

IPO Note: Brainbees Solutions Ltd.

Industry: E-Commerce

Date: August 05, 2024

Issue Snapshot		Issue Break up	
Company Name	Brainbees Solutions Ltd.	QIB ex Anchor	30% 2,70,36,952
Issue Opens	August 02, 2024 to August 06, 2024	Anchor Investor	45% 4,05,55,428
Price Band	Rs. 440 to Rs. 465	HNI<Rs. 10 Lakhs	5% 45,06,159
Bid Lot	32 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 90,12,317
The Offer	Public issue of 9,01,87,690 Equity shares of Face value Rs. 2 each, (Comprising of fresh issue of 3,58,27,957 Equity Shares* (Rs. 1666 cr.) and Offer for Sale of 5,43,59,733 Equity Shares (Rs. 2527.7 cr.*) by Selling Shareholder).	RII	10% 90,12,317
		Total Public	100% 9,01,23,174
Issue Size	Rs. 4057.8 – 4193.7 Crore	Employee Reservation	64,516
IPO Process	100% Book Building	Total	9,01,87,690
Face Value	Rs. 2.00	Equity Share Pre Issue (Nos. Cr.)	48.3
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	3.6
BRLM	Kotak Mahindra Capital Company Ltd., Morgan Stanley India Company Pvt. Ltd., BofA Securities India Ltd., JM Financial Ltd., Avendus Capital Pvt. Ltd.	OFS Share (Nos. Cr.)	5.4
Registrar	Link Intime India Pvt. Ltd.	Equity Share Post Issue (Nos. Cr.)	51.9
		Market Cap (Rs. Cr.)	24,141.8
		Equity Dilution	6.9%
		Stake Sale by OFS	10.5%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 46,814,458 equity shares by Corporate Selling Shareholders and up to 7,545,275 equity shares by Individual Selling Shareholders)

Fresh Issue

- Expenditure by the Company for: (i) setting up new modern stores under the "BabyHug" brand (Rs. 93.9 cr.); and (ii) setting up a warehouse, in India (Rs. 14.2 cr.);
- Expenditure for lease payments for the existing identified modern stores owned and operated by the Company, in India (Rs. 93.1 cr.);
- Investment in the Subsidiary, Digital Age for: (i) setting up new modern stores under the FirstCry brand and other home brands of the Company (Rs. 169 cr.); and (ii) lease payments for the existing identified modern stores owned and controlled by Digital Age, in India (Rs. 130.6 cr.);
- Investment in the Subsidiary, FirstCry Trading for overseas expansion by: (i) setting up new modern stores (Rs. 72.6 cr.); and (ii) setting up warehouse(s), in KSA (Rs. 83.0 cr.);
- Investment in the Subsidiary, Globalbees Brands towards acquisition of additional stake in the stepdown Subsidiaries (Rs. 169.0 cr.);
- Sales and marketing initiatives (Rs. 200.0 cr.);
- Technology and data science cost including cloud and server hosting related costs (Rs. 57.6 cr.);
- Funding inorganic growth through acquisition and other strategic initiatives and General corporate purposes.

Company Highlights

- Brainbees Solutions Ltd. (BSL) is popularly known by its brand name "Firstcry". It is India's largest multi-channel retailing platform for Mothers', Babies' and Kids' products, in terms of GMV, for FY24, according to the RedSeer Report, with a growing presence in select international markets. In India, it sells Mothers', Babies' and Kids' products through online platform, company-owned modern stores, franchisee-owned modern stores and general trade retail distribution.
- BSL launched the FirstCry platform in India in 2010 with the goal to create a one-stop destination for parenting needs across commerce, content, community engagement, and education. The company named its platform "FirstCry" because a baby's first cry is a special moment for parents, and it aims to make such moments of the parenting journey filled with joy and happiness. It seeks to develop a tangible, emotional, multi-year relationship with parents, especially mothers, with whom BSL's first engagement begins from their baby's conception (i.e., nine months before birth) and can continue until their child reaches about 12 years of age. According to the RedSeer Report, childcare is a non-discretionary, essential expense, for which there is perpetual need.

- The company operates in a retail category with high purchase frequency, in which children outgrow clothing sizes quickly and need consumables such as diapers and other baby products along with other needs that evolve with age. Thus, once parents establish a connection with it, they are likely to start a predictable and frequent transactional journey of about twelve years as their children grow.
- BSL has expanded internationally in select markets, establishing a presence in UAE and KSA in 2019 and 2022 respectively, where it aims to replicate India playbook. According to the RedSeer Report, it is the largest specialist online Mothers', Babies' and Kids' Product retail platforms in UAE, in terms of GMV, for FY24. Further, in KSA, it is the largest online-first Mothers', Babies' and Kids' product-focused retail platform, according to the RedSeer Report. After the UAE, the company aims to replicate India playbook in KSA.
- Across its platform, the company offers products from third-party Indian brands, global brands, and its home brands. It has created trusted home brands in the Mothers', Babies' and Kids' products categories through deep insights and understanding of the requirements of customers, robust data analytics tools, in-house design and development capabilities and by leveraging the market recognition of the "FirstCry" brand. As a reflection of FirstCry's strong brand recognition and customer trust, BabyHug, one of FirstCry's home brands, is the largest multi-category Mothers', Babies', and Kids' products brand in India in terms of GMV, for FY24, according to the RedSeer Report. Further, the company leverages its management team's experience in creating and scaling up home brands to help D2C Indian and global brands scale their business in India across direct-to-customer channels and modern stores.
- For the reported periods of operations, on a consolidated basis, its annual unique transacting customers grew from 6.86 million (FY22) to 9.11 million (FY24), and the orders volume grew from 26.73 million (FY22) to 35.85 million (FY24). Its average value order also jumped from Rs. 2170 (FY22) to Rs. 2544 (FY24). Its contract manufacturers tally increased from 740 (FY22) to 982 (FY24). Thus it posted rising trends on these metrics.
- The company has an extensive Mothers', Babies' and Kids' offering, more than 1.65 million SKUs from more than 7,580 brands on its multi-channel platform across the clothing and fashion, toys, books, school supplies, diapers, bath and skin care, feeding and nursing, health and safety, baby gear, and maternity categories, as at March 31, 2024. Its portfolio includes home brands, domestic brands, international brands including various premium brands. The breadth of its portfolio, coupled with its understanding of the needs and preferences of parents, enables it to personalize selection even as it caters to a more diverse customer base. Its FirstCry store footprint in India is 435 COCO format and 628 FOFO format. As at March 31, 2024, the Company had 3,499 full-time employees and 2,311 employees on a contractual basis.

View

- BSL is one among the India's largest multi-channel retailing platform for mothers', babies' and kids' products by GMV in FY24. The scale in multi-channel retailing in India, along with a large parenting community on own platform, imparted 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 the margins from economies of scale.
- The Firstcry platform has powerful network effects, driven by content, brands and data. The content-led strategy enables engagement with parents early in their parenting lifecycle through the Firstcry.com parenting platform. Firstcry customers value the content on the platform and enhance it by adding their own experiences on to the platform, leading to a virtuous cycle of new customer acquisition and enriched content. The Firstcry mobile application in India had been downloaded more than 127 million times as of March 31, 2024.
- The company has been successful in expanding its Annual Unique Transacting Customers' base over the years (to 9.11 million for FY24 from 6.86 million for FY22) by consistently investing in brand, technology, products and (since June 2021) the FirstCry Club membership program. The company aim to further increase its customer base, while continuing to service the existing base. Accordingly, the company will continue to invest in increasing its brand awareness (by continuing our marketing, business promotion, and FirstCry Club activities) and brand salience (by carefully expanding its assortment of products and SKUs, and maintaining the FirstCry parenting community). The company will also further invest in its technology to elevate customer experience, and provide personalized, enjoyable and multi-channel customer journeys.
- The company has a multi-channel footprint to serve its customers. As at March 31, 2024, the company had 1,063 (with 2.12 million sq. ft. retail space) across India. FirstCry mobile application in India had been downloaded more than 127 million times as of March 31, 2024. Further, its relatively recent FirstCry Arabia (UAE and KSA) mobile application had been downloaded more than 4.0 million times as of March 31, 2024. The company aim to further invest towards the expansion of its modern store network by adding both new stores and newer formats of stores across India and international markets.
- In terms of the valuations, on the higher price band, BSL demands Market cap/Sales multiple of 3.7x.

Key Operating Metrics

Metric	Unit	FY22	FY23	FY24
India business				
Annual Unique Transacting Customers	Million	6.68	7.72	8.68
Orders	Million	25.65	29.61	34.06
Average Order Value	₹	2,043	2,156	2,226
Gross Merchandise Value (GMV)	₹ million	52,389.47	63,830.99	75,827.42
GMV Y-o-Y Growth^	%	45.17	21.84	18.79
International business				
Annual Unique Transacting Customers	Million	0.18	0.26	0.43
Orders	Million	1.08	1.38	1.79
Average Order Value	₹	5,178	6,350	8,582
Gross Merchandise Value (GMV)	₹ million	5,605.16	8,745.35	15,383.86
GMV Y-o-Y Growth^	%	48.63	56.02	75.91
Consolidated				
Annual Unique Transacting Customers	Million	6.86	7.98	9.11
Orders	Million	26.73	30.99	35.85
Average Order Value	₹	2,170	2,342	2,544
Gross Merchandise Value (GMV)	₹ million	57,994.63	72,576.34	91,211.28
GMV Y-o-Y Growth^	%	45.5	25.14	25.68
Financial Parameters (Consolidated)				
Revenue from Operations	₹ million	24,012.88	56,325.39	64,808.56
Gross Margin	₹ million	8,291.49	16,972.21	23,176.60
Gross Margin %	%	34.53	30.13	35.76
Materials costs	₹ million	15,721.39	39,353.18	41,631.96
Materials cost %	%	65.47	69.87	64.24
Direct cost	₹ million	780.22	4,644.13	5,879.10
Direct cost %	%	3.25	8.25	9.07
EBITDA (excluding other income)	₹ million	-182.01	-2,629.04	704.91
EBITDA Margin (excluding other income)	%	-0.76	-4.67	1.09
Adjusted EBITDA	₹ million	961.99	749.82	2,744.49
Adjusted EBITDA Margin	%	4.01	1.33	4.23
Profit/(Loss) for the year	₹ million	-786.85	-4,860.56	-3,215.07
Contribution Margin%	%	31.28	21.89	26.69
Advertising and sales promotion expenses %	%	11.19	7.39	7.44
Indirect Expense %	%	6.74	6.46	7.57
GMV from Online	₹ million	48,346.73	58,126.30	73,700.09
GMV from Offline	₹ million	9,647.90	14,450.04	17,511.19
GMV from Existing Customers	₹ million	40,737.02	52,963.20	65,878.06
GMV from New Customers	₹ million	17,257.61	19,613.14	25,333.22

Key Operating Metrics

Metric	Unit	FY22	FY23	FY24
Other Operating Data				
Working Capital Days	Days	102	50	53
Inventory Days	Days	149	83	92
Total Stores	Number	701	904	1,063
FOFO Stores	Number	575	618	628
BabyHug COCO Stores	Number	118	224	284
FirstCry COCO Stores	Number	8	62	151
Number of brands	Number	6,287	7,035	7,580
Number of SKUs	Million	1.27	1.29	1.65
Number of warehouses and stockists	Number	67	79	80
Contract manufacturers	Number	740	779	982
General trade retail touchpoints	Number	20,397	1,18,408	1,60,842
Cities where we provide same day deliveries	Number	32	46	45
Cities where we provide next day deliveries	Number	1,035	1,053	1,043
Preschools	Number	63	105	208
Students enrolled	Number	3,229.00	5,311.00	9,623.00
Hospital and maternity clinic arrangements	Number	14,245.00	13,633.00	13,316.00
Gift hampers delivered	Million	14.04	16.32	18.65
Details of Operating Segment				
Revenue from Operations				
India multi-channel	₹ million	19,732.61	42,808.65	45,794.84
International	₹ million	3,520.42	4,874.83	7,537.16
Globalbees Brands	₹ million	1,039.84	8,971.79	12,093.46
Others	₹ million	78.81	229.61	333.55
Inter-Company Adjustments/Consolidation Adjustments	₹ million	-358.8	-559.49	-950.45
Total	₹ million	24,012.88	56,325.39	64,808.56
Segment Results before depreciation and amortisation expense				
India multi-channel	₹ million	1,891.60	2,413.52	4,039.82
International	₹ million	-674.68	-1,200.59	-1,395.96
Globalbees Brands	₹ million	-91.94	-447.29	23.08
Others	₹ million	-158.17	-30.52	58.41
Inter-Company Adjustments/Consolidation Adjustments	₹ million	-4.82	14.7	19.14
Total	₹ million	961.99	749.82	2,744.49
Segment Results				
India multi-channel	₹ million	944.76	740.42	1,666.18
International	₹ million	-744.21	-1,329.33	-1,553.77
Globalbees Brands	₹ million	-122.68	-1,407.50	-963.77
Others	₹ million	-164.4	-42.07	47.03
Inter-Company Adjustments/Consolidation Adjustments	₹ million	-60.36	-154.54	-159.91
Total	₹ million	-146.89	-2,193.01	-964.24

Financial Statement

(In Rs. Cr)	FY22	FY23	FY24
Share Capital	81.4	81.5	81.5
Net Worth	4288.0	4199.7	3791.5
Long Term Borrowings	51.1	55.0	229.5
Other Long Term Liabilities	946.7	1660.3	1920.4
Short-term borrowings	39.1	121.4	233.3
Other Current Liabilities	872.3	1083.4	1335.8
Fixed Assets	2254.0	3557.7	3868.5
Non Current Assets	1495.4	559.3	588.4
Current Assets	3701.3	3002.9	3053.5
Total Assets	6197.2	7119.8	7510.4
Revenue from Operations	2401.3	5632.5	6480.9
Revenue Growth (%)		134.6	15.1
EBITDA	(18.2)	(317.3)	70.5
EBITDA Margin (%)	(0.8)	(5.6)	1.1
Net Profit	(78.7)	(486.1)	(321.5)
Net Profit Margin (%)	(3.3)	(8.6)	(5.0)
Earnings Per Share (Rs.)	(1.7)	(10.0)	(6.2)
Return on Networth (%)	(2.0)	(12.8)	(8.7)
Net Asset Value per Share (Rs.)	85.1	78.1	71.7

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY22	FY23	FY24
Cash flow from Operations Activities	(131.7)	(399.0)	(42.1)
Cash flow from Investing Activities	(490.6)	304.1	62.9
Cash flow from Financing Activities	644.4	(50.6)	81.5
Net increase/(decrease) in cash and cash equivalents	22.1	(145.5)	102.3
Cash and cash equivalents at the beginning of the year	382.8	404.9	259.4
Cash and cash equivalents at the end of the year	404.9	259.4	361.7

Source: RHP

Comparison with Listed Industry Peers

There are no listed companies that engage in a business similar to that of the Company or are of a comparable size to that of the Company. Accordingly, it is not possible to provide an industry comparison in relation to the Company.

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