

03th September 2024

Baazar Style Retail – SUBSCRIBE

Investment Thesis

Baazar Style Retail Ltd. (BSRL) IPO is a book built issue of Rs 834.68 crores. The issue is a combination of fresh issue of 0.38 crore shares aggregating to Rs 148.00 crores and offer for sale of 1.77 crore shares aggregating to Rs 686.68 crores. The company proposes to utilize the Net Proceeds towards funding the following objects i) Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company and ii) General corporate purposes.

BSRL is poised to solidify its market position by deepening its presence in existing clusters and exploring new, high-growth markets. The company's impressive store count growth, marked by a 23.62% CAGR from Fiscal 2022 to 2024, is fueled by significant expansion in both Core Markets (17.88% CAGR) and Focus Markets (65.14% CAGR). This growth trajectory aligns with the company's plan to capitalize new store opportunities in Northern and Eastern India. By enhancing customer retention and increasing the average basket size through targeted marketing, expanded product mix, and improved store management, BSRL aims to boost sales and drive sustainable growth. Strategic investments in high-traffic locations, coupled with celebrity endorsements and influencer marketing, will further bolster brand loyalty and convert footfall into sales. This comprehensive approach is expected to increase market share, enhance profit margins, and support long-term growth. BSRL has successfully implemented a cluster-based expansion model, particularly in Core Markets.

BSRL's focused multichannel marketing strategy is central to building brand salience and customer loyalty. By integrating traditional advertising with targeted campaigns that leverage local influencers, the company engages customers through various touchpoints, including SMS, voice calls, and social media. With a marketing spend of 1.65% of revenue, BSRL ensures that its campaigns are both effective and efficient. The company's growing social media presence, boasting over 170,000 followers, is a testament to its ability to connect with its customer base. These efforts are further supported by a dedicated marketing team that focuses on driving repeat purchases and fostering long-term customer relationships. As a result, BSRL is well-positioned to boost revenue growth through enhanced customer loyalty and increased brand recognition.

Financials

Particulars	FY22	FY23	FY24
Revenue (Rs in Mn)	5,511	7,879	9,729
Total Expenses (Rs in Mn)	4,828	6,864	8,307
EBITDA (Rs in Mn)	684	1,015	1,422
PAT (Rs in Mn)	-80	51	219
EPS (Rs)	-1.3	0.80	3.10

* At highest price band # Post listing

IPO Details

Issue Open Date	30 August 2024
Issue Close Date	3 September 2024
Price Band (Rs.)	Rs.370 – Rs. 389
Issue Size*	Rs. 8346.8 Mn
Issue Size (Shares)	21,456,947
Market Lot	38 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 5/-

* At highest price band

Key Details

Fresh Issue*	Rs. 1,480.0 Mn
Issue Type	Book Building
Book Running Lead Manager	Axis Capital Limited, Intensive Fiscal Services Private Limited and Jm Financial Limited.
Issue structure	QIB: 19.97% Non Institutional:14.98% Retail: 34.95% Anchor Investors: 29.96% Employee share offer: 0.13%
Credit of Shares to Demat Account	05 September 2024
Issue Listing Date	06 September 2024

* At highest price band

Key Business Highlights

- Incorporated in June 2013, Bazaar Style Retail Limited is a fashion retailer operating in West Bengal and Odisha. The company 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, Jharkhand, Andhra Pradesh, Uttar Pradesh, Tripura, and Chhattisgarh. As of March 31, 2024, the company has expanded across 9 states and operates 162 stores.
- BSRL's commitment to operational efficiency is underscored by its focus on advanced processes and automation. The company maintains robust relationships with 641 suppliers and 1,226 vendors, ensuring a reliable supply chain. Utilizing an in-house ERP system and Tableau for data analytics, BSRL achieves precise inventory management and responsive order fulfilment, leading to reduced operational costs and optimized stock levels.
- BSRL's have ten private label brands contributing approximately 38% of revenues, the company is focused on increasing the number of SKUs across all brand segments. This initiative has already yielded significant results, with sales of private labels growing at a CAGR of 64.6% from Fiscal 2022 to 2024. BSRL's deep understanding of customer preferences enables it to tailor product offerings to meet market demand, resulting in a high rate of repeat purchases—71.94% in Fiscal 2024.

Valuation

- The company's competitive pricing, strong supplier network, and strategic store locations have established it as a one-stop solution for its target demographic—the aspiring middle class. As the organized value-retailing industry in Eastern and North-eastern India continues to grow, BSRL is strategically positioned to leverage emerging opportunities, further solidifying its market leadership.
- We are recommending SUBSCRIBE rating to the IPO of Baazar Style Retail Ltd. (BSRL) for medium to long term perspective.**

Risk & Concern

- Failure to effectively leverage supplier relationships and networks, or to identify new suppliers, could have a negative impact on our business, financial condition, cash flows, and operational results.
- The majority of the company's stores are located in the eastern region of India, and any adverse developments in this area could significantly impact revenues.
- The fashion and retail industry is highly competitive.

Graphs & Charts

Figure 1: Revenue (Rs. Million)

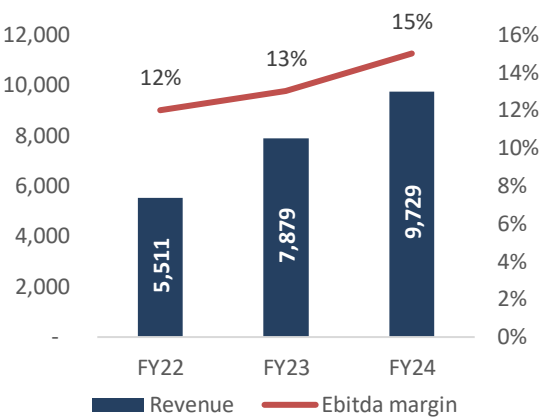


Figure 2: Inventory Turnover Days

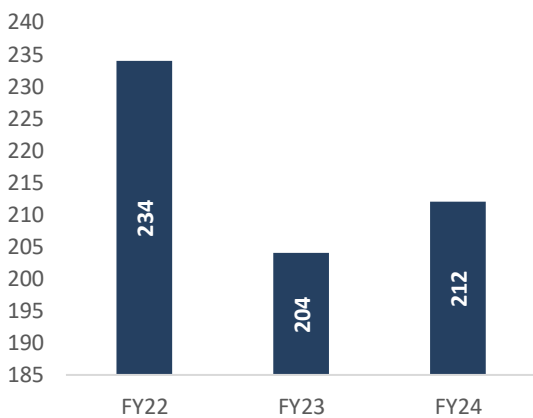
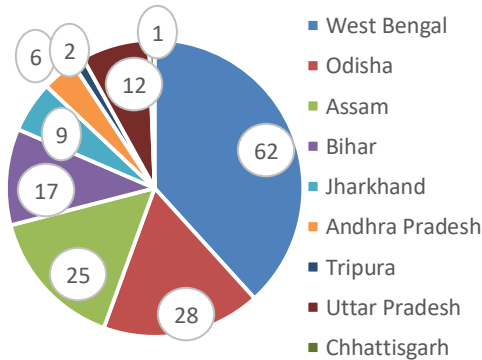


Figure 3: Store metrics

Particulars	FY22	FY23	FY24
Store Count	106	135	162
No. of Bills (in mn)	5.75	8.22	10.04
Sales Per Sq. Ft	6,109	7,445	7,758
Same Store Sale Growth (in %)	17%	26%	10%

Figure 4: Branch geographical classification



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