



Quick Insight Update

Q3FY23 Highlights: Best quarter in company's history – highest ever quarterly Revenue, EBITDA and PAT

- Consolidated revenues grew by 23.8% YoY to ₹599Cr. EBITDA increased 22% YoY with margin contradicting 60 bps to 34.3% YoY.
- Store expansion picking pace with net addition of 48 stores across all formats during the quarter. (96 net additions in 9M FY23) - Highest ever new store openings per quarter till date.
- Highest ever quarterly Ecommerce sales (including omni-channel) of ₹50Cr. Growth momentum continues as sales grew 57% (Q3 FY23 vs Q3 FY22)
- Gross margin was at 59.2% in Q3FY22, above the guided level of 55-57%.
- Reported PAT increased by 11% in Q3FY23 to ₹113Cr
- On December 1, 2022, the company acquired 100% capital of Cravatex Brands Limited. Consequently, it became a wholly owned subsidiary of the Company from the aforesaid date. Cravatex Brands holds exclusive long-term license for the Italian sportswear brand FILA & owns the Indian sportswear brand Proline.

Concall Highlights

- Revenues grew 47% YoY, led mainly by volume growth on the back of festive season and strong store expansion. In Q3, average selling price for footwear was higher by 6-7% YoY and a better product mix (higher sales of premium products) also boosted top-line growth. Overall revenues in 9MFY23 were up 68%, compared to 9MFY22, indicating a strong underlying demand.
- The company has an adequate inventory to cater to wedding season & new store openings to avoid any sale loss due to stock outs.
- **Store Expansion** – The company is on track for a rapid store expansion. Store expansion picking pace with net addition of 48 stores across all formats during the quarter. (96 net additions in 9M FY23) - highest ever new store openings per quarter till date. MBL had indicated it would open 260 stores over the next three years. MBL added net 48 new stores in Q3FY23, making an overall addition of 96 stores during 9MFY23. The company's overall store count is 720, as of Dec'22.
- **Improving product mix by premiumisation and online business** – MBL is improving product mix by introducing footwear at higher price points. It received a strong response for the FitFlop brand of footwear (average realisation of ₹5,600), which it launched towards the end of the previous fiscal. The share of premium footwear (priced above ₹3,000) in MBL's sales increased from 34% in FY20 to 44% in 9MFY23.
- The online sales grew 53% YoY in 9MFY23, with the share of the online (including omni-channel) stream in overall sales increasing to 8.4% in 9MFY23 from 2.5% in FY20 and 7.3% in FY21. Last 3 years online sales CAGR is 79%
- **Acquisition of Cravatex brands enable MBL to enter into most promising segment i.e. Sports and Athleisure Segment** – The company has agreed to acquire 100% shareholding of Cravatex Brands for an enterprise value of ₹202Cr (about 1.3 times FY22 revenues). Cravatex Brands imports and retails footwear, apparel and accessories under various brands, including Fila and Proline. This acquisition will fill a key white space in the MBL product portfolio, viz., the sport and athleisure space. MBL expects to bring the profitability of Fila and Proline to MBL's levels in three years. Key priorities for next 6 months would include 1) integration with MBL eco-system to leverage on cost & operations synergies. 2) Focus on liquidation of current excess inventory and improving cash conversion cycle. 3) Improve sales through all existing sale channels

Nifty	18,028
Sensex	60,622
Key Stock Data	
CMP	₹854
Market Cap (₹ Cr)	₹23,203
52W High/Low	980/446
Shareholding pattern (%) Dec'22	
Promoter	74.3
Institutions	08.0
Others	17.7

Source: Company Data, Way2Wealth Research

Q3FY23 (₹Cr)	MBL Consolidated	Cravatex	MBL Consol excluding Cravatex
Revenue from operations	599	9	590
Other Income	15	0	14
Total Income	613	9	604
Gross Profit	355	4	350
Gross Profit margin	59.2%	46.9%	59.4%
EBITDA	205	(2)	207
EBITDA margin	34.3%	-18.6%	35.1%
PAT	113	(4)	117
PAT margin	18.9%	-44.4%	19.9%

Store Additions

	FY20	FY21	FY22	Jun'22	Sep'22	Dec'22
Metro	218	219	231	238	255	269
Mochi	145	145	162	168	173	190
Walkway	70	73	53	56	58	64
Crocs	118	149	178	181	185	195
Fitflop	-	-	-	1	1	2
Total Stores	551	586	624	644	672	720

Source - Company Data, Way2Wealth Research

Risk

- **Slowdown in the economy**
- **Inflationary raw material prices**

View

Metro Brands is one of the largest Indian footwear & accessories specialty retailers and are among the aspirational Indian brands in the footwear category. MBL's recent acquisition of rights for both Fila and Proline for India and neighboring countries will enable company to enter into the sports and athleisure segment. This brands are likely contribute ~5% to overall revenue

We appreciate the competitive strengths of Metro brands, in terms of the product mix, pricing mix, distribution, third party brands etc. Stabilization in raw material cost and improvement in product mix contributed towards gross margin expansion.

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 ₹854, it is trading at ~64.7 times P/E to its EPS(TTM) of ₹13.2.** Strong margins, asset light business model, operating efficiency, high share of premium products, immense size of opportunity and innovation justifies the premium valuations given to the stock.

We recommend investors to Buy the stock on Dips.

Financials

(₹Cr)

Particulars	Q3FY23	Q3FY22	VAR [%]	Q2FY23	VAR [%]	9MFY23	9MFY22	VAR [%]
Net Sales (Net of Excise Duty)	598.71	483.77	23.76%	476.31	25.70%	1582.97	939.77	68.44%
Other Income	14.63	12.01	21.82%	11.76	24.40%	35.67	45.28	-21.22%
TOTAL INCOME	613.34	495.78		488.07	25.67%	1618.64	985.05	64.32%
Cost Of Materials Consumed	287.9	249.9	15.21%	294.88	-2.37%	845.99	494.76	70.99%
Stock Adjustment	-43.78	-52.12	-16.00%	-91.73	-52.27%	-194.11	-101	92.19%
<i>RMC as a %age of sales</i>	<i>40.77%</i>	<i>40.88%</i>		<i>42.65%</i>		<i>41.18%</i>	<i>41.90%</i>	
Employee Benefit Expenses	49.61	33.34	48.80%	42.83	15.83%	132.02	86	53.51%
<i>EPC as a %age of sales</i>	<i>8.29%</i>	<i>6.89%</i>		<i>8.99%</i>		<i>8.34%</i>	<i>9.15%</i>	
Other Expenses	99.81	84.79	17.71%	83.18	19.99%	263.88	180.68	46.05%
<i>Other Expenses as a %age of sales</i>	<i>16.67%</i>	<i>17.53%</i>		<i>17.46%</i>		<i>16.67%</i>	<i>19.23%</i>	
TOTAL EXPENDITURE	393.54	315.91		329.16	19.56%	1047.78	660.44	58.65%
EBIDTA	205.17	167.86	22.23%	147.15	39.43%	535.19	279.33	91.60%
<i>EBIDTA Margins %</i>	<i>34.27%</i>	<i>34.70%</i>		<i>30.89%</i>		<i>33.81%</i>	<i>29.72%</i>	
Finance Costs	17.27	12.32	40.18%	14.84	16.37%	45.55	35.9	26.88%
PBDT	202.53	167.55	20.88%	144.07	40.58%	525.31	288.71	81.95%
Depreciation	50.42	34.39		41.4	21.79%	130.81	99.54	31.41%
PBT before exceptional items	152.11	133.16	14.23%	102.67	48.15%	394.5	189.17	108.54%
Share of Profit/(loss) of JV	0.23	0.76		0.47	-51.06%	1.24	0.74	67.57%
PBT	152.34	133.92	13.75%	103.14	47.70%	395.74	189.91	108.38%
Tax	39.35	32.34		25.25	55.84%	99.09	45.23	119.08%
<i>Tax Rate</i>	<i>25.83%</i>	<i>24.15%</i>	<i>6.96%</i>	<i>24.48%</i>	<i>117.06%</i>	<i>25.04%</i>	<i>23.82%</i>	<i>109.87%</i>
Reported Profit After Tax	112.99	101.58	11.23%	77.89	45.06%	296.65	144.68	105.04%
<i>PATM %</i>	<i>18.87%</i>	<i>21.00%</i>	<i>-10.12%</i>	<i>16.35%</i>	<i>175.36%</i>	<i>18.74%</i>	<i>15.40%</i>	
Adjusted Profit After Extra-ordinary item	112.99	101.58	11.23%	77.89	-26.40%	296.65	144.68	105.04%
Other Comprehensive Income (Net of tax)- net credit / (charge)	0.18	-1		-0.07	-357.14%	-0.62	-0.26	138.46%
Total Comprehensive Income	113.17	100.58	12.52%	77.82	45.43%	296.03	144.42	104.98%
EPS	4.12	3.82	7.85%	2.8	47.14%	10.79	5.44	98.35%
Equity	135.8	135.8		135.8		135.8	135.8	
Face Value	5	5		5		5	5	

Source - Company Data, Way2Wealth Research

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