



IPO Report

29th Aug '24

Snapshot

Company is a value fashion retailer with a market share of 3.03% and 2.22%, respectively in organized value retail market in the states of West Bengal and Odisha, respectively as per The Technopak Report. Company was the fastest growing value retailer between 2017 to 2024, in terms of both store count and revenue from operations, when compared to V2 Retail Limited and V-Mart Retail Limited (“Listed Value Retailers”) as per The Technopak Report. Company have the largest retail footprint in Eastern India when compared to the Listed Value Retailers in Fiscal 2024 as per The Technopak Report. As on March 31, 2024, company operated 162 stores spread across over 1.47 million square feet located in 146 cities. A majority of company’s stores are operated under the brand name ‘Style Bazaar’.

VALUATION

Company is bringing the issue at price band of Rs 370-389 per share at p/e multiple of 132x on post issue FY24 PAT basis. Company is one of the fastest growing value retailer in eastern India with a market share of 3.03% and 2.22% in the states of West Bengal and Odisha, respectively in organized value retail market. With accelerated store expansion through a cluster-based approach & strong understanding of customer preferences to offer a comprehensive, targeted and affordable product mix along with private label brands leading to customer loyalty. Company has high operational efficiency and lean cost structure due to strong focus on business processes and automation. Company has targeted marketing and promotion activities enabling increasing brand salience and garnering customer loyalty. Company has experienced promoters and a strong management team with a proven track record, backed by investors and strong financial track record of growth. Hence, we recommend “Subscribe” on issue

Price Band (Rs./Share)	370-389
Opening date of the issue	30th Aug '2024
Closing Date of the issue	03rd Sept '2024
No of shares pre issue	7,08,10,966 Eq Shares
Issue Size	Rs 801-835 Cr
Fresh issue	Rs 148 Cr
Offer for Sale	17,652,320 Equity Shares
Face Value (Rs/ share)	Rs 5/share
Employee Discount	Rs 35/share
Bid Lot	38

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 1,07,15,620 Eq Shares)
Non-Institutional	15% of the offer (Approx 32,14,686 Eq Shares)
Retail	35% of the offer (Approx 75,00,934 Eq Shares)
Employee Reservation	Rs 1 Cr
Lead managers	Axis Capital, Intensive Fiscal Services, JM Financial
Registrar to the issue	Link Intime India Pvt. Ltd

WHAT WE LIKE

One of the fastest growing value retailer in eastern India with a market share of 3.03% and 2.22% in the states of West Bengal and Odisha, respectively in organized value retail market

Company was the fastest growing value retailer during the period 2017 to 2024 when compared to Listed Value Retailers, in terms of store count, registering a CAGR of 35.8%, as per Technopak Report and have expanded across 9 states and operating 162 stores as of March 31, 2024. During the same period, company was also the fastest growing value retailer in terms of revenue from operations registering a CAGR of 26.8% when compared to that of the Listed Value Retailers

Strong financial track record of growth

Company have expanded its store network from 106 stores as at March 31, 2022 to 162 stores as at March 31, 2024, registering a CAGR of 23.62% during Fiscals 2022 to 2024, company have grown steadily in the recent years. Company’s financial performance has also witnessed similar growth over the same period. On account of lean working capital cycle, company have managed to improve its operating efficiency. Due to company’s continued efforts to manage inventory and streamline supply chain system, company have managed to reduce its inventory cycle.



COMPANY BACKGROUND

Company's offerings are bifurcated under the apparels and general merchandise verticals. Within the apparels vertical, company offer garments for men, women, boys, girls and infants, whereas company's general merchandise offerings include both non-apparels and home furnishing products. Company's target customer segment is the aspiring middle class comprising of households with an average annual income of less than 5,000 USD, comprising of fashion conscious, value and quality seeking youth and young families, which forms the bulk of purchasing power of the Indian population as per The Technopak Report. Company focus on providing a family-oriented shopping experience, offering quality products and strive to offer every Indian stylish merchandise at an affordable price. By providing a family-oriented shopping experience, company is a one-stop shop catering to the requirements of the entire family by providing a quality product portfolio at an affordable price as per The Technopak Report. Owing to company's product portfolio, company's Average Transaction Value was ₹1,038.69, ₹1,040.88 and ₹1,026.17 for the Fiscals 2024, 2023 and 2022, respectively, with Average Transaction Value for Fiscal 2024 being the second highest when compared to that of the Listed Value Retailers in India as per The Technopak Report.

Company's merchandise sales has increased consistently, registering sales equivalent to 33.69 million units, 24.95 million units and 17.58 million units in the Fiscals 2024, 2023 and 2022, respectively wherein each unit represents one article of apparel or general merchandise products. Company venture into untapped markets with high potential by offering multiplicity of brands, wide range of apparels and general merchandise, customised product range catering to the local preferences, brand specific counters highlighting specific products and brands such as Sparky and K-Lounge counter, where company offer branded products for the Killer brand. Company's private label brands, where it have a greater control over quality and product assortment, have contributed ₹3,689.95 million, ₹2,476.51 million and ₹1,362.47 million representing 37.93%, 31.43% and 24.72% of its total revenue from operations for the Fiscals 2024, 2023 and 2022, respectively. Company's strategically located stores with their attractive layout coupled with its diverse and affordable product offerings allow company to successfully cater to the demands of this growing segment of its population. Company's stores are operated on a cluster-based expansion model in which a new store is opened and operated within the same or nearby districts in which company operate its existing stores. This enables company to increase efficiencies in supply chain and inventory management processes, strengthen its brand visibility in local markets, optimize its marketing expenditure, efficient utilization of company's human resources and provides company with an incisive understanding of customer preferences at a micro market level. Company's EBITDA margin percentage for Fiscal 2024 was the highest when compared to that of the Listed Value Retailers as per The Technopak Report. Company is able to attract high footfall of customers to its stores by virtue of company's stores being located predominantly in high street areas and endowed with an appeal equivalent to shopping malls.

Company provide a modern shopping experience to its target customers with all company's stores being air conditioned and having an appealing store layout, trial rooms, wide range of quality products, ambience and merchandising, quality assurance, which, enhances the shopping experience for company's customers and its ability to offer quality products at affordable prices under an upscale retail environment. As of March 31, 2024, company's stores had an average size of 9,046 square feet with trained staff to enhance customer experience. Company's Sales Per Square Feet for the Fiscal 2024 was ₹7,758.

Company's sourcing capability is backed by its logistics network with real time delivery, supported by systems, processes and a robust information technology infrastructure, which allow company to deliver on its Value Retailing promise. At company's centralised warehouse, company have adopted technology and modern equipment extensively, which has led to process efficiencies and optimisation of costs. As a result, company is able to procure its merchandise optimally and manage its inventory levels efficiently to better respond to its customers' changing preferences and needs while also ensuring that prices are kept affordable. Company is backed by its Promoters, board members and the Senior Management Personnel. Company's shareholders include investors such as Rekha Rakesh Jhunjhunwala, the wife of Late Rakesh Jhunjhunwala, Kewal Kiran Clothing Limited, Manohar Lal Agarwal, promoter of Haldiram Snacks, Boon-family office of Supreme Industries, Intensive Softshare Private Limited, D.K. Surana, Ajay Kumar Jain and Sanjay Kumar Jain, partners of J.K. Jain Sparky (India) LLP and company have benefited significantly from their experience and leadership, and they along with its Senior Management Personnel, have been instrumental in formulating and executing the strategies of Company.

Company's Market Opportunity

The overall lifestyle and home value retail industry in India was estimated to be ₹6,592.11 billion and accounts for approximately 54% of the total market in these categories of Lifestyle and Home as per The Technopak Report. According to the Technopak Report, the share of the organized retail apparel has increased from approximately 14% in Fiscal 2007 to approximately 46% in Fiscal 2024, highlighting that during this period organized players not only captured the new incremental demand but also managed to divert demand away from the unorganized Apparel retail in its favour. Company is a value fashion retailer with a share of 2.15% in the organised value retail market in Eastern India and North-Eastern India for Fiscal 2024 as per The Technopak Report. According to the Technopak Report, as of Fiscal 2024 the market size of Value Retailing industry in the eastern and north-eastern states of India is estimated at ₹1,417.48 billion.



INVESTMENT RATIONALE

<p><i>Accelerated store expansion through a cluster-based approach</i></p>	<p>Company’s store count has grown from 2 stores since its incorporation in Fiscal 2014 to 162 stores as of Fiscal 2024 signifying a CAGR of 55.18%. Company’s strength lies in understanding and responding to changing customer preferences and offering affordable products to its customers with a wide assortment of products. Company follow a methodical approach while opening new stores. Company’s new store locations are carefully evaluated by considering parameters such as local population density, location of stores on high street, footfall potential, availability of public transportation facilities, visibility of the location, future development potential, proximity to existing stores and distribution centre, estimated spending power of the population and local economy, payback period, competitive opportunities and threats, and the feasibility of store sites. Company’s store closure in the Fiscals 2024, 2023 and 2022, is 6, 5 and 3, respectively. Company have the lowest number of store closures when compared to the Listed Value Retailers in the last three Fiscals as per The Technopak Report . Company’s revenue from operations has grown from ₹5,511.18 million in Fiscal 2022 to ₹9,728.82 million in Fiscal 2024, indicating a CAGR of 32.86% while the overall lifestyle and home value retail market has been estimated to have grown at a CAGR of 19.3% from Fiscal 2022 to Fiscal 2024 as per The Technopak Report. Company attribute its relatively higher growth of company’s revenue from operations compared against the growth rate of the overall lifestyle and value retail between Fiscals 2022 and 2024, which has been marked by recovery from the COVID pandemic to company’s operational efficiency. While company have registered a CAGR of 23.62% in increase in the number of store count during Fiscals 2022 to 2024, company have been able to register a CAGR of 32.86% in revenue from operations during the same period which is due to company’s strong understanding of target customer base and the market trends in the Core Markets and Focus Markets.</p>
<p><i>Strong understanding of customer preferences to offer a comprehensive, targeted and affordable product mix along with company’s private label brands leading to customer loyalty</i></p>	<p>Company’s product portfolio includes both apparels and general merchandise including cosmetics and imitation jewellery, consumer appliances, houseware products and bags, as highlighted below. Company’s portfolio of apparels includes shirts, t-shirts, trousers, sarees, sports and active wear, winter wear, night wear, western ware, ethnic wear and accessories catering to the needs of men, women, children, and youngsters. Company’s deep knowledge of clusters has enabled company to customize its product assortment as per the local needs and respond to changing customer preferences and market demands, owing to which company’s Average Transaction Value for Fiscal 2024 being ₹1,038.69, is the second highest when compared to that of the Listed Value Retailers</p>
<p><i>High operational efficiency and lean cost structure due to strong focus on business processes and automation</i></p>	<p>Company follows a robust vendor selection process focusing on order fulfilment capacity, product delivery time, and the quality of products offered by Suppliers. Company’s strong control over the supply chain has enabled it to efficiently service the demands of its customers. Company have a wide network of Vendors and Suppliers across the country. As on March 31, 2024, company had 641 Suppliers and 1,226 Vendors. Company have established a strong relationship with its Suppliers which ensures a smooth, efficient, and uninterrupted supply of products. Company strive to keep its inventory turnover days for all products to an optimum level. Company’s supply chain ensures that goods are dispatched in the appropriate quantities and times to reach company’s stores. The majority of company’s supply chain relies on transportation services from third parties. The re-order levels for each store vary and are determined based on a combination of several factors including display levels, lead times for replenishment and average sales. Company review these re-order levels on a continuous basis to factor in variances in demand based on seasons and trends.</p>



OBJECTS OF OFFER

Offer for Sale

Company will not receive any proceeds from the Offer for Sale. The proceeds of the Offer for Sale shall be received by the Selling Shareholders and will not form part of the Net Proceeds.

Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, referred to as the “Objects”):

1. Prepayment or repayment of all or a portion of certain outstanding borrowings availed by Company; and
2. General corporate purposes..

RISKS

Geographical Concentration of Business: Company’s stores are concentrated in the eastern parts of India and any adverse developments affecting company’s operations in this state could have an adverse impact on company’s revenue and results of operations.

Source:RHP

INDUSTRY OVERVIEW

Key Growth Drivers of the Indian Apparel Sector

Value Fashion led growth Going forward, Value fashion will continue to be the mainstay of growth of Apparel retailers and brands in both Ethnic and Western wear segments. This growth can be attributed to the movement from unbranded to branded; Ready to Stitch (RTS) to Ready to Wear (RTW); and migration from Rural to Urban centres. Value fashion retailers such as Style Baazar, V2 Retail, V-Mart, Baazar Kolkata etc are bridging the price gap in the branded Apparel market by offering quality products at affordable prices. This Value sensitivity has been accelerated by COVID-19, leading to demand for core offerings in the Value segment. As a result of this growing demand, Value fashion focussed brands, private brand led retailers, LFS and online aggregators will continue to benefit.

Casualization of fashion and growth of Comfort wear The casual wear market has evolved significantly over the years. Casual wear categories such as denim, activewear, casual shirts, athleisure, loungewear, sleepwear, and fashionable skirts are outpacing the growth of formal wear in India. This is reflective of the changing consumer trend and increasing usage of casual wear in offices as well as at home. COVID-19 leading to work from home further boosted this category. This shift in women’s wardrobe towards casual wear has acted as a growth driver for women’s western wear. The casualization of fashion is not unique to India and is driven by global trends. Consequently, a consumer’s fashion basket has expanded to include clothing like casual wear, athleisure, loungewear, sports/gym wear, jackets, jeans etc. This benefits Value retailers like Style Baazar, V Mart etc. as Value fashion plays cater to all category types, especially casual wear in the mass-mid price category.

Technology Intervention In the Indian Apparel sector, technology deployment in manufacturing, sourcing, retailing, marketing and data management is becoming the biggest value creator.

In-store Experience – Apparel players are implementing in-store technologies in congruence with the growing number of tech-savvy, knowledgeable and demanding customers. Some of the technological components being used are Augmented Reality (AR); Virtual Reality (VR); Video screens and kiosks for in-store ordering and crossselling by suggesting other products and categories to consumers to ‘complete the look’; Beacon tech/Apps; Checkout Free Scan & Go Services etc.

Customer Data Mining - Apart from generating valuable insights on consumer behaviour through analysis of data collected, these technological experiences are engaging shoppers from product discovery to product delivery. They assist customers at every stage of shopping.

New Technologies of the Future - The metaverse is becoming a part of the global fashion industry and in coming years, is expected to become an important part of the Indian Apparel landscape as well. It supplements physical Apparel and design through its virtual features like virtual catalogues and fashion shows, which saves resources and gives more opportunities for creativity.

Omnichannel approach by brands Brands are now focusing on an Omnichannel approach to provide a seamless experience to the consumers, whereby consumers can interact and purchase from the brand through either channel. Players are taking measures to ensure the same by digitally enabling all retail channels and focusing on online medium with links to offline channels.

Digital enablement of all Retail Channels - Activating digitally enabled channels became even more important during & post-Covid. Brands adopted digital channels faster than originally planned, and the whole eco-system is leading towards digital enablement. Offline channels are also using digital in some form for sales through social commerce with WhatsApp, mailings etc. Digitally enabled commerce will become important and will subsume both brick retail and e-commerce. Therefore, activating these channels and harnessing their potential will become important for the growth of the brand and the sector. This also allows to address dispersed demand and meet consumer needs across different purchase drivers and purchase triggers.

Online Purchase of Apparel - Apparel is a category that requires size trials and touch-feel of the fabric to assess and make a purchase decision. However, it saw an increase in e-commerce uptake during Covid, which led to a change in consumer behaviour and there was increased adoption of online channels for Apparel purchases too. Companies and consumers alike adapted to this change and there was the use of various mediums like Apps, Websites, and social commerce channels like WhatsApp, Video-shopping from home etc. Companies also accelerated their online adoption plans. The use of AI and software that would enable consumers to see how they look in a garment has witnessed traction enabling virtual try-ons etc. **Digital Marketing** The use of Digital media as a marketing tool is being adopted by all key players. Its wider reach and relatively lower cost of customer conversion make it a medium of choice. The adoption of social media by youth has given an opportunity to brands to reach consumers directly through targeted campaigns. The widespread adoption of WhatsApp makes it a useful business tool. Brands & local businesses alike are using this medium to reach out to consumers belonging to every age group.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	5511.18	7879.03	9728.82
Total Expenditure (B)	4827.66	6864.19	8307.18
EBIDTA	683.52	1014.84	1421.64
EBIDTA Margin	12.40	12.88	14.61
Other Income	100.21	64.86	99.44
Depreciation	530.46	611.86	734.54
EBIT	253.27	467.84	786.54
Interest	353.76	413.77	494.35
PBT	-100.49	54.07	292.19
Share of profit in Asso	0.00	0.00	0.00
PBIT	-100.49	54.07	292.19
Exceptional	0.00	0.00	0.00
PBT	-100.49	54.07	292.19
Tax	-20.42	3.05	72.77
PAT	-80.07	51.02	219.42
NPM	-1.45	0.65	2.26
ROE%	-5.67	2.67	10.32
EPS	-1.31	0.76	3.14
Eq Cap	332.93	349.27	349.27
Net Worth	1,437.74	1,935.85	2,151.26

(Source: RHP)

Peer Comparison

Company Name	Face Value	P/E	EPS	NAV	ROE %
<i>Bazaar Style Limited</i>	5	[.]	3.14	30.43	10.32
Peers					
V-Mart Retail Limited	10	NA	-48.93	NA	-12.98
V2 Retail Limited	10	138.88	8.04	79.42	10.12

(Source: RHP)



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