



Company Overview

Baazar Style Retail Ltd. (BSRL), founded in June 2013 in Kolkata, is a major player in the value fashion retail sector, offering affordable apparel and general merchandise. Known for its "Quick Shop One Stop" concept, BSRL serves a diverse customer base with products including home furnishings. It operates 162 stores across 146 cities, holding the largest retail footprint in Eastern India among listed value retailers, with 3.0% market share in West Bengal and 2.2% in Odisha. BSRL has been the fastest-growing value retailer from 2017 to 2024 in terms of store count and revenue, with private label brands contributing 37.9% to revenue. The company boasts an Average Transaction Value of Rs. 1,039, the second highest among listed value retailers in India, and has achieved 33.7 million unit sales in FY24. Its expansion strategy includes significant store openings in key markets such as West Bengal, Odisha, and Bihar, supported by internal accruals, debt, and private equity. The average store size is 9,046 square feet, with Sales Per Square Foot of Rs. 7,758 in FY24. With the highest EBITDA margin of 14.6% among its peers, BSRL is well-positioned to capitalize on the growing value retail market in Eastern and North-Eastern India.

Objects of the issue

The company proposes to utilize the net proceeds towards the funding of the following objects:

- ⇒ Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company;
- ⇒ General corporate purposes.

Investment Rationale

Leading value retailer in Eastern India with rapid cluster-based expansion and 3.0% market share in West Bengal and 2.2% in Odisha

BSRL has distinguished itself as a prominent value retailer in Eastern India, demonstrating significant growth. The company has achieved an impressive CAGR of 35.8% in store count and 26.8% in revenue during FY17 to FY24, expanding its footprint to 162 stores across nine states by March 31, 2024. BSRL's revenue reached Rs. 9,728.82 mn in FY24, with a CAGR of 32.9% during FY22 to FY24, outpacing the overall lifestyle and home value retail market's 19.3% CAGR. Its market share stood at 3.0% in West Bengal and 2.2% in Odisha, with core markets like West Bengal, Odisha, Assam, and Bihar accounting for 87.6% of its revenue. BSRL employs a cluster-based expansion strategy, opening new stores near existing ones to enhance operational efficiency and market penetration. The company's focus on high-street locations, a wide range of quality merchandise, and tailored local customer engagement has been effective, reflected in a low store closure rate of just 14 stores over the past three years. This strategic growth approach has solidified BSRL's competitive edge and market position in the burgeoning Eastern and North-Eastern retail sectors.

Strategic product assortment and private label success enhance customer loyalty and profitability

BSRL boasts a diverse product portfolio that includes apparel, cosmetics, imitation jewelry, consumer appliances, houseware products, and bags, catering to a wide range of customer segments from men and women to children and youngsters. In FY24, the company achieved a high Average Transaction Value of Rs. 1,038.7, reflecting its success in meeting customer preferences. BSRL effectively combines private label brands - such as Square Up, Awaya, and Miss19 - with third-party brands, with private labels contributing 37.9% to total revenue. These private labels have seen exceptional growth, with a CAGR of 64.6% from FY22 to FY24, driven by their focus on high-quality, trendy, and affordable merchandise tailored to local demand. This strategy has fostered customer loyalty, evidenced by a 71.9% repeat purchase rate in FY24. BSRL's robust supply chain, managed through 641 suppliers and 1,226 vendors, and advanced inventory management - enhanced by data analytics tools like Tableau - has improved operational efficiency. This is highlighted by reduced inventory turnover days and increased sales per square foot. BSRL's integrated approach to product assortment, private label development, and supply chain management has reinforced its position as a comprehensive solution for family needs, boosting both customer satisfaction and financial performance.

Issue Details

Offer Period	30 th August 2024 - 03 rd Sep 2024
Price Band	Rs. 370 to Rs.389
Bid Lot	38
Listing	BSE & NSE
Issue Size (no. of shares in mn)	21.5
Issue Size (Rs. in bn)	8.3
Face Value (Rs.)	5

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Axis Capital Ltd., Intensive Fiscal Services Private Ltd., JM Financial Ltd.
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Registrar	Link Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	55.0	45.6
Public	45.0	54.4
Total	100.00	100.00

(Assuming issue subscribed at higher band)

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Valuation

BSRL, a leading one-stop shop in Eastern and North-Eastern India, has achieved substantial growth, increasing its store count to 162 across nine states, registering a CAGR of 35.8% during 2017-24 period. This expansion has enabled BSRL to capture significant market share of 3.0% in West Bengal and 2.2% in Odisha in the organized value retail sector. The company's cluster-based expansion strategy has been instrumental in its recovery from the pandemic, driving a 23% revenue increase from Rs. 7,879 mn in FY23 to Rs. 9,729 mn in FY24, with around 38% of this revenue coming from private labels. Net profit also grew substantially, from Rs. 51 mn in FY23 to Rs. 219 mn in FY24. Currently, BSRL has a total debt of Rs. 1,782 mn, comprising Rs. 291 mn in current borrowings and Rs. 1,491 mn in non-current borrowings, with plans to reduce this debt. Despite these strengths, BSRL faces notable risks, including intense competition in the retail sector, frequent shifts in consumer trends, and a heavy reliance on apparel, which constitutes approximately 84% of its revenue. Additionally, the company depends on a broad network of third-party suppliers without long-term agreements, posing potential operational risks. **The company commands a high valuation with a P/E ratio of 124x at the upper price band based on FY24 earnings. However, given the company's efforts to enhance its financial performance, increase profitability through private labels, and expand market penetration, we recommend a "SUBSCRIBE" rating for the issue, considering its growth prospects and strategic initiatives.**

Key Risks

- ⇒ **Intense competition challenges retail performance:** The fashion and retail industry is fiercely competitive, with rapid shifts in consumer trends and technology impacting market share. Facing competition from large, well-resourced players, diverse retail formats, and rising online competitors, the company must continuously innovate and adapt to maintain its market position and financial health.
- ⇒ **High dependence on apparel segment faces risk:** The company depends significantly on selling apparel, which makes up 83.8% of its revenue. This reliance means any sudden changes in fashion trends or customer preferences could negatively affect its business if it fails to adapt quickly.
- ⇒ **Dependence on third-party suppliers poses risks:** The company relies on a diverse network of third-party suppliers without exclusive agreements, which could impact its operations if suppliers fail to deliver quality products or face disruptions. With no long-term contracts, the firm must continuously manage supplier relationships and adapt to potential supply chain issues, affecting inventory and overall business stability.

Bazaar Style Retail Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from Operations	5,511	7,879	9,729
Total Revenue	5,511	7,879	9,729
Expenses			
Purchase of stock-in-trade	4,546	5,704	7,629
Changes in inventory	-787	-365	-1,160
Employee benefit expenses	464	685	845
Other expenses	605	840	993
Total Operating Expenses	4,828	6,864	8,307
EBITDA	684	1,015	1,422
Depreciation and Amortization expenses	530	612	735
Other income	100	65	99
EBIT	253	468	787
Finance costs	354	414	494
Exceptional Item	0	0	0
PBT	-100	54	292
Current tax	0	32	103
Tax expenses of earlier year	0	0	0
Deferred Tax charge/ (credit)	-20	-29	-30
Total tax	-20	3	73
PAT	-80	51	219
Diluted EPS	-1.3	0.8	3.1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	156	329	1,116
Cash flow from investing activities	(265)	(430)	(845)
Cash flow from financing activities	285	(77)	(181)
Net increase/(decrease) in cash and cash equivalents	176	(178)	89
Cash and cash equivalents at the beginning of the period	54	230	51
Cash and cash equivalents at the end of the period	230	51	141

Source: RHP, BP Equities Research

Baazar Style Retail Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,052	1,346	1,902
Right-of-use assets	2,806	3,327	4,285
Capital work-in-progress	26	15	69
Intangible assets	6	9	13
Financial assets			
Loans	-	-	0
Other financial Assets	133	169	197
Deferred tax assets (net)	98	127	159
Tax assets (net)	30	23	0
Other assets	3	1	2
TOTAL NON-CURRENT ASSETS	4,155	5,018	6,627
CURRENT ASSETS			
Inventories	2,804	3,169	4,329
Financial assets			
Cash and cash equivalents	230	51	141
Bank balances (other than Cash and cash equivalents)	15	-	8
Loans	-	-	0
Other financial assets	33	42	61
Tax assets (net)	-	29	24
Other assets	305	361	469
TOTAL CURRENT ASSETS	3,387	3,653	5,032
TOTAL ASSETS	7,542	8,671	11,660
EQUITY AND LIABILITIES			
Equity			
Equity share capital	333	349	349
Other equity	1,105	1,587	1,802
TOTAL EQUITY	1,438	1,936	2,151
NON-CURRENT LIABILITIES			
Financial liabilities			
Borrowings	170	181	291
Lease liabilities	2,798	3,435	4,405
Provisions	20	21	17
TOTAL NON-CURRENT LIABILITIES	2,988	3,637	4,712
CURRENT LIABILITIES			
Financial liabilities			
Borrowings	845	971	1,491
Lease liabilities	281	316	388
Trade payables	1,802	1,660	2,618
Other financial liabilities	168	128	212
Provisions	1	1	12
Tax liabilities (net)	-	-	46
Other liabilities	20	22	29
TOTAL CURRENT LIABILITIES	3,116	3,098	4,796
TOTAL LIABILITIES	6,104	6,735	9,508
TOTAL EQUITY AND LIABILITIES	7,542	8,671	11,660

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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