



Quick Insight

Metro Brands Ltd.



Industry	Footwear
CMP	₹819
M Cap (₹ Cr)	₹22,236
Buy Range	₹800-810
Target	₹930-1,000
Recommendation	Buy on Dips
Highlights	<ul style="list-style-type: none"> ➤ One of largest pan India footwear retailers with wide range of products catering to all age groups ➤ Asset-light business with an efficient operating model ➤ Store addition & increasing penetration into Tier-II&III cities will propel growth in the longer term ➤ Loyalty programs ensure customer stickiness, aid repeat purchases ➤ Scaling up online business; premiumisation to boost ASP ➤ Strong promoter background with an experienced management team ➤ Strong track record of growth and profitability and financial discipline

Metro Brands Ltd.

Company Background

Metro Brands is one of the largest Indian footwear & accessories specialty retailers and are among the aspirational Indian brands in the footwear category. In 1955, they opened their first Metro Brands store in Mumbai and have since evolved into a one-stop-shop for all footwear needs, retailing a wide range of branded products for the entire family, including men, women, unisex, and children, and for every occasion, including casual and formal events.

The company operates on an asset-light model with third-party manufacturing through long-standing vendor relationships, optimum store size and layout, and long-term lease arrangements.

Key Managerial Personnel

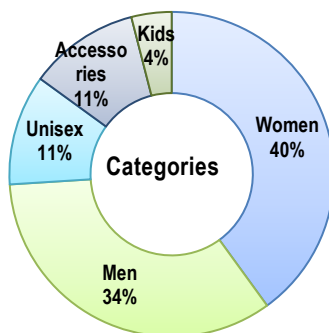
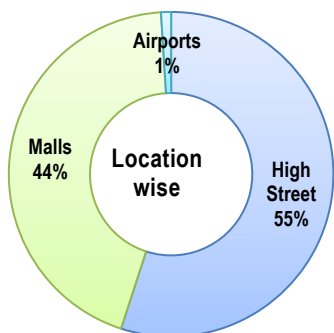
Rafique A Malik	Chairman	+50 years of experience in the field of footwear retail
Farah Malik Bhanji	Managing Director	+20 years of experience in the field of footwear retail
Nissan Joseph	CEO	+5 years in key roles in Crocs, worked with Payless Shoes Pty Ltd and Hickory Brands
Kaushal Khodidas Parekh	CFO	Associated with the company since March 28, 2012.
Sohel Jalaludin Kamda	COO	Associated with the company since February 16, 2005.

Brands spanning across various categories



Jun'22	MBO	MBO	EBO	MBO	EBO
Target Customer	Family	Youth	Premium	Value Format	Premium
No.of stores	238	168	181	56	1
	37%	26%	28%	9%	0%
Cities	130	88	85	41	1
Price Range (INR)	1,000-10,000	1,000-10,000	1,500-6,000	350-3,500	5,000-10,000
Avg realisation per unit	1,600	1,600	1,850	700	5,700
Size (sq.ft)	1,600	1,500	600	1,350	450

Source - Company, Way2Wealth



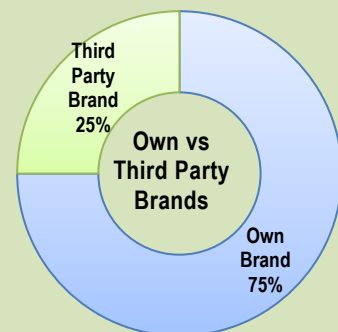
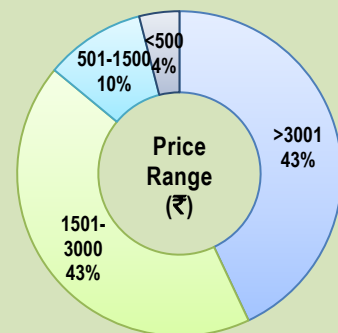
Source - Company, Way2Wealth

Nifty	17,666
Sensex	59,246
Key Stock Data	
CMP	₹819
Market Cap (₹ cr)	₹22,236
52W High/Low	₹870/₹426
Shares o/s (cr)	27.15
Shareholding pattern (%) Jun'22	
Promoter	74.3
Institutions	08.1
Public &Others	17.6

(₹Cr)

Particulars	FY20	FY21	FY22
Sales	1,285	800	1,343
EBITDA	355	175	412
EBITDA Margin	28%	22%	31%
Reported PAT	158	65	212
PAT Margin	12%	8%	16%
Reported EPS	5.8	2.4	7.8

Source: Company, Way2Wealth



Source - Company, Way2Wealth

Investment Rationale

- **One of the largest pan India footwear retailers with a wide range of products catering to all age groups** – Metro brands is the largest Indian footwear specialty retailer, and are among the aspirational Indian brands in the footwear category As of 30 Jun, 2022, the company has a pan-India presence through 644 Stores (across Metro, Mochi and Walkway branded MBOs, Crocs branded EBOs, and Walkway franchisees and SIS) located in 147 cities spread across 30 states and union territories in India. The company’s operations are well-spread across metro cities, tier I, II, and III cities and towns, and across all four zones of India. The table below shows total store product sales, by zone:

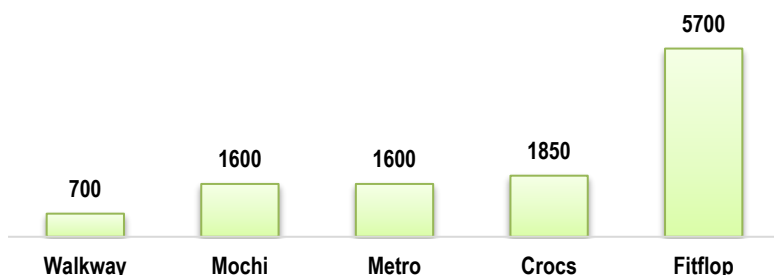
Zone wise division

Region	FY19	FY20	FY21	FY22	Q1FY23
South	31.2%	31.5%	31.7%	32%	32%
West	33.7%	32.9%	30.0%	30%	29%
North	21.4%	21.1%	21.9%	25%	25%
East	13.7%	14.4%	16.4%	13%	14%

Source - Company, Way2Wealth

- **Wide range of brands and products catering to all age groups and market segments** – The company targets the mid and premium segments through five different brand outlets which offer consumers a vast array of stylish and comfortable footwear that satisfies their formal, casual, and athleisure footwear needs.

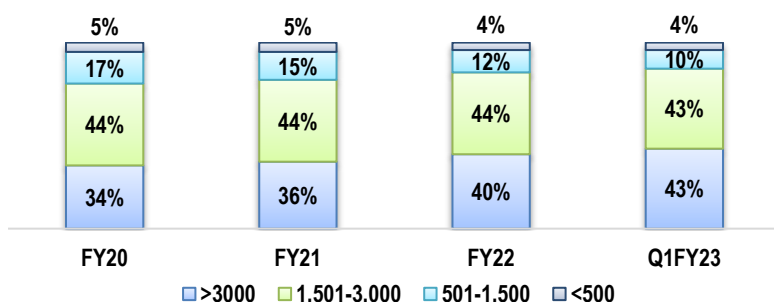
Avg realisation per unit (₹)
(overall avg realization per unit : 1,500)



Source - Company, Way2Wealth

Also, full-price products account for more than 80% of sales, which is significantly above the industry’s average of 60-70% across footwear players. That ensures minimizing the discounting of products and improving gross margin.

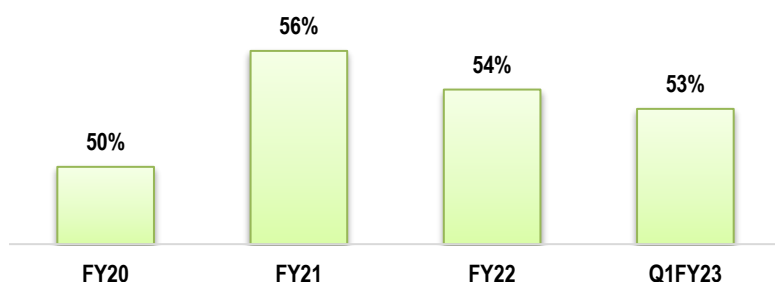
Products Pricing wise sales mix



Source - Company, Way2Wealth

- **Wide range of products ensures customer loyalty and aid in repeat purchases –** The feedback from customers while developing new designs and products helped the business to strengthen its ability to connect with end consumers more effectively. Focus on customer delight has led to a high score for customer satisfaction evidenced by the Litmus Rating that the company received in FY2021 which was in the range of 4.6 to 4.7 (rating out of 5). As of Jun'22, customer loyalty programs, Club Metro, My Mochi, and Crocs Club had more than 5.8 mn, 4.1 mn, and 0.9 mn members, respectively. In FY22, the company witnessed a high proportion of repeat sales.

Repeat Sales (% of Sales)



Source - Company, Way2Wealth

Loyalty Members (mn)	FY20	FY21	FY22	Q1FY23	CAGR
Metro	4.5	4.9	5.6	5.8	
Mochi	3	3.3	3.9	4.1	
Crocs	0.2	0.5	0.8	0.9	
Total	7.7	8.7	10.3	10.8	18%

Source - Company, Way2Wealth

- **Asset light business with an efficient operating model –** Metro Brands is among the few footwear retailers in India to source all products through outsourcing arrangements without owning a manufacturing facility, resulting in an asset light model. This asset-light model is based on third-party manufacturing by long-standing vendor relationships and is supported by active brand portfolio management, optimum store size and layout, and long-term lease arrangements. The scale of operations and strong supplier network enabled the company to leverage better margins with vendors and enter into arrangements with third-party brands on terms favourable to the company. For instance, under most arrangements for third-party brands, the company is required to pay for products only once these products are sold and under certain arrangements, company is also entitled to return aging inventory to the brand owner, thereby limiting inventory risk.

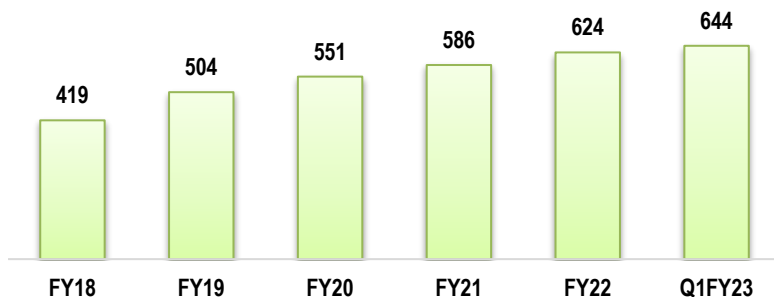
Higher margins stem from better operating efficiency

	FY17	FY18	FY19	FY20	FY21	FY22
EBITDA Margin	17%	21%	28%	28%	22%	31%
PAT Margin	10%	13%	12%	12%	9%	16%
Manuf. Cost as % of Sales	2.42%	3.60%	3.81%	4.05%	4.72%	3.65%
Employees Cost as % of Sales	9.12%	9.07%	9.21%	9.86%	12.84%	9.04%
Other Exp as % of Sales	23.52%	21.92%	14.16%	14.02%	15.48%	14.45%

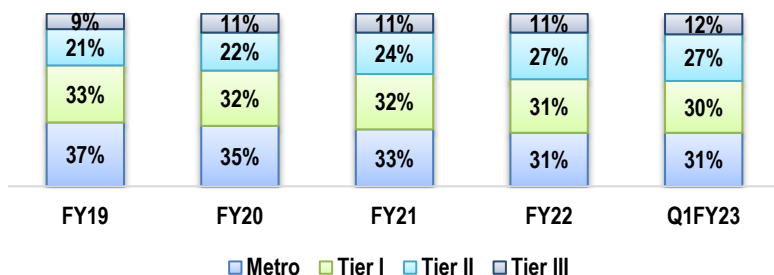
Source - Company, Way2Wealth

- **Store addition & increasing penetration into tier-II & III cities will propel growth in the longer term** – The relatively low level of penetration of organized footwear retailers in semi-urban markets provides significant growth opportunities and the company intends to expand its store network to increase market penetration in tier II and tier III cities and smaller towns in India and make available a wider range of products and merchandise in these markets.

Store Additions



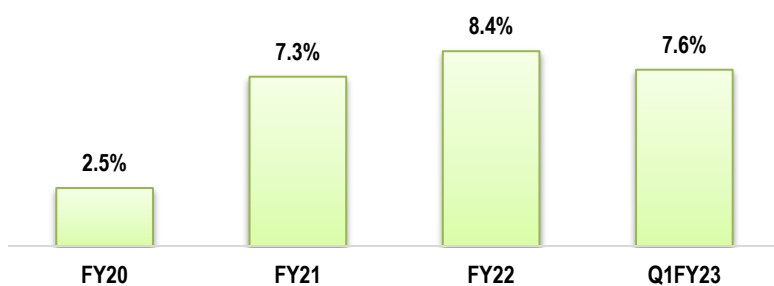
Increasing Presence in Tier II & Tier III Cities



Source - Company, Way2Wealth

- **Scaling up online business; premiumisation to boost ASP** – Organized retailing has been dominated by the physical format of delivery. Online shopping accounted for ~1% of the industry initially, however, this has changed rapidly. The e-retail industry, which stood at approximately ₹2.5tn during FY20, has doubled since FY17 and accounted for about approximately 4.1% of the total retailing market in FY20. Investments in digital marketing and content generation to build engagement with a younger audience will help to focus on analytic technologies to create personalized journeys for customers and increase ATV, drive customer loyalty, increase the number of transactions per customer through active customer engagement, and introduce complementary products.

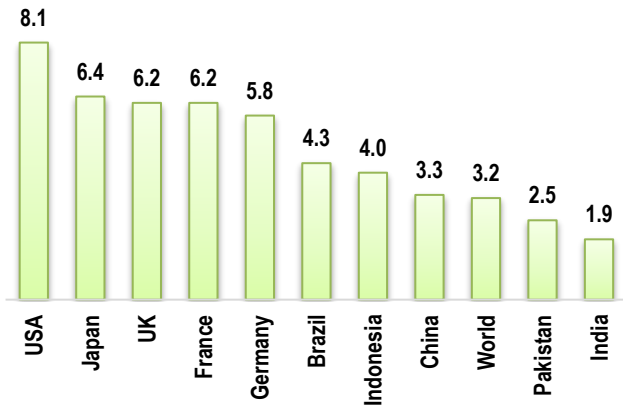
Share of Online Business



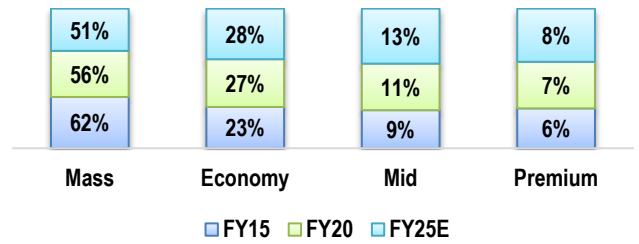
Source - Company, Way2Wealth

Footwear Industry

**Per Capita Consumption of footwear (2019)
(Pairs)**



Segment-wise market share: Higher growth in mid & premium segments



CAGR	FY15-20	FY20-25
Mass	6.5%	6.5%
Economy	12.0%	10.0%
Mid	12.5%	12.5%
Premium	12.0%	12.0%

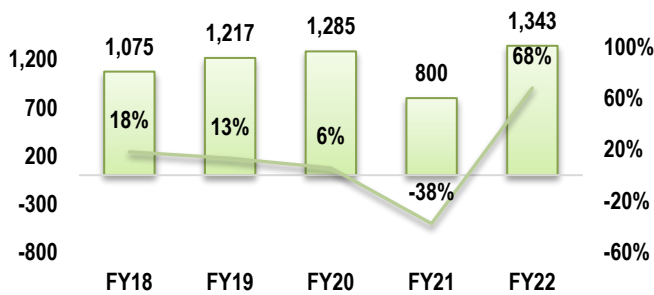
Source - Company, Way2Wealth

Robust financial profile

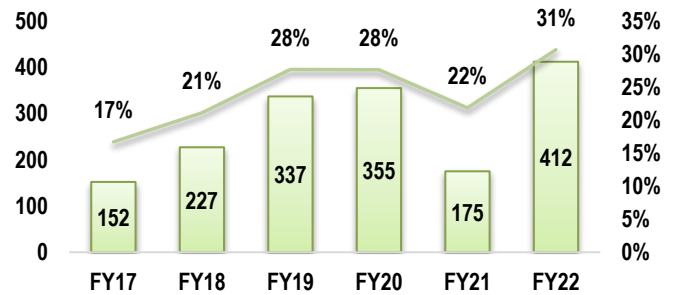
5 year CAGR at 8%

Healthy EBITDA margin across the years

Sales (₹ Cr) & YoY Growth

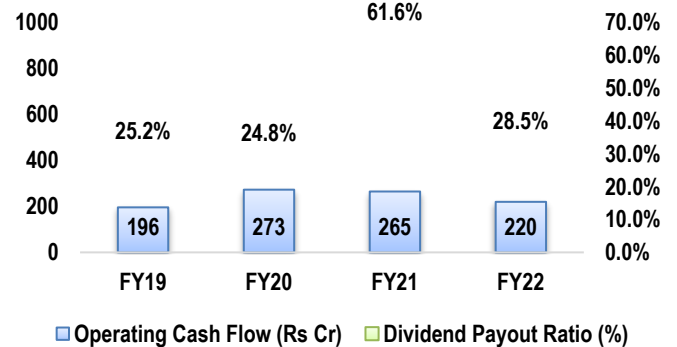
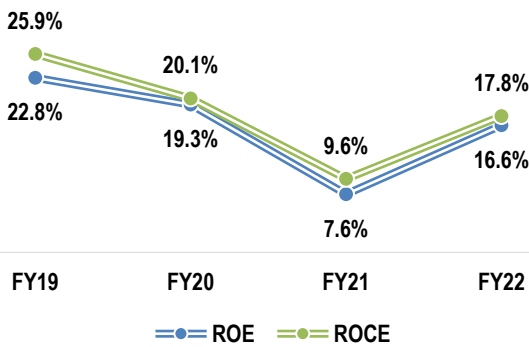


EBITDA (₹ Cr) & Margin



Return ratios

Operating Cashflows



Source - Company, Way2Wealth

Key Risks

- Slowdown in the economy
- The company depends on third parties for the manufacturing of all the products. Any disruptions at such third-party manufacturing facilities may harm business

Outlook

Metro Brands is one of the largest Indian footwear & accessories specialty retailers and are among the aspirational Indian brands in the footwear category. Due to operational excellence, the company can provide a great platform to brands with an online and offline presence and a pan-India distribution. Demand is back across categories and continues its growth momentum; formals are back as people return to the office. The company has already opened 20 stores in Q1FY23 and is on the runway to open about 200 stores by end of FY23.

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

Considering all the above factors, Metro Brands is in a strong position to drive growth in the medium to longer term. **At the current price of ₹819, it is trading at ~67.6 times P/E to its EPS (TTM) of ₹12.11.** Strong margins, asset-light business model, operating efficiency, a high share of premium products, and the immense size of opportunity justify the premium valuations given to the stock.

We recommend investors to *Buy* the stock on *Dips*.

Financial Performance

(₹ Cr)			
Particulars	FY20	FY21	FY22
Sales	1,285	800	1,343
Operating Expenses	930	625	930
	72%	78%	69%
EBITDA	355	175	412
EBITDA Margin	28%	22%	31%
Other income	23	76	55
<i>As % of sales</i>	2%	10%	4%
Interest	40	45	50
<i>As % of sales</i>	3%	6%	4%
Depreciation	121	122	134
<i>As % of sales</i>	9%	15%	10%
Profit Before Tax	217	84	283
Tax	59	19	71
<i>Tax rate</i>	27%	23%	25%
PAT	158	65	212
PAT Margin	12%	8%	16%
EPS	5.8	2.4	7.8
No. of shares	27.15	27.15	27.15

Source : Company, Way2Wealth

	Q1FY23	QFY22	YoY(%)	Q4FY22	QoQ
Net Revenue	508	131	288%	403	26%
Other Income	9	16	-44%	13	-31%
Total Income	517	147	252%	416	24%
OPt Exp	325	117	178%	274	19%
EBITDA	183	14	1207%	129	42%
Dep	39	32	22%	35	11%
EBIT	153	-2	-	107	43%
Int Exp	13	11	18%	15	-13%
PBT	140	-13	-	92	52%
Tax	35	0		26	35%
PAT	105	-13	-	66	59%
EPS	3.8	-0.39		2.5	
EBITDA Margin	36.02%	10.69%		32.01%	
PAT Margin	20.67%	-9.92%		16.38%	

Source : Company, Way2Wealth

Technical View

After a weak debut, Metro Brand stock price failed to show strong up move. Finally in early days of 2022 stock gained the momentum and jumped till 670 levels and since then stock price were struck in broad range of 505 – 625 levels and consolidated for seven months. In August, Metro Brand stock price once again regained the momentum and penetrated the upper range of 625 and propel to new all time high of 938 levels.

So technically speaking, stock price coming out of horizontal channel has triggered a positive breakout. In the recent weeks stock price got supported around 750 and gave a positive breakout of the flag pattern. Going through the other parameters, stochastic oscillator has made double bottom around 20 on daily scale and bounced till 65 and RSI (14) also witnessed supports around 56 and is gradually inching higher for last few days. Hence, both the indicators are signifying decent bullish strength in the counter for short to medium term scenario. However the volume continued to remain thin.

The immediate supports on the daily chart are observed at 720 then 680 as per 50% and 61.80% Fibonacci retracements of the previous up move ranging from the low of 504 – 938 levels.

In the nutshell, Metro Brand stock price seem to be gradually gaining the momentum and moving in a higher top higher bottom pattern. Hence, going forward stock price could revisit the recent high of 938 and surpass above that will drive towards 61.80% Fibonacci extension pegged around 970 -1000 levels. Overall, **we advocate to Buy Metro stock around 810 – 800 range for above mentioned targets 930 then 1000 levels. On the downside 710 would the act as strong support and slip below that would negate above positive view.**



Source: Falcon 7

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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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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