

October 24, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	1,208		1,268	
Sales (Rs. m)	30,230	35,440	30,979	36,317
% Chng.	(2.4)	(2.4)		
EBITDA (Rs. m)	8,733	10,108	8,987	10,447
% Chng.	(2.8)	(3.2)		
EPS (Rs.)	15.7	18.6	16.5	19.6
% Chng.	(4.6)	(5.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	23,567	25,801	30,230	35,440
EBITDA (Rs. m)	6,996	7,611	8,733	10,108
Margin (%)	29.7	29.5	28.9	28.5
PAT (Rs. m)	4,125	3,659	4,272	5,049
EPS (Rs.)	15.2	13.5	15.7	18.6
Gr. (%)	13.4	(11.3)	16.7	18.2
DPS (Rs.)	4.2	5.2	6.5	7.5
Yield (%)	0.4	0.4	0.6	0.6
RoE (%)	24.2	18.5	19.3	20.3
RoCE (%)	27.6	25.5	26.2	27.2
EV/Sales (x)	13.1	11.9	10.0	8.4
EV/EBITDA (x)	44.1	40.2	34.7	29.6
PE (x)	76.8	86.6	74.1	62.7
P/BV (x)	17.0	15.2	13.5	12.0

Key Data METB.BO | METROBRAIN

52-W High / Low	Rs.1,441 / Rs.990
Sensex / Nifty	80,065 / 24,399
Market Cap	Rs.317bn/ \$ 3,768m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.171.21m

Shareholding Pattern (%)

Promoter's	74.15
Foreign	3.05
Domestic Institution	5.60
Public & Others	17.20
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.0)	7.6	(3.3)
Relative	(0.3)	(0.8)	(22.0)

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Demand remains tepid, all eyes on 2H

Quick Pointers:

- 2Q sales remain affected, 2H sales expected to pick up led by wedding and festival demand
- FY25 Sales growth guidance cut from 15-18% in 4Q24 to 12-15% in 1Q25 to 10-15% in 2Q25

We cut our FY25/26/27 EPS estimates by 3.1/4.6/5.1% given 1) below estimate revenue/earnings led by tepid demand 2) drag in margins amid selling fila inventory at extreme discounts 3) lower revenue guidance for FY25 from 12-15% to 10-15% and 4) BIS issues affecting high-end international brand imports. However, MBL operating parameters are on track with 1) addition of 3 new cities in 2Q (2 in Q1) 2) increase in online/ Omni channel salience to ~11.4% of sales and 3) increase in share of >3000 MRP sales by 3ppt YoY to ~53% of sales. Long-term growth strategy is in place led by 1) geographical and store expansion (225 stores in 2 years) 2) brands licenses/acquisitions (Crocs, Fitflop, Birkenstock, New Era) 3) re-launch and scale up in FILA/ footlocker from FY25/26. We believe that valuations at 62.7x FY27 do not leave any upside in near term. We retain Hold, with back ended returns expectations in the current volatile demand scenario.

Consol Revenues grew by 5.4% YoY to Rs5.9bn. Gross margins contracted by -177bps YoY to 55%. EBITDA declined by -0.4% YoY to Rs1.5bn (PLe:Rs1.66bn). Margins contracted by -151bps YoY to 26.4%. (PLe:28.0%). Adj PAT grew by 4.6% YoY to Rs0.69bn (PLe. Rs0.73bn). Added 20 net store taking total store count to 871. ASP came at Rs1500 flat YoY/QoQ while volume increased by 5% YoY to 3.9mn pairs.

Concall highlights: 1) MBL Continue to face demand challenge in athleisure & sports segment while walkway seeing some green shoots. 2) Q2 saw less than expected sales as demand remained tepid; however, there was marginal improvement QoQ. 3) 2H is expected to continue the uptrend led by festive season & higher marriage days. 4) Gross margins were impacted by 100bps amidst liquidation of Fila inventory at higher discounts 5) E-commerce sales (including Omni-channel) was Rs640mn vs Rs580mn in Q1FY25, with 11.4% contribution to the total revenue. 6) 2Q ASP remained flat YoY as higher sale of accessories dragged the realizations. 7) As per the final notification on BIS, entire legacy stock as at 31st July, 2024 will be allowed to be liquidated till 31st July, 2026. 8) Fila has been launched in Metro/Mochi stores and EBO's are expected in 2H26 only. 9) MBL is on course to open ~225 store over FY24-FY26. 10) Revenue for FY25 to witness growth of ~10-15% with long-term CAGR guidance maintained at ~15-18%. 11) EBITDA guidance stands at ~30%-33% & PAT margin guidance at ~15-17%. 12) MBL has opened first Footlocker store in Delhi (Select Saket) with 3 more stores likely by end of FY25. 12) Sales/sqft in 2HFY25 will be better than 2HFY24.

Exhibit 1: Consol revenue degrew by 5.4% YoY, margins contracted by ~ 151bps YoY

Y/e March (Rs mn)	2QFY25	2QFY24	YoY gr. (%)	2QFY25E	% Var.	1QFY25	1HFY25	1HFY24	YoY gr. (%)
Net Sales	5,855	5,557	5.4	5,946	(1.5)	5,761	11,615	11,382	2.0
Gross Profit	3,222	3,156	2.1	3,359	(4.1)	3,427	6,649	6,598	0.8
% of NS	55.0	56.8	(176.6)	56.5	(1.5)	59.5	57.2	58.0	(0.7)
Other Expenses	1,674	1,603	4.4	1,695	(1.2)	1,623	3,297	3,178	3.7
% of NS	28.6	28.8	(25.1)	28.5	0.1	28.2	28.4	27.9	0.5
EBITDA	1,548	1,554	(0.4)	1,665	(7.0)	1,804	3,352	3,420	(2.0)
Margins %	26.4	28.0	(151.5)	28.0	(1.6)	31.3	28.9	30.0	(118.6)
Depreciation	624	572	9.2	630	(0.9)	600	1,224	1,114	9.9
Interest	218	197	10.7	215	1.5	208	426	382	11.5
Other Income	234	162	44.6	180	29.8	234	467	305	53.1
PBT	939	947	(0.8)	1,000	(6.0)	1,230	2,169	2,229	(2.7)
Tax	225	275	(18.4)	260	(13.5)	309	534	629	(15.1)
Tax rate %	23.9	29.1	(5.2)	26.0	(2.1)	25.1	24.6	28.2	(3.6)
Share of JV/Associates	5	5	-			2	7	11	(36.6)
Non-controlling Interest	22	9	138.7	10		5	28	16	72.5
Adjusted PAT	698	667	4.6	730	(4.4)	917	1,615	1,595	1.2

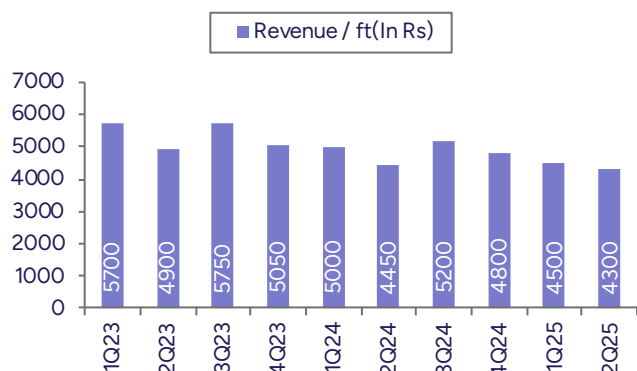
Source: Company, PL

Exhibit 2: Premiumisation sustained as share of mid prices segments down by 200/400bps YoY

Product Pricing wise Sales Mix(Rs)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
>3,000	43%	43%	44%	44%	49%	48%	49%	50%	54%	53%
1,501-3,000	43%	43%	42%	42%	39%	38%	38%	37%	35%	34%
501-1,500	10%	10%	10%	10%	8%	10%	9%	9%	6%	8%
<500	4%	4%	4%	4%	4%	4%	4%	4%	5%	5%
Own Brands Contribution										
Own Brands	75%	73%	74%	74%	70%	70%	72%	73%	73%	72%
Third Party	25%	27%	26%	26%	30%	30%	28%	27%	27%	28%

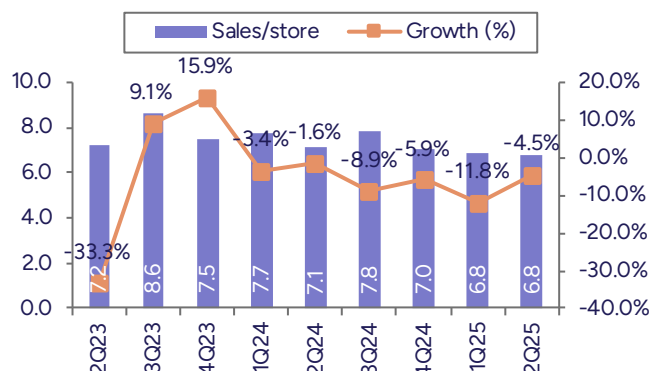
Source: Company, PL

Exhibit 3: Revenue/sq.ft declines 3.3% YoY on tepid demand



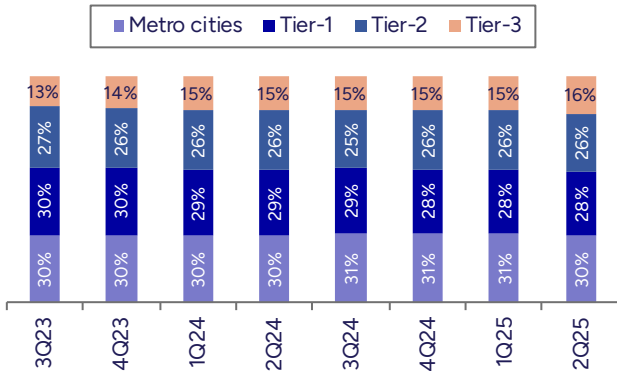
Source: Company, PL

Exhibit 4: Sales/store down 4.2% YoY



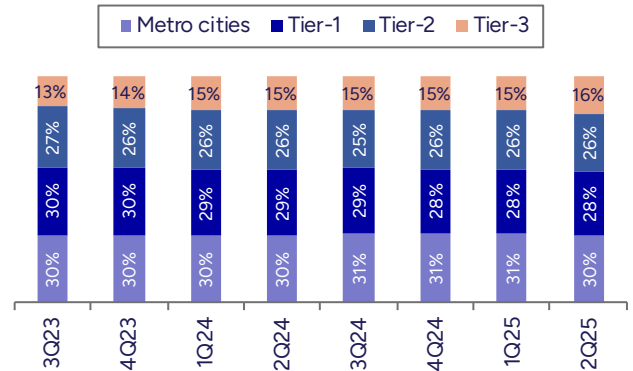
Source: Company, PL

Exhibit 5: Salience of metro cities stable at 30-31%



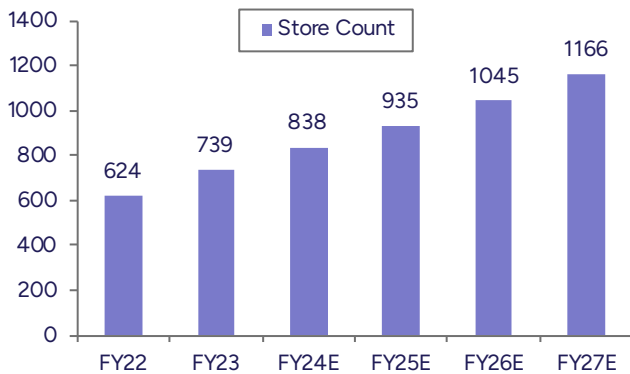
Source: Company, PL

Exhibit 6: ASP at Rs1500 with 3.9mn pairs sold in 2Q25



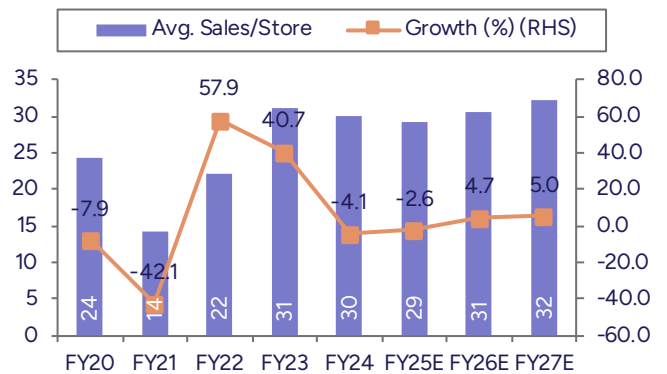
Source: Company, PL

Exhibit 7: ~225 stores to be added till FY26



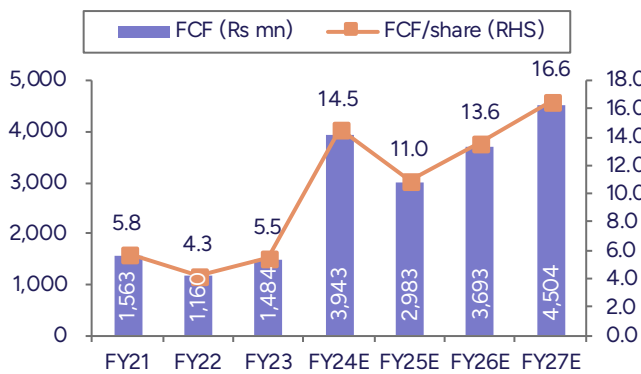
Source: Company, PL

Exhibit 8: Sales/store to increase 10% over FY24-27



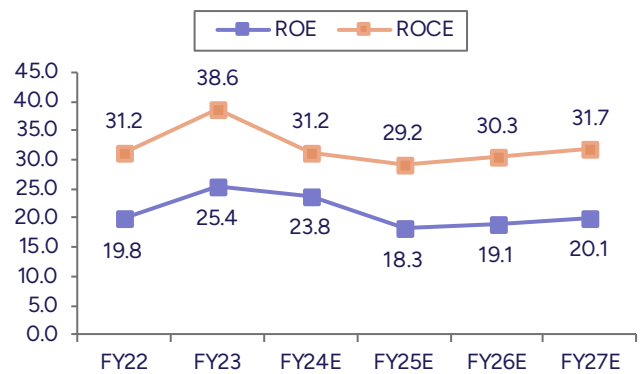
Source: Company, PL

Exhibit 9: FCF shows healthy growth over long term

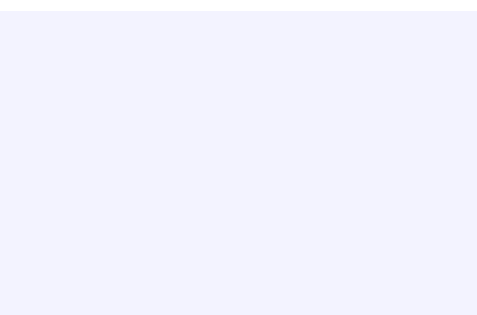


Source: Company, PL

Exhibit 10: ROE & ROCE to stabilize at healthy levels



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	23,567	25,801	30,230	35,440
YoY gr. (%)	10.8	9.5	17.2	17.2
Cost of Goods Sold	9,875	10,836	12,848	15,151
Gross Profit	13,692	14,964	17,382	20,289
Margin (%)	58.1	58.0	57.5	57.3
Employee Cost	2,280	2,619	3,079	3,631
Other Expenses	4,417	4,734	5,571	6,550
EBITDA	6,996	7,611	8,733	10,108
YoY gr. (%)	3.0	8.8	14.7	15.8
Margin (%)	29.7	29.5	28.9	28.5
Depreciation and Amortization	2,291	2,574	2,927	3,329
EBIT	4,705	5,037	5,806	6,779
Margin (%)	20.0	19.5	19.2	19.1
Net Interest	789	907	1,033	1,164
Other Income	708	814	999	1,206
Profit Before Tax	4,624	4,944	5,772	6,822
Margin (%)	19.6	19.2	19.1	19.2
Total Tax	499	1,286	1,501	1,774
Effective tax rate (%)	10.8	26.0	26.0	26.0
Profit after tax	4,125	3,659	4,271	5,048
Minority interest	30	33	36	39
Share Profit from Associate	30	33	37	40
Adjusted PAT	4,125	3,659	4,272	5,049
YoY gr. (%)	13.5	(11.3)	16.7	18.2
Margin (%)	17.5	14.2	14.1	14.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,125	3,659	4,272	5,049
YoY gr. (%)	14.7	(11.3)	16.7	18.2
Margin (%)	17.5	14.2	14.1	14.2
Other Comprehensive Income	12	-	-	-
Total Comprehensive Income	4,137	3,659	4,272	5,049
Equity Shares O/s (m)	272	272	272	272
EPS (Rs)	15.2	13.5	15.7	18.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	6,761	7,687	8,631	9,810
Tangibles	5,331	6,229	7,144	8,294
Intangibles	1,429	1,458	1,487	1,517
Acc: Dep / Amortization	2,050	2,710	3,466	4,345
Tangibles	1,829	2,416	3,098	3,901
Intangibles	221	294	368	444
Net fixed assets	4,711	4,977	5,165	5,465
Tangibles	3,502	3,813	4,046	4,392
Intangibles	1,209	1,164	1,119	1,073
Capital Work In Progress	93	173	200	223
Goodwill	409	409	409	409
Non-Current Investments	1,268	1,403	1,548	1,707
Net Deferred tax assets	359	359	359	359
Other Non-Current Assets	9,766	10,261	10,750	11,274
Current Assets				
Investments	7,994	9,546	12,999	16,480
Inventories	7,102	7,642	8,699	9,475
Trade receivables	757	1,060	1,242	1,456
Cash & Bank Balance	479	1,014	651	1,029
Other Current Assets	432	473	554	650
Total Assets	33,526	37,644	43,069	49,219
Equity				
Equity Share Capital	1,360	1,360	1,360	1,360
Other Equity	17,278	19,512	22,020	25,032
Total Networth	18,638	20,872	23,379	26,392
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	7	12	19	26
Other non current liabilities	9,526	10,878	12,644	14,665
Current Liabilities				
ST Debt / Current of LT Debt	-	16	16	17
Trade payables	2,570	2,730	3,309	3,759
Other current liabilities	2,488	2,739	3,190	3,713
Total Equity & Liabilities	33,526	37,644	43,069	49,219

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,624	4,944	5,772	6,822
Add. Depreciation	2,291	2,574	2,927	3,329
Add. Interest	789	907	1,033	1,164
Less Financial Other Income	708	814	999	1,206
Add. Other	917	1,150	1,543	1,767
Op. profit before WC changes	8,621	9,576	11,275	13,082
Net Changes-WC	(133)	(545)	(342)	(177)
Direct tax	(530)	(1,187)	(1,385)	(1,637)
Net cash from Op. activities	7,957	7,844	9,548	11,268
Capital expenditures	(4,038)	(3,443)	(3,662)	(4,211)
Interest / Dividend Income	-	-	-	-
Others	(2,020)	(1,551)	(3,453)	(3,481)
Net Cash from Invt. activities	(6,058)	(4,994)	(7,115)	(7,691)
Issue of share cap. / premium	189	1	1	1
Debt changes	(15)	16	-	1
Dividend paid	(1,154)	(1,425)	(1,765)	(2,036)
Interest paid	(789)	(907)	(1,033)	(1,164)
Others	30	-	-	-
Net cash from Fin. activities	(1,739)	(2,315)	(2,797)	(3,199)
Net change in cash	160	535	(364)	378
Free Cash Flow	3,919	4,402	5,886	7,057

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	6,355	5,830	5,761	5,855
YoY gr. (%)	6.1	7.1	(1.1)	5.4
Raw Material Expenses	2,549	2,542	2,334	2,633
Gross Profit	3,806	3,288	3,427	3,222
Margin (%)	59.9	56.4	59.5	55.0
EBITDA	1,990	1,586	1,804	1,548
YoY gr. (%)	(3.0)	10.5	(3.3)	(0.4)
Margin (%)	31.3	27.2	31.3	26.4
Depreciation / Depletion	586	591	600	624
EBIT	1,403	996	1,204	924
Margin (%)	22.1	17.1	20.9	15.8
Net Interest	204	203	208	218
Other Income	160	244	234	234
Profit before Tax	1,359	1,036	1,230	939
Margin (%)	21.4	17.8	21.3	16.0
Total Tax	379	(508)	309	225
Effective tax rate (%)	27.9	(49.0)	25.1	23.9
Profit after Tax	981	1,544	921	715
Minority interest	10	4	5	22
Share Profit from Associates	7	12	2	5
Adjusted PAT	978	1,552	917	698
YoY gr. (%)	(12.6)	126.6	(1.2)	4.6
Margin (%)	15.4	26.6	15.9	11.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	978	1,552	917	698
YoY gr. (%)	(12.6)	126.6	(1.2)	4.6
Margin (%)	15.4	26.6	15.9	11.9
Other Comprehensive Income	(1)	14	-	(2)
Total Comprehensive Income	978	1,566	917	696
Avg. Shares O/s (m)	272	136	136	272
EPS (Rs)	1.8	5.7	3.4	1.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	15.2	13.5	15.7	18.6
CEPS	23.6	22.9	26.5	30.8
BVPS	68.5	76.8	86.0	97.1
FCF	14.4	16.2	21.6	26.0
DPS	4.2	5.2	6.5	7.5
Return Ratio(%)				
RoCE	27.6	25.5	26.2	27.2
ROIC	18.8	18.6	19.7	21.4
RoE	24.2	18.5	19.3	20.3
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.6)	(0.7)
Net Working Capital (Days)	82	84	80	74
Valuation(x)				
PER	76.8	86.6	74.1	62.7
P/B	17.0	15.2	13.5	12.0
P/CEPS	49.4	50.8	44.0	37.8
EV/EBITDA	44.1	40.2	34.7	29.6
EV/Sales	13.1	11.9	10.0	8.4
Dividend Yield (%)	0.4	0.4	0.6	0.6

Source: Company Data, PL Research

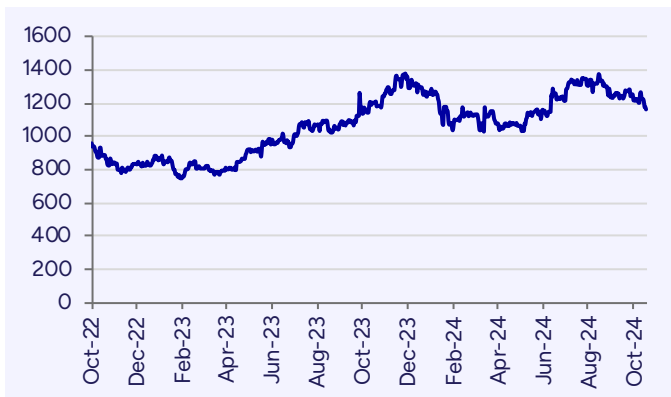
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost of Retail	7	9	14	14
Number of Stores added	121	133	147	152

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	1,268	1,255
2	26-Sep-24	Hold	1,268	1,253
3	12-Aug-24	UR	-	1,311
4	09-Jul-24	Hold	1,190	1,218
5	23-May-24	Hold	1,115	1,125
6	09-Apr-24	Hold	1,063	1,038
7	19-Jan-24	Hold	1,109	1,166

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	3,073
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	Accumulate	6,397	6,206
4	Colgate Palmolive	Reduce	3,130	3,740
5	Dabur India	Hold	603	572
6	Emami	Hold	836	743
7	Hindustan Unilever	Hold	2,744	2,659
8	ITC	Accumulate	541	504
9	Jubilant FoodWorks	Hold	582	629
10	Kansai Nerolac Paints	Reduce	286	292
11	Marico	Hold	681	690
12	Metro Brands	Hold	1,268	1,255
13	Mold-tek Packaging	Accumulate	853	749
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,454	3,226
16	Restaurant Brands Asia	Accumulate	129	110
17	Titan Company	Accumulate	3,969	3,670
18	Westlife Foodworld	Hold	889	889

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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