

METRO BRANDS LTD.

Sector

July 04, 2022

Buy at CMP: Rs 620 | Target: Rs 735 (19%) | SL: Rs 570

Retailing



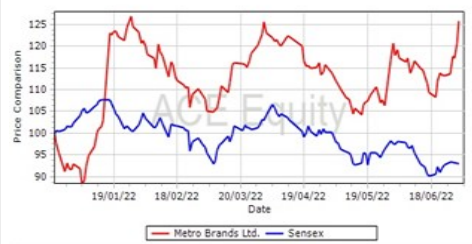
Script Details

BSE Group	B
BSE Code	543426
NSE Code	METROBRAND
Bloomberg Code	METROBRA IN
Market Cap (INR Cr.)	16,844
Free Float (%)	25.7%
52wk Low/High	673/426
Beta (1yr Nifty 50)	0.61
Face Value (INR)/ D. Yield (%)	5/0.4
Total paid Up Shares (Mn.)	271.5

Share Holding Pattern (%)

Promoters	Public	Others
74.3%	25.7%	-

Share Price Relative Performance



Metro Brands is one of the largest Indian footwear speciality retailers, and is among the aspirational Indian brands in the footwear category. Metro Brands retail footwear under their own brands of Metro, Mochi, Walkway, Da Vinci and J. Fontini, as well as certain third-party brands such as Crocs, Skechers, Clarks, Florsheim, and Fitflop, which complement their inhouse brands. As of March 31, 2022, Metro Brands operated 624 Stores across 142 cities spread across 30 states and union territories in India.

Investment Rationale

- ◆ **Store Expansion Plans to Drive Growth:** Company operating with of 624 stores (Mar'22), Metro has planned to add 260 stores in the next three years (expansion of 41%). The Capex plans to boost revenue as its brands have national presence, company is able to achieve penetration in lower tier cities and has balanced mix of men and women customers. Managements has strategizing growth across all three segments such as Economy, Mid and Premium of the market.
- ◆ **Asset light business Bringing Operating Efficiencies:** Company sources all of its products in outsourcing arrangements without having its own manufacturing facility, MetroBrands is amongst few footwear retailers in India to have such asset light business model. This strategy allows company to focus more on the Branding and demand creation efforts rather than manufacturing. The Operational efficiencies of this model have reflected in its industry leading Operating margin of 22.1% and to provide sustainable profit growth ahead.
- ◆ **Pivoting to Online Mode Along with Offline Stores Addition:** Metro operates websites for various brands (directly managed) and has an extensive online presence. It operates three brand websites. Metro intends to leverage existing capabilities to increase e-commerce operations and integrate omni-channel model as well as apply new technologies to further expand and improve operations to handle individual customer deliveries and enhance customer buying experience with faster dispatches.
- ◆ **Outlook and Valuations:** We estimate a 20% CAGR in Topline over FY22-25E, which implies a forward PE (x) of 38 for FY 25E. Company's earnings multiple are trading below its peers Avg. (75X+). We apply a earnings multiple of 45x to FY25 earnings estimate which result per share value of Rs 735. We recommend BUY on METROBRAND at CMP of Rs. 620 with Target price of Rs. 735 (19%).

◆ Financial Snapshot:

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	1,510	481	278	60.7	35.1
FY23E	1,813	544	308	54.7	30.2
FY24E	2,175	653	370	45.6	25.2
FY25E	2,610	783	444	38.0	21.0

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- On Daily chart, METROBRAND has been moving in a sideways action since January 2022, In the latest trading session prices gave a breakout from Double bottom as well as rectangle pattern.
- On daily timeframe we can witness a shortfall in the rectangle pattern, the breakout was followed by huge volumes.
- On the weekly charts the stock has been taking strong support at 50 Day EMA since February 2022 indicating strong positive undertone for the medium term..
- RSI indicator plotted on Daily timeframe is rising and above 60 mark, Indicating a strong momentum in the stock.



Inference & Expectations

- Breakout is supported by the volumes and indicator evidence, indicating strength in existing trend.
- Going ahead we expect the stock to move higher towards 730 level.
- The level of 570 will act as a major support on the downside.



Name	Designation	Email	Contact
Mr. Vidnyan Sawant	Assistant Vice President (AVP), Technical Desk	vidnyan@geplcapital.com	+91 (22) 66182687
Mr. Harshad Gadekar	Research Analyst, Fundamental Desk	harshadgadekar@geplcapital.com	+91 (22) 66142685

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