Baazar Style Retail | BUY

Robust performance led by early arrival of festive demand

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- **Revenue growth of 71% in Q2FY26:** Revenue grew 71% YoY to INR 5.3 bn (1% above our initial estimate) led 22% SSSG in Q2. *Normalised SSSG (adjusting for high festive demand due to early arrival of Durga Puja) stood at 19%.*
- **Sales per sq ft increased 22% YoY:** Sales per sq ft in Q2 grew 22% YoY to INR 865 per month, which is INR 10.4k on an annualised basis.
- **Added 18 (net) stores in Q2FY26, ahead of initial estimate:** Company added 20 new stores in Q2FY26 and closed 2 stores, taking the total to 250 stores by the end of Sep-25 (ahead our initial estimate). Total rental area grew ~38% YoY to 2.3 mn sq ft as on 30th Sep-25. Average store size of new stores increased by ~8% to 10.2 k sq ft in Q2.
- **We estimate ~700 bps YoY increase EBITDA margin (Pre-Ind AS)** in Q2 to 8% led by ~30bps YoY gross margin expansion and better operating leverage. Accordingly, EBITDA (Pre-Ind AS) is expected to grow 13x YoY to INR 427 mn and report a PAT of INR 225 mn (vs 55 mn PAT loss in Q2FY25). EBITDA per sq ft is expected to increase by ~125% YoY to INR 346 per quarter.

Exhibit 1. Quarterly performance (INR mn)

	Quarterly			Chg (%)	Chg (%)	Full Year		Chg (%)
Particulars (INR mn)	**Q2FY25**	**Q1FY26**	**Q2FY26**	**YoY**	**QoQ**	**FY24**	**FY25**	**YoY**
Store Count (#)	**184**	**232**	**250**	**66**	**18**	**184**	**250**	**66**
SSSG (%)	**41**	**(3)**	**12**			**10%**	**13%**	
Net operating revenues	**3,109**	**3,779**	**5,319**	**71**	**41**	**9,729**	**13,437**	**38**
Material cost	(2,170)	(2,423)	(3,697)	70	53	(6,471)	(8,895)	37
Gross Profit	**939**	**1,356**	**1,622**	**73**	**20**	**3,258**	**4,542**	**39**
Employee cost	(291)	(337)	(360)	24	7	(845)	(1,160)	37
Other expenses	(405)	(436)	(500)	23	15	(991)	(1,486)	50
Total expenditure	(2,866)	(3,196)	(4,557)	59	43	(8,307)	(11,541)	39
EBITDA	**244**	**582**	**762**	**213**	**31**	**1,422**	**1,896**	**33**
Other income	22	29	20	(8)	(31)	99	90	(10)
Interest	(159)	(235)	(242)	52	3	(494)	(690)	40
Depreciation	(225)	(340)	(355)	58	4	(735)	(999)	36
Pretax profits	**(119)**	**36**	**185**	**(256)**	**414**	**292**	**296**	**1**
Tax	29	(8)	(47)	(261)	503	(73)	(69)	(5)
Adj. PAT	**(89)**	**28**	**138**	**(254)**	**389**	**219**	**227**	**4**
Extraordinary items	-	(8)	-			-	(81)	
Net profit (reported)	(89)	21	138	**(254)**	572	219	147	(33)
Recurring EPS	**(1.2)**	**0.4**	**1.9**	**(254)**	**389**	**3.1**	**3.0**	**(3)**
Pre Ind AS 116								
EBITDA	32	250	427	1,230	71	723	944	30
PAT	(55)	97	225	NM	NM	296	398	34
EPS	(0.7)	1.3	3.0	NM	NM	4.2	5.3	26
% of operating revenues								
Gross margin	**30.2**	**35.9**	**30.5**	**29 bps**	**-539 bps**	**33.5**	**33.8**	**31 bps**
EBITDA margin	**7.8**	**15.4**	**14.3**	**649 bps**	**-108 bps**	**14.6**	**14.1**	**-51 bps**
Material cost	69.8	64.1	69.5	-30 bps	538 bps	66.5	66.2	-32 bps
Employee cost	9.3	8.9	6.8	-258 bps	-216 bps	8.7	8.6	-6 bps
Other expenses	13.0	11.5	9.4	-363 bps	-215 bps	10.2	11.1	86 bps
Income tax rate (% of PBT)	24.7	21.7	25.5	79 bps	375 bps	24.9	23.3	-163 bps
Pre Ind AS Margins (%)								
EBITDA margin	1.0	6.6	8.0	700 bps	140 bps	7.4	7.0	-42 bps
PAT Margin	-1.8	2.6	4.2	599 bps	165 bps	3.0	3.0	-9 bps

Source: Company, JM Financial

APPENDIX I

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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