

RETAIL EQUITY RESEARCH

Bazaar Style Retail Ltd.

Retail

SENSEX: 82,135

NIFTY: 25,152

SUBSCRIBE

Price Range Rs.370- Rs.389

A fastest growing value fashion retailer..

Bazaar Style Retail Ltd (BSRL), incorporated in 2013, is a value fashion retailer with dominance in Eastern India (with a market share of 3% in West Bengal and 2.2% in Odisha & 2.15% in organized value retail market in Eastern India), offering affordable products under the apparels (contributes to ~84% of topline) and general merchandise segments (~16% of topline). Within the apparels vertical, it offers garments for men, women, boys, girls and infants, and the general merchandise offerings include both non-apparels and home furnishing products. As on March 31, 2024, BSRL has 162 stores spread across over 1.47 million square feet located in 146 cities operated under the brand name "Style Bazaar". BSRL is backed by investors like, Rekha Rakesh Jhunjhunwala, Kewal Kiran Clothing Limited, Manohar Lal Agarwal (promoter of Haldiram Snacks) and others.

- The retail market in India is valued at Rs. 84.9 trillion in FY24 and is expected to grow at a CAGR of 10.1% to reach Rs.113.5 trillion by FY27.
- The apparel market in India is valued at Rs. 5.48 trillion in FY23 and is expected to grow at a CAGR of ~18.2% between FY23-FY27 to reach Rs.10.7 trillion in FY27E, backed by higher brand consciousness, greater purchasing power, and increasing urbanization. (Source: Technopak Report).
- The number of stores of BSRL has increased from 2 in FY14 to 162 as of FY24, with a CAGR of 55.18%. As per Technopak Report, the value retailers have an opportunity to add 800-1000 stores by the FY27, in the Northern India and Eastern India. Hence, BSRL is well positioned to tap this market opportunity.
- BSRL enjoys a healthy mix of private label (currently owns 10 brands) and third-party brands offered in their stores. Revenue from sale of private label brands (~contributes to ~38% of topline in FY24) has grown at a CAGR of 64.57% over FY22-FY24.
- The company has achieved repeat customer purchases of ~72% in FY24 vs. 69% in FY22, indicating a high degree of customer stickiness.
- Revenue from operations grew at a CAGR of ~33% over FY22-24 to Rs.973cr, led by increased sales volume supported by a rise in store additions and demand.
- EBITDA grew by 40% YoY, while EBITDA margins expanded by 170 bps YoY in FY24, led by better operating efficiency.
- The company has undertaken a pre-IPO placement amounting to Rs.37cr to Volrado Ventures Partners Fund II, at an issue price of Rs 387 a piece.
- As of March FY24, the total debt is at Rs.178.2cr with a D/E of 0.8x. From the net IPO proceeds, Rs. 113.7cr will be utilised for debt repayment. The D/E ratio will trim down to 0.1x post IPO.
- At the upper price band of Rs.389, BSRL is available at Mcap/Sales of 3.0x (FY24), which appears to be reasonably priced compared to its peers. Considering the rise in demand, aggressive store additions, customer retention, cluster based expansion model, and positive industry growth opportunities, we assign a "Subscribe" rating on a short to medium term basis.

Purpose of IPO

The offering includes both a fresh issue of Rs. 148cr and an Offer-for-Sale (OFS) of Rs. 686.7cr. The objective of the offer is to utilize the net proceeds for repayment of borrowings (Rs.113.7cr), general corporate purposes and benefit of listing in stock exchanges.

Key Risks

- Regional concentration: ~87% of revenue is derived from core markets (West Bengal, Odisha, Assam and Bihar).
- Product Concentration: ~84% of revenue is derived from apparels.
- The same store sales growth rate declined from 17% in FY22 to 9.5% in FY24.

Peer Valuation

Company	MCap(₹cr)	Sales (₹ cr)	EBITDA(%)	PAT	EPS(₹)	RoE (%)	Mcap/Sales (x)	P/E(x)	EV/EBITDA(x)	P/BV(x)	CMP
Bazaar Style Retail Ltd	2902.5	973	15	21.9	2.9	10.2	2.98	132.3	25.0	13.5	NA
Vmart Retail Ltd	7103	2780.8	7.7	-96.8	-48.1	-12.1	2.6	-74.6	26.1	9.5	3592
V2 Retail Ltd	4040	1164.7	12.7	27.8	8.0	10.7	3.5	145.3	10.4	14.7	1168

Source: Geojit Research, Bloomberg; Valuations of BSRL is based on upper end of the price band (post issue), Financials as per FY24 consolidated.

Issue Details	
Date of opening	August 30, 2024
Date of closing	September 03, 2024
Total No. of shares offered (cr.)	1.77
Post Issue No. of shares (cr)	7.5
Price Band	₹370- ₹389
Face Value	₹5
Bid Lot	38 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,782
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,166
Listing	BSE,NSE
Lead Managers	Axis capital Ltd, Intensive Fiscal services Pvt Ltd, and JM Financial Ltd.
Registrar	Link Intime India Pvt Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	148.0
OFS	686.68
Total Issue	834.68

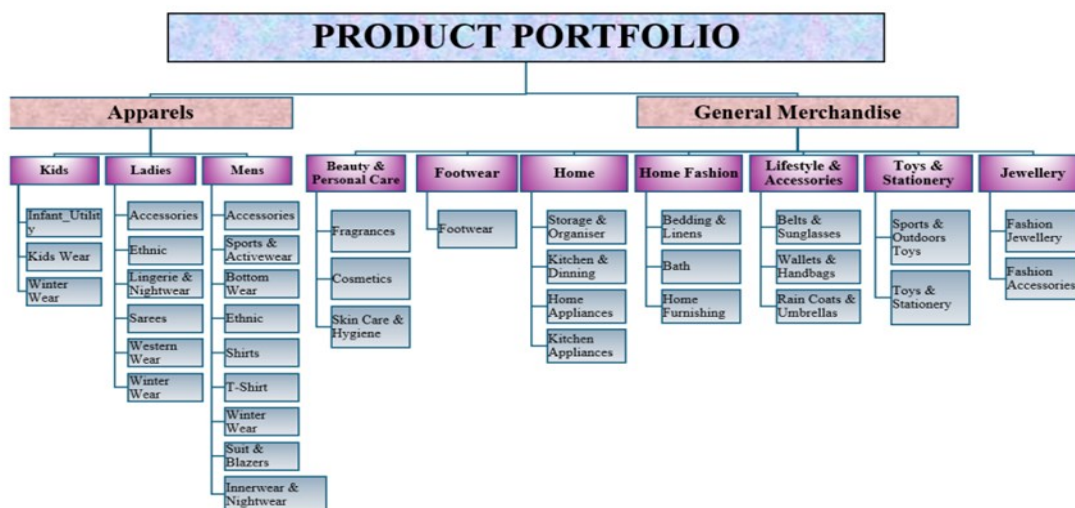
Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	55.0	45.6
Investor selling shareholder	30.7	25.8
Public	14.3	28.6
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	291.79
Non-Institutional	15	125.05
QIB	50	416.84
Employee reservation	-	1.00
Total	100	834.68

Y.E March (Rs cr) Consol.	FY22	FY23	FY24
Sales	551.1	787.9	972.9
Growth (%)	-	43.0	23.5
EBITDA	68.4	101.5	142.2
Margin(%)	12	13	15
PAT Adj.	-8.0	5.1	21.9
Growth (%)	-1.5	0.6	2.3
EPS	-1.1	0.7	2.9
P/E (x)	-362.5	568.9	132.3
EV/EBITDA (x)	48.5	33.4	25
RoE (%)	-5.6	2.6	10.2

Company Description

Bazaar Style Retail Ltd (BSRL), incorporated in 2013, is a value fashion retailer with dominance in Eastern India (with a market share of 3% in West Bengal and 2.2% in Odisha & 2.15% in organized value retail market in Eastern India), offering affordable products under the apparels (contributes to ~84% of topline) and general merchandise segments (~16% of topline). Within the apparels vertical, it offers garments for men, women, boys, girls and infants, and the general merchandise offerings include both non-apparels and home furnishing products. BSRL provides modern shopping experience and has an average store size of 9,046 square feet and sales per square feet of Rs. 7,758 in FY24.



Source: RHP, Geojit Research

Presence:

As on March 31, 2024 BSRL has over 1.47 million square feet of retail space along with 122,000 square feet of warehouse space in Hooghly, West Bengal, which is supported by an auto replenishment and warehousing management system technology.

Sl. No.	State	As at Fiscal ended March 31, 2024	As at Fiscal ended March 31, 2023	As at Fiscal ended March 31, 2022
1.	West Bengal	62	58	48
2.	Odisha	28	26	18
3.	Bihar	17	15	17
4.	Assam	25	15	12
5.	Jharkhand	9	8	7
6.	Andhra Pradesh	6	6	2
7.	Uttar Pradesh	12	4	-
8.	Tripura	2	2	2
9.	Chhattisgarh	1	1	-

Source: RHP, Geojit

Research

Competitive Strengths

- ◆ 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 the organized value retail market.
- ◆ Accelerated store expansion through a cluster-based approach.
- ◆ Strong understanding of customer preferences to offer a comprehensive, targeted and affordable product mix along with the private label brands leading to customer loyalty.
- ◆ High operational efficiency and lean cost structure due to strong focus on business processes and automation.
- ◆ Targeted marketing and promotion activities enabling increasing brand salience and garnering customer loyalty.

Key strategies

- ◆ Expand profit margins and increase revenue contribution from the private labels. Focus towards creating differentiation and achieving greater control over product quality of private labels.
- ◆ Strengthen the market position by increasing penetration in existing clusters, expand the footprint in the Focus Markets, increase focus on customer retention and garnering brand loyalty.
- ◆ Continue to invest in technology adoption initiatives, data analytical capabilities and implementation of omni-channel retailing business model.
- ◆ Continue to invest in strengthening the supply chain management and human capital to further reduce the operating costs.

Industry outlook

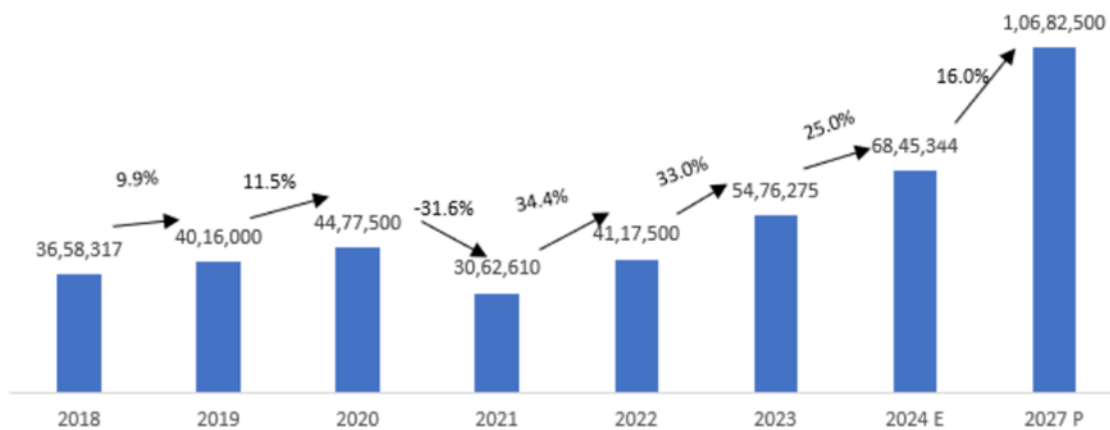
Retail Market & Apparel market in India

The Retail Market in India is valued at Rs. 8,49,16,000 mn in FY24 and is expected to grow at a CAGR of 10.1% to reach Rs. 11,34,59,200 mn by FY27. The organized retail penetration is expected to increase to ~22.9% by FY27.

The Apparel market in India was valued at INR 54,76,275 mn in FY23 and is expected to grow at a CAGR of ~18.2% between FY23 and FY27 to reach INR 1,06,82,500 Mn by FY27 on the back of factors like higher brand consciousness, greater purchasing power and increasing urbanization. The market is estimated at INR 68,45,344 mn for FY24 growing at a CAGR of ~25% from FY23. Value Apparel which constitutes Mass and Economy products contributed to ~54% % of the total Apparel market in FY24.

While the CAGR of the total Apparel market between FY23 and FY27 is projected to be 18.2%, the branded Apparel and organized Apparel retail are expected to grow at CAGR of 23.2% and 25.3% respectively in the same period, i.e., the growth of both branded Apparel and organized Apparel in Apparel category will outpace the overall market growth. The share of branded apparel and organized apparel is estimated at 56% and 45% respectively for FY24.

Exhibit 3.1: Apparel Market Size in India (in INR Mn) (FY)



Source: RHP, Geojit Research

Promoter and promoter group

The Promoters of the Company are Mr. Bhagwan Prasad, Mr. Rohit Kedia, Sri Narsingh Infrastructure Private Limited, Mr. Shreyans Surana, Mr. Rajendra Kumar Gupta (HUF), Mr. Pradeep Kumar Agarwal, Ms. Sabita Agarwal and Mr. Rajendra Kumar Gupta. As on the date of this Red Herring Prospectus, Promoters of the company altogether represents ~ 33.5% of the issued, subscribed and paid-up Equity Share capital of the Company.

As on the date of RHP, company has 10 Directors, comprising of four Whole-time Directors and six Non-executive Directors, out of which five are Independent Directors, including one woman Independent Director.

Brief Biographies of directors

- **Pradeep Kumar Agarwal** is one of the Promoters of the company and is currently the Chairman and Whole time Director of the Company.
- **Rohit Kedia** is one of the Promoters of the Company and is currently the Whole-time Director of the Company.
- **Shreyans Surana** is one of the Promoters of the Company and is currently the Managing Director of the Company.
- **Bhagwan Prasad** is one of the Promoters of the Company and is currently the Whole-time Director of the Company.
- **Ushma Sheth Sule** is the Nominee Director of the Company.
- **Dhanpat Ram Agarwal** is the Independent Director of the Company.
- **Richa Manoj Goyal** is the Independent Director of the Company.
- **Prashant Singhania** is the Independent Director of the Company.
- **Saurabh Mittal** is the Independent Director of the Company.
- **Rishabh Narendra Jain** is the Independent Director of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY22*	FY23*	FY24
Sales	551.1	787.9	972.9
% change	-	43.0	23.5
EBITDA	68.4	101.5	142.2
% change	-	48	40
Depreciation	53	61.2	73.5
EBIT	15.3	40.3	68.7
Interest	35.4	41.4	49.4
Other Income	10	6.5	9.9
Exceptional items	-	-	-
PBT	-10.0	5.4	29.2
% change	-	-154	440.4
Tax	-2.0	0.3	7.3
Tax Rate (%)	20	6	25
Reported PAT	-8.0	5.1	21.9
Adj	-	-	-
Adj. PAT	-8.0	5.1	21.9
% change	-	-163.7	330.1
Post issue No. of shares (cr)	7.5	7.5	7.5
Adj EPS (Rs)	-1.1	0.7	2.9
% change	-	-163.7	330.1

Note: *-Standalone Financials

BALANCE SHEET

Y.E March (Rs cr)	FY22*	FY23*	FY24
Cash	24.5	5.1	14.9
Accounts Receivable	-	-	-
Inventories	280.4	316.9	432.9
Other Cur. Assets	33.9	43.2	55.5
Investments	-	-	-
Deff. Tax Assets	12.8	15.0	15.9
Net Fixed Assets	105.2	134.6	190.2
CWIP	2.6	1.5	6.9
Intangible Assets	281.2	333.7	429.7
Other Assets	13.6	17	19.9
Total Assets	754	867	1,166
Current Liabilities	182.1	168.2	264.7
Provisions	2.1	2.3	2.9
Debt Funds	409.4	490.3	657.5
Other Fin. Liabilities	16.8	12.8	21.2
Deferred Tax liability	-	-	4.6
Equity Capital	33.3	34.9	34.9
Reserves & Surplus	110.5	158.7	180.2
Shareholder's Fund	143.8	193.6	215.1
Total Liabilities	754	867	1,166
BVPS (Rs)	19.3	25.9	28.8

CASH FLOW

Y.E March (Rs cr)	FY22*	FY23*	FY24
PBT Adj.	29.22	5.41	-10.0
Non-operating & non cash adj.	116.7	100.5	80.65
Operating Profits before Working Capital Changes	145.93	105.92	70.60
Changes in W.C	-31.50	-67.58	-53.3
Net cash generated from operations before tax	114.3	38.3	17.2
Income tax paid (net)	-2.8	-5.44	-1.68
Net cash generated from operating activities (a)	111.6	32.91	15.59
Net cash used in investing activities (b)	-84.54	-43.02	-26.53
Net cash used in financing activities (c)	-18.14	-7.72	28.53
Change. in cash (a+b+c)	8.94	(17.83)	17.59
Opening Cash	5.14	22.97	5.39
Closing cash	14.08	5.14	22.97

Note: *-Standalone Financials

RATIOS

Y.E March	FY22*	FY23*	FY24
Profitab. & Return			
EBITDA margin (%)	12.4	12.9	14.6
EBIT margin (%)	2.8	5.11	7.06
Net profit mgn.(%)	-1.5	0.6	2.3
ROE (%)	-5.6	2.6	10.2
ROCE (%)	7.3	7.1	7.6
W.C & Liquidity			
Receivables (days)	-	-	-
Inventory (days)	272	204	212
Payables (days)	119	77	98
Current ratio (x)	1.8	2.1	1.9
Quick ratio (x)	0.1	0.0	0.1
Turnover &Levg.			
Net asset T.O (x)	5.2	6.6	6.0
Total asset T.O (x)	0.7	1.0	1.0
Int. covge. ratio (x)	0.4	1.0	1.4
Adj. debt/equity (x)	2.8	2.5	3.1
Valuation ratios			
EV/Sales (x)	6.0	4.3	3.7
EV/EBITDA (x)	48.5	33.4	25.0
P/E (x)	-362.5	568.9	132.3
P/BV (x)	20.2	15.0	13.5

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