

Issue Details		
Issue Opens	10-12-21	
Issue Closes	14-12-21	
Issue Size (in Rs. Crs)	1367.51	
Issue Size (Shares)	2,73,50,200	
Authorised Shares	150,00,00,000	
Issued, Subscribed and Paid Up Sh. Pre offer	26,56,07,426	
Offer for Sale	1072.51	
Face Value	Rs. 5.00	
Lot Size (Sh)	30	
Price Band	Rs.485 - Rs.500	
Issue Type	Book Building	
Book Value (in Rs.)(H1FY21)	32.43	
BRLMs	Axis Capital, Ambit, DAM Capital Advisors, Equirus Capital, ICICI Securities, Motilal Oswal Investment Advisors	
Registrar	Link Intime Pvt. Ltd.	
Listing Venue	BSE/NSE	
Finalization of Allotment	17-Dec -21	
Initiation of refund	20-Dec -21	
Credit to Demat Account	21-Dec -21	
Listing	22-Dec -21	
Issue Structure		
Categories	Allocation	
QIBs	50.00%	
Non-Institutional	15.00%	
Retail Portion	35.00%	
Total	100.00%	
Shareholding Pattern		
Categories	Pre Issue	Post Issue
Promoter & Promoter Group	84.02%	74.27%
Public	15.98%	25.73%
Total	100.00%	100.00%
Recommendation		
SUBSCRIBE		

Company Background

Metro Brands Ltd. (MBL) is one of the **largest Indian footwear speciality retailers** and is among the aspirational Indian brands in the footwear category. It opened its first store under the Metro brand in Mumbai in ~1955, and have since evolved into a one-stop-shop for all footwear needs, by retailing a wide range of branded products for the entire family including men, women, unisex and kids, and for every occasion including casual and formal events.

Objects of the Issue

The Company proposes to utilize the Net Proceeds towards funding the following objects - a.) Expenditure for opening new stores of the company under "**Metro**", "**Mochi**", "**Walkway**" and "**Crocs**" brands; and b.) General corporate purposes.

Key Points

- MBL retails footwear under its 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 its in-house brands. The company also offers accessories such as belts, bags, socks, masks and wallets, at its stores.
- It also retails footcare and shoe-care products at stores through a joint venture, M.V. Shoe Care Private Limited, making it a '**one-stop-shop**' for all footwear and related accessories to customers.
- MBL primarily follow the "**company-owned and company-operated**" ("COCO") model of retailing through its own Multi Brand Outlets ("**MBOs**") and Exclusive Brand Outlets ("**EBOs**"), to better manage customer experience at stores. It operates Metro, Mochi and Walkway branded MBOs and Crocs branded EBOs.
- The Company had the third-highest number of exclusive retail outlets in India, in FY2021. In FY2019, 2020, and 2021 and in the six months ended September 30, 2020 and September 30, 2021, MBL recorded an EBITDA Margin of ~27.72%, ~27.51%, ~21.36%, ~(7.57)% and ~24.43%, respectively on a consolidated basis.
- As of September 30, 2021, the Company operated **~598 Stores** across ~136 cities spread across ~30 states and union territories in India. It targets the **economy, mid and premium segments** in the footwear market, which together are expected to grow at a higher rate compared to the total footwear industry between fiscal ~2020 and ~2025.
- These segments have a higher presence of organized players and their growth in the overall footwear industry is expected to accelerate the growth of the organized segment in the footwear industry.
- MBL's key advantage lies in its MBOs which are **decisively positioned** in different price segments and cater to different sets of consumers. It plans to open **~260 more stores** while is also scouting for **inorganic growth opportunities** that can **scale** and **leverage** its **penetration & operational** capabilities. Therefore, considering the aforesaid tailwinds, we believe investor with **long term view can Subscribe to this issue.**

Particulars (Rs. Crs)	H1FY22	H1FY21	FY21	FY20	FY19
Revenue from Operations	456.00	176.54	800.06	1285.16	1217.07
Other Income	33.27	51.51	78.48	25.91	17.35
Total Expenditure	433.28	272.09	627.38	932.32	972.81
Profit/(Loss) before Tax	55.99	(44.03)	84.51	218.42	238.40
Prov. for Tax	12.89	(2.60)	19.29	58.69	80.52
Consolidated Net Profit	43.07	(43.12)	68.20	156.73	154.48
Equity (Rs. Crs)	132.77	132.77	132.77	132.77	132.77
EPS (Rs.) (FV Rs.5/-)	1.62	(1.62)	2.57	5.90	5.82

Source: Company's RHP, Ace Equity, AUM Research

Competitive Strengths

- ✦ As of September 30, 2021, MBL had a pan-India presence through **~598 Stores** (across Metro, Mochi and Walkway branded MBOs, Crocs™ branded EBOs, and Walkway franchisees and SIS) located in **~136 cities** spread across ~30 states and union territories in India, operated by them. The company operated a **total retail business area of ~734,217 sq. ft.**, through its Stores as of September 30, 2021.
- ✦ MBL is a one-stop-shop family retailer catering to the footwear needs of men, women and children for different occasions including casual and formal events. Their men's, women's and children's product lines benefit from the Metro reputation for style, quality, comfort, innovation and affordability. The **wide range of brands enables them to operate across the economy, mid and premium segments.**
- ✦ The company had **long-standing relationships** with many of their vendors, and work with them to continuously introduce new designs, which are regularly updated. In the last ~3 Fiscals and ~6 months ended September 30, 2021, they dealt with over ~250 vendors for their products.
- ✦ MBL is among the few footwear retailers in India to source all their products through outsourcing arrangements without their own manufacturing facility, resulting in an **asset light model.**
- ✦ It owns and operates stores of both MBO and EBO formats. They operate a broad retail distribution setup that is complemented by **scalable e-commerce capabilities** including through tie-ups with select commercial partners.
- ✦ MBL has grown to be a platform of choice for other national and international third-party brands on the back of their footwear focussed retailing experience, track record of successfully incubating and scaling up various retail brands, and **extensive pan-India operations.**
- ✦ The total store count has grown from ~504 Stores across ~116 cities as of March 31, 2019 to ~586 Stores across ~134 cities as of March 31, 2021 and to ~598 Stores across ~136 cities as of September 30, 2021. Company's demand driven lean inventory norms which minimizes stale stock and discounting of products has helped improve their gross margins.

Strategies

- ✦ The footwear industry will **witness growth** on account of change in consumer attitude to footwear, from utility to fashion wear, higher demand for active footwear, growing fashion and lifestyle market, and penetration of Indian and foreign brands in footwear.
- ✦ The company continues to evaluate the arrangements, including licensing arrangements with other national as well as international brands as part of their **active brand portfolio management** and seek new brands which have high potential in their markets and are complementary to their existing in-house brands.
- ✦ The company intends to integrate their **omni-channel model** as well as apply new technologies to further expand and improve their operations to handle individual customer deliveries and enhance customer buying experience with faster dispatches.
- ✦ The company continues to look at **new opportunities** to increase their in-house range of belts, wallets, socks and handbags, by leveraging on their understanding of the Indian consumer market.
- ✦ The company intends to continue their expansion through an active **evaluation of inorganic opportunities**, partnerships, tie-ups and franchises. They will evaluate acquisition opportunities based on their targeted returns, operational scale and diversification criteria and at reasonable prices that they can fund through internal accruals.
- ✦ Constant innovation in **developing new products** that are well-received by company's target consumers is vital to their continuing success. Sustainability has been becoming a major point of focus for the global fashion industry in recent times. The company intends to intensify their product development efforts to develop and launch **sustainable footwear** through alternate sources by optimizing their raw materials.

Financials

Financial Highlights- Consolidated (Values in Rs. Crore)			
Description	FY21	FY20	FY19
Inc / Exp Performance			
Gross Sales	800.06	1285.16	1217.07
Total Income	878.54	1311.07	1234.42
Total Expenditure	627.38	932.32	972.81
PBIDT	251.16	378.75	261.61
PBIT	129.32	258.15	239.01
PBT	84.51	218.42	238.40
Consolidated Net Profit	68.20	156.73	154.48
Equity and Liabilities			
Equity Paid Up	132.77	132.77	132.77
Reserves and Surplus	694.80	674.49	554.11
Net Worth	827.57	807.26	686.88
Total Debt (Long Term plus short Term)	1.41	11.58	9.86
Capital Employed	828.98	818.87	696.77
Assets			
Gross Block	1110.41	979.79	315.30
Investments	399.67	348.35	209.82
Cash and Bank balance	87.92	10.88	12.09
Net Current Assets (Including Current Investments)	535.28	503.60	429.85
Total Current Liabilities	322.63	328.08	233.17
Total Assets	1642.67	1605.03	946.02
Cash Flow			
Cash Flow from Operations	265.28	273.08	104.33
Cash Flow from Investing activities	-122.38	-162.62	-67.35
Cash Flow from Finance activities	-127.08	-111.50	-40.64
Free Cash flow	270.56	211.83	60.06
Financial Ratios			
Debt to Equity(x)	0.00	0.01	0.01
Current Ratio(x)	2.66	2.53	2.84
ROCE (%)	15.70	34.06	37.35
RONW (%)	7.98	21.38	24.98
PBIDTM (%)	31.39	29.47	21.50
PATM (%)	8.15	12.43	12.97

Source: Company's RHP, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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