BAAZAR STYLE RETAIL LIMITED

August 29, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Retail
Offer for sale (Shares)	17,652,320
Fresh Issue (Shares)	3,804,627
Net Offer to the Public	**21,456,947**
Issue Size (Rs. Cr.)	793-835
Price Band (Rs.)	370-389
Employee Discount	Rs 35 per share
Offer Date	30-Aug-24
Close Date	3-Sep-24
Face Value	5
Lot Size	38

Issue Composition

	In shares
Total Issue for Sale	21,456,947
QIB	10,728,474
NIB	3,218,542
Retail	7,509,931

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	55.03%	46.49%
QIB	44.97%	39.13%
NIB	0.00%	4.31%
Retail	0.00%	10.06%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The company proposes to utilize the Net Proceeds towards funding the following objects (collectively, referred to as the "Objects"):

Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company and

General corporate purposes.

Book Running Lead Manager

- Axis Capital Limited
- Intensive Fiscal Services Private Limited^
- JM Financial Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in June 2013, Bazaar Style Retail Limited is a fashion retailer, offers apparel for men, women, boys, girls, and infants and general merchandise such as non-apparels and home furnishing products. The company focuses on providing a family-oriented shopping experience, offering quality products and striving to offer every Indian stylish merchandise at an affordable price. As of March 31, 2024, the stores averaged 9,046 square feet and were staffed by trained employees to enhance customer experience. The company operates in Odisha, Bihar, Assam, West Bengal, Jharkhand, Andhra Pradesh, Uttar Pradesh, Tripura, and Chhattisgarh. As of March 31, 2024, the company has expanded across 9 states and operates 162 stores. As of March 31, 2024, the company had an in-house marketing team consisting of 13 personnel. The company has a strong designing and merchandising team of 57 personnel who have experience understanding and sensing the regional preferences of its target customers.

Strength

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: The company is 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 on page 218 and have expanded across 9 states and operating 162 stores as of March 31, 2024. The company's revenue from operations from its Core Markets is Rs.852.06 crore, Rs.713.92 crore and Rs.508.06 Crore for the Fiscals 2024, 2023 and 2022, respectively and contributed 87.58%, 90.61% and 92.19% for the Fiscals 2024, 2023 and 2022, respectively.

Accelerated store expansion through a cluster-based approach: The company 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%. It believes that its strength lies in understanding and responding to changing customer preferences and offering affordable products to its customers with a wide assortment of products. Highlights of its expansion in the last three fiscals, is set forth below:

Particulars	As at March 31, 2024	As at Fiscal ended March 31, 2023	As at Fiscal ended March 31, 2022
	(Consolidated)	(Standalone)	
Incremental stores opened	33	34	18
Net operating stores	162	135	106
Rental space of stores (in million square feet)	1.47	1.25	1.02

Its revenue from operations has grown from Rs.5511.18 million in Fiscal 2022 to Rs.972.88 crore 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

Strong understanding of customer preferences to offer a comprehensive, targeted and affordable product mix along with its private label brands leading to customer loyalty: On account of lean working capital cycle, it has managed to improve its operating efficiency. Due to its continued efforts to manage inventory and streamline supply chain system, it has managed to reduce its inventory cycle.

Particulars	As at and for Fiscal ended March 31,		
	2024	2023	2022
	Consolidated	Standalone	
Total Income (In ₹ million)	9,828.26	7,943.89	5,611.39
Total Gross Margin (In ₹ million)	3,260.25	2,540.17	1,752.95
EBITDA (In ₹ million)	1,421.64	1,014.84	683.52

Strategy

Expand profit margins and increase revenue contribution from its private labels: Bazaar Style Retail's gross profit margins have been consistently increasing from 31.81% in Fiscal 2022 to 32.24% in Fiscal 2023 to 33.51% in Fiscal 2024 through better management of resources, culture building, professional hiring, increase in the share of private label, expansion of the stores on cluster-based approach, better product assortment, product merchandising, effective use of CRM as well as through use of data analytics to efficiently plan its working capital requirements. It currently owns 10 private label brands contributing Rs.369 crore, Rs.247.65 crore and Rs.136.25 Crore representing 37.93%, 31.43% and 24.72% of its revenue from operations for the Fiscals 2024, 2023 and 2022, respectively. Its customer centric strategy aims at acquiring in-depth customer preferences and securing customer loyalty. It intends to continuously improve the product mix offered to the customers as well as strive to understand and anticipate the future customer requirements and cater to such needs. It believes that its healthy mix of private label and third-party brands not only helps it to differentiate its offerings but also offers diverse selections to its customers.

Strengthen its market position by increasing penetration in existing clusters, expand its footprint in the Focus Markets, increase focus on customer retention and garnering brand loyalty : It intends to focus on penetrating further in existing clusters including those located in Core Markets and Focus Markets, with an appetite for increased demand and high growth potential. It has been expanding its presence in terms of store count in its target markets at a CAGR of 23.62% between the Fiscals 2022 and 2024 which is attributable to its growth in the Core Markets and Focus Markets at a CAGR of 17.88% and 65.14%, respectively during these periods. It will continue to make investments in brand building exercise through various above and below the line marketing initiatives and celebrity endorsement, influencer marketing and customer engagement initiatives through social media to increase the number of footfalls and the footfall conversion rate. It believes that as it grows in size, retaining its existing customers and increasing the Average Transaction Value per customer becomes an integral element in its growth.

Continue to invest in its technology adoption initiatives, data analytical capabilities and implementation of omni-channel retailing business model: Its business model is driven by the strength of its system-driven technology infrastructure, its data analytical capabilities. It believes that proactive technology adoption and improvement of data analytical capabilities would help it in the long run to analyse customer behaviour, identify trends, and optimize its inventory management and operational efficiency at the store level and the entity level. It aims to further strengthen its information technology infrastructure and its data analytical capabilities, in specific to help it optimize its operations further and make data driven decisions as it expand its warehousing capabilities which would increase its operational efficiency and profitability. It believes that the implementation of omni-channel retailing business model will contribute to significant value addition to its existing business model of brick and mortar stores by creating internal synergies, helping it increase its revenue from operations and the awareness of its brand.

Continue to invest in strengthening its supply chain management and human capital to further reduce its operating costs: Its success and profitability can be attributed to it maintaining high levels of operational efficiency on a consistent basis. Further, it believes that supply chain management is critical to its business. Its supply chain management involves planning, merchandising, sourcing, vendor management, logistics, quality control, replacement, and replenishment. It plans to further improve its operating efficiency and continue to invest in supply chain management by:

- continuing to refine its store operating systems based on the performance of its stores and feedback from its customers and local management teams;
- continuing to strengthen its relationships with its Suppliers through cooperation and closer coordination;
- expanding and upgrading its existing distribution centres to improve the efficiency of its inventory and supply management. It will continue to expand its distribution centres to serve its existing and new stores when it is cost effective and efficient to do so; and
- continuing to absorb best industry practices.

Risk factor

- Style Baazar's regional focus in Eastern India, particularly in West Bengal, Odisha, Assam, and Bihar, poses a risk of vulnerability to localized economic fluctuations and heightened competition.
- Style Baazar's overreliance on apparel sales exposes it to the volatility of fashion trends and consumer preferences, potentially impacting its financial performance.
- Style Baazar operates in a fiercely competitive retail fashion market, facing challenges from both larger, more resource-rich competitors and online retailers. To sustain its market share, the company must continuously adapt to industry dynamics.
- Style Baazar's products, particularly seasonal items like summer and winter wear, are subject to demand fluctuations. This can lead to inventory management challenges and potentially impact financial performance if demand is misjudged or unforeseen market changes occur.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
V2 Retail	1316.15	37.81	10.93	111.20	15.30	79.42	10	1215.40	4203.99
V-Mart Retail	2893.16	-62.67	0.00	0.00	9.72	377.71	10	3673.20	7264.44
Baazar Style Retail Limited	972.88	21.94	2.94	132.28	8.50	45.78	5	389.00	2902.55

***Peer companies financials are TTM based**
****Baazar Style Retail Limited 's financials are of FY 2024**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.389, the stock is priced at pre issue P/E of 125.54x on an Estimated Annualised FY24 EPS of Rs.3.10. Post issue, the stock is priced at a P/E of 132.28x on its EPS of Rs. 2.94. Looking at the P/B ratio at Rs. 389 pre issue, book value of Rs. 27.34 of P/Bvx 14.23x. Post issue, book value of Rs. 45.78 of P/Bvx 8.50x.

Considering the P/E valuation, on the lower end of the price band of Rs.370, the stock is priced at pre issue P/E of 119.41x on an Estimated Annualised FY24 EPS of Rs. 3.10. Post issue, the stock is priced at a P/E of 125.82x on its EPS of Rs. 2.94. Looking at the P/B ratio at Rs. 370 pre issue, book value of Rs. 27.34 of P/Bvx 13.53x. Post issue, book value of Rs. 45.78 of P/Bvx 8.08x.

Industry Outlook

According to the Technopak Report, Value Retail in the apparel segment in India was estimated to be approximately Rs.3,721.70 billion in Fiscal 2024. This market is expected to reach Rs.5,341.25 billion by Fiscal 2027, growing at a CAGR of 13.9% from Fiscal 2023 to 2027. As of Fiscal 2024 the market size of Value Retailing industry (lifestyle and home) in the eastern and north-eastern states of India is estimated to be at Rs.1,417.48 billion. The eastern states are the fastest growing consumer markets for Value Retail with an expected market size of Rs.2,208.02 billion and grow at a CAGR of 15.9% from Fiscal 2024 to Fiscal 2027.

Outlook

Baazar Style Retail Limited has a solid market position in the eastern Indian states of West Bengal, Odisha, Assam, and Bihar. While the company seeks to expand its geographic reach, it faces intense competition and slim profit margins. Any significant disruptions from competitors could strain its financial health. Despite its well-managed debt, the company's high inventory levels ensure a smooth and efficient operation. However, understanding evolving fashion trends and regional preferences remains a crucial risk. Given its long-term prospects, a patient investor might consider investing in the company.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	30-August-24
BID/ISSUE CLOSES ON	03-September-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	04-September-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	05-September-24
Credit of Equity Shares to Demat Accounts of Allottees	05-September-24
Commencement of trading of the Equity Shares on the Stock Exchanges	06-September-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	972.88	787.90	551.12
Total expenditure	830.72	686.42	482.77
Operating Profit	**142.16**	**101.48**	**68.35**
OPM%	14.61	12.88	12.40
Other Income	9.94	6.49	10.02
PBDIT	**152.11**	**107.97**	**78.37**
Depreciation	73.45	61.19	53.05
PBIT	**78.65**	**46.78**	**25.33**
Interest	49.44	41.38	35.38
Profit before tax	**29.22**	**5.41**	**-10.05**
Tax	7.28	0.31	-2.04
PAT	**21.94**	**5.10**	**-8.01**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	190.22	134.58	105.22
Right-of-Use assets	428.48	332.75	280.60
Capital work-in-progress	6.92	1.53	2.65
Intangible assets	1.26	0.94	0.64
Financial Assets			
Loans	0.05	0.00	0.00
Other financial Assets	19.69	16.89	13.33
Deferred tax assets (net)	15.88	12.72	9.76
Tax assets (net)	0.01	2.33	3.01
Other assets	0.21	0.12	0.31
Total Non Current Assets	**662.72**	**501.84**	**415.49**
Current assets			
Inventories	432.91	316.90	280.36
Financial Assets			
Cash and cash equivalents	14.08	5.14	22.97
Bank balances (other than Cash and cash equivalents)	0.78	0.00	1.51
Loans	0.03	0.00	0.00
Other financial assets	6.14	4.20	3.35
Tax assets (net)	2.42	2.89	0.00
Other assets	46.89	36.14	30.52
Total current assets	**503.25**	**365.27**	**338.71**
Total Assets	**1165.97**	**867.11**	**754.20**
Non-current liabilities			
Financial liabilities			
Borrowings	29.10	18.10	17.03
Lease Liabilities	440.46	343.48	279.80
Provisions	1.67	2.14	2.01
Total non-current liabilities	**471.23**	**363.72**	**298.83**
Current liabilities			
Financial liabilities			
Borrowings	149.13	97.08	84.54
Lease liabilities	38.80	31.64	28.05
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	28.25	7.49	1.72
Total outstanding dues of creditors other than micro enterprises and small enterprises	233.51	158.51	178.45
Other current financial liabilities	21.21	12.80	16.78
Provisions	1.19	0.13	0.08
Tax liabilities (net)	4.61	0.00	0.00
Other liabilities	2.92	2.16	1.98
Total current liabilities	**479.62**	**309.80**	**311.59**
Total	**950.84**	**673.52**	**610.42**
Net worth represented by:			
Equity Share Capital	34.93	34.93	33.29
Other Equity	180.20	158.66	110.48
Net Worth	**215.13**	**193.59**	**143.77**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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