

Recommendation		SUBSCRIBE		BACKGROUND																																							
<b>Price Band</b>	Rs 440-465			<p>Incorporated in 2010, Brainbees Solutions Ltd operates one of the largest multi-channel retail platforms under the brand 'firstcry' with a niche focus in Mothers, Babies and under 12 kid's products. Firstcry has forayed into international markets and runs online store in UAE (since 2019) and Saudi Arabia (since 2022). To further leverage its experience in creating and scaling up brands, Company has established a platform named 'Globalbees' where Indian and Global D2C brands sell their products online and offline through modern stores. In extension of providing holistic services in parenting categories, company also provides parenting content, develops a rapport with mothers at a very early stage of conception and extends this bond by even providing pre-primary schools.</p> <p><b>Details of the Issue:</b></p> <ul style="list-style-type: none"> <li>Total issue of Rs. 4,194 Cr, consists of offer for sale amounting to Rs. 2,528 cr and fresh issue of Rs.1,666 Cr</li> <li>The funds would be used for setting up new modern stores under the 'BabyHug' brand and setting up warehouses.</li> </ul> <p><b>Investment Rationale:</b></p> <ul style="list-style-type: none"> <li>Leadership status in a niche segment</li> <li>Growth in International Business</li> <li>Improvement in Financials</li> </ul> <p><b>Valuation and Recommendation:-</b></p> <p>Firstcry has created a niche space in the mothers and early kids age category and has strong brand reminiscence as well. Revenues have grown at CAGR of 34% during FY22-24 on perma adjusted revenue growth. While India business has been making margins of ~ 9%, its International business continues to bleed at operating level. However, Management is confident of replicating India success story there as well. On the backdrop of changing retail and ecommerce dynamics, mother and childcare product market is expected to grow at a CAGR of 13-15% during FY24-29. Firstcry's shares are available at EV/sales of 3.8x FY24 which is lower as against NYKA which is trading at 8.4x. Given Firstcry's leadership position in the niche segment of baby products, we recommend Subscribe to the issue for long term gains.</p>																																							
<b>Bidding Date</b>	06 -08th August'24																																										
<b>Book Running Lead Manager</b>	Kotak Mahindra, Morgan Stanley, BofA Securities, JM Financial, Avendus Capital.																																										
<b>Registrar</b>	Link Intime India Pvt.Ltd																																										
<b>Sector</b>	E-Commerce																																										
<b>Minimum Retail Application- Detail At Cut off Price</b>																																											
Number of Shares	32																																										
Minimum Application Money	Rs. 14,880																																										
Discount to retail	0																																										
Payment Mode	ASBA																																										
<b>Consolidated Financials (Rs Cr)</b>	<b>FY23</b>	<b>FY24</b>																																									
Total Income	5,262	6,481																																									
EBITDA	-315	70																																									
Adj PAT	-484	-322																																									
<b>Valuations (FY24)</b>	<b>Lower Band</b>	<b>Upper Band</b>																																									
Market Cap (Rs Cr)	22,844	24,142																																									
Adj EPS	-6.21	-6.21																																									
PE	-71	-75																																									
EV/ EBITDA	335	353																																									
Enterprise Value (Rs Cr)	23,593	24,891																																									
<b>Post Issue Shareholding Pattern</b>																																											
Promoters	72%																																										
Public/Other	28%																																										
<b>Offer structure for different categories</b>																																											
QIB (Including Mutual Fund)	75%																																										
Non-Institutional	15%																																										
Retail	10%																																										
Post Issue Equity (Rs. in cr)	103.8																																										
Issue Size (Rs in cr)	4194																																										
Face Value (Rs)	2																																										
Kavita Vempalli Research Analyst (+91 22 6273 8034) <a href="mailto:kavita.vempalli@nirmalbang.com">kavita.vempalli@nirmalbang.com</a>																																											
<table border="1"> <thead> <tr> <th>Financials</th> <th>FY22</th> <th>FY23</th> <th>FY24</th> </tr> </thead> <tbody> <tr> <td><b>Net Revenues</b></td> <td>3,598</td> <td>5,262</td> <td>6,481</td> </tr> <tr> <td><b>Growth (%)</b></td> <td>-</td> <td>46.3%</td> <td>23.2%</td> </tr> <tr> <td><b>EBITDA</b></td> <td>-19</td> <td>-315</td> <td>70</td> </tr> <tr> <td><b>EBITDA Margin (%)</b></td> <td>-0.5%</td> <td>-6.0%</td> <td>1.1%</td> </tr> <tr> <td><b>PBT</b></td> <td>-74</td> <td>-530</td> <td>-322</td> </tr> <tr> <td><b>Adjusted PAT</b></td> <td>-100</td> <td>-484</td> <td>-322</td> </tr> <tr> <td><b>EPS</b></td> <td>-1.92</td> <td>-9.32</td> <td>-6.21</td> </tr> <tr> <td><b>ROCE</b></td> <td>-0.8%</td> <td>-9.4%</td> <td>-4.0%</td> </tr> <tr> <td><b>EV/Sales</b></td> <td>6.9</td> <td>4.7</td> <td>3.8</td> </tr> </tbody> </table> <p>Source: RHP, NBRR</p>				Financials	FY22	FY23	FY24	<b>Net Revenues</b>	3,598	5,262	6,481	<b>Growth (%)</b>	-	46.3%	23.2%	<b>EBITDA</b>	-19	-315	70	<b>EBITDA Margin (%)</b>	-0.5%	-6.0%	1.1%	<b>PBT</b>	-74	-530	-322	<b>Adjusted PAT</b>	-100	-484	-322	<b>EPS</b>	-1.92	-9.32	-6.21	<b>ROCE</b>	-0.8%	-9.4%	-4.0%	<b>EV/Sales</b>	6.9	4.7	3.8
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**Company Background**

Incorporated in 2010, Brainbees operates one of the largest multi-channel retail platform under the brand ‘firstcry’ with a niche focus in Mothers, Babies and under 12 kids products. It sells its products through owned and franchise stores as well. The company also has forayed into international markets and runs online store in UAE (since 2019) and Saudi Arabia (since 2022). To further leverage Co’s experience in creating and scaling up brands, it has established ‘Globalbees’ platform where Indian and Global D2C brands sell their products online and offline through modern stores.

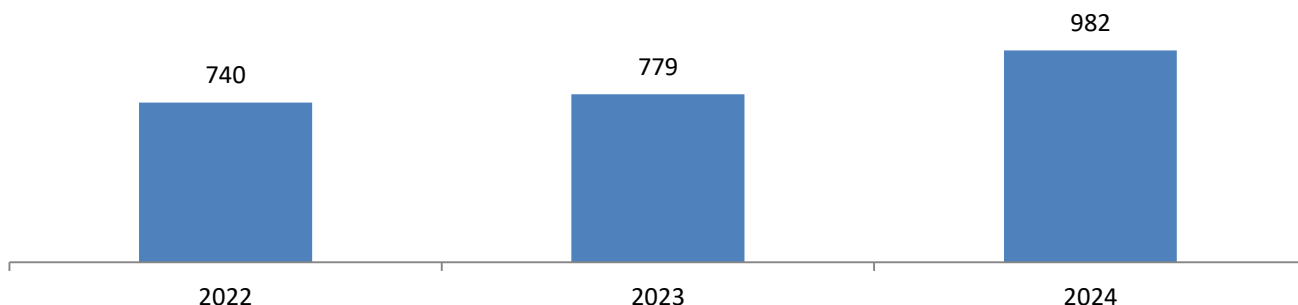
The Globalbees house of brands cover four key categories: home utilities, fashion/lifestyle, appliances, and beauty and personal care / home and personal care. The Co owns and operate several pre-schools in India through Edubees Educational Trust.

**Firstcry’s Business is divided into following reportable segments:**

- **India multi-channel segment:** This segment covers online platform, modern stores as well as general trade retail distribution in India, covering both home brand and third-party products. In addition, this segment also covers manufacturing operations in India;
- **International segment:** It covers operations in UAE and KSA;
- **Global bees Brands segment:** This segment covers GlobalBees Brands and its subsidiaries; and
- **Others:** It covers other businesses which are currently not material (for example, education business).

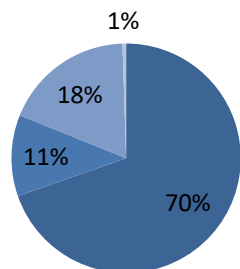
Firstcry has a network of more than 900 contract manufacturers across India and in other countries for its home brands.

**Contract manufacturers**



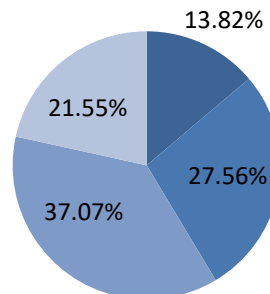
Source: RHP, NBRR

**Segment Wise Revenue**



■ India multi channel ■ International  
 ■ Globalbees Brands ■ Others

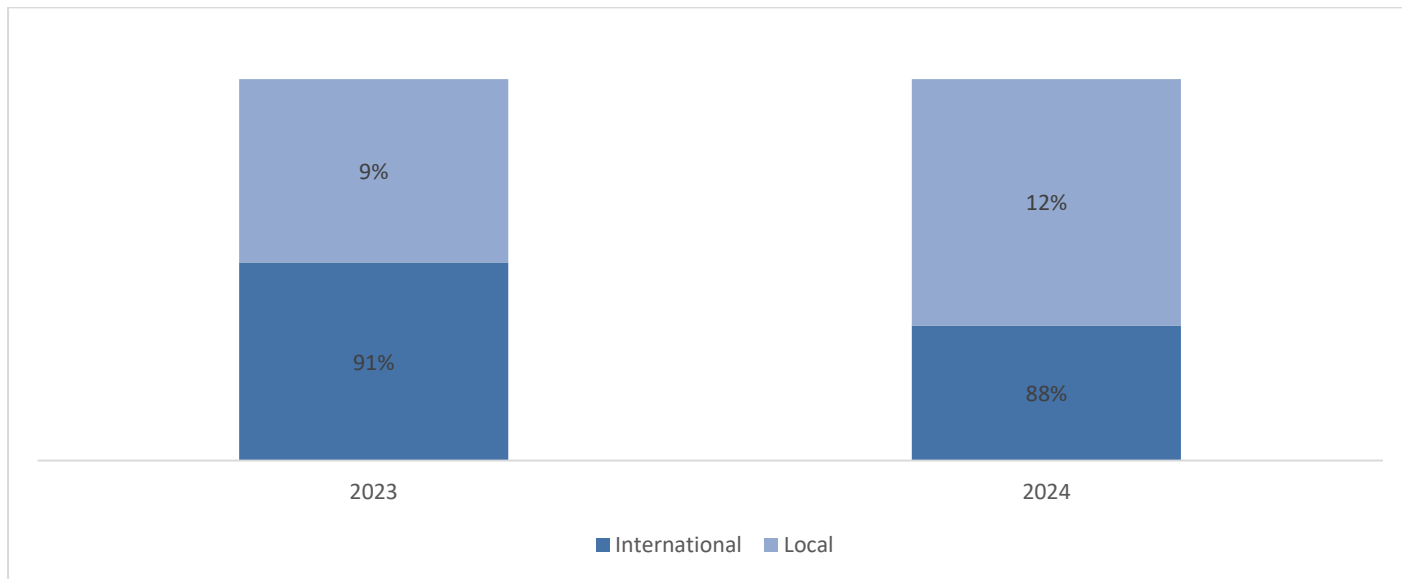
**Geography wise sales**



■ East ■ North ■ South ■ West

Source: RHP, NBRR

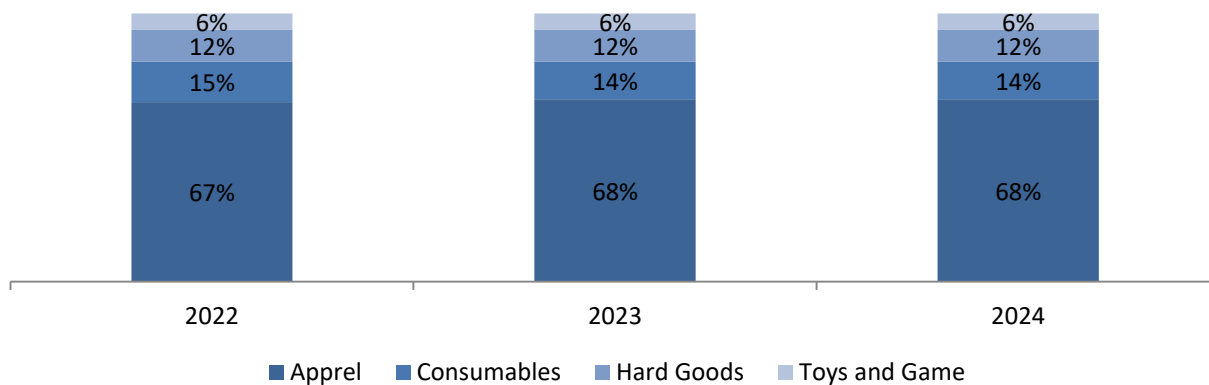
**Local v/s international sales distribution**



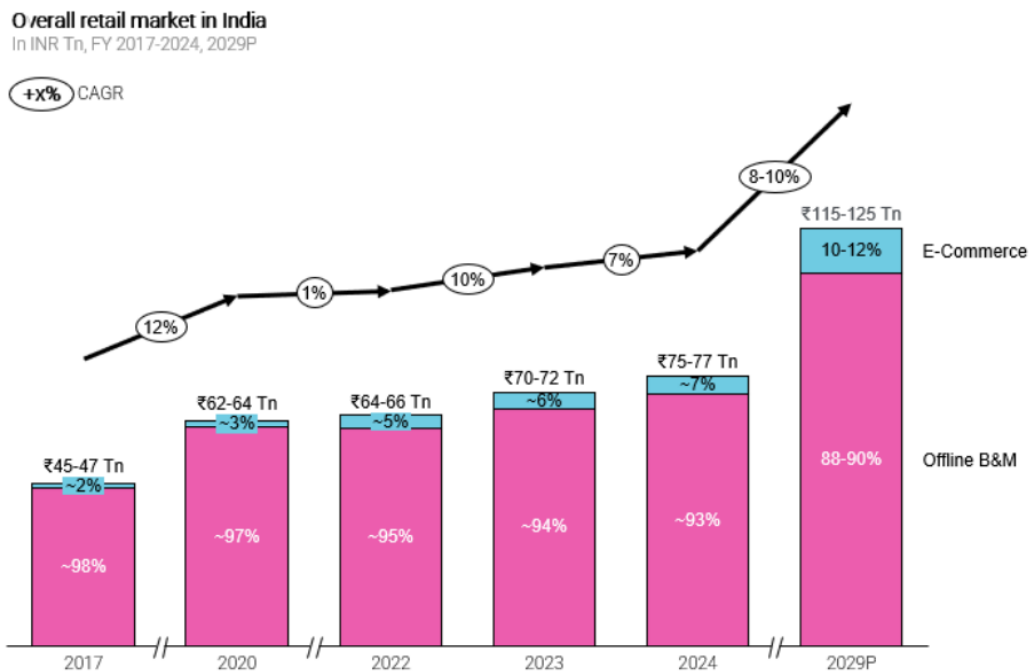
**Industry Background**

India boasts one of the highest birth rates globally, with 16.3 births per thousand people in 2022— ~ 1.5 times that of developed economies. Currently, per capita spending on childcare products in India stands at Rs. 9,280-9,350 for FY24. However, this nascent spending is expected to rise due to growing awareness of childcare, child health, and wellness, coupled with increasing disposable incomes.

**India childcare products market size segmentation by categories**



Source: RHP, NBRR



Indian retail market is expected to grow at a CAGR of 8-10% during FY24-29, organized retail segment is expected to grow at a faster rate.

**Investment Rationale**

**Leadership status in a niche segment**

'Firstcry' is a pioneer multichannel retailing for Mothers and Kids products in India. Backed by the strong brand recognition, Co has developed multiple home brands like 'BabyHug', 'Pinekids', 'cutewalk' and 'babyoye', creating a niche space for itself in the early age merchandise space. For instance, BabyHug and Cutewalk enjoys the leadership position in terms of GMV and product assortments respectively in India.

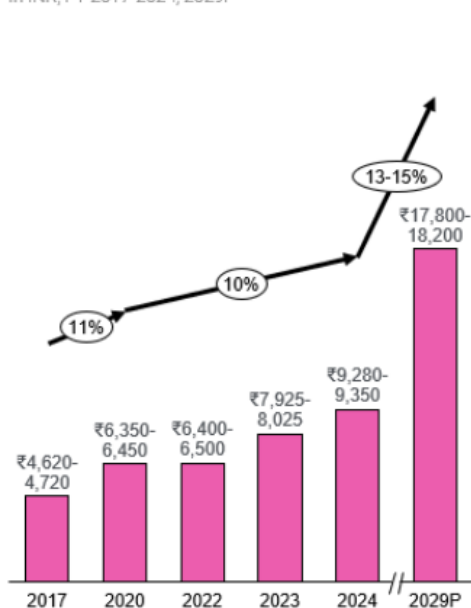
**Key operating Indicators:**

	2022	2023	2024
<b>GMV</b>	57995	72576	91211
• <b>Online(Rs in crore)</b>	48347	58126	73700
• <b>offline(Rs in crore)</b>	9648	14450	17511
<b>Total stores</b>	701	904	1063
• <b>BabyHug COCO stores</b>	118	224	284
• <b>FirstCry COCO stores</b>	8	62	151
• <b>FOFO stores</b>	575	618	628

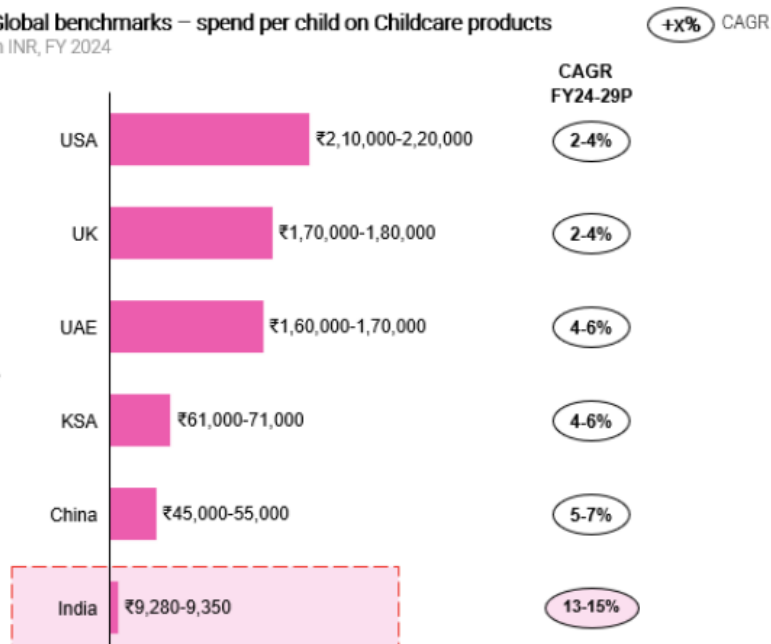
Source: Company, NBRR

Firstcry works in a high-traffic retail segment where children quickly outgrow clothing sizes and need consumable items like diapers and other baby products whose needs change as they age. Childcare products in India is currently nascent and is projected to grow faster than key global markets.

**Spend per child on Childcare products in India**  
In INR, FY 2017-2024, 2029P



**Global benchmarks – spend per child on Childcare products**  
In INR, FY 2024

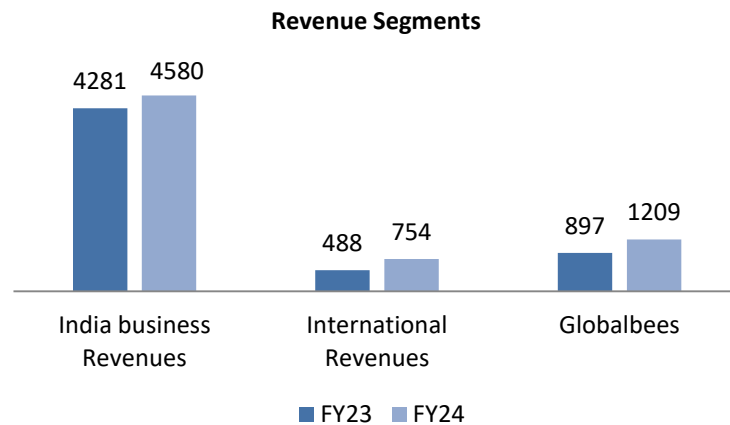


Source: Redseer Research, Company Info

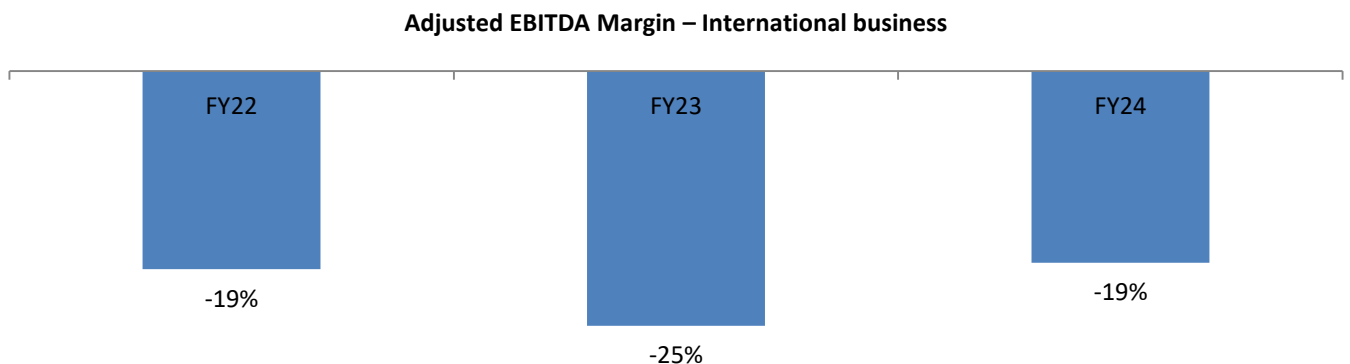
Company leverages data analytics tools to ensure better product offerings and meet customer needs and preferences. Through its online, mobile app and modern stores, Company offers a one-stop destination/personalized shopping experience for busy moms. Moreover, to improve its customer base, it also distributes gift hampers to new mothers through a channel of hospitals and thus also engages in the entire new parent engagement. This has resulted in increase in the Annual Unique Transacting Customers' base from 6.86 mn in FY22 to 9.11 mn in FY24 for firstcry. With more transactions coming in, company is able to drive higher operating leverage, is able to maintain better pricing and control costs.

**Growth in International Business**

Leveraging its experience in Indian markets, Firstcry forayed into International markets by launching in UAE in 2019 and KSA markets in 2022. Currently Co is operating as an online platform and has plans to operate multi-channel model there as well. In less period of time, Firstcry has become the No 1 certain specialist online platform for mother and kids category.



International business has achieved scale with its revenue growing from Rs.352 Crore in FY 22 to 754 Crore in FY24. However, it is making losses at operating levels. Company believes to achieve positive trajectory here after achieving higher revenues from these markets.

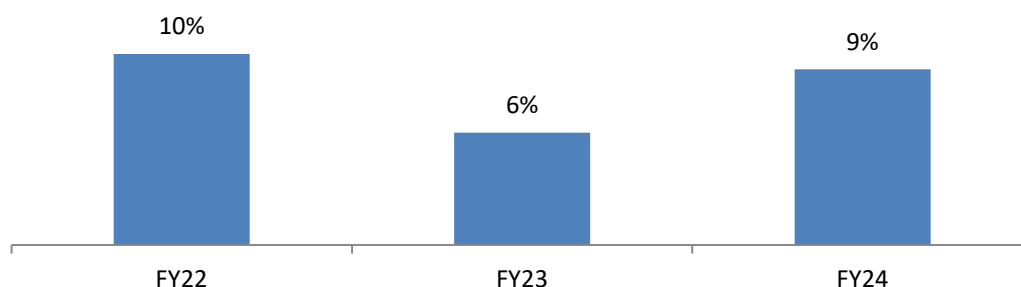


**Improvement in Financials**

First Cry's consolidated revenues have grown at a CAGR of 59% during FY21-FY24 to Rs. 6,481 Cr. This growth is driven by organic as well as inorganic efforts, particularly acquisition of Digital Age in May FY22.

Company has made marginal EBIDTA of 1.1% in FY24 on a consolidated basis after making losses in FY22 and FY23 at operating level. This is because of its International business. India business is operating positively and has made margins of 9% in FY24. Once more transactions start coming in, company would be able to drive higher operating leverage by maintaining better pricing and control costs.

**Adjusted EBITDA margin – India multichannel business**



Rs. In crores	FY22	FY23	FY24
Advertising / sales cost	268.61	416.48	482.18
percentage of revenues %	11.2%	7.4%	7.4%

The company's inventory management has successfully reduced inventory days from 149 days in FY22 to the current 92 days in FY24, optimizing its operations.

**Risks and concerns**

1. Any downturn in Global/Indian economy can adversely affect Company's revenues and profitability.
2. Business may be adversely affected if operations at the manufacturing facilities of contract manufacturers or raw material suppliers are disrupted.

## Valuation and Recommendation

Firstcry has created a niche space in the mothers and early kids age category and has strong brand reminiscence as well. Revenues have grown at CAGR of 34% during FY22-24 on performa adjusted revenue growth. While India business has been making margins of ~ 9%, its International business continues to bleed at operating level. However, Management is confident of replicating India success story there as well. On the backdrop of changing retail and ecommerce dynamics, mother and childcare product market is expected to grow at a CAGR of 13-15% during FY24-29. Firstcry's shares are available at EV/sales of 3.8x FY24 which is lower as against NYKA which is trading at 8.4x. Given Firstcry's leadership position in the niche segment of baby products, we recommend **Subscribe** to the issue for long term gains.

## Peer Analysis

FY24 Figures	NYKAA	Brain Bees Solutions
Revenue	6,386	6,481
CAGR (FY20-24)	27%	59%
EBITDA Margin	5.6%	1.1%
Asset Turns (x)	2.0	0.9
CCC Days	94	48
ROCE (%)	6.0%	-4.0%
ROE (%)	2.2%	-8.1%
Debt/Equity	0.8	0.4
EV/Sales	8.5	3.8
EV/EBITDA	152.0	353.1



## Financials

Brainbees Solutions Limited

### Consolidated Nos

P&L (Rs. Cr)	FY22	FY23	FY24	Balance Sheet (Rs. Cr)	FY22	FY23	FY24
Net Revenue	3,597.5	5,262.2	6,480.9	Share Capital	81.4	81.5	81.5
<i>% Growth</i>	-	46%	23%	Other Equity	3,441.7	3,374.8	3,089.3
Purchases of stock in trade	2,407.1	3,529.7	4,163.2	Minority Interest	760.1	743.4	620.7
<i>% of Revenues</i>	66.9%	67.1%	64.2%	<b>Networth</b>	<b>4,283.2</b>	<b>4,199.7</b>	<b>3,791.5</b>
Employee Cost	367.7	772.2	686.5	<b>Total Loans</b>	<b>458.1</b>	<b>899.1</b>	<b>1,422.5</b>
<i>% of Revenues</i>	10.2%	14.7%	10.6%	Other non-curr liab.	685.5	1,019.4	1,072.1
Other expenses	842.0	1,275.3	1,560.7	Trade payable	642.1	737.9	907.9
<i>% of Revenues</i>	23.4%	24.2%	24.1%	Other Current Liab	392.8	263.8	316.3
<b>EBITDA</b>	<b>-19.3</b>	<b>-315.1</b>	<b>70.5</b>	<b>Total Equity &amp; Liab.</b>	<b>6,461.7</b>	<b>7,119.8</b>	<b>7,510.4</b>
<i>EBITDA Margin</i>	<i>-0.5%</i>	<i>-6.0%</i>	<i>1.1%</i>	Property, plant and equipment	250.9	421.6	669.2
Depreciation	134.1	296.3	370.9	CWIP	41.4	24.5	0.5
Other Income	121.4	98.8	94.2	Other Intangible assets / Right of u	2,085.6	3,113.5	3,198.8
Interest	42.4	72.1	115.4	Non Current Financial assets	37.8	89.1	99.6
Share of profit of an associate	0	0	0	Other non Curr. assets	322.7	468.2	488.7
Exceptional item	0.0	54.4	0.0	Inventories	1,007.1	1,286.0	1,629.5
<b>PBT</b>	<b>-74.5</b>	<b>-530.3</b>	<b>-321.5</b>	cash and cash equivalents	431.5	259.4	361.7
Tax	-27.3	44.0	0.01	Bank balances	1,838.1	920.0	312.1
<i>Tax rate</i>	<i>37%</i>	<i>-8%</i>	<i>0%</i>	Trade receivables(debtor)	157.8	225.1	218.4
Other Comprehensive income	1.9	2.5	-0.7	Other Current assets	288.9	312.4	531.9
<b>Adj. PAT (norm. Tax)</b>	<b>-99.8</b>	<b>-483.9</b>	<b>-322.2</b>	<b>Total Assets</b>	<b>6,461.7</b>	<b>7,119.8</b>	<b>7,510.4</b>
<i>% Growth</i>							
<b>EPS (Post Issue)</b>	<b>-1.92</b>	<b>-9.32</b>	<b>-6.21</b>	<b>Cash Flow (Rs. Cr)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
				Profit Before Tax	-74.5	-530.3	-321.5
<b>Ratios &amp; Others</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	Provisions & Others	142.0	657.0	618.7
Debt / Equity	0.1	0.2	0.4	<b>Op. profit before WC</b>	<b>67.6</b>	<b>126.6</b>	<b>297.2</b>
EBITDA Margin (%)	-0.5%	-6.0%	1.1%	Change in WC	-197.1	-552.7	-292.8
PAT Margin (%)	-2.8%	-9.2%	-5.0%	Less: Tax	-25.5	26.7	-46.5
ROE (%)	-2.6%	-11.4%	-8.1%	<b>CF from operations</b>	<b>-155.1</b>	<b>-399.3</b>	<b>-42.1</b>
ROCE (%)	-0.8%	-9.3%	-4.0%	Purchase/Sale of fixed assets	-221.0	-238.3	-347.9
				Sale/Purchase of Investments	-383.4	481.4	357.3
<b>Turnover Ratios</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	Interest, dividend and other inc	113.9	61.0	53.6
Debtors Days	16	16	12	<b>CF from Investing</b>	<b>-490.6</b>	<b>304.1</b>	<b>62.9</b>
Inventory Days	102	89	92	Proceeds from activities related to	680.7	0.1	0.0
Creditor Days	65	51	51	Repayment of Borrowings	34.0	84.9	286.2
Asset Turnover (x)	0.6	0.7	0.9	Repayment of lease liabilities	-57.2	-120.1	-177.3
				interest & div paid	-13.1	-15.6	-27.5
<b>Valuation Ratios</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>CF from Financing</b>	<b>644.4</b>	<b>-50.6</b>	<b>81.5</b>
Price/Earnings (x)	-241.9	-49.9	0.0	<b>Net Change in cash</b>	<b>-1.3</b>	<b>-145.8</b>	<b>102.3</b>
EV/EBITDA (x)	-1289.3	-79.0	353.1	Cash & Bank at beginning	382.8	431.0	259.0
EV/Sales (x)	6.9	4.7	3.8	Cash & Bank at end	431.0	259.0	362.0
Price/BV (x)	5.6	5.6	5.7				

Source: Company Data, NBRR

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