

Recode Studios IPO

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- The company is fully dependent on the third party supply of products.
- Bumper profits posted FY25 onwards appears window dressing to fetch fancy pricing for the IPO.
- Based on its recent financial data, the issue appears aggressively priced.
- Only well-informed/cash surplus/risk seekers may park moderate funds for long term.

About the Company

Recode Studios Ltd. (RSL) is a beauty and personal care (“BPC”) company operating in the beauty, cosmetics and personal care segment in India. Its business primarily involves the branding, procurement and distribution of beauty and personal care products under the “Recode” brand. The company operates through an omnichannel distribution network, which comprises Company-Owned Company-Operated (“COCO”) retail stores, Franchisee-Owned Franchisee-Operated (“FOFO”) stores, third-party e-commerce platforms and its proprietary website and mobile application.

RSL offers a diversified portfolio of products across make-up, skincare, body care and beauty accessories, catering to a wide range of consumer preferences and usage occasions. As of the date of this RHP, the Company offers approximately 350+ Stock Keeping Units (“SKUs”) across multiple categories and price points. Its product portfolio includes face make-up, eye make-up, lip makeup, face and body care products and beauty accessories.

Company’s omnichannel distribution model enables it to distribute products through both offline and online channels, allowing customers to purchase products through physical retail outlets as well as digital platforms. Offline distribution is carried out through a combination of COCO stores and FOFO stores, which are operated by independent franchise partners. Online distribution is undertaken through its own website (shop.recodestudios.com) and mobile application (Recode Studios), as well as through third-party e-commerce marketplaces such as Amazon, Nykaa, Myntra and Flipkart.

The Company’s products are manufactured through third-party manufacturers located across various states in India. In addition, certain products are sourced through imports from international markets. The Company does not own any manufacturing facilities, and its operations are primarily focused on product sourcing, branding, marketing and distribution. The Company undertakes its marketing and promotional activities through a combination of online and offline channels, including social media platforms, digital advertising, influencer collaborations, in-store branding and promotional displays.

The Company also engages in customer outreach and brand visibility initiatives through workshops and demonstrations conducted by make-up professionals using the Company's products. As of March 31, 2026, it had 156 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 2822400 equity shares of Rs. 10 each to mobilize Rs. 44.59 cr. at the upper cap. The IPO consists of 2503200 fresh equity shares worth Rs. 39.55 cr. at the upper cap, and an Offer for Sale (OFS) of 319200 equity shares worth Rs. 5.04 cr. at the upper cap. The company has announced a price band of Rs. 150 - Rs. 158 per share of Rs. 10 each. The minimum application to be made is for 1600 shares and in multiples of 800 shares thereon, thereafter. The issue opens for subscription on May 05, 2026 and will close on May 07, 2026. The shares will be listed on BSE SME. The IPO constitute 26.52% of the post-IPO paid-up capital of the company. From the net proceeds of the fresh equity issue, it will utilize Rs. 5.74 cr. for capex towards setting up new warehouse, Rs. 5.41 cr. for marketing and advertising towards enhancing awareness of its brand, Rs. 19.50 cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Seren Capital Pvt. Ltd., and Mudra RTA Ventures Pvt. Ltd. is the registrar to the issue. Asnani Stock Broker Pvt. Ltd., is the market maker as well as a syndicate member.

After issuing initial equity capital at par value, it issued further equity shares at a fixed price of Rs. 95700 per share in February 2023 and March 2023. It has also issued bonus shares in the ratio of 780 for 1 in December 2025. The average cost of acquisition of shares by the promoters is Rs. NIL, Rs. 0.30, Rs. 0.35, Rs. 0.59, and Rs. 2.29 per share.

Post-IPO, company's current paid-up equity capital of Rs. 8.14 cr. will stand enhanced to Rs. 10.64 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 168.18 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/ net profit, of Rs. 22.44 cr. / Rs. 0.69 cr. (FY23), Rs. 36.93 cr. / Rs. 0.27 cr. (FY24), Rs. 47.94 cr. / Rs. 3.30 cr. (FY25). For 9M of FY26 ended on December 31, 2025, it earned a net profit of Rs. 9.06 cr. on a total income of Rs. 57.45 cr. The company marked quantum jump in its bottom lines from FY25 onward, that not only raise eyebrows, but also concern over its sustainability going forward, as it is operating in a highly competitive and fragmented segment. Surge in net profit appears to be the window dressing to fetch fancy valuations for the IPO.

For the last three fiscals, the company has reported an average EPS of Rs. 2.29 and an average RoNW of 22.71%. The issue is priced at a P/BV of 7.21 based on its NAV of Rs. 21.91 per share as of

December 31, 2025, but its post-IPO NAV data is missing from offer documents.

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 13.92, and based on FY25 earnings, the P/E stands at 50.97. The issue appears aggressively priced based on its recent earnings.

The company has posted PAT Margins of 3.10% (FY23), 0.75% (FY24), 6.91% (FY25), 15.79% (9M-FY26), and RoCE margins of 14.28%, 9.38%, 34.47%, 39.85%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Honasa Consumer, FSN E-co., Ravelcare, as its listed peers. They are currently trading at a P/E of 71.7, 501, and 25.2 (as of April 30, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

This is the 6th mandate from Seren Capital in the last two fiscals (including the ongoing one). Out of the last 5 listings, all opened with premium ranging from 17.07% to 48.73% on the date of listing.

Conclusion / Investment Strategy

RSL is engaged in the marketing of personal care segment. The company is fully dependent on the third party supply of products. Bumper profits posted FY25 onwards appears window dressing to fetch fancy pricing for the IPO. Based on its recent financial data, the issue appears aggressively priced. Only well-informed/cash surplus/risk seekers may park moderate funds for long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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