/sqft declined 3% YoY to INR 4,350 in 1QFY26

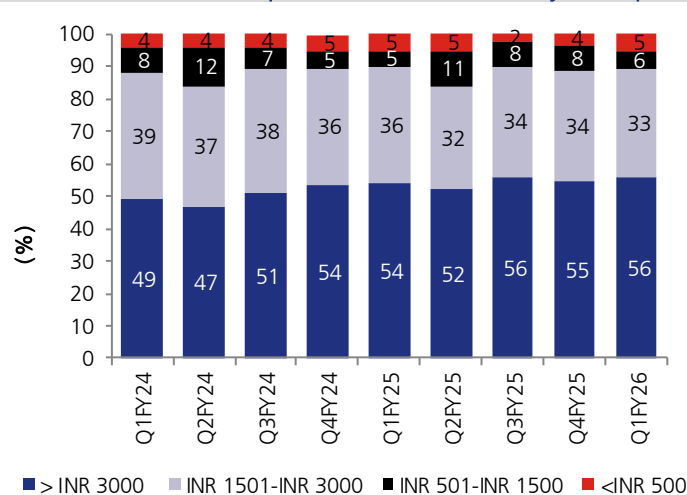
Source: Company, JM Financial

Exhibit 4. GM contracted ~20bps YoY...

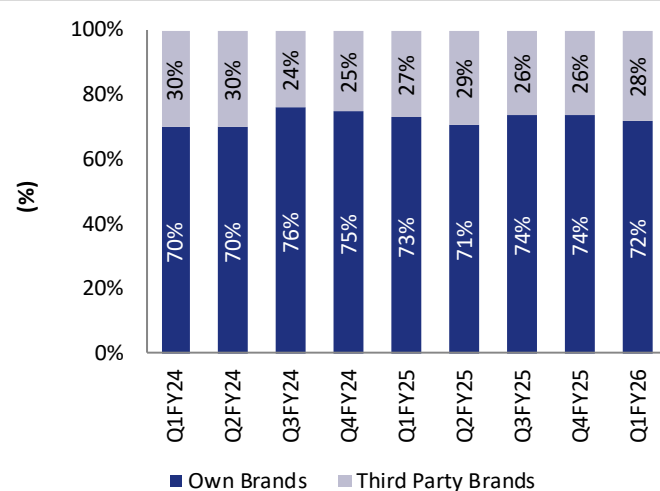
Source: Company, JM Financial

Exhibit 5. ...resulting in ~50bps YoY contraction in EBITDA margin

Source: Company, JM Financial

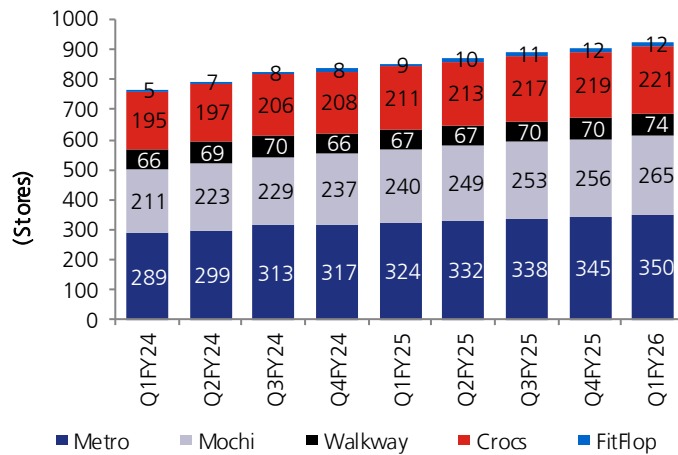
Exhibit 6. Contribution of products > INR 3,000 inc. by ~200bps YoY

Source: Company, JM Financial

Exhibit 7. Own brands contribution was 72% in 1Q

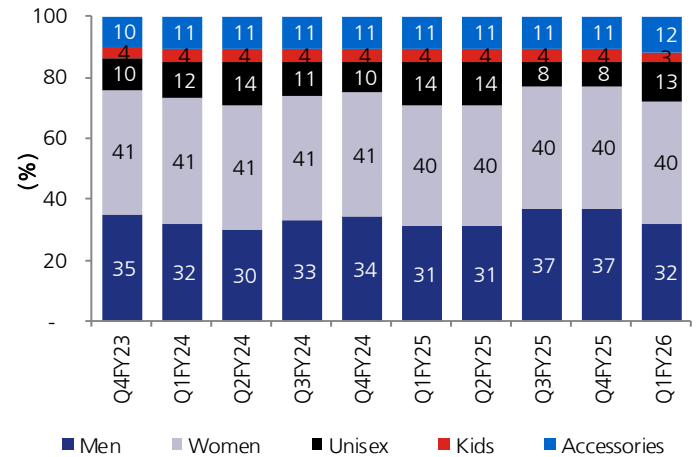
Source: Company, JM Financial

Exhibit 8. Metro/Mochi/Walkway/Crocs added 5/9/4/2 stores in 1Q



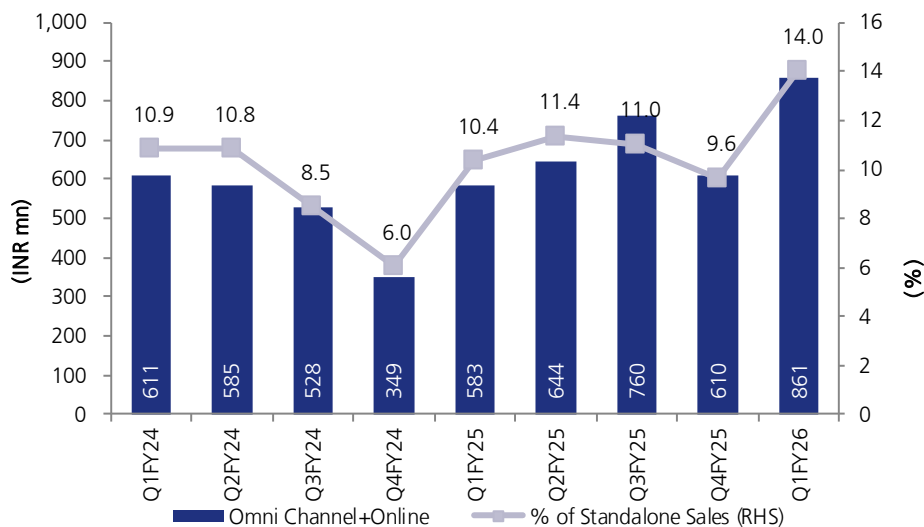
Source: Company, JM Financial

Exhibit 9. Men's contribution increased by 100bps YoY in 1Q



Source: Company, JM Financial

Exhibit 10. Omni + Online sales rose to 14% of standalone sales



Source: Company, JM Financial

Exhibit 11. Revenue per store for South declined by ~9% YoY

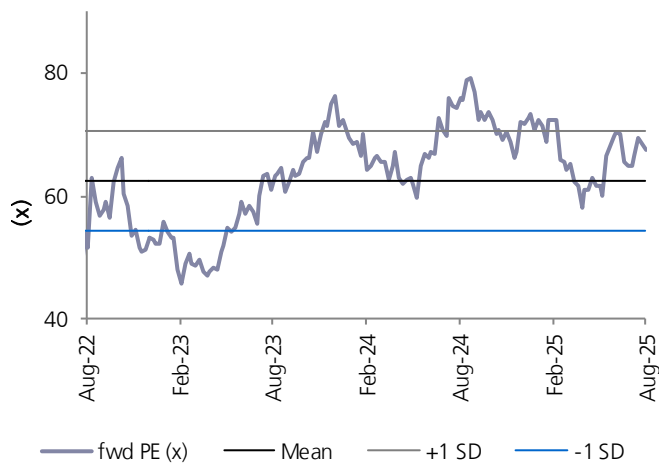
Zone Wise	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue per store (INR mn)								
South	7.6	6.9	6.8	6.8	6.8	6.8	5.9	6.2
West	7.1	7.6	7.7	6.6	6.4	8.3	7.0	6.8
North	5.4	7.3	6.2	6.1	5.4	7.6	7.4	6.4
East	6.5	9.7	5.8	7.1	8.0	8.9	7.9	7.7
Growth (% YoY)								
South	0%	-10%	-7%	-13%	-11%	0%	-13%	-9%
West	2%	-16%	9%	-8%	-10%	9%	-10%	3%
North	-8%	-6%	2%	-5%	0%	4%	18%	5%
East	-10%	11%	-23%	-9%	23%	-9%	37%	7%

Source: Company, JM Financial

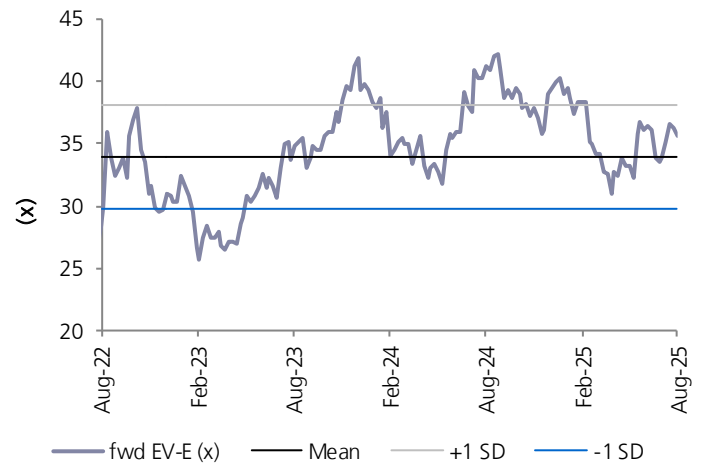
Exhibit 12. Tier III towns saw contraction of 12%; Metro/Tier 1 region grew 3%/4% YoY

Tier Wise	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue per store (INR mn)								
Metro	8.5	9.4	8.4	7.9	8.1	9.8	7.8	8.2
Tier I	6.7	7.6	6.9	6.9	6.2	8.4	7.2	7.1
Tier II	6.2	7.1	6.4	6.1	6.0	6.3	7.1	6.1
Tier III	4.0	4.5	4.1	4.4	4.6	4.8	4.1	3.9
Growth (% YoY)								
Metro	-4%	-9%	-5%	-14%	-6%	4%	-7%	3%
Tier I	1%	-8%	-1%	-4%	-7%	12%	4%	4%
Tier II	1%	-2%	2%	-9%	-4%	-11%	10%	0%
Tier III	-9%	-10%	-1%	-2%	13%	6%	1%	-12%

Source: Company, JM Financial

Exhibit 13. PE (x) 1 year forward

Source: Bloomberg

Exhibit 14. EV-EBITDA 1 year forward

Source: Bloomberg

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,559	25,074	28,439	34,569	41,276
Sales Growth	10.8%	6.4%	13.4%	21.6%	19.4%
Other Operating Income	8	0	0	0	0
Total Revenue	23,567	25,074	28,439	34,569	41,276
Cost of Goods Sold/Op. Exp	9,875	10,609	12,036	14,575	17,363
Personnel Cost	2,280	2,450	2,874	3,380	3,956
Other Expenses	4,417	4,600	4,928	5,817	6,987
EBITDA	6,996	7,415	8,601	10,797	12,971
EBITDA Margin	29.7%	29.6%	30.2%	31.2%	31.4%
EBITDA Growth	3.1%	6.0%	16.0%	25.5%	20.1%
Depn. & Amort.	2,291	2,580	2,936	3,441	3,883
EBIT	4,705	4,835	5,665	7,356	9,088
Other Income	708	930	1,162	1,280	1,412
Finance Cost	789	905	993	1,100	1,203
PBT before Excep. & Forex	4,624	4,860	5,833	7,536	9,297
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	4,624	4,860	5,833	7,536	9,297
Taxes	499	1,325	1,470	1,899	2,343
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	60	55	65	70	70
Reported Net Profit	4,125	3,513	4,388	5,667	6,994
Adjusted Net Profit	4,125	3,513	4,388	5,667	6,994
Net Margin	17.5%	14.0%	15.4%	16.4%	16.9%
Diluted Share Cap. (mn)	271.9	272.2	272.2	272.2	272.2
Diluted EPS (INR)	15.2	12.9	16.1	20.8	25.7
Diluted EPS Growth	14.1%	-14.9%	24.9%	29.1%	23.4%
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	5,878	7,586	9,352
Depn. & Amort.	2,291	2,580	2,936	3,441	3,883
Net Interest Exp. / Inc. (-)	342	288	351	385	404
Inc (-) / Dec in WCap.	-490	574	-452	-1,323	-1,398
Others	-57	20	-565	-615	-668
Taxes Paid	-840	-1,363	-1,470	-1,899	-2,343
Operating Cash Flow	5,901	6,975	6,679	7,575	9,230
Capex	-1,161	-861	-1,172	-1,217	-1,251
Free Cash Flow	4,740	6,115	5,507	6,358	7,979
Inc (-) / Dec in Investments	-1,881	1,597	-1,500	-2,000	-3,250
Others	529	488	1,162	1,280	1,412
Investing Cash Flow	-2,513	1,224	-1,510	-1,937	-3,089
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	-3,105	-3,510	-3,928
Financing Cash Flow	-3,227	-7,730	-5,011	-5,688	-6,378
Inc / Dec (-) in Cash	161	469	158	-50	-236
Opening Cash Balance	318	479	948	1,107	1,057
Closing Cash Balance	479	948	1,107	1,057	820

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	18,637	17,091	19,574	23,063	27,607
Share Capital	1,360	1,361	1,361	1,361	1,361
Reserves & Surplus	17,278	15,730	18,213	21,702	26,246
Lease Liabilities	10,984	12,271	13,729	15,093	16,479
Minority Interest	294	289	289	289	289
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	-363	-340	-340	-340	-340
Total - Equity & Liab.	29,553	29,311	33,252	38,104	44,035
Net Fixed Assets	14,916	16,114	17,945	19,524	21,043
Gross Fixed Assets	5,331	6,232	7,404	8,620	9,871
Intangible Assets	1,638	1,645	1,525	1,405	1,285
Less: Depn. & Amort.	1,829	2,525	3,204	4,085	5,083
Capital WIP	9,776	10,762	12,220	13,583	14,970
Investments	7,486	5,445	6,945	8,945	12,195
Current Assets	10,762	11,446	13,876	16,319	18,759
Inventories	7,102	6,369	8,337	10,039	11,874
Sundry Debtors	757	912	935	1,137	1,357
Cash & Bank Balances	1,474	1,010	1,168	1,118	882
Loans & Advances	17	14	13	12	12
Other Current Assets	1,414	3,141	3,423	4,012	4,634
Current Liab. & Prov.	3,612	3,694	5,514	6,683	7,962
Current Liabilities	2,574	2,258	3,896	4,736	5,654
Provisions & Others	1,038	1,436	1,618	1,948	2,308
Net Current Assets	7,151	7,752	8,362	9,636	10,797
Total - Assets	29,553	29,311	33,252	38,104	44,035

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	17.5%	14.0%	15.4%	16.4%	16.9%
Asset Turnover (x)	0.9	0.8	0.9	1.0	1.0
Leverage Factor (x)	1.6	1.7	1.7	1.7	1.6
RoE	24.2%	19.7%	23.9%	26.6%	27.6%

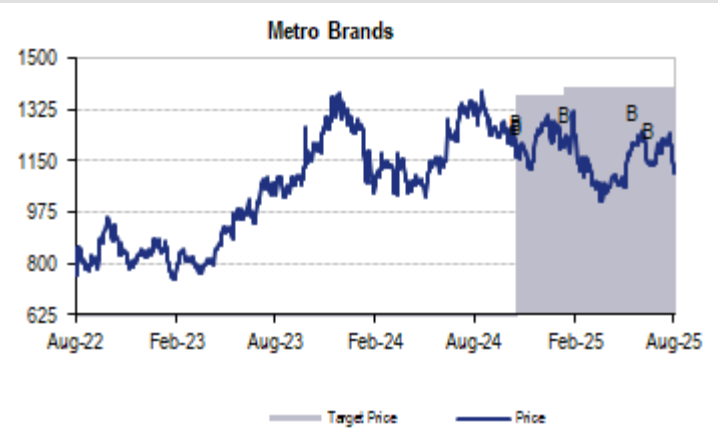
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	68.5	62.8	71.9	84.7	101.4
ROIC	44.2%	33.7%	37.4%	44.0%	48.4%
ROE	24.2%	19.7%	23.9%	26.6%	27.6%
Net Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4	-0.5
P/E (x)	73.0	85.9	68.7	53.2	43.1
P/B (x)	16.2	17.6	15.4	13.1	10.9
EV/EBITDA (x)	41.9	39.8	34.1	27.0	22.3
EV/Sales (x)	12.4	11.8	10.3	8.4	7.0
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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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