

Issue Details		
Issue Opens	6 <sup>th</sup> August, 2024	
Issue Closes	8 <sup>th</sup> August, 2024	
Issue Size (Rs. Crs)	4,193.73	
Issue Size - Fresh (Crs)	1,660.00	
Issue Size –OFS (Crs)	2,527.73	
Issued, Subscribed and Paid Up Sh. Pre offer	48,33,49,470	
Fresh Issue (No. Of Shares)	3,58,27,957	
Offer For Sale (No. Of Shares)	5,43,59,733	
Face Value	2.00	
Lot Size (Sh)	32 shares	
Price Band	Rs 440 – Rs 465	
Issue Type	Book Built Issue IPO	
Book Value (in Rs.)( 9MFY24)	65.86	
BRLMs	Kotak Investment Banking, Morgan Stanley, BofA Securities, JM Financial, Avendus Capital	
Registrar	Link Intime India Pvt Ltd	
Listing Venue	BSE, NSE	
Finalization of Allotment	On or about 09/08/2024	
Initiation of refund	On or about 12/08/2024	
Credit to Demat Account	On or about 12/08/2024	
Listing	On or about 13/08/2024	
Issue Structure		
Categories	Allocation	
QIBs	>=75%	
Non-Institutional	<15%	
Retail Portion	<10%	
<b>Total</b>	<b>100%</b>	
Outstanding Shares		
Categories	Pre issue	Post Issue
Shares In Quantity	48,33,49,470	51,91,77,427
Recommendation		
<b>SUBSCRIBE</b>		

### Company Background

Brainbees Solutions Limited, operating as FirstCry, is the largest fashion first omni-channel retail platform for baby and kids' products in India, UAE and Saudi Arabia. The company offers a wide range of products, including clothing, toys, diapers, baby gear, and more, catering to the diverse needs of infants, toddlers, and young children. FirstCry has played a significant role in revolutionizing the way parents in India shop for their children's essentials.

### Objects of the Issue

- Incurring expenses for (i) setting up new modern stores under the "BabyHug" brand; and (ii) setting up a warehouse, in India.
- Incurring expenses for lease payments for its existing identified modern stores owned and operated by itself in India.
- Investment in subsidiary Digital Age for: (i) setting up new modern stores under the FirstCry brand and other home brands and (ii) lease payments for its existing identified modern stores owned and controlled by Digital Age, in India
- Investment in subsidiary, FirstCry Trading for overseas expansion by: (i) setting up new modern stores; and (ii) setting up warehouse.
- Investment in Subsidiary Globalbees Brands for the acquisition of an additional stake in its Subsidiaries.
- Sales and marketing initiatives.
- Technology and data science costs, including cloud and server hosting costs.
- Financing of inorganic growth through acquisitions and other strategic initiatives and general corporate purposes.

### Key Points

- FirstCry operates within four distinct business segments. In its India Omnichannel Business, it stands as the largest platform for baby and kids' products. The Manufacturing, Distribution, and Education segment includes diaper manufacturing, distribution of home brands in retail outlets, and FirstCry Intelli, addressing early education needs.
- Internationally, FirstCry serves the baby and kids' product market in the UAE and Saudi Arabia, achieving the status of the largest online platform in the UAE within just nine months of its launch.
- Through its Globalbees platform, FirstCry offers 50+ home brands, with Babyhug emerging as India's largest and fastest-growing multi-category brand for mothers, kids, and babies, with the widest product assortment in the APAC region, excluding China.

### Recommendation -

**FirstCry is the leading brand in India. With a rise in disposable income, parents nowadays do not mind spending an extra amount for the wellbeing and benefit of their children. With its unique brand positioning and market share, FirstCry always finds itself as the prime choice amongst its prospective customers. India's childcare penetration is very low compared to world standards which presents an enormous opportunity for branded players like FirstCry. Further investment into its manufacturing facilities is expected to solidify its presence not only in India but at the international levels also. We would hence recommend a "SUBSCRIBE" to the issue.**

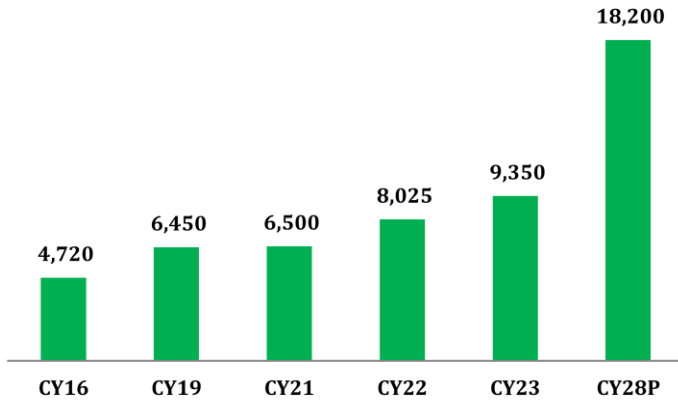
Consolidated Financials In INR Crs	9MFY24	FY23	FY22	FY21
Revenue from Operations	4,814.00	5,731.20	2,559.26	1,723.29
Profit Before Interest, Depreciation & Tax (PBIDT)	113.39	-218.54	97.43	179.07
Profit Before Tax (PBT)	-269.71	-530.02	-51.14	98.32
Profit After Tax (PAT)	-278.25	-486.06	-78.69	215.94
EPS	-5.03	-9.97	-1.74	5.73
Equity Paid Up	81.47	81.47	81.41	71.45

Source: Company's RHP, Ace Equity, AUM Research

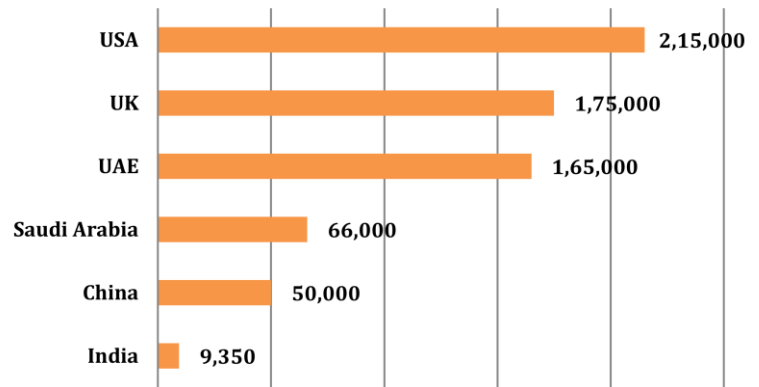
## Industry Overview

### Indian Childcare Market

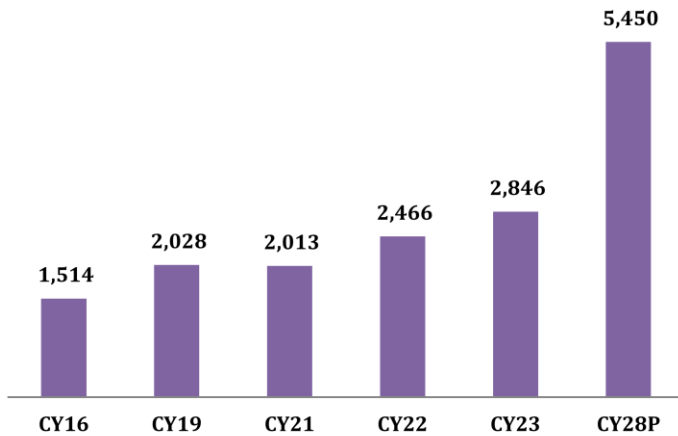
Spend Per Child On Childcare Products In India



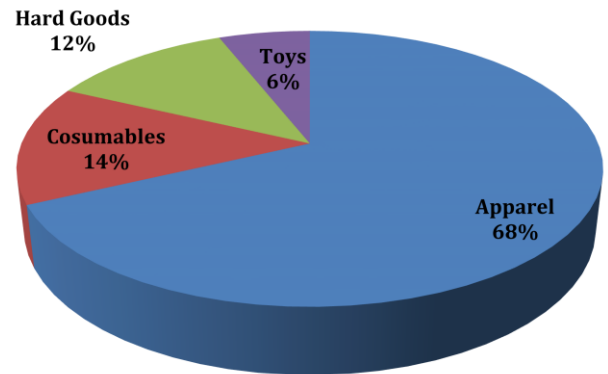
Global Benchmarking In INR



Childcare Products Market In India In INR Bn



Market Segmentation

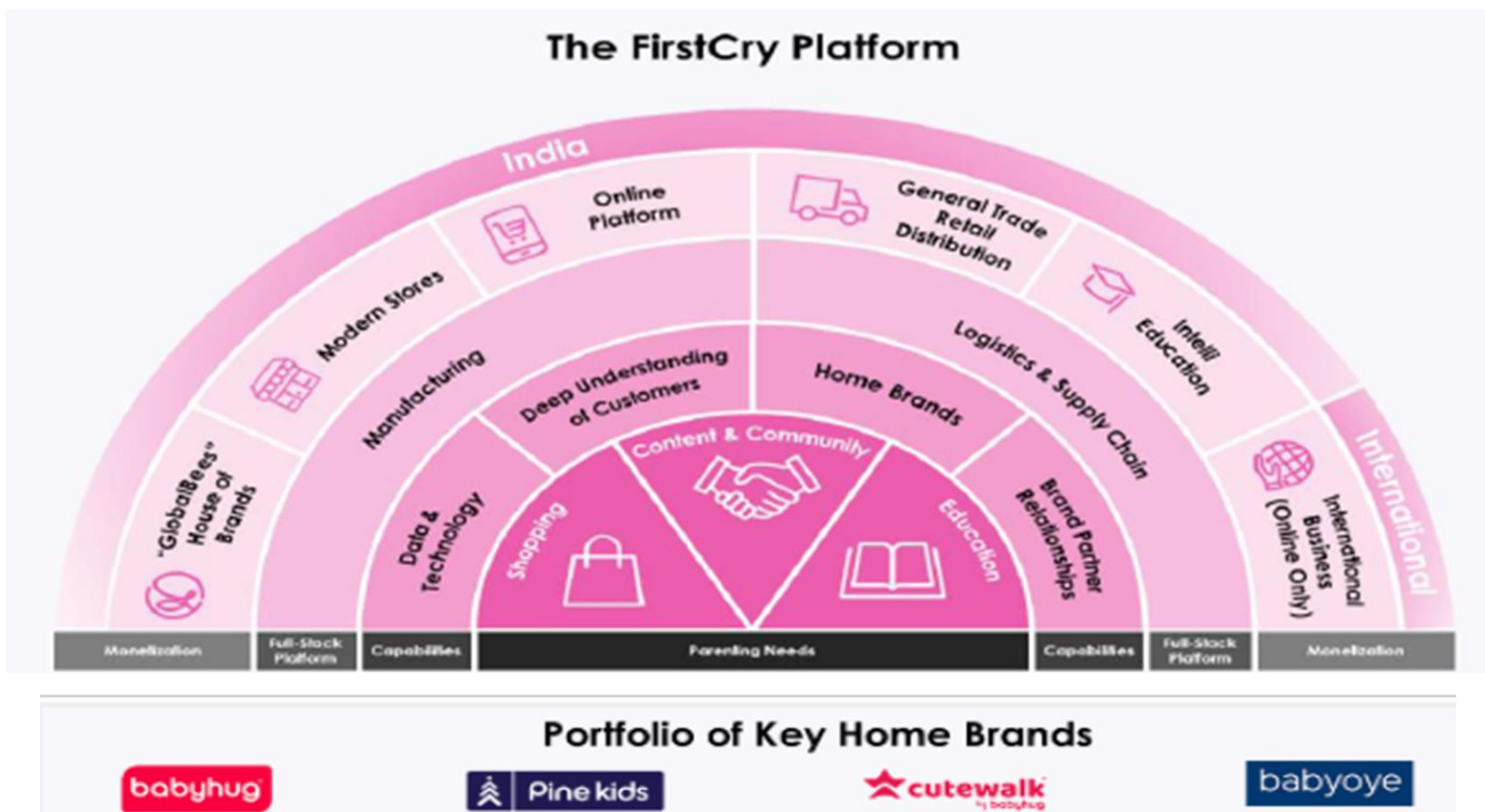


Source: Company's RHP, Ace Equity, AUM Research

### Key trends in the Indian Childcare market

- 1) Perpetual market with non-discretionary nature of spends:** Childcare is an important and perpetual need. Customers view Childcare Products expenses as essential expenses which they would continue to cater for the child's requirement.
- 2) Trust based nature of Childcare Products commerce:** Given the sensitivity associated with maternity and Childcare, the market necessitates existence of platforms providing trusted parenting knowledge.
- 3) Fragmented supply with lack of sizable, specialty brands:** Customers of Childcare Products are shifting towards branded products at Specialty Mothers, Babies, and Kids. Retailers offering a one stop solution for all Childcare needs. India's Childcare Products market is currently not well equipped to cater to these emerging customer preferences due to the limited number of Childcare focused brands. The limited number of brands has led to limited Childcare Products assortments, less personalized product offerings, lack of democratized access to Childcare related information and poor product quality.
- 4) Increasing share of multi-channel platforms in the supply ecosystem:** New multi-channel Specialty Mothers, Babies, and Kids Retailers are catering to the shifting customer behaviour by providing a wide variety of quality products that cater to all the requirements of parents, through multiple integrated channels. Customers have a positive outlook to these experiences indicating that the market is well suited for multi-channel platforms.

## Company Overview



Source: Company's RHP, AUM Research

- 1) Portfolio of brands**:- FirstCry has created trusted home brands in the Mothers', Babies' and Kids' products categories through its deep understanding of the requirements of the customers, robust data analytics tools, in-house design and development capabilities and leveraging the market recognition of the "FirstCry" brand. FirstCry operates within four distinct business segments. In its India Omnichannel Business, it stands as the largest platform for baby and kids' products. The Manufacturing, Distribution, and Education segment includes diaper manufacturing, distribution of home brands in retail outlets, and FirstCry Intelli, addressing early education needs. Internationally, the company serves the baby and kids' product market in the UAE and Saudi Arabia, achieving the status of the largest online platform in the UAE within just nine months of its launch. Lastly, through its Globalbees platform, FirstCry offers 50+ home brands, with Babyhug emerging as India's largest and fastest-growing multi-category brand for mothers, kids, and babies, with the widest product assortment in the APAC region, excluding China. Globalbees has now turned into a Unicorn.
- 2) Integrated operations**:- The manufacturing activities of FirstCry is primarily carried out by various contract manufacturers as per design requirements and specifications. FirstCry exercises quality control over the manufacturing process of such contract manufacturers. The brands are available in more than 156,700 third-party stores in India through its retail distribution network covering 557 distributors and over 1,398 sub-distributors across 1,199 cities, as at December 31, 2023. Two of FirstCry's subsidiaries, Swara Baby and Solis Hygiene, manufacture diapers for its home brands and other third-party diaper brands.
- 3) Addressing parenting needs**:- FirstCry also addresses essential parenting needs, i.e., access to a parenting community with useful and relevant content in relation to babies and children. The FirstCry Parenting community is a unique aspect of its platform offering parenting content, parenting tool kits and social features that are designed to increase engagement with the target group of young parents, along with its newly launched parenting generative pre-trained transformers (GPT).
- 4) Customer base**:- FirstCry is strategically focused on expanding its customer base, particularly in the 6-12 age categories, and strengthening its international presence. The company plans to leverage its experience in scaling home brands, aiming to solidify its leadership in this sector. This involves deepening its presence in existing categories and expanding the footprint of company-owned Babyhug stores. Additionally, FirstCry aims to invest in manufacturing and supply chain capabilities, organically growing its brand portfolio in unorganized categories. The expansion also includes a focus on pre-schools and the Intelli-education ecosystem.

## Rationale for Investment

### 1) India presents a huge growth opportunity

- **Steady growth anticipated in future:-** India presents a substantial market for childcare products, with its valuation surging from approximately Rs. 1,514 Cr in 2016 to Rs. 2,846 Cr in 2023. Projections indicate a further growth to Rs. 5,450 Cr by 2028. This expansion can be attributed to India's notably high birth rates, standing at 18 child births per 1000 population, double the rate of other developed nations. Notably, India hosts approximately 30 Crore children under the age of 12.
- **Huge untapped potential:-** The childcare market in India remains largely untapped, with 84% of the market being unorganized and online penetration hovering below 10%. Accessibility and limited options contribute to this scenario. The per capita spending on children is remarkably low, amounting to a mere Rs. 9,350, in stark contrast to an average Rs. 1.5 Lakh spent in developed nations.

### 2) India's largest multi-channel, multi-brand retailing platform for Mothers', Babies' and Kids' products

- **Highest market share:-** As per Redseer report, FirstCry is India's largest multi-channel retailing platform for Mothers', Babies' and Kids' products, in terms of GMV (Gross Market Value), for the year ending December 2023. The GMV has increased from Rs 3986 Cr in FY21 to Rs 5,799 Cr in FY22 and Rs 7,258 Cr in FY23. On Dec 31, 2023, the GMV stood at Rs 6,825 Cr.
- **Large multi-channel retailing presents a huge opportunity:-** FirstCry's large scale multi-channeling retailing in India, along with a large parenting community on its platform provides it with a variety of advantages, such as a large volume of organically generated content, brand affinity, the opportunity to launch additional home brands, and the potential to improve operating margins, as it reaps the benefits from economies of scale.

### 3) Brand affinity earns the loyalty and trust amongst the customers

- **Leveraging brand strength:-** Through leveraging its brand strength, FirstCry has been able to add more product and services on its platform which is expected to further increase its customer base. FirstCry's strategy of expanding into select international markets and adjacent categories (such as education) helps improve the brand visibility further.
- **Combination of curating growing home brands and relationships with third-party brands:-** FirstCry's online platform and modern stores, offers customers a variety of products, ranging from products of global and domestic Mothers', Babies' and Kids' brands (such as Medela India Private Limited, Chicco, Mee-Mee and Funskool (India) Limited), "mompreneurs" (i.e., mothers who operate home-based businesses) apart from its own brands.
- **Dedicated partnership:-** FirstCry has been able to nurture a long term and mutually beneficial relationships with brands. It has a dedicated brand partnerships team that works with brands to build mutually beneficial marketing campaigns that leverages its experience and data to grow the childcare products ecosystem, providing brands with channels for customer acquisition and opportunities for business growth.
- **Catering to multi-segments:-** FirstCry's unique brands as BabyHug, Babyoye, Cutewalk and Pine Kids, among others, cater to the mid to premium category. FirstCry's strategic knowhow in positioning its brands help in designing and development, product assortment and quality differentiates it from its competitors.

### 4) Technology driven approach

- **Data-driven product and sales approach:-** FirstCry effectively leverages sales information between its online platform and modern stores, thereby being able to identify local preferences at the city and state levels, particularly in fashion merchandise, based on geo-location tags. FirstCry's data driven merchandising approach helps it to curate products that focus on market fit, ongoing demand and evolving customer trends, for both online and offline retail. This provides it with a significant competitive advantage over other players.
- **Centralized inventory management:-** FirstCry through its centralized inventory management covering both its online platform and modern stores, thereby enabling it to merchandise its inventory efficiently. Sales information across its online platform and modern stores helps it to drive auto replenishment algorithms for the modern stores which coupled with the warehouse and logistics network helps its' modern stores remain capital efficient. FirstCry's auto replenishment algorithms cover categories ranging from consumables to complex categories such as baby and kids' fashion.

### 5) Strategies for future manufacturing

- **Investment in subsidiaries:-** FirstCry aims to expand its manufacturing capabilities for toys, diapers and baby and kids' apparel categories in India by growing the network of contract manufacturers and increasing the manufacturing capacity of its subsidiaries. It also plans to invest in additional warehouses and last-mile delivery capabilities to provide a better customer experience.
- **Selective expansion in international markets:-** Apart from its ever increasing customer base in India, FirstCry is now aiming for selective international expansion either through the organic or inorganic route. The key criteria for expansion into international markets include favourable 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 its customers in these countries.

<b>Consolidated Financials – Value in Rs. Crs</b>	<b>9MFY24</b>	<b>FY23</b>	<b>FY22</b>	<b>FY21</b>
Gross Sales	4,814.00	5,731.20	2,559.26	1,723.29
Total Income	4,890.02	5,731.28	2,516.92	1,740.06
Total Expenditure	4776.63	5,949.81	2,419.49	1,560.99
Gross Profit	1,705.84	1,697.22	829.15	556.69
PBIDT	113.39	-218.54	97.43	179.07
PBIT	86.57	-458.45	-13.46	112.40
PBT	-269.71	-530.02	-51.14	98.32
PAT	-278.25	-486.06	-78.69	215.94
EPS	-5.03	-9.97	-1.74	5.73

<b>Sources of Funds</b>	<b>FY23</b>	<b>FY22</b>	<b>FY21</b>
Equity Paid Up	81.47	81.41	71.45
Reserves and Surplus	2,902.90	3,335.60	3,262.91
Net Worth	2,984.37	3,417.01	3,334.36
Total Debt (Long Term plus Short Term)	176.47	90.16	16.94
Capital Employed	3,632.73	3,618.10	3,454.00
<b>Application of Funds</b>			
Gross Block	4,051.70	2,436.84	782.17
Investments	0.01	0.00	0.00
Cash and Bank balance	1,179.37	2,268.18	2,338.19
Net Current Assets (Including Current Investments)	1,798.05	2,789.95	2,731.45
Total Current Liabilities	1,212.02	922.33	391.57
Total Assets	6,967.91	6,096.69	3,955.32
<b>Cash Flow</b>			
Cash Flow from Operations	-398.99	-131.73	-66.74
Cash Flow from Investing activities	304.09	-490.58	-445.18
Cash Flow from Finance activities	-50.62	644.38	717.94
<b>Key Ratios</b>			
Debt to Equity(x)	0.06	0.03	0.01
Current Ratio(x)	2.48	4.02	7.98
ROCE(%)	-12.65	-0.38	3.83
RONW(%)	-15.19	-2.33	7.58
GPM(%)	29.61	32.40	32.30
PBIDTM(%)	-3.81	3.81	10.39
PATM(%)	-8.48	-3.07	12.53

Source: Company's RHP, Ace Equity, AUM Research

**Aum Capital RESEARCH DESK**

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