

December 09, 2021

Metro Brands Ltd

Neutral

Issue Open: Dec 10, 2021

Issue Close: Dec 14, 2021

Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹132.8cr

Offer for Sale: 2.1cr share

Fresh issue: ₹295cr

Post Eq. Paid up Capital: ₹135.8cr

Issue size (amount): ₹1367.5cr

Price Band: ₹485-500

Lot Size: 30 shares

Post-issue mkt.cap: ₹13,177* – 13,575cr**

Promoter holding Pre-Issue: 84.0%

Promoter holding Post-Issue: 74.3%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

Post Issue Shareholding Pattern

Promoters	74.3%
Public	25.7%

Metro Brands Limited (MBL) was incorporated on January 19, 1977. 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 in-house brands. As of September 30, 2021, Metro Brands operated 598 Stores across 136 cities spread across 30 states and union territories in India. Metro Brands had the 3rd highest number of exclusive retail outlets in India, in Fiscal 2021. They also offer accessories such as belts, bags, socks, masks and wallets, at their stores.

Positives: (a) One of India's largest pan India footwear retailers with a brand appeal among aspirational consumer segments (b) Wide range of brands and products catering to all occasions across age groups and market (c) Asset light business with an efficient operating model leading to sustained profitable growth (d) Experienced Board and senior management team.

Investment concerns: (a) Increase in competition (b) Slowdown in the economy could impact the overall revenue of the company.

Outlook & Valuation: In terms of valuations, the post-issue TTM P/E works out to 91x (at the upper end of the issue price band), which is high considering MBL's historical top-line & bottom-line CAGR of ~9% and ~6% respectively over FY18-20. Further, the company's historical net profit growth is low compared to its peers Relaxo Footwears. However, MBL has Asset light business, strong brands and wide range of products but we believe that these positives are captured in the valuations commanded by the company. **Thus, we have a NEUTRAL rating on the issue.**

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	1HFY21	1HFY22
Net Sales	1,217	1,285	800	111	456
% chg	13.2	5.6	(37.7)	-	310.8
Net Profit	147.8	156.7	68.2	(39)	42
% chg	6.3	570.7	360.5	-	-
OPM (%)	27.6	27.5	21.6	(6.6)	24.4
EPS (₹)	5.6	5.9	2.6	-	-
P/E (x)	89.8	84.7	194.7	-	-
P/BV (x)	20.4	16.5	16.0	-	-
RoE (%)	23.3	19.8	7.9	-	-
RoCE (%)	22.6	17.1	3.6	-	-
EV/Sales (x)	11.1	10.5	16.7	-	-
EV/EBITDA (x)	40.1	38.2	77.4	-	-

Angel Research; Note: Valuation ratios based on post-issue shares and at ₹500 per share.

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Company background

Metro Brands Limited (“Metro Brands”) was incorporated on January 19, 1977. Metro Brands is one of the largest Indian footwear speciality retailers, and is among the aspirational Indian brands in the footwear category. They opened their first store under the Metro brand in Mumbai in 1955, and have since evolved into a one-stop shop for all footwear needs.

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 in-house brands. As of September 30, 2021, Metro Brands operated 598 Stores across 136 cities spread across 30 states and union territories in India. Metro Brands had the 3rd highest number of exclusive retail outlets in India, in Fiscal 2021.

They also offer accessories such as belts, bags, socks, masks and wallets, at their stores. They also retail footcare and shoe-care products at their stores through their joint venture, M.V. Shoe Care Pvt Ltd.

Metro primarily follows the “company owned and company operated” (“COCO”) model of retailing through their own Multi Brand Outlets (“MBOs”) and Exclusive Brand Outlets (“EBOs”). They operate Metro, Mochi and Walkway branded MBOs and Crocs™ branded EBOs. They also operate shop-inshops (“SIS”) in major departmental stores across India.

Issue details

MBL is raising ₹1367.5cr through fresh issue (₹ 295cr) and Promoter & investors are selling equity share 2.1cr through offer for sale in the price band of ₹485-500.

Exhibit 1: Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	223,080,120	84.0%	201,638,120	74.3%
Public	42,527,306	16.0%	69,869,306	25.7%
Total	265,607,426	100.0%	271,507,426	100.0%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- Expenditure for opening new stores of the company, under the “Metro”, “Mochi”, “Walkway” and “Crocs” brands - ₹225.4cr
- General corporate purposes

Exhibit 2: Consolidated Profit & Loss Statement

Y/E March (` cr)	FY2019	FY2020	FY2021
Net Sales	1,217	1,285	800
% chg		5.6	(37.7)
Total Expenditure	881	932	627
Raw Material	549	571	360
Personnel	112	127	103
Others Expenses	220	235	164
EBITDA	336	353	173
% chg		4.9	(51.1)
(% of Net Sales)	27.6	27.5	21.6
Depreciation & Amortisation	94	121	122
EBIT	243	232	51
% chg		(4.3)	(78.1)
(% of Net Sales)	19.9	18.1	6.4
Interest & other Charges	34	40	45
Other Income	20	26	78
(% of PBT)	8.7	11.9	92.9
Recurring PBT	228	218	85
% chg		(4.3)	(61.3)
Tax	77	59	19
(% of PBT)	33.7	26.9	22.8
PAT before Minority Interest	151	160	65
Minority Interest (after tax)	5	4	(4)
Share in profit of Associates	2	1	(1)
PAT after Minority Interest & P/L Asso.Co.	148	157	68
Basic EPS (`)	5.6	5.9	2.6
% chg		6.0	(56.5)

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	133	133	133
Reserves& Surplus	517	675	695
Shareholders Funds	650	807	828
Minority Interest	20	23	20
Total Loans	424	549	567
Deferred Tax Liability	-	6	5
Total Liabilities	1,094	1,386	1,419
APPLICATION OF FUNDS			
Net Block	593	708	724
Capital Work-in-Progress	4	13	5
Investments	210	348	400
Current Assets	500	536	515
Inventories	365	376	290
Sundry Debtors	52	70	51
Cash	12	11	88
Loans & Advances	34	34	37
Other Assets	38	44	49
Current liabilities	228	238	245
Net Current Assets	273	298	270
Deferred Tax Asset	14	19	21
Total Assets	1,094	1,386	1,419

Source: Company, Angel Research

Exhibit 3: Consolidated Cash Flow Statement

Y/E March (Rs cr)	FY2019	FY2020	FY2021
Profit before tax	228	218	85
Depreciation	94	121	122
Change in Working Capital	(63)	(24)	109
Interest / Dividend (Net)	31	36	38
Direct taxes paid	(80)	(61)	(20)
Others	(13)	(16)	(68)
Cash Flow from Operations	196	273	265
(Inc.)/ Dec. in Fixed Assets	(58)	(44)	(25)
(Inc.)/ Dec. in Investments	(9)	(119)	(98)
Cash Flow from Investing	(67)	(163)	(122)
Issue of Equity	1	0	0
Inc./(Dec.) in loans	(87)	(111)	(77)
Dividend Paid (Incl. Tax)	(45)	0	(50)
Interest / Dividend (Net)	(1)	(1)	(1)
Cash Flow from Financing	(132)	(112)	(127)
Inc./(Dec.) in Cash	(4)	(1)	16
Opening Cash balances	15	12	11
Closing Cash balances	12	10	26

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	89.8	84.7	194.7
P/CEPS	54.2	47.4	71.0
P/BV	20.4	16.5	16.0
EV/Sales	11.1	10.5	16.7
EV/EBITDA	40.1	38.2	77.4
EV / Total Assets	12.3	9.7	9.4
Per Share Data (₹)			
EPS (Basic)	5.6	5.9	2.6
EPS (fully diluted)	5.6	5.9	2.6
Cash EPS	9.2	10.6	7.0
Book Value	24.5	30.4	31.2
Returns (%)			
ROCE	22.6	17.1	3.6
Angel ROIC (Pre-tax)	28.5	23.3	5.6
ROE	23.3	19.8	7.9
Turnover ratios (x)			
Asset Turnover (Net Block)	2.1	1.8	1.1
Inventory / Sales (days)	109	107	132
Receivables (days)	16	20	23
Payables (days)	58	57	93
Working capital cycle (ex-cash) (days)	67	70	62

Source: Company, Angel Research

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