

Management Discussion & Analysis

Global Economy

In 2024, the global economy showed resilience amid ongoing economic, geopolitical, and trade tensions. According to the IMF's World Economic Outlook, global GDP grew steadily at 3.3%, reflecting a cautious yet stable recovery. Despite inflation, volatile commodity prices, and tight financial conditions, most major economies avoided recession. Strategic shifts in supply chains, green energy, and digital infrastructure provided underlying support.

The global economy is projected to continue expanding at a stable pace, with growth forecasted at 3.3% for both 2025 and 2026. However, this outlook is subject to downside risks, particularly if trade tensions escalate and countries impose retaliatory tariffs. In such a scenario, global growth could decline to 2.8%, with a significant slowdown anticipated in the U.S. economy.

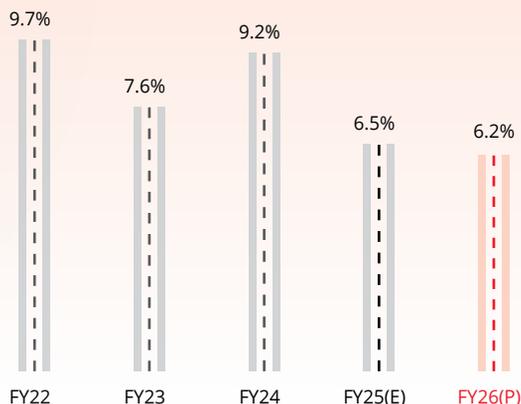
(Source: World Economic Outlook, IMF, April 22, 2025)

Indian Economy

India's economy consistently expanded and showed stability throughout FY 2024-25, confirming its standing as a significant and rapidly growing global economy. According to the Second Advanced Estimate (SAE) from the National Statistical Office (NSO), the real Gross Domestic Product (GDP) was 6.5% in FY 2024-25. This followed the substantial growth rate of 9.2% reported in FY 2023-24. A key highlight of the Indian economic landscape in FY 2024-25 has been the notable moderation in inflation.

India is set to become the world's fourth-largest economy by the end of 2025 (FY 2025-26), surpassing Japan, according to the IMF's World Economic Outlook released in April. For FY 2025-26, India's GDP is projected to grow at 6.2%, primarily supported by public capital expenditure, policy continuity, and rapid digital and infrastructure expansion. India has set ambitious economic targets of reaching a US\$ 5 trillion GDP by FY 2027-28 and US\$ 30 trillion by 2047.

India's GDP Growth Rate



The Reserve Bank of India (RBI) aims to keep inflation close to 4%. In recent months, inflation has eased, with consumer prices rising just 2.8% in May 2025, the lowest in over six years. Reflecting this trend, the RBI cut interest rates three times in 2025, bringing the repo rate down to 5.5% in June to support economic growth. For FY 2025-26, inflation is expected to average around 3.7%, and the RBI has shifted to a neutral policy stance, balancing the need for growth with price stability.

Indian Footwear Industry Overview

The Indian footwear industry is one of the largest segments in the country's retail market. It is also among the top employment-generating industries in India. India's footwear industry currently valued between US\$ 17 - 18 billion in 2024 is projected to grow at a CAGR of 10.1% between 2025 to 2033. Growth in the organised sector is expected to outpace this rate, as the market experiences a rapid shift toward formal retail. This transformation is being driven by increasing demand for branded products, expansion of modern retail formats, and the rise of e-commerce. While the unorganised sector still holds a significant share, the organised segment is growing faster and is expected to overtake it in the coming years.

The sports and athleisure category is emerging as one of the key growth engines of the Indian footwear industry. Rising health awareness, a growing fitness culture, and a young, fashion-forward consumer base are driving demand for performance and lifestyle footwear. The athleisure trend; blending comfort, style, and function; continues to post strong double-digit growth and is expected to remain a standout segment in the years ahead. India's branded sports and athleisure (S&A) footwear market is projected to grow at a 13% CAGR from FY 2024-25 to FY 2044-45. Organised multi-brand footwear retailers are well-positioned to capitalise on this rising demand in the Indian market.

Company Overview

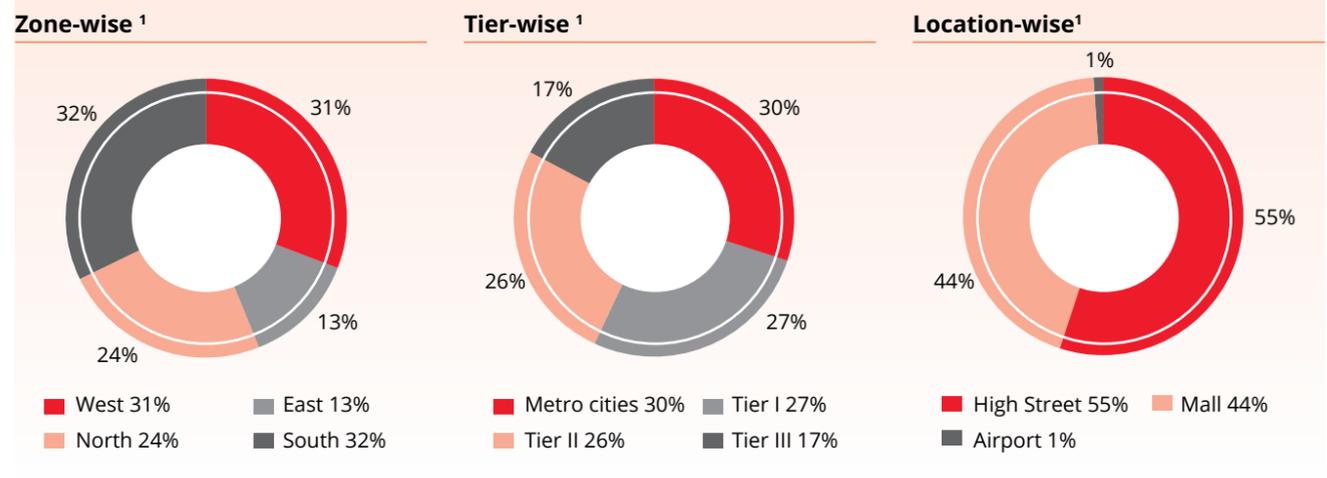
Metro Brands Ltd. ("MBL" or "the Company") is one of India's leading retailers of footwear and accessories, with a legacy that began in 1955 with the opening of its first store in Mumbai. Incorporated in 1977, the Company has since evolved into a trusted household name, synonymous with contemporary style, quality, and diversity. As of March 31, 2025, we operate an extensive network of 908 stores across 205 cities in 31 states and union territories of India.

Our diverse portfolio spans a wide spectrum of price points and style preferences, catering to both value-conscious and premium customers. Through a balanced mix of in-house and international brands, we offer products across casual, formal, festive, comfort, and athleisure categories. This comprehensive assortment positions MBL as a one-stop destination for footwear and accessories serving all genders, age groups, usage occasions,

and fashion sensibilities. Whether it's daily wear, work essentials, wedding collections, or performance-driven athleisure, MBL continues to curate India's footwear wardrobe with unmatched variety, depth, and accessibility.

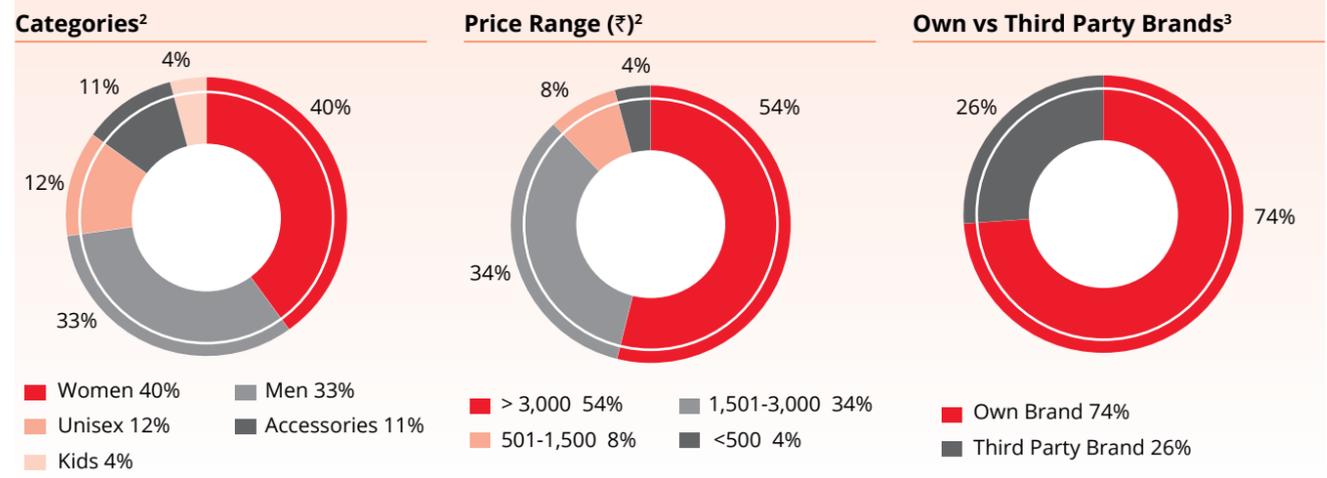
Metro Brands predominantly operates under a Company-Owned, Company-Operated (COCO) retail model. This approach grants us complete control over our operations, ensuring consistency in brand experience and service quality across our extensive network. Our journey is defined by a commitment to quality, design, and an unparalleled retail experience.

PAN India Presence with 908 Stores | 205 Cities | 31 States and UTs (As of March 2025)



Primarily follows "Company Owned and Company Operated" (COCO) model of Retailing

Products for entire family with focus on Mid and Premium Segments (FY 2024-25)



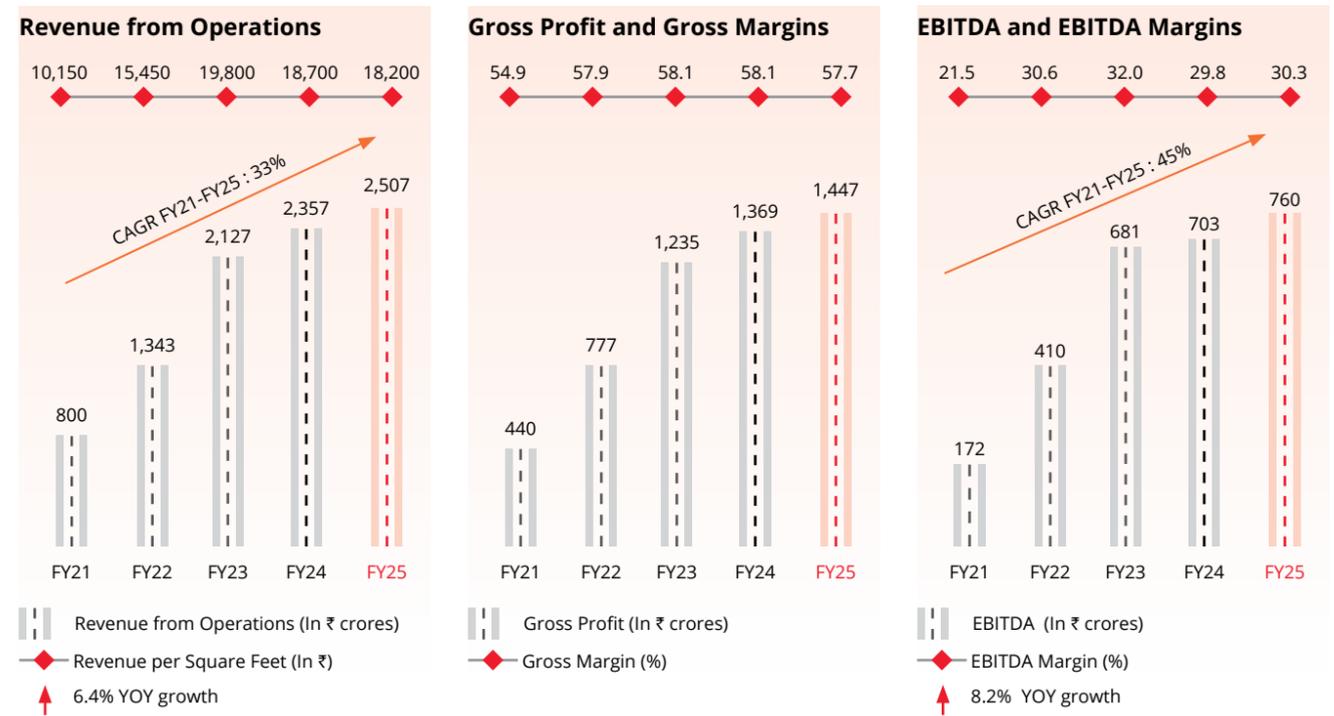
Note: Numbers / Percentages are rounded off.

- Total Store Split as of March 2025
- Split of Total Store Product Sales for FY 2024-25 on standalone basis
- Split of Total Store Product Sales on stand alone basis for FY 2024-25 at Metro, Mochi and Walkway. Third party brands include Crocs, FitFlop and FILA.

Financial Performance

In FY 2024-25, the Company's total income rose to ₹ 2,600 crores, a 7.1% increase over the previous year's ₹ 2,428 crores. The Company's gross margin remained steady at 57.7% compared to 58.1% in FY 2023-24. Profit before taxes increased by 8.2% to ₹ 504 crores in FY 2024-25 from ₹ 465 crores in FY 2023-24. Net profit declined by 14.7%, falling to ₹ 354 crores compared to ₹ 415 crores in FY 2023-24. This decline was mainly due to following one-off non-recurring transactions:

- For full year FY 2023-24, MBL has recognised and utilised tax asset of ₹ 43 crores carry forward business losses of FILA. Additionally, there is a reduction in tax charge on reversal of deferred tax liability of ₹ 26 crores certain intangible assets due to demerger.
- For full year FY 2024-25, PAT includes a one-time tax charge of ₹ 25 crores arising from the reconciliation & reassessment of tax balances in the books, primarily of the FILA business, with balance as per return of income pertaining to earlier years.



Business and Operational Highlights

While the first half of the year experienced some impact from fewer wedding dates, a slowdown due to curb in government expenditure on account of election, and reduced footfalls due to heatwaves, demand recovered in the second half, contributing to a modest 6% overall growth for the full year.

In FY 2024-25, our retail footprint grew, with the launch of 79 new stores. This was partially offset by 9 store closures, resulting in a net addition of 70 stores for the year. This expansion reflects our ongoing commitment to increasing accessibility for our customers across India.

E-commerce operations demonstrated significant vitality, with sales (including omni-channel) reaching ₹ 259 crores for FY 2024-25, representing a 20% year-on-year growth. This underscores the growing importance of our digital channels in reaching consumers.

Profitability saw an improvement in EBITDA margins from 29.8% to 30.3% attributed to better cost control, reduction in losses in FILA segment and restructuring of FILA's royalty with FILA global to align royalty expenses with expected revenue growth over next two to three years.

In the sports and athleisure segment, we completed the liquidation of old FILA inventory in FY 2024-25. Our focus in FY 2024-25 was on re-launching FILA by leveraging our Foot Locker and Metro/Mochi multi-brand outlet distribution networks. To address concerns related to Bureau of Indian Standards (BIS) implementation, we initiated local manufacturing of FILA footwear in India. We remain on track to open new FILA Exclusive Brand Outlets (EBOs) in the second half of FY 2025-26.

We entered into a long-term licensing agreement with Foot Locker, Inc., a New York-based athletic retailer, in FY 2023-24.

Subsequently, our first Foot Locker store in India opened in October 2024, located at Nexus Select City Walk in New Delhi. The store's initial performance has largely met expectations. While supply chain concerns following BIS implementation have led to a cautious approach to store expansion, we anticipate adding three more Foot Locker stores before the festive season in Q3 FY 2025-26.

Expanding our brand portfolio further, we entered into a long-term exclusive distribution agreement with New Era Cap, LLC., an international lifestyle brand with a century-long authentic sports heritage and a global revenue of approximately US\$ 1 billion. We launched our first New Era kiosk in Bengaluru in October 2024, followed by additional kiosks in Hyderabad and Mumbai, and inaugurated the New Era website in Q4 FY 2024-25.

Key Strengths

- **Strong Brand Recognition with Pan-India Reach:** Metro Brands Ltd. is among India's largest footwear retailers, resonating strongly with aspirational consumers nationwide. The brand's extensive presence and customer loyalty are reflected in repeat sales, which contribute approximately 57% of total revenue.
- **Comprehensive Omni-channel Presence:** MBL integrates its retail strategy across Exclusive Brand Outlets (EBOs), Multi-Brand Outlets (MBOs), and e-commerce platforms to offer a seamless and engaging customer experience.
- **Asset-light Operating Model:** The company's asset-light business approach supports sustainable and profitable growth through operational efficiency.
- **Diverse Product Portfolio:** MBL offers a well-balanced portfolio of owned and international brands that cater to a wide range of consumer needs across genders, age groups, occasions, and price points. From economy to premium, and from casual to formal and sportswear, the portfolio is curated to serve the complete footwear and accessories needs of the entire family.
- **Focus on Product Premiumisation:** A growing share of revenue now comes from products priced above ₹ 3,000, accounting for half of the business. This increase in premium offerings is expected to enhance gross margins and profitability.
- **Strong Vendor Relationships:** Metro Brands operates through a well-established network of over 250 trusted footwear vendors, many of whom have partnered with the Company for decades. This long-standing supplier base enables consistent product quality, flexible sourcing across categories, and faster time-to-market. The Company's large-scale operations also provide greater negotiating leverage, helping to secure favourable terms and cost efficiencies.
- **Preferred Partner for Third-party Brands:** MBL is a trusted platform for third-party brands aiming to expand in India, with successful collaborations including Crocs and FitFlop. Additionally, under a long-term distribution agreement, Metro

Brands has been appointed as the exclusive Retail and Digital Partner for Clarks across India and its neighbouring countries, including Bangladesh, Bhutan, Nepal, Maldives, and Sri Lanka. This mix of in-house and third-party brands enriches the product portfolio.

- **Experienced Leadership:** The company benefits from a seasoned promoter group and an entrepreneurial management team with a proven track record in driving growth, profitability, and financial discipline.

Opportunities and Threats

Opportunities

The Indian footwear industry growth is supported by a favourable demographic profile characterised by a young, urban consumer base that continues to drive sustained demand. Additionally, ongoing market dynamics and company strategies remain aligned with previous years, ensuring that Metro Brands is well-positioned to capitalise on these enduring opportunities in India's expanding footwear market.

- **Robust Growth Potential in Indian Footwear Market:** The Indian footwear industry is expected to grow at a healthy CAGR of 10%, with the organised segment projected to outpace overall market growth. This trend presents significant opportunities for organised players like Metro Brands to expand their footprint and gain market share.
- **Rising Disposable Income:** India's expanding middle class with greater disposable income is shifting consumer preference towards branded footwear. This transition from unbranded to branded products is pushing average selling prices upward, as customers increasingly value quality and brand reputation.
- **Emerging Markets in Tier II and III Cities:** Branded Footwear demand is growing in Tier II and III cities, driven by a rising middle class with improved purchasing power and better access to brands through digital platforms. Urban development and mall expansions have further widened the reach of footwear retailers, offering both domestic and international brands.
- **Increasing Popularity of Sports and Athleisure Footwear:** There is a notable surge in demand for sports and athleisure footwear, propelled by greater health consciousness, active lifestyles, and a preference for comfortable yet stylish options. The sneaker segment, in particular, is gaining traction among younger consumers.
- **Digital and E-commerce Penetration:** Digital technologies and social media platforms are enabling consumers to stay abreast of fashion trends and brand offerings. The growth of digital payments and e-commerce has boosted footwear sales by providing convenient access to a wide range of branded products.

Threats and Concerns

The Company operates in a dynamic environment characterised by various risks and external uncertainties. To navigate these challenges effectively, MBL has instituted robust mechanisms to identify, monitor, and mitigate potential threats that could impact its business operations. The key risks and the corresponding mitigation strategies are outlined below:

- **Competition Risk:** Metro Brands faces stiff competition from unorganised retailers, established domestic brands, emerging players, and international entrants, which exerts pressure on pricing and margins. However, as a family-oriented retailer with a broad product portfolio, MBL maintains its competitive advantage by strengthening its multi-channel presence, diversifying sales platforms, and expanding its footprint across major B2C and B2B marketplaces, including leading Indian e-commerce sites. A loyal customer base, supported by digitised loyalty programmes, provides valuable insights that enable optimised product offerings and targeted engagement campaigns.
- **Third-party Manufacturing Risk:** Since all products are sourced through third-party manufacturers, any disruption at these facilities or lapses in quality standards could adversely affect the Company's reputation and financial health. To mitigate this, MBL has refined its outsourcing processes over time, with all in-house products undergoing stringent quality inspections at its two warehouses in Bhiwandi. Additionally, the asset-light business model continues to underpin sustained, profitable growth.
- **Vendor Concentration Risk:** Dependence on vendors concentrated in specific regions presents a potential risk to supply chain stability. MBL addresses this by fostering long-term relationships with over 250 vendors across India, ensuring diversified sourcing. Regular engagement with varied vendor groups has enhanced product efficiency and streamlined supply operations.
- **Margin Risk in Online Business:** The online segment is susceptible to margin pressures due to promotional discounts and competitive pricing on digital platforms aimed at driving sales. Despite this, MBL's online business is growing steadily. The Company is focused on improving margins by strategically curbing discounts and enhancing operational efficiencies. Moreover, a strong offline retail presence continues to safeguard overall profitability.
- **Rapidly Evolving Trends:** To stay ahead of shifting consumer preferences, MBL swiftly adapts its product range and marketing strategies. As a one-stop shop, it regularly updates its assortment to reflect emerging trends and cater to diverse customer segments. Digital marketing and e-commerce platforms are leveraged extensively to boost brand visibility and meet evolving consumer demands.

- **Risk of Future Third-party Brand Acquisitions:** There is an inherent risk in the development and integration of future third-party brand acquisitions. Currently, 74% of products are sold under MBL's in-house brands—Metro, Mochi, and Walkway. New brands are introduced cautiously, ensuring they enhance the customer experience and improve in-store engagement before full-scale rollout.

Key Business Strategies

The Company is moving forward with a set of targeted organic and inorganic strategies to support sustainable growth.

- **Pan-India expansion:** The Company is committed to deepening its reach in the Indian footwear market by raising its store count across various retail formats, with a particular emphasis on expanding into Tier II and Tier III cities.
- **Optimising omni-channel platforms:** The focus remains on developing omni-channel capabilities to enhance the accessibility of the Company's brands. The strategy aims to leverage multiple channels, harmonising online and offline touchpoints to widen customer engagement. By capitalising on these integrated platforms, we seek to reinforce our status as a comprehensive footwear provider, unlocking additional growth opportunities and strengthening revenue streams.
- **Boosting e-commerce operations:** Efforts are underway to advance digital commerce by amplifying the Company's e-commerce operations, with specific attention to growth in the omni-channel segment. The goal is to drive incremental revenue and cement the brand's relevance in a competitive digital landscape, delivering a unified experience to both online and offline customers.
- **Capitalising on Sports and Athleisure growth:** To capture new opportunities within the Sports and Athleisure market, the Company has entered into alliances, including partnerships with Foot Locker, New Era and FILA. These collaborations diversify the Company's product offering, stimulate segmental growth, and enhance customer choice.
- **Strengthening technology infrastructure:** Investing in technology remains at the core of the Company's plans to stay current and competitive. Ongoing upgrades to technology platforms are intended to accelerate digital transformation, foster the integration of advanced solutions like generative AI and robotic process automation, and reinforce the efficiency of supply chain, sales, and e-commerce functions across departments.
- **Evaluating Brand tie-ups & Inorganic growth opportunities:** The Company continues to evaluate select opportunities in the footwear and accessories market for inorganic growth. The assessment process considers strategic fit, operational scale, returns, and diversification benefits, in line with the Company's focus on long-term value creation.

Human Resources

In FY 2024–25, Metro Brands Ltd. strengthened its focus on building a people-first workplace culture. With a growing team of 6,062 employees, we expanded recognition, improved engagement, and enhanced efficiency in core HR processes.

A key highlight was the expansion of our Recognition and Rewards (R&R) programme across corporate, retail, and warehouse teams, creating a unified framework to appreciate performance. The Golden Foot Awards were extended to 97 categories, enabling us to recognise a broader spectrum of talent and effort.

Throughout the year, we hosted a wide range of employee engagement activities, from festive celebrations (Ramzan, Navratri, Diwali, Christmas) to the Metro Premier League, Wellness Camps, and campaigns like 'Relive Your Small Joys'. These initiatives helped strengthen team spirit across all levels.

Our Employee Engagement Survey showed an encouraging increase in sentiment, with the overall score improving from 7.6 in FY 2023-24 to 8.2 in FY 2024-25. The insights gathered from the survey helped shape our regular HR connects, town halls, and skip-level meetings—initiatives focused on enhancing dialogue and building a more inclusive workplace.

We also enhanced employee support through improved health benefits, introducing top-up coverage for up to 9 dependents.

On the operational front, end-to-end automation of HR processes, including appraisals, promotions, travel, and payroll, significantly reduced turnaround time and increased accuracy.

To complement these efforts, our Talent Development agenda focused on building a future-ready, empowered workforce through targeted learning journeys for our corporate teams and a robust development programme for Store Managers. Recognising the growing role of digital fluency, we trained nearly 95% of our employees on the practical applications of AI, equipping them to innovate and adapt in a rapidly evolving landscape. We also strengthened our Retail Talent Pipeline by grooming and placing over 100 Potential Store Managers into leadership roles across our network. Each initiative reflects our core belief: when people grow, businesses thrive.

Looking ahead, our goal is simple: to continue building a workplace that is open, efficient, and people-driven, where every employee feels supported, heard, and proud to grow with us.

Internal Control System

The Company has well-established internal control systems commensurate with its business size, scale, and complexity, implemented across all functions. These controls, based on defined policies and procedures, ensure effective operations, asset protection, financial accuracy, fraud prevention, and compliance. They are periodically reviewed and monitored by the internal controls team, with independent evaluations by internal auditors. Significant findings are reported to management and the Audit Committee, which also reviews the adequacy and effectiveness of the controls and guides improvements.

Cautionary Statement

This Management Discussion and Analysis includes statements that outline the Company's objectives, projections, estimates, expectations, and predictions. These are considered forward-looking statements under applicable securities laws and regulations. The Company has conducted various assessments and analyses to form assumptions regarding future business developments. However, actual outcomes may differ from these expectations due to a range of risks and unforeseen factors.

Key factors that could influence the Company's operations include macroeconomic developments within the country and improvements in capital market conditions. Changes in government regulations, taxes, laws, and other statutes, as well as other incidental factors, could also affect results. The Company is not obligated to publicly update or revise any forward-looking statements to account for future or probable events or circumstances.

