

| The Issue | |
|----------------------------|--------------------------|
| Type of Issue | Issue size Rs. Mn |
| Fresh Issue | 16,660 |
| Offer for sale | 25,277 |
| Total | 41,937 |
| Post issue mkt cap* | 241,418 |
| Lot size | 32 shares |

*At Upper Price Band

| Issue Break-Up | |
|------------------------|-------------------|
| Reservation for | % of Issue |
| QIB | 75% |
| NII | 15% |
| Retail | 10% |
| Total | 100% |

| Indicative Offer Timeline | Indicative Date |
|--|-----------------|
| Bid/Offer Opening Date | 06 Aug, 2024 |
| Bid/Offer Closing Date | 08 Aug, 2024 |
| Finalization of the Basis of Allotment | 09 Aug, 2024 |
| Credit of shares | 12 Aug, 2024 |
| Listing Date | 13 Aug, 2024 |

| | |
|------------------|--|
| Manager | Kotak Mahindra Capital, Morgan Stanley India, BofA Securities India, JM Financial, Avendus Capital |
| Registrar | Link Intime India |

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Play on childcare market...

Company Overview:

- Launched in 2010 under the brand name “FirstCry”, Brainbees Solutions Limited aims to create one-stop destination for parenting needs i.e., shopping, parenting community and education. It has five brands under its umbrella, namely—FirstCry, BabyHug, Pine Kids, Cutewalk, and Babyoye.
- The company operates in the childcare segment through multi-retail category with high purchase frequency, in which children outgrow clothing sizes quickly and need consumables such as apparel, footwear, baby gear, nursery, diapers, toys and personal care, amongst others that evolve with age.
- The company’s multi-channel retail platform includes online, franchisee-owned, franchisee-operated (“FOFO”) modern stores and company-owned, company-operated (“COCO”) modern stores and general trade.
- On their online platform, they offer products from third-party Indian brands, global brands, and their own home brands.
- As on March 31, 2024, they offer more than 1.65mn SKUs from 7,580 brands, including third-party Indian brands, global brands, and home brands.
- They also own and operate several pre-schools in India through Edubees Educational Trust. In addition, they also operate a network of pre-schools in India through their franchisees.
- Their subsidiaries, Swara Baby, Swara Hygiene, and Solis Hygiene, manufacture diapers for their home brands and other third-party diaper brands.
- Also, their digital first platform "Globalbees House of brands" offer products pertaining to home utilities, fashion/lifestyle, appliances, and beauty and personal care / home and personal care. Through this platform, D2C Indian and global brands to grow their business in India.
- The company had commenced operation in United Arab Emirates (UAE) and Kingdom of Saudi Arabia (KSA) in 2019 and 2022 respectively through online retail platform where it plans to replicate its India business model.

Valuation and Outlook: At an upper price band of Rs 465, the IPO is priced at an EV/sales of 3.7x on FY24 basis. As per RHP, the issue doesn’t have an exact peer. However, as per our view, Iris clothing and SP Apparels are the nearest peers for the company which trade at an avg EV/sales of 3.3x FY24 sales. Brainbees Solutions is engaged in the business of buying, selling, advertising, promoting baby and kids products and FMCG on a wholesale basis through various business partners. On a consolidated level, the company’s rev has grown at a CAGR of 64.3% over FY22-24. At an operating level, the company has turned EBITDA positive in FY24. Core India multi-channel business contributed 70% to the revenue with operating margin of 8.8%. The company continues to burn cash in *International* and *Globalbees*. In the short-term, we remain cautious considering higher investment and low profitability status. We thereby assign “**Subscribe for Long-term**” rating to the IPO.

Brainbees Solution India Limited

Key Financial Summary

| Financial Summary (Rs. Mn) | FY22 | FY23 | FY24 |
|----------------------------|-------------|-------------|-------------|
| Revenue | 24,013 | 56,325 | 64,809 |
| EBITDA | -182 | -3,173 | 705 |
| <i>EBITDA margin (%)</i> | <i>-0.8</i> | <i>-5.6</i> | <i>1.1</i> |
| Adj. PAT | -719 | -4,954 | -2,743 |
| <i>Adj. PAT margin (%)</i> | <i>-3.0</i> | <i>-8.8</i> | <i>-4.2</i> |
| EPS (Adj for issue) | -1.4 | -9.4 | -5.2 |

Holding Structure

| Shareholding Pattern | Pre-issue | Post-issue* |
|----------------------|-------------|-------------|
| | Holding (%) | Holding (%) |
| Others/Public | 88.84 | 89.61 |
| Employee Trust | 11.16 | 10.9 |
| Total | 100.0 | 100.0 |

* At upper price band

Key Risks:

- **Changing customer patterns:** If the company fails to identify and effectively respond to changing customer preferences, trends and spending patterns for Mothers', Babies', and Kids' products, the demand for the products could decrease resulting in adverse effects on operational and financial conditions.
- **Competition:** Industry remains fragmented and is largely dominated by unorganized players (84% of industry).
- **Supply chain:** The company significantly depend on franchisees, warehouse operators, logistic partners, distributors, and other such commercial relationships for its product distribution network. Any disruption at any of these business points could affect the operations of the company.
- **Contract manufacturing:** The company is dependent on operations at the manufacturing facilities of contract manufacturers or raw material suppliers. The company is exposed to reputational harm because of product defects, poor quality control or authenticity issues.
- **Negative cash and losses:** For the last three FY, the company has negative cash flow and reported losses. Continuation of the trend could have adverse impact on the results from operations.
- **Limited control over brands:** The company does not have full control over the quality of the products and brands sold on their multi-channel retailing platform and may be subject to legal liabilities and is exposed to reputational harm.
- **Geo-political risk:** In FY24, revenue from international business contributed 11.6%. With presence only in UAE and KSA, company is exposed to geo-political risks from the Middle East region.
- **Litigations:** On a cumulative basis, there are 5 criminal proceedings, 55 tax proceedings and 21 actions by statutory/regulatory bodies litigations against the company, directors and subsidiaries aggregating to Rs 255mn.
- **Goods returns:** High volumes of merchandise returns or interruptions in the shipping operations could negatively impact the business operations.

Use of Net Proceeds

| Particulars | Total Estimated Cost | Amount to be funded from Net Proceeds | Utilization of Funds in | | |
|---|----------------------|---------------------------------------|-------------------------|-------|-------|
| | | | FY25E | FY26E | FY27E |
| Expenditure by the company for: | 1,081 | 1,081 | 176 | 431 | 474 |
| <i>Setting up new modern stores under the 'BabyHug' brand</i> | 939 | 939 | 176 | 431 | 332 |
| <i>Setting up a warehouse in India</i> | 142 | 142 | 0 | 0 | 142 |
| Lease payments for existing identified modern stores owned and operated by the company, in India | 931 | 931 | 226 | 470 | 235 |
| Investment in Subsidiary, Digital Age for: | 2,996 | 2,996 | 674 | 1,397 | 925 |
| <i>Setting up new modern stores under the FirstCry brand and other home brands of the company</i> | 1,690 | 1,690 | 359 | 748 | 583 |
| <i>Lease payments for existing identified modern stores owned and controlled by Digital Age in India</i> | 1,306 | 1,306 | 315 | 649 | 342 |
| Investment in Subsidiary, FirstCry Trading for overseas expansion by: | 1,556 | 1,556 | 503 | 514 | 539 |
| <i>Setting up new modern stores in KSA</i> | 726 | 726 | 230 | 242 | 254 |
| <i>Setting up warehouses in KSA</i> | 830 | 830 | 273 | 272 | 285 |
| Investment in Subsidiary, Globalbees Brands towards acquisition of additional stake in step-down Subsidiaries | 1,690 | 1,690 | 974 | 282 | 434 |
| Sales and marketing initiatives | N.A. | 2,000 | 660 | 670 | 670 |
| Technology and data science cost including cloud and server hosting related costs | N.A. | 576 | 192 | 192 | 192 |
| Funding inorganic growth through acquisition and other strategic initiatives and general corporate purposes | - | - | - | - | - |

Competitive Strengths:

Strong presence across channels: The company is presence across multiple channels - online platform (mobile application and website), modern stores, and general trade retail distribution. This gives the company an advantage to reach to wider audience and attain economies of scale. It also benefits the customers with offline only, online only and “research online – purchase of-line” shopping behaviors.

Content driven networking effect: The company’s website has content writing on various topics by not only parents but also by specialists like doctors, gynecologists, and nutritionists. The content ranges from baby healthcare to parenting tips. Along with the written content, videos are also available. This strategy increases content consumption and community engagement, thereby leading to higher customer interaction and transactions. As per company data, during FY 2024, customers who interacted on the parenting community purchased products two times more frequently than the customers who did not interact on the parenting community.

High personalization aided by data and technology: The company provides a platform where parent can create profile for their children to track purchases made. The data points like historical interactions, location/catchment and socio-economic status from the profile are then used to provide custom and personalized offers and suggestions. The sales information between online platform and modern stores, also enables the company to identify local preferences at the city and state levels, particularly in fashion merchandise, based on geo-location tags. This data driven merchandising approach helps to curate products that focus on market fit, ongoing demand, and evolving customer trends, for both online and offline retail.

Business Strategies:

Continue to invest in brand, technology, products and membership program to grow customer base: FirstCry has already become synonymous with child apparel and related products in India. With an aim to further improve its brand awareness and salience, the company intends to continue with its investment in marketing, business promotion and expansion of product assortments and SKUs. Further, adoption of advance technology to uplift customer experience would aid in not only servicing existing client base but also attract new clients and grow its business.

Grow online and offline touchpoints to strengthen its competitive advantage: They aim to invest towards the expansion of their modern store network by adding both new stores and newer formats of stores across India and their international markets. They also seek to further leverage the synergies between the offline and online channels to create seamless journeys across touchpoints for their customers and brand partners.

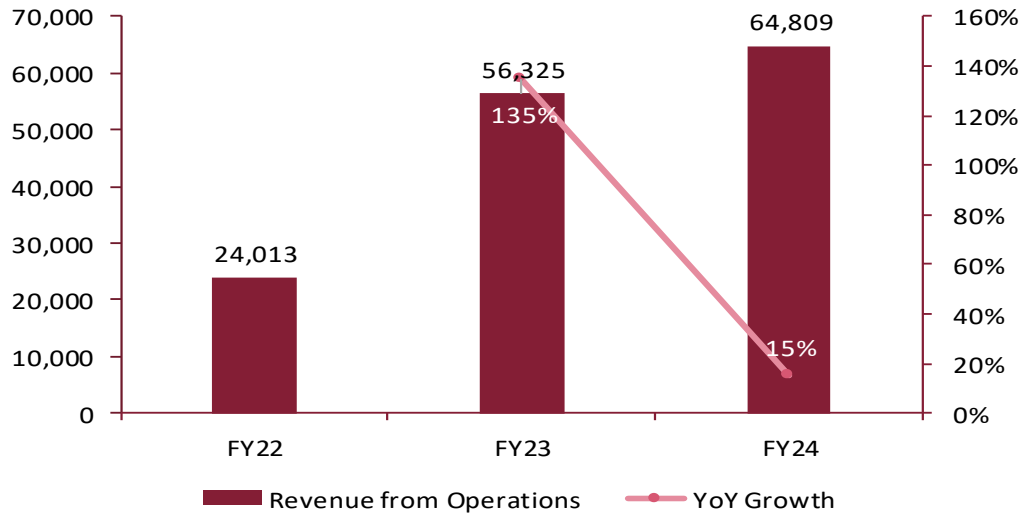
Continue to expand portfolio of home brands: By gaining customer insights, the company intends to launch innovative products. The ultimate aim is to continue to identify market gaps and built products to address these gaps. This is expected to further diversify their product offerings under their home brands portfolio.

Expand general trade retail distribution of its home brands: They have started building a network of distributors and retailers across India to increase the presence of home brands on store shelves, across “mom-and-pop” stores, pharmacies, supermarkets, and hypermarkets. As on March 31, 2024, their general trade touchpoints stood at 1,60,842 vs 20,397 in 2022.

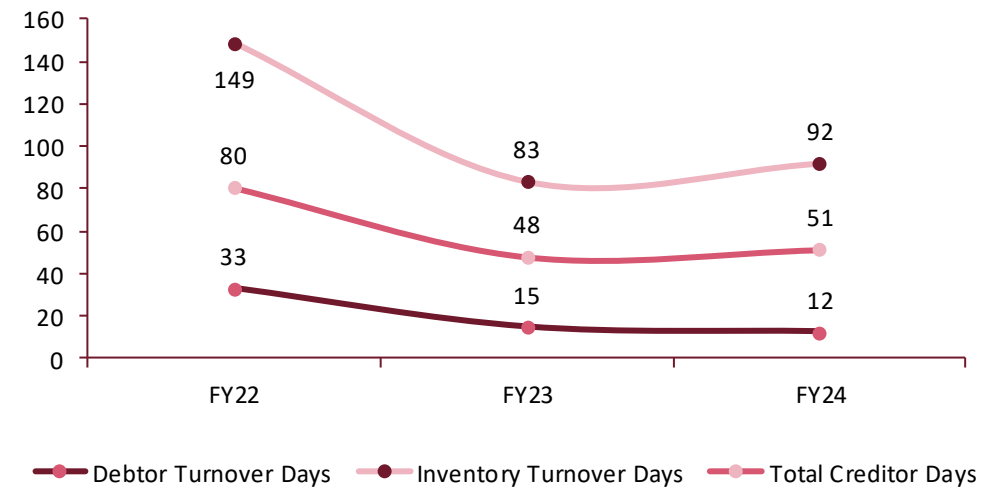
Selective expansion in international markets: They will continue to selectively assess other international markets either via organic or inorganic expansion. The key criteria for expansion include favorable demographics, market size and growth potential, benign competition in relevant product categories, and scope of scaling up the business to provide a multi-channel experience to customers in these countries.

Brainbees Solution India Limited

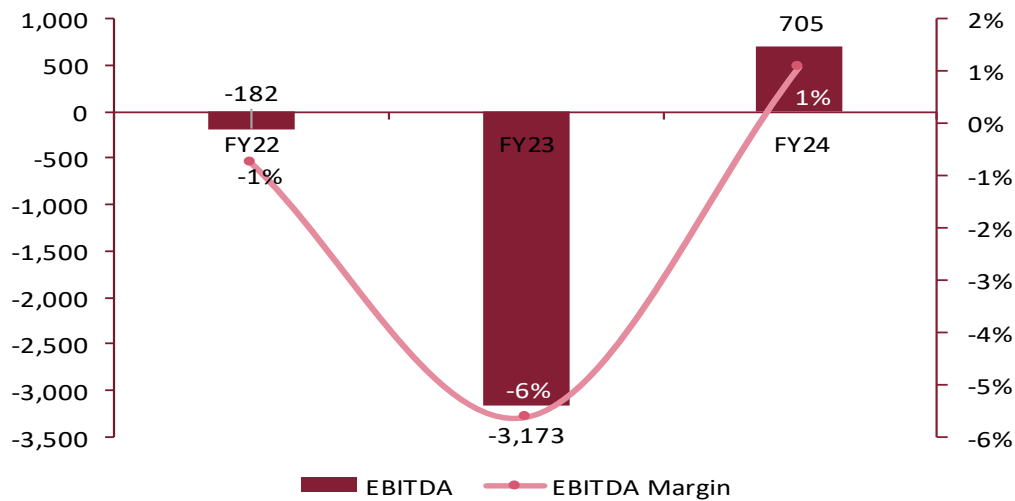
Revenue from operations (Rs. Mn)



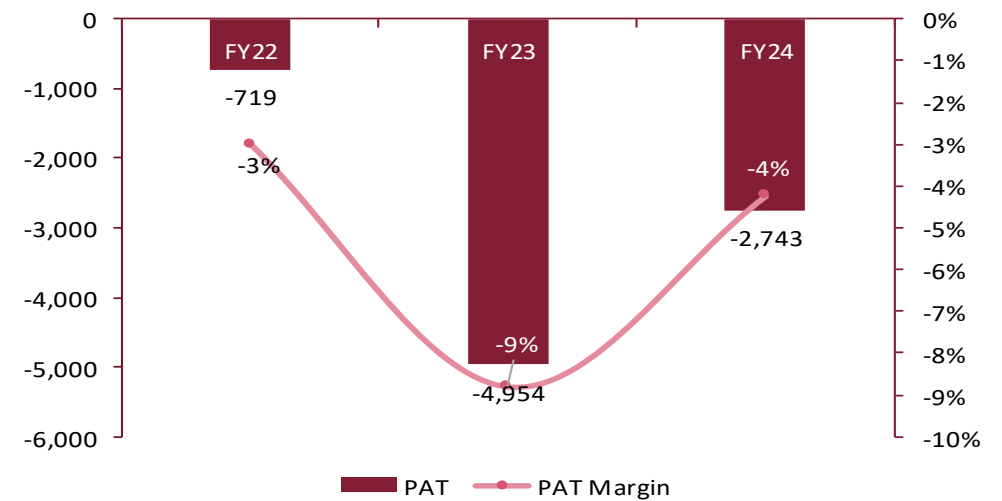
Working Capital Days



EBITDA (Rs. mn) and OPM (%)



PAT (Rs. mn) and PAT Margin (%)

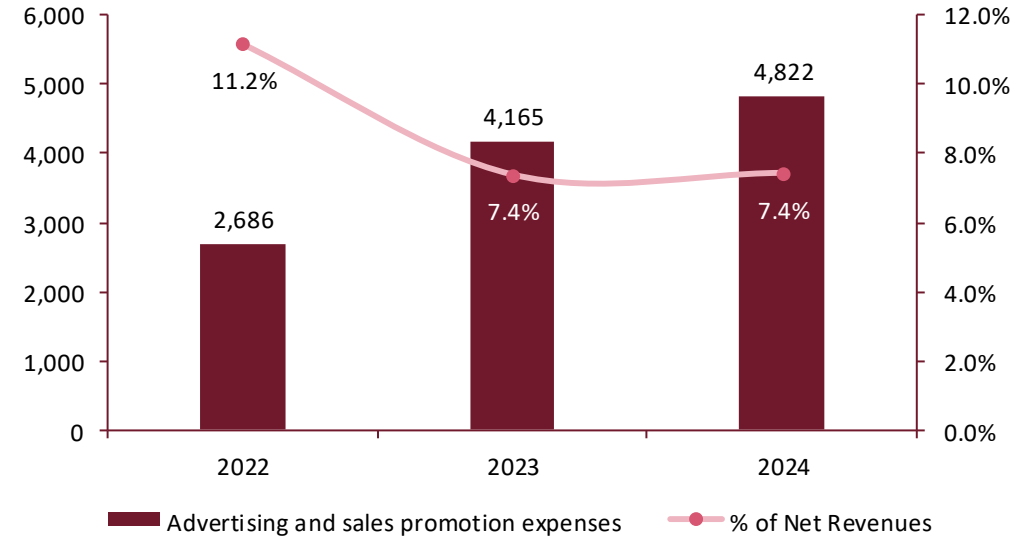


Brainbees Solution India Limited

Number of Stores in India



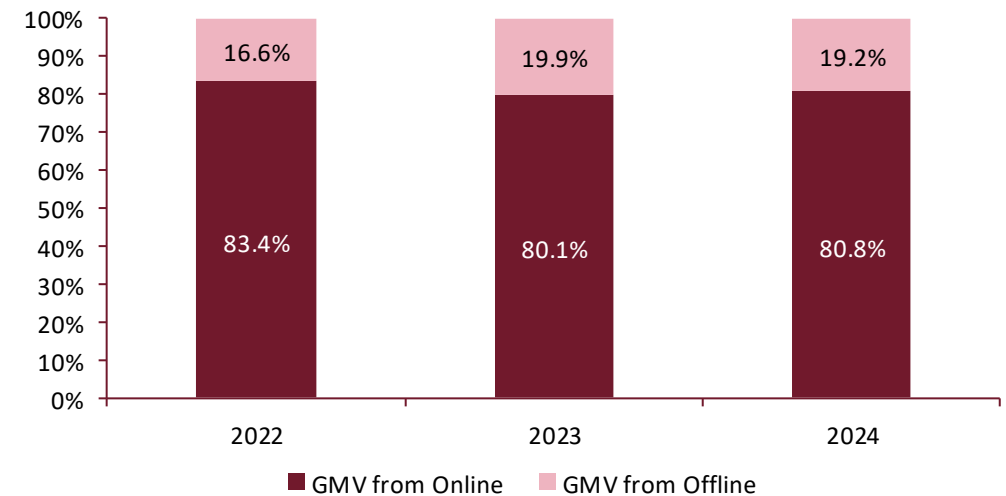
Advertisement & Promotion Expenses (Rs. Mn)



Operating Metrics

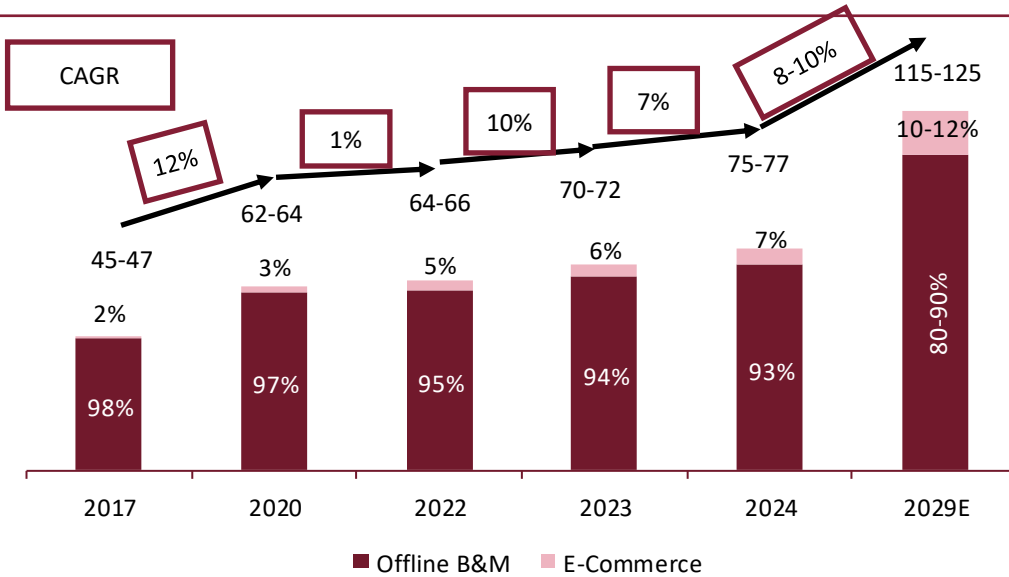
| Particulars (Unit in nos.) | 2022 | 2023 | 2024 |
|----------------------------------|--------|----------|----------|
| Contract Manufacturers | 740 | 779 | 982 |
| General Trade Retail Touchpoints | 20,397 | 1,18,408 | 1,60,842 |
| Franchise Partners | 502 | 546 | 556 |
| Distributors | 127 | 330 | 567 |
| Warehouses and Stockists | 67 | 79 | 80 |
| Warehouse Operators | 8 | 7 | 9 |
| Logistics Partners | 149 | 249 | 302 |
| Number of SKUs (Mn. units) | 1.3 | 1.3 | 1.7 |
| Pre-schools | 63 | 105 | 208 |

Gross Merchandise Value Channel wise

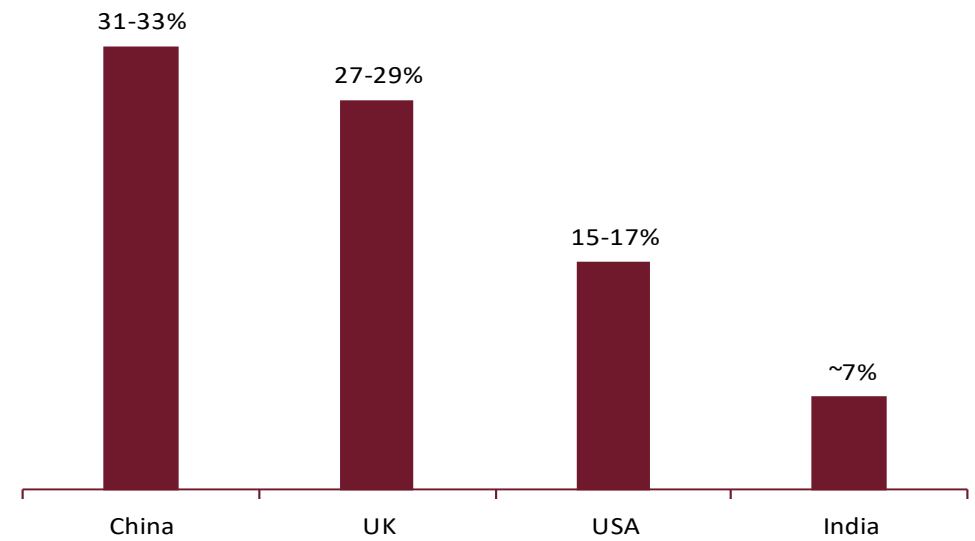


Industry Overview

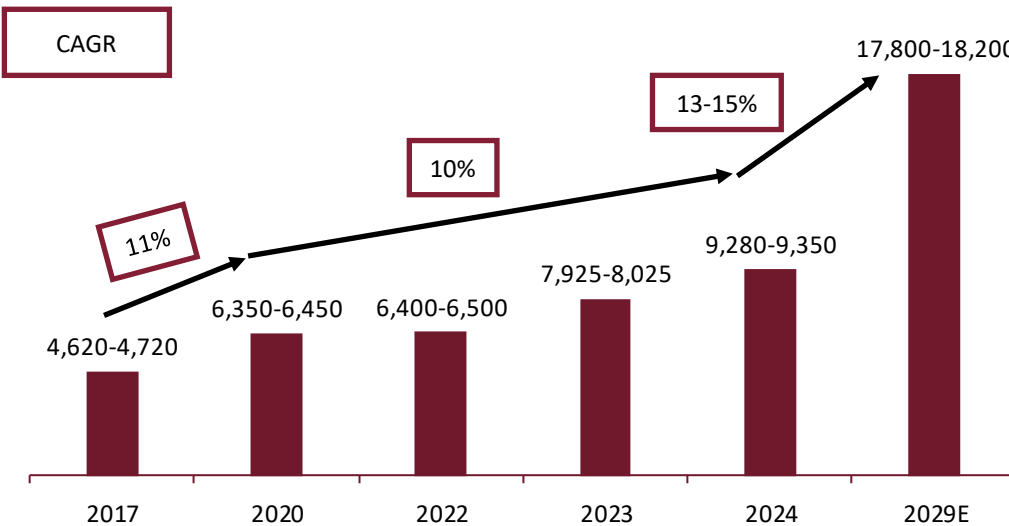
Overall Retail Market in India (Rs. Tn)



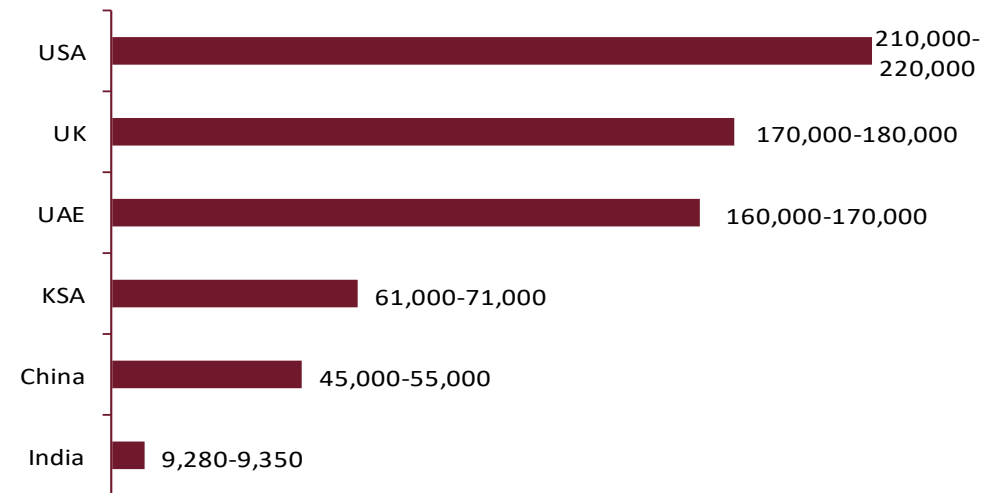
e-Commerce Penetration as a Share of Overall Retail Market



Spend per Child on Childcare Products in India (Rs.)

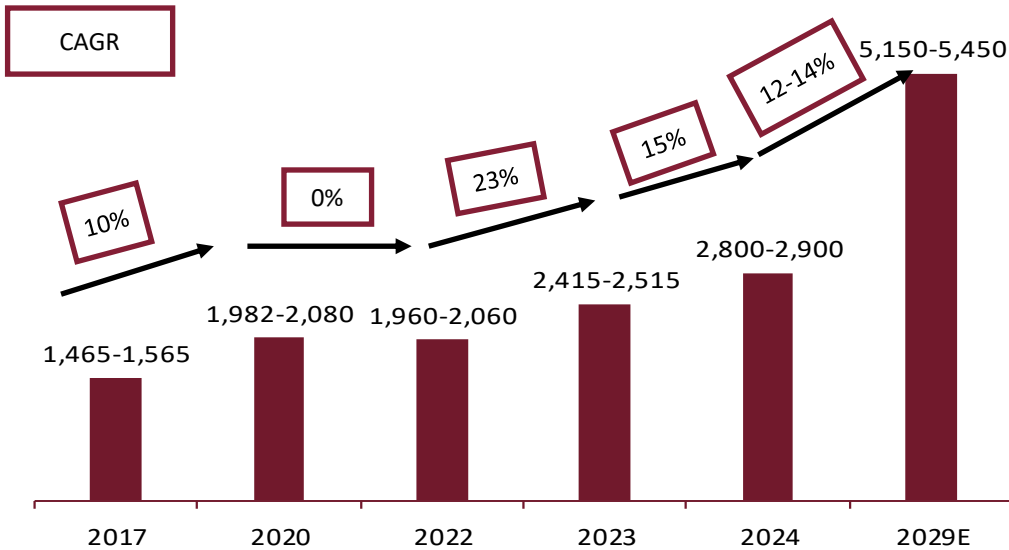


Spend per Child on Childcare Products—Global Benchmark (Rs.)

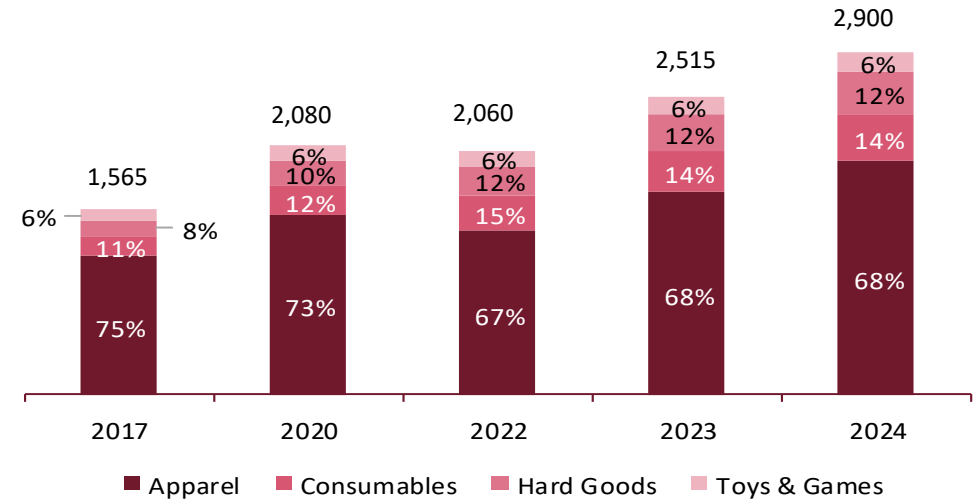


Industry Overview

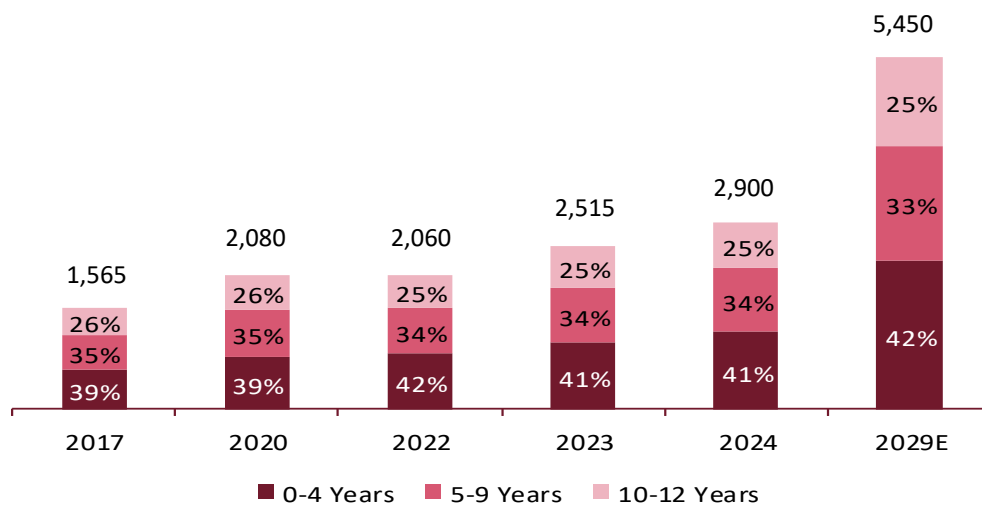
Childcare Products Market Size—India (Rs. Bn)



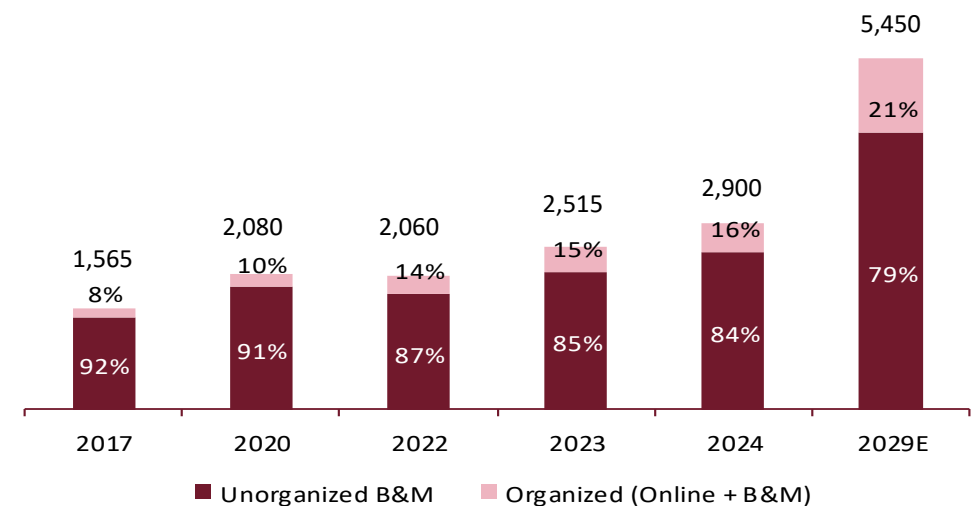
India Childcare Products Mkt Size Segment by Categories (Rs. Bn)



India Childcare Products Mkt Size Segment by Age Group (Rs. Bn)

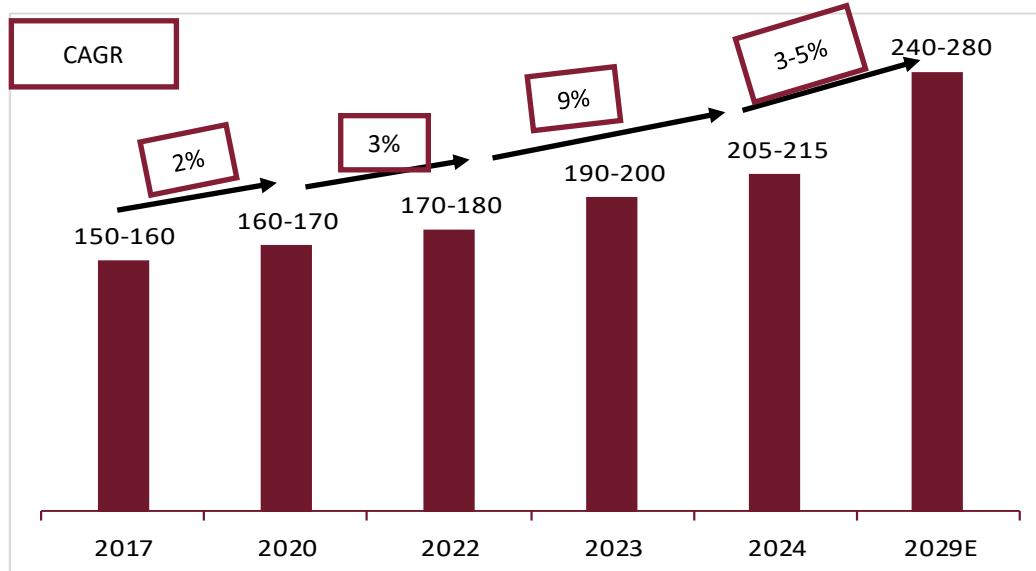


Spend per Child on Childcare Products—Global Benchmark (Rs.)

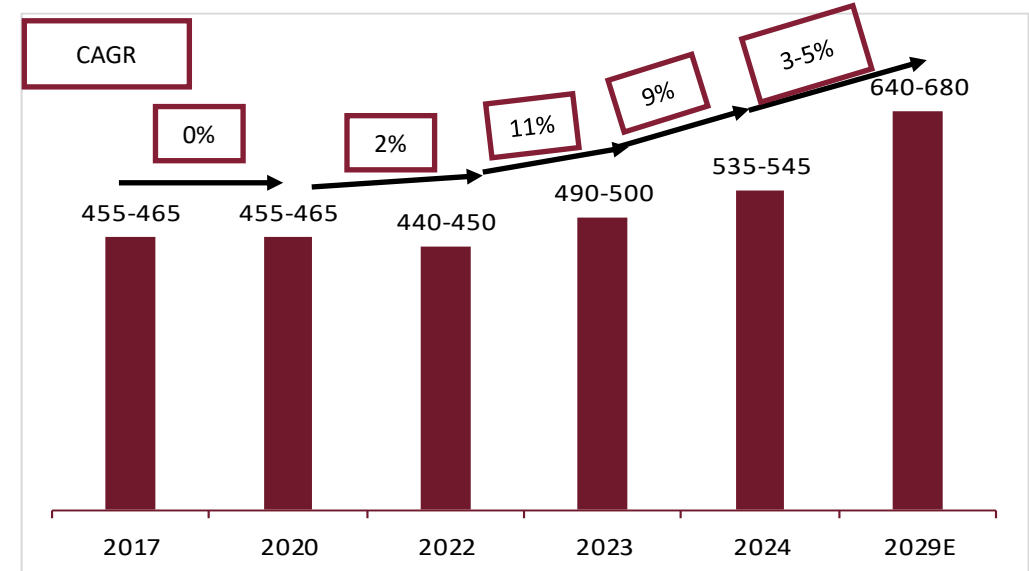


Industry Overview

Childcare Products Market Size— UAE (Rs. Bn)



Childcare Products Market Size— KSA (Rs. Bn)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

DISCLOSURE

DISCLOSURE

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