

# Metro Brands

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	METROBRA IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	309.8 / 3.7
52-Week Range (INR)	1441 / 736
1, 6, 12 Rel. Per (%)	-12/0/14
12M Avg Val (INR M)	188

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	21.3	23.8	29.4
EBITDA	6.8	6.9	9.1
Adj. PAT	3.6	3.2	4.4
EBITDA Margin (%)	31.9	29.0	30.9
Adj. EPS (INR)	13.3	11.7	16.1
EPS Gr. (%)	70.7	(12.1)	38.2
BV/Sh. (INR)	58.3	65.8	76.2

## Ratios

Net D:E	0.2	0.3	0.3
RoE (%)	25.7	19.3	23.3
RoCE (%)	18.4	13.6	15.4
Payout (%)	37.4	37.2	37.2

## Valuations

P/E (x)	87.7	99.8	72.2
EV/EBITDA (x)	47.8	47.3	36.0
EV/Sales (X)	15.2	13.7	11.1
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	0.9	1.4	1.7

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	74.2	74.2	74.2
DII	6.0	6.1	4.9
FII	2.7	2.3	3.2
Others	17.2	17.5	17.6

FII Includes depository receipts

**CMP: INR1,140 TP: INR1,380 (+21%) Buy**

## Soft earnings; recovery likely in FY25

- Metro Brands (METRO) reported weak revenue growth of 6% YoY (12% miss) as same-store sales declined 10% due to a high base last year (Covid) and a soft demand and pricing environment. A higher growth contribution of INR3000+ ASP products boosted gross margins, which resulted in adj. EBITDA margin/PAT margin of 33.6%/18% (in line).
- In the near term, we believe that the risk of soft demand, potential losses in Fila, and a moderation in margins could weigh on growth. But, in the long term, healthy store economics, steady store adds and a growth opportunity in Fila/Foot Locker should drive a CAGR of 22%/32% in revenue/PAT over FY24-26. We reiterate our BUY rating on the stock.

## PAT down 13% (big miss) dragged by lower revenues and CBL loss

- Consolidated revenues grew 6% YoY to INR6.4b (12% miss) mainly drive by footprint addition as revenue/sqft remained a drag due to higher base.
- Excluding CBL revenue, revenue grew 5% YoY to INR6.3b.
- The company added net 23 stores in 3QFY24 taking the total store count to 840 stores. Excluding FILA, the company added net 31 stores.
- Gross profit increased 7% YoY to INR3.8b while margins saw an expansion of 70bps YoY to 59.9%.
- EBITDA witnessed a decline of 3% YoY to INR2b (17% miss) as the higher Gross margins were offset by higher employee and other expenses. Adjusting for CBL loss, EBITDA was up 3% YoY to INR2.1b with 33.6% margin.
- PAT witnessed a decline of 13% YoY to INR981m (25% miss). However, adjusting CBL loss, PAT remained flat YoY at INR1.1b.
- For 9MFY24, revenues reported a growth of 12% YoY to INR17.7b, while EBITDA grew by merely 1% to INR5.4b dragged by lower margins from Cravatex and higher opex. PAT for 9MFY24 reported a decline of 13% YoY to INR2.6b dragged by losses from CBL.

## Key takeaways from management commentary

- **Guidance:** The management has reiterated its guidance of 55-57% gross margins, +30% EBITDA margin and 15-17% NP margin. Revenue growth would be ~18%, led by store adds and SSSG.
- **SSSG could remain weak in 4QFY24:** There has not been any economic headwind for target customers. The decline in same-store sales was due to a high base of last year's post-Covid demand, which could impact 4QFY24 as well.
- **Fila inventory** stands at INR300m on cost and is expected to be liquidated by Jun'24.
- **Foot Locker-** Expects the productivity to be similar/higher compared to Metro. The company would open 3,000/5,000 sqft stores in metro and Tier 1 cities.

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@MotilalOswal.com)

Research Analyst: Tanmay Gupta (Tanmay.Gupta@MotilalOswal.com) | Harsh Gokalgandhi (Harsh.Gokalgandhi@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- At P/E of 57x on FY26E EPS, METRO trades at rich valuations, considering: 1) a strong runway for growth, largely funded through internal sources, given its strong OCF-to-EBITDA ratio of over 50%; and b) superior store economics reflected in the balance sheet and a healthy RoIC of +50%.
- In the near term, we believe that the risk of soft demand, potential losses in Fila, and a moderation in margins could weigh on growth. But, in the long term, healthy store economics, steady store adds and growth opportunity in Fila/Foot Locker should drive growth.
- We factor in a CAGR of 22%/32% in revenue/PAT over FY24-26 and assign PE of 60x on FY26E PAT of METRO's existing portfolio. A combination of superior store economics and a strong runway of growth should allow METRO to garner rich valuations going ahead.
- We have not factored in Fila and Foot Locker earnings, but we believe they have revenue potential of INR15-20b over the next 3-5 years (i.e., 30-40% share of METRO). Since both the brands are at the initial stage of investing, we value Fila/Foot Locker at a ~75% discount to the potential value, which creates an option value of INR150 (Exhibit 2), thus arriving at a valuation of INR1,380 per share.

**Consolidated - Quarterly Earning**

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue</b>	<b>5,080</b>	<b>4,763</b>	<b>5,987</b>	<b>5,441</b>	<b>5,825</b>	<b>5,557</b>	<b>6,355</b>	<b>6,078</b>	<b>21,271</b>	<b>23,815</b>	<b>7,207</b>	<b>-11.8</b>
YoY Change (%)	286.6	46.7	23.8	35.0	14.7	16.7	6.1	11.7	58.4	12.0	20.4	
Total Expenditure	3,251	3,292	3,935	4,006	3,959	4,003	4,365	4,593	14,483	16,921	4,811	-9.3
<b>EBITDA</b>	<b>1,829</b>	<b>1,472</b>	<b>2,052</b>	<b>1,436</b>	<b>1,866</b>	<b>1,554</b>	<b>1,990</b>	<b>1,485</b>	<b>6,788</b>	<b>6,895</b>	<b>2,396</b>	<b>-17.0</b>
EBITDA Margin (%)	36.0	30.9	34.3	26.4	32.0	28.0	31.3	24.4	31.9	29.0	33.3	1.9
Depreciation	390	414	504	502	543	572	586	600	1,810	2,300	593	-1.1
Interest	134	148	173	175	185	197	204	223	631	809	201	1.3
Other Income	93	118	146	187	144	162	160	161	544	626	153	3.9
<b>PBT</b>	<b>1,397</b>	<b>1,027</b>	<b>1,521</b>	<b>946</b>	<b>1,282</b>	<b>946</b>	<b>1,359</b>	<b>823</b>	<b>4,891</b>	<b>4,411</b>	<b>1,756</b>	<b>-22.6</b>
Tax	345	253	394	267	353	275	379	228	1,257	1,235	457	-17.1
Rate (%)	24.7	24.6	25.9	28.2	27.5	29.1	27.9	27.7	25.7	28.0	26.0	
MI & Profit/Loss of Asso. Cos.	5	5	2	8	0	0	0	0	20	0	0	
<b>PAT before MI</b>	<b>1,052</b>	<b>774</b>	<b>1,128</b>	<b>680</b>	<b>929</b>	<b>671</b>	<b>981</b>	<b>595</b>	<b>3,634</b>	<b>3,176</b>	<b>1,300</b>	<b>-24.5</b>
<b>Adj PAT post MI</b>	<b>1,058</b>	<b>779</b>	<b>1,130</b>	<b>688</b>	<b>929</b>	<b>671</b>	<b>981</b>	<b>595</b>	<b>3,654</b>	<b>3,176</b>	<b>1,300</b>	<b>-24.5</b>
YoY Change (%)	-973	41	11	-1	-12	-14	-13	-13	70.4	-13.1	15	

E: MOFSL Estimates

**Exhibit 1: Valuation on FY26E**

(INR/share)	Mar'26
EPS (INR)	21
Target P/E (x)	60
<b>Target price for Metro Brands</b>	<b>1,231</b>
Add: Option value for Fila/Foot Locker (Exhibit 2)	149
<b>Target price for Metro Brands including option value</b>	<b>1,380</b>
CMP	1,166
Upside (%)	18%

**Exhibit 2: Option value for Fila and Foot Locker**

INRb	in next 3-5 years
Foot Locker revenue	10
Fila	10
Incremental revenue	20
PAT margin	13
PAT	2.7
Target P/E	15x
Market cap	40
No of shares	272
per share	149

**Update on implementation of BIS for footwear**

- The Department for Promotion of Industry and Internal Trade (DPIIT) issued BIS Quality Control Order (QCO) for footwear which is mandatory from 1<sup>st</sup> Jan'24 for most categories of footwear.
- In order to circumvent any potential supply chain disruptions, MBL has front loaded inventory buying to some extent which is expected to lead to higher inventory levels until end of 1QFY25.

**Store adds-**

- The company added net 23 stores in 3QFY24 taking the total store count to 840 stores, which included 14 stores within FILA. Excluding fila the company added net 31 stores with total store count of 826 stores.
- **It added 87 stores in 9MFY24, excluding CBL.**

**Strategic partnership**

- The company announced strategic partnership with Foot Locker which is expected to provide access to premium brands globally in sports, athleisure & sneakers space.
- Footlocker partnership fits strategically and addresses big white space for MBL in sports & athleisure category which is expected to grow exponentially in coming years in India.

**Cravatex brands (CBL) update-**

- CBL revenue for 3QFY24 stood at INR80m which contributed ~1% of consolidated revenues.
- EBITDA loss widened to INR120m (INR90m in 1QFY24 and INR70m in 2QFY24).
- The management indicated that the liquidation of excess inventory is on track & will substantially complete by Mar'24.

**Exhibit 1: Metro and CBL performance bifurcation**

INRm	FY23	FY24E	FY25E	FY26E
Consol revenue	21,271	23,815	29,392	35,565
Standalone revenue	20,961	23,309	28,614	33,587
CBL revenue	310*	507	778	1,978
Mix of CBL		2%	3%	6%
Consol GP	12,351	13,837	17,077	20,663
Standalone GP	12,340	13,659	16,688	19,674
CBL GP	110*	177	389	989
Mix of CBL		1%	2%	5%
Consol margin	58.1%	58.1%	58.1%	58.1%
Standalone margin	58.9%	58.6%	58.3%	58.6%
CBL margin	35.5%	35.0%	50.0%	50.0%
Consol EBITDA	6,788	6,895	9,082	11,452
Standalone EBITDA	6,908	7,271	9,043	11,353
CBL EBITDA	-120*	-376	39	99
Mix of CBL		-5%	0%	1%
Consol margin	31.9%	29.0%	30.9%	32.2%
Standalone margin	33.0%	31.2%	31.6%	33.8%
CBL margin	-38.7%	-74.2%	5.0%	5.0%

\*Numbers for 4 reported months i.e. Dec'22- Mar'23

Source: MOFSL, Company

**Exhibit 2: Metro and CBL mix share in performance for 3QFY24**

INRm	Consol	Standalone	CBL	Mix
Total Revenue	6,355	6,275	80	1%
YoY	6	5		
EBITDA	1,990	2,110	-120	-6%
margin	31.3%	33.6%	-150.0%	
YoY	-3	3		
PAT	981	1,131	-150	-13%
margin	15.4%	18.0%	-187.5%	
YoY	-13	0		

Source: MOSL, Company

**Key takeaways from the management commentary****Key highlights**

- **Guidance:** The management has reiterated its guidance of 55-57% gross margins, +30% EBITDA margin and 15-17% NP margin. Revenue would grow ~18%, led by store adds and SSSG.
- **SSSG could remain weak in 4QFY24:** There has not been any economic headwind for target customers. The decline in same-store sales was due to a high base of last year's post-Covid demand, which could impact 4QFY24 as well.
- **Fila inventory** stands at INR300m on cost and is expected to be liquidated by Jun'24.
- **Foot Locker-** Expects the productivity to be similar/higher compared to METRO. The company would open 3,000/5,000 sqft stores in metro and Tier 1 cities.

**Detailed notes****Macro environment**

- No economic headwinds for the business as the premium product (INR3000+) which Metro caters are doing well.
- A higher base due to pent-up demand last year led to a decline in same-store sales for the quarter, which is expected to continue in 4QFY24.
- The company is witnessing unusually high discounts in the footwear space offered by their peers in this quarter. The company continues to follow its 'no discount' policy.

**Fila**

- Fila has started a marketing campaign and is on track to liquidate its inventory by Jun'24 (INR300m inventory on cost).
- The company expects to close most of the existing FILA stores by Jun'24 (19 stores as of Dec'23)
- In FY25, it will focus on the re-launch of FILA by leveraging Metro/ Mochi MBOs.

**Foot Locker**

- Multi-decade-long licensing agreement with auto renewal clauses
- Exclusive rights to own and operate Foot Locker stores in India; the company would initiate Foot Locker stores in metro and Tier 1 cities with higher price points.
- There are 2 type of stores METRO will focus on: a) 3,000sqft - Foot Locker stores, and b) 5,000sqft - Power stores.
- Expects productivity for Foot Locker to be similar/higher compared to METRO.
- Metro to pay royalty on Footlocker sales in India.

**BIS Quality Control Order**

- Mandatory from 1st Jan'24 for most categories of footwear.
- BIS QCO implementation is deferred until further notice for micro and small industries as defined under the MSME Act.
- This could lead to a slightly higher cost for METRO.
- In order to circumvent any potential supply-chain disruptions, METRO has front-loaded inventory to some extent, which would lead to higher inventory levels till Jun'24.

**Exhibit 3: Quarterly performance**

	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s Est (%)	3QFY24*	YoY%	QoQ%
<b>Total Revenue</b>	<b>5,987</b>	<b>5,557</b>	<b>6,355</b>	<b>6</b>	<b>14</b>	<b>7,207</b>	<b>-12</b>	<b>6,275</b>	<b>5</b>	<b>16</b>
Raw Material cost	2,441	2,401	2,549	4	6	2,980	-14			
<b>Gross Profit</b>	<b>3,546</b>	<b>3,156</b>	<b>3,806</b>	<b>7</b>	<b>21</b>	<b>4,227</b>	<b>-10</b>			
<b>Gross margin (%)</b>	<b>59.2</b>	<b>56.8</b>	<b>59.9</b>	<b>66</b>	<b>309</b>	<b>58.7</b>	<b>124</b>			
Employee Costs	496	553	604	22	9	605	0			
SGA Expenses	998	1,050	1,213	21	15	1,225	-1			
<b>EBITDA</b>	<b>2,052</b>	<b>1,554</b>	<b>1,990</b>	<b>-3</b>	<b>28</b>	<b>2,396</b>	<b>-17</b>	<b>2,110</b>	<b>3</b>	<b>30</b>
<b>EBITDA margin (%)</b>	<b>34.3</b>	<b>28.0</b>	<b>31.3</b>	<b>-296</b>	<b>335</b>	<b>33.3</b>	<b>-193.9</b>	<b>33.6</b>	<b>-65</b>	<b>345</b>
Depreciation and amortization	504	572	586	16	3	593	-1			
EBIT	1,548	982	1,403	-9	43	1,804	-22			
EBIT margin (%)	25.8	17.7	22.1	-376	441	25.0	-294			
Finance Costs	173	197	204	18	3	201	1			
Other income	146	162	160	9	-1	153	4			
Exceptional item	0	0	0	NM	NM	0	NM			
<b>Profit before Tax</b>	<b>1,521</b>	<b>946</b>	<b>1,359</b>	<b>-11</b>	<b>44</b>	<b>1,756</b>	<b>-23</b>			
Tax	394	275	379	-4	37	457	-17			
Tax rate (%)	25.9	29.1	27.9	199	-125	26.0	NM			
<b>Profit after Tax</b>	<b>1,128</b>	<b>671</b>	<b>981</b>	<b>-13</b>	<b>46</b>	<b>1,300</b>	<b>-25</b>	<b>1131</b>	<b>0</b>	<b>40</b>
<b>Adj Profit after Tax</b>	<b>1,128</b>	<b>671</b>	<b>981</b>	<b>-13</b>	<b>46</b>	<b>1,300</b>	<b>-25</b>	<b>1131</b>	<b>0</b>	<b>40</b>
PAT margin (%)	18.8	12.1	15.4	-340	336	18.0	-260	18.0	-82	302

\* Refer to the core Metro financials (excluding Fila)

Source: MOFSL, Company

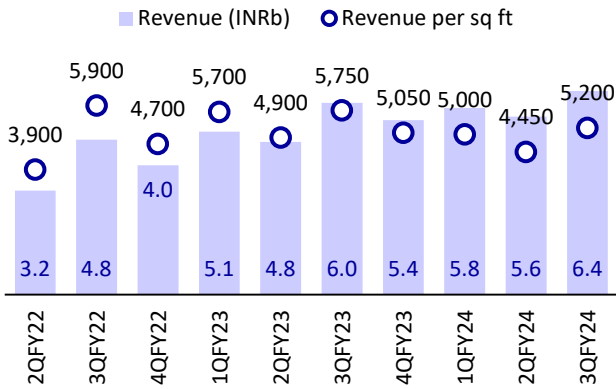
**Exhibit 4: Summary of changes to our estimates**

	FY24E	FY25E
<b>Revenue (INR m)</b>		
Old	24,939	30,330
Actual/New	23,815	29,392
Change (%)	-4.5	-3.1
<b>GP (INR m)</b>		
Old	14,377	17,485
Actual/New	13,837	17,077
Change (%)	-3.8	-2.3
<b>EBITDA (INR m)</b>		
Old	7,345	9,690
Actual/New	6,895	9,082
Change (%)	-6.1	-6.3
<b>EBITDA margin (%)</b>		
Old	29.5	32.0
Actual/New	29.0	30.9
Change (bp)	-50	-105
<b>Net Profit (INR m)</b>		
Old	3,650	5,030
Actual/New	3,176	4,387
Change (%)	-13.0	-12.8
<b>EPS (INR)</b>		
Old	13.4	18.5
Actual/New	11.7	16.1
Change (%)	-13.0	-12.8

Source: MOFSL, Company

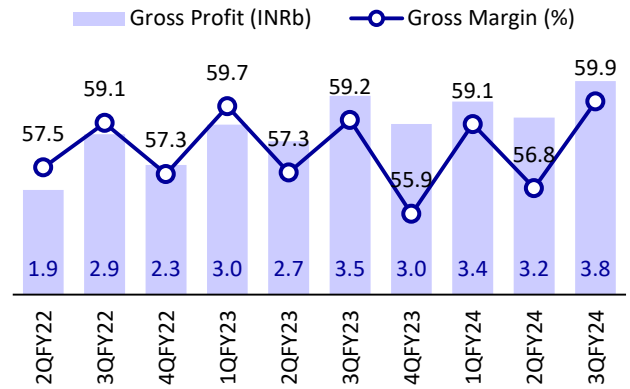
Story in charts

Exhibit 5: Revenue up 6% YoY; revenue per sqft down 10%



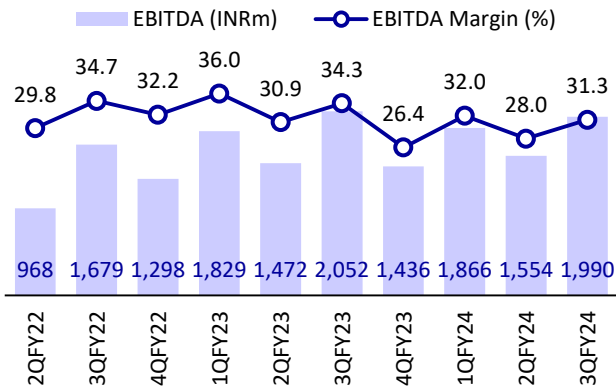
Source: MOFSL, Company

Exhibit 6: GP up 7% YoY; margins improved due to higher contribution of INR3000+ product ASP



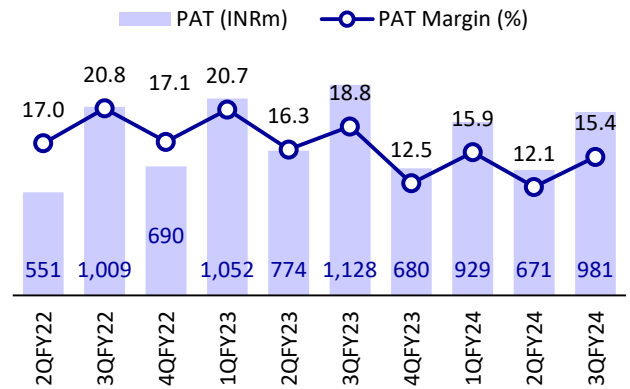
Source: MOFSL, Company

Exhibit 7: EBITDA margins fell YoY due to CBL loss and lesser productivity



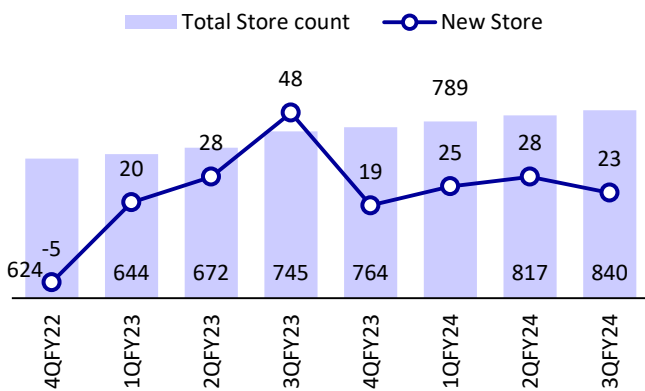
Source: MOFSL, Company

Exhibit 8: PAT declined due to CBL loss and lower productivity



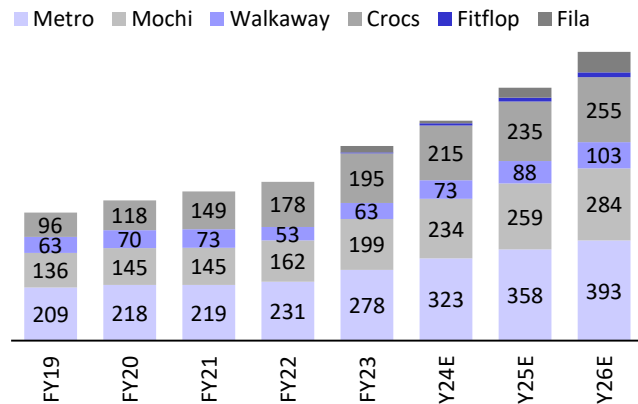
Source: MOFSL, Company

Exhibit 9: Store count grew by 13% YoY



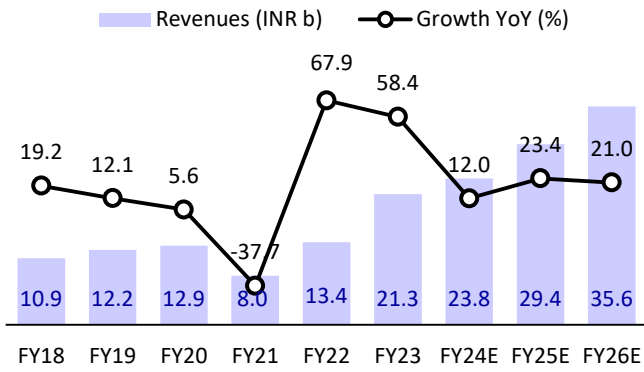
Source: MOFSL, Company

Exhibit 10: Format-wise store counts



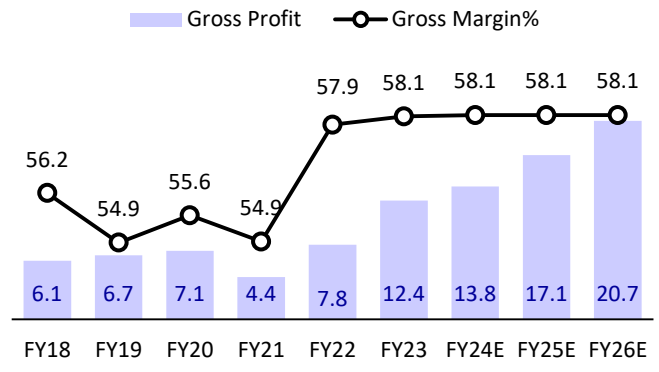
Source: MOFSL, Company

**Exhibit 11: Expect 22% revenue CAGR over FY24-26**



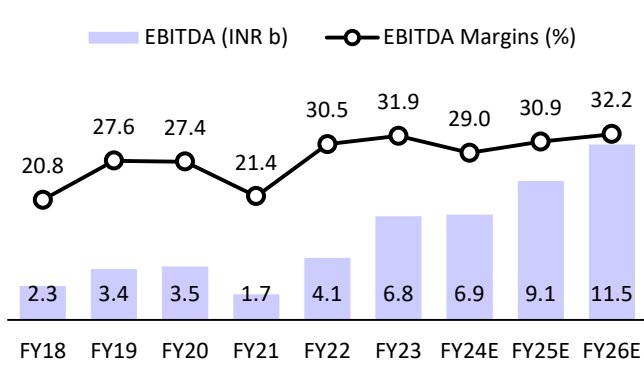
Source: MOFSL, Company

**Exhibit 12: Expect GP to grow in line with revenue of 22%**



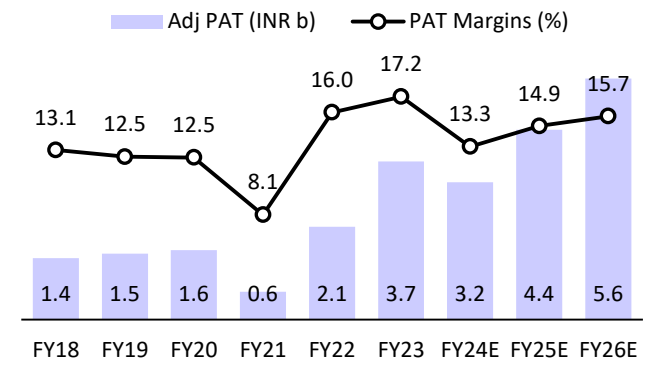
Source: MOFSL, Company

**Exhibit 13: Expect EBITDA margins to recover by FY25**



Source: MOFSL, Company

**Exhibit 14: PAT margins to improve from FY25**



Source: MOFSL, Company



## Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Income from Operations</b>	<b>12,171</b>	<b>12,852</b>	<b>8,001</b>	<b>13,429</b>	<b>21,271</b>	<b>23,815</b>	<b>29,392</b>	<b>35,565</b>
Change (%)	12.1	5.6	-37.7	67.9	58.4	12.0	23.4	21.0
Raw Materials	5,487	5,707	3,605	5,659	8,920	9,979	12,315	14,902
<b>Gross Profit</b>	<b>6,683</b>	<b>7,145</b>	<b>4,396</b>	<b>7,770</b>	<b>12,351</b>	<b>13,837</b>	<b>17,077</b>	<b>20,663</b>
Margin (%)	54.9	55.6	54.9	57.9	58.1	58.1	58.1	58.1
Employees Cost	1,121	1,268	1,026	1,212	1,843	2,322	2,704	3,165
Other Expenses	2,204	2,351	1,655	2,466	3,720	4,620	5,291	6,046
<b>Total Expenditure</b>	<b>8,813</b>	<b>9,325</b>	<b>6,285</b>	<b>9,338</b>	<b>14,483</b>	<b>16,921</b>	<b>20,310</b>	<b>24,113</b>
% of Sales	72.4	72.6	78.6	69.5	68.1	71.1	69.1	67.8
<b>EBITDA</b>	<b>3,358</b>	<b>3,527</b>	<b>1,715</b>	<b>4,092</b>	<b>6,788</b>	<b>6,895</b>	<b>9,082</b>	<b>11,452</b>
Margin (%)	27.6	27.4	21.4	30.5	31.9	29.0	30.9	32.2
Depreciation	936	1,206	1,218	1,342	1,810	2,300	2,694	3,249
<b>EBIT</b>	<b>2,422</b>	<b>2,321</b>	<b>497</b>	<b>2,749</b>	<b>4,978</b>	<b>4,594</b>	<b>6,388</b>	<b>8,203</b>
Int. and Finance Charges	339	395	437	504	631	809	983	1,219
Other Income	198	259	785	586	544	626	688	757
<b>PBT bef. EO Exp.</b>	<b>2,281</b>	<b>2,184</b>	<b>845</b>	<b>2,831</b>	<b>4,891</b>	<b>4,411</b>	<b>6,094</b>	<b>7,741</b>
EO Items	0	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>2,281</b>	<b>2,184</b>	<b>845</b>	<b>2,831</b>	<b>4,891</b>	<b>4,411</b>	<b>6,094</b>	<b>7,741</b>
Total Tax	769	587	193	702	1,257	1,235	1,706	2,167
Tax Rate (%)	33.7	26.9	22.8	24.8	25.7	28.0	28.0	28.0
Minority Interest	15	8	-6	15	20	0	0	0
<b>Reported PAT</b>	<b>1,512</b>	<b>1,597</b>	<b>652</b>	<b>2,130</b>	<b>3,634</b>	<b>3,176</b>	<b>4,387</b>	<b>5,574</b>
<b>Adjusted PAT</b>	<b>1,497</b>	<b>1,589</b>	<b>658</b>	<b>2,115</b>	<b>3,613</b>	<b>3,176</b>	<b>4,387</b>	<b>5,574</b>
Change (%)	5.5	6.2	-58.6	221.3	70.8	-12.1	38.2	27.0
Margin (%)	12.3	12.4	8.2	15.7	17.0	13.3	14.9	15.7

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1,328	1,328	1,328	1,358	1,359	1,359	1,359	1,359
Total Reserves	5,366	6,980	7,147	11,289	14,118	16,114	18,872	22,375
<b>Net Worth</b>	<b>6,694</b>	<b>8,308</b>	<b>8,474</b>	<b>12,647</b>	<b>15,477</b>	<b>17,473</b>	<b>20,231</b>	<b>23,733</b>
Minority Interest	0	0	0	224	264	264	264	264
Total Loans	4,244	5,491	5,669	6,922	9,430	13,070	15,610	19,046
Lease Liabilities	4,146	5,376	5,655	6,922	9,430	13,070	15,610	19,046
Deferred Tax Liabilities	0	0	0	0	0	0	0	0
Other Liabilities	6	6	6	6	45	45	45	45
<b>Capital Employed</b>	<b>10,944</b>	<b>13,804</b>	<b>14,150</b>	<b>19,800</b>	<b>25,216</b>	<b>30,852</b>	<b>36,150</b>	<b>43,088</b>
Gross Block	7,566	9,798	10,394	12,765	19,118	24,900	29,796	35,992
Less: Accum. Deprn.	1,636	2,718	3,158	4,287	6,097	8,398	11,092	14,340
<b>Net Fixed Assets</b>	<b>5,930</b>	<b>7,080</b>	<b>7,236</b>	<b>8,478</b>	<b>13,021</b>	<b>16,502</b>	<b>18,705</b>	<b>21,652</b>
Other Non-Current	381	444	493	614	683	683	683	683
Capital WIP	41	130	45	62	178	178	178	178
<b>Total Investments</b>	<b>2,099</b>	<b>3,484</b>	<b>3,997</b>	<b>3,625</b>	<b>4,763</b>	<b>4,763</b>	<b>4,763</b>	<b>4,763</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>4,624</b>	<b>4,912</b>	<b>4,655</b>	<b>10,140</b>	<b>10,579</b>	<b>12,857</b>	<b>16,440</b>	<b>21,412</b>
Inventory	3,646	3,761	2,898	4,242	6,458	6,835	8,266	10,002
Account Receivables	519	701	506	577	1,261	1,435	2,013	2,436
Cash and Bank Balance	121	109	879	4,350	1,985	3,594	5,188	8,001
Loans and Advances	338	341	373	971	875	994	972	972
<b>Curr. Liability &amp; Prov.</b>	<b>2,271</b>	<b>2,370</b>	<b>2,444</b>	<b>3,342</b>	<b>4,056</b>	<b>4,180</b>	<b>4,667</b>	<b>5,647</b>
Account Payables	1,939	2,015	2,047	2,343	2,813	2,871	3,374	4,083
Other Current Liabilities	307	331	389	958	1,114	1,191	1,176	1,423
Provisions	25	25	8	40	129	119	118	142
<b>Net Current Assets</b>	<b>2,353</b>	<b>2,542</b>	<b>2,212</b>	<b>6,798</b>	<b>6,522</b>	<b>8,677</b>	<b>11,772</b>	<b>15,764</b>
Deferred Tax assets	141	124	167	223	49	49	49	49
Misc Expenditure	0	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>10,944</b>	<b>13,804</b>	<b>14,150</b>	<b>19,800</b>	<b>25,216</b>	<b>30,852</b>	<b>36,150</b>	<b>43,089</b>

## Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>5.6</b>	<b>6.0</b>	<b>2.5</b>	<b>7.8</b>	<b>13.3</b>	<b>11.7</b>	<b>16.1</b>	<b>20.5</b>
Cash EPS	9.2	10.5	7.1	13.0	20.4	20.6	26.7	33.2
BV/Share	25.2	31.3	31.9	47.6	58.3	65.8	76.2	89.4
DPS	3.5	3.0	1.1	0.8	5.0	4.3	6.0	7.6
Payout (%)	30.7	24.9	45.8	9.6	37.4	37.2	37.2	37.2
<b>Valuation (x)</b>								
P/E	206.9	194.9	470.4	149.7	87.7	99.8	72.2	56.8
Cash P/E	127.2	110.8	165.0	89.6	57.1	56.5	43.7	35.1
P/BV	46.3	37.3	36.5	24.5	20.0	17.7	15.3	13.0
EV/Sales	13.1	12.5	39.3	23.8	15.2	13.7	11.1	9.2
EV/EBITDA	47.3	45.4	183.3	78.0	47.8	47.3	36.0	28.6
Dividend Yield (%)	0.3	0.3	0.1	0.1	0.4	0.4	0.5	0.7
FCF per share	10.3	17.3	9.0	8.6	10.3	17.0	20.1	28.3
<b>Return Ratios (%)</b>								
RoE	24.0	21.2	7.8	20.0	25.7	19.3	23.3	25.4
RoCE	20.7	15.3	7.1	14.9	18.4	13.6	15.4	16.4
RoIC	26.2	18.1	4.0	19.7	24.6	16.3	19.0	21.0
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.6	1.3	0.8	1.1	1.1	1.0	1.0	1.0
Asset Turnover (x)	1.1	0.9	0.6	0.7	0.8	0.8	0.8	0.8
Inventory (Days)	243	241	293	274	264	250	245	245
Debtor (Days)	16	20	23	16	22	22	25	25
Creditor (Days)	129	129	207	151	115	105	100	100
<b>Leverage Ratio (x)</b>								
Current Ratio	2.0	2.1	1.9	3.0	2.6	3.1	3.5	3.8
Interest Cover Ratio	7.2	5.9	1.1	5.5	7.9	5.7	6.5	6.7
Net Debt/Equity	0.3	0.2	0.1	-0.1	0.2	0.3	0.3	0.3

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	2,281	2,184	845	2,831	4,891	4,411	6,094	7,741
Depreciation	936	1,206	1,218	1,342	1,810	2,300	2,694	3,249
Interest & Finance Charges	339	395	437	491	629	809	983	1,219
Direct Taxes Paid	-803	-608	-204	-715	-1,412	-1,235	-1,706	-2,167
(Inc)/Dec in WC	-570	-156	1,135	-638	-1,726	-546	-1,501	-1,179
<b>CF from Operations</b>	<b>2,183</b>	<b>3,021</b>	<b>3,432</b>	<b>3,312</b>	<b>4,192</b>	<b>5,739</b>	<b>6,563</b>	<b>8,863</b>
Others	-227	-291	-779	-491	-385	-626	-688	-757
<b>CF from Operating incl EO</b>	<b>1,957</b>	<b>2,731</b>	<b>2,653</b>	<b>2,821</b>	<b>3,807</b>	<b>5,114</b>	<b>5,875</b>	<b>8,106</b>
(Inc)/Dec in FA	-584	-440	-251	-479	-996	-501	-413	-413
<b>Free Cash Flow</b>	<b>1,373</b>	<b>2,291</b>	<b>2,402</b>	<b>2,342</b>	<b>2,811</b>	<b>4,613</b>	<b>5,462</b>	<b>7,693</b>
(Pur)/Sale of Investments	-140	-1,243	-329	538	-620	0	0	0
Others	51	57	-644	68	-748	626	688	757
<b>CF from Investments</b>	<b>-673</b>	<b>-1,626</b>	<b>-1,224</b>	<b>127</b>	<b>-2,365</b>	<b>125</b>	<b>275</b>	<b>344</b>
Issue of Shares	7	0	0	2,924	28	0	0	0
Inc/(Dec) in Debt	39	17	-101	-14	-1,023	0	0	0
Interest Paid	-6	-8	-6	-1	-1	-809	-983	-1,219
Dividend	-446	0	-498	0	-883	-1,180	-1,630	-2,071
Others	-913	-1,124	-665	-1,038	-1,710	-1,641	-1,943	-2,347
<b>CF from Fin. Activity</b>	<b>-1,320</b>	<b>-1,115</b>	<b>-1,271</b>	<b>1,870</b>	<b>-3,588</b>	<b>-3,630</b>	<b>-4,556</b>	<b>-5,637</b>
<b>Inc/Dec of Cash</b>	<b>-37</b>	<b>-10</b>	<b>158</b>	<b>4,818</b>	<b>-2,146</b>	<b>1,609</b>	<b>1,594</b>	<b>2,813</b>
Opening Balance	152	115	105	263	5,081	2,935	4,544	6,138
<b>Closing Balance</b>	<b>115</b>	<b>105</b>	<b>263</b>	<b>5,081</b>	<b>2,935</b>	<b>4,544</b>	<b>6,138</b>	<b>8,952</b>
<b>Other Bank Balance/(OD)</b>	<b>6</b>	<b>4</b>	<b>616</b>	<b>-732</b>	<b>-950</b>	<b>-950</b>	<b>-950</b>	<b>-950</b>
<b>Net Closing Balance</b>	<b>121</b>	<b>109</b>	<b>879</b>	<b>4,350</b>	<b>1,985</b>	<b>3,594</b>	<b>5,188</b>	<b>8,001</b>

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

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf> MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

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. This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL 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. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.