

RETAIL EQUITY RESEARCH

Stanley Lifestyles Ltd.

Consumption-Retail

SENSEX: 77,479

NIFTY: 23,567

SUBSCRIBE

Price Range Rs.351- Rs.369

One stop solution for a luxurious home experience.....

Stanley Lifestyles Ltd. (SLL), established in February 2007 in Bangalore, is a super-premium and luxury furniture brand in India. It ranks 4th in India's home furniture segment by revenue as of FY23, holding a 6.25% market share in the luxury segment. SLL designs, manufactures, and sells its products through 38 company-owned and operated stores (COCO) and 24 franchisee-owned and operated stores (FOFO) nationwide under the "Stanley" brand. Their product portfolio includes sofas, cabinetry, and furniture for various living spaces, offering complete home solutions with installation services.

- The luxury/super-premium furniture and home goods market is valued at US\$1.5 bn in FY23 and is expected to reach US\$4.8 bn by FY27, led by increasing nuclearization, changing consumer preferences, premiumisation, the growth of the hospitality & tourism industry, and urbanisation.
- SLL's in-house manufacturing operations, coupled with its retailing model, differentiate it from other Indian and foreign furniture brands.
- The company's revenue surged from Rs.196cr in FY21 to Rs.419cr in FY23, marking a CAGR of 46% over FY21-23, driven by strong growth in retail sales and store expansions.
- EBITDA grew at a CAGR of 66%, and PAT grew at a CAGR of 327% (from a low base) over FY21-23. EBITDA margins remained stable at ~18% (3-year AVG) over FY21-23.
- SLL has a lean balance sheet position and return ratios like RoE and RoCE are at ~16% and ~21%, respectively, in FY23.
- From the net IPO proceeds, SLL intends to utilize ~Rs. 90cr to establish 24 new stores between FY25-27E in India, thereby resulting in market share gain, topline growth, increased brand recognition, and economies of scale.
- At the upper price band of Rs.369, SLL trades at a Mcap/sales ratio of 5x (annualized FY24 basis). The company benefits from strong brand recognition, manu-retail model, expansion of new stores, an increasing number of affluent households, and favourable trends in the real estate sector. These factors are expected to drive significant growth for the company in the future. Therefore, we recommend a "Subscribe" rating for the long term.

Purpose of IPO

The offering comprises a fresh issue of Rs.200cr and an Offer-for-Sale (OFS) of Rs.337cr. The company plans to allocate the net proceeds as follows: opening of new stores (~Rs.90cr), opening of Anchor stores (Rs. 40cr), renovation of existing stores (~Rs10cr), ~Rs.7cr will be utilised for capex requirements for new machinery and equipment purchase and the remainder for general corporate purposes.

Key Risks

- Product category concentration: Approximately 56% of revenue in 9MFY24 comes from sofas and recliners. However, SLL plans to diversify by adding new product categories in the future.
- Regional Concentration: In 9MFY24, approximately 61% of revenue comes from Karnataka, highlighting significant sales concentration in southern India.
- Dependent on limited foreign and domestic suppliers to provide leather, one of the primary raw materials. Rise in local procurement of leather and wood will support cost rationalisation.

Issue Details	
Date of opening	June 21, 2024
Date of closing	June 25, 2024
Total No. of shares offered (cr.)	0.91
Post Issue No. of shares (cr)	5.7
Price Band	₹351- ₹369
Face Value	₹2
Bid Lot	40 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,760
Maximum application for retail (upper price band for 13 lot)	₹ 1,91,880
Listing	BSE,NSE
Lead Managers	Axis Capital Limited, ICICI Securities Ltd, JM Financial Ltd and SBI Capital Markets Ltd.

Registrar Kfin Technologies Limited

Issue size (upper price)	Rs.cr
Fresh Issue	₹ 200.00cr
OFS	₹ 337.02cr
Total Issue	₹ 537.02cr

Shareholding (%)	Pre-Issue(%)	Post Issue(%)
Promoter	67.4	56.8
Public - Selling Shareholder	32.6	17.67
Public-Others	-	30.73
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	188.0
Non-Institutional	15	80.6
QIB	50	268.5
Emp. Reservation	-	-
Total	100	537.02

Y.E March (Rs cr) Consol.	FY22	FY23	9MFY24
Sales	292.2	419.0	313.3
Growth (%)	49.3	43.4	
EBITDA	59.0	82.7	57.8
Margin(%)	20.2	19.7	18.4
PAT Adj.	23.2	35.0	18.7
Growth (%)	1107%	50.6%	-
EPS	4.1	6.1	3.3
P/E (x)	90.6	60.2	84.4*
Mcap/Sales	7.2	5.0	5.1*
EV/EBITDA (x)	35.8	25.5	27.7*
RoE (%)	11.3	15.6	7.5
Debt/Equity (X)	0.0	0.0	0.1

*Annualised

Business Description

Stanley Lifestyles Ltd (Stanley) established on February 2007, is a Bangalore based super-premium & luxury furniture brand in India. Also, they are ranked 4th in India within the Home Furniture segment, by revenues for FY23. Stanley designs, manufactures, and retails products through their own network of company-owned and operated stores (COCO, 38 stores), as well as franchisee-owned and operated stores (FOFO, 24 stores), with a presence across India. Their products are retailed through 3 format stores “Stanley Level Next” for ultra-luxury customers, “Stanley Boutique” for luxury customers and “Sofas & More by Stanley” for super premium customers. Accordingly, they have presence across metro and tier 1 cities of Bengaluru, Chennai, New Delhi, Mumbai and Hyderabad.

Store Interiors

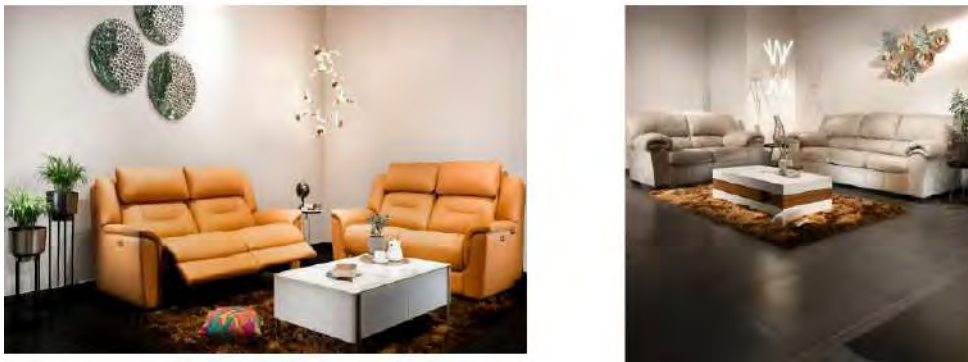
Stanley Level Next



Stanley Boutique



Sofas & More By Stanley



Source: Company, Geojit Research

Store Category	Fiscal						For the nine months ended December 31, 2023	
	2021		2022		2023		Revenue (₹ million)	Percentage of Revenue from Operations (%)
	Revenue (₹ million)	Percentage of Revenue from Operations (%)	Revenue (₹ million)	Percentage of Revenue from Operations (%)	Revenue (₹ million)	Percentage of Revenue from Operations (%)		
COCO	1,216.44	62.13%	1,759.45	60.21%	2,643.08	63.08%	1,947.47	62.16%
FOFO	143.86	7.35%	258.88	8.86%	467.04	11.15%	408.57	13.04%
Others ⁽¹⁾	597.49	30.52%	903.71	30.93%	1,079.87	25.77%	777.07	24.80%
Total	1,957.80	100.00%	2,922.04	100.00%	4,189.98	100.00%	3,133.11	100.00%

⁽²⁾ Other include revenue from operations generated from contract manufacturing, leather automotive interiors, other B2B sales, trading of raw materials.

Source: Company, Geojit Research

Key strengths

- Largest and the fastest growing brand in the luxury/super-premium furniture segment;
- Comprehensive home solutions provider with offerings across categories and price points;
- Pan-India presence with strategically located stores;
- Focus on design-led product innovation;
- Vertically integrated manufacturer with skilled craftsmanship capabilities;
- Efficient business model with track record of delivering financial growth.

Key strategies

- Continue to expand our retail presence within India and abroad by leveraging the “Stanley” brand appeal;
- Continue to increase brand awareness;
- To evaluate and increase our presence in the B2B segment as well as enter into distribution arrangements;
- Further expand our product portfolio;
- To enter and expand into additional segments; and
- Leverage technology to enhance customer experience and grow our operations.

Industry outlook

The boom in the real estate market in India has enabled the furniture market in India to experience a high growth trajectory. In FY21, the organised market accounted for 23% of the total furniture and home goods market, which increased to 26% by FY23. Furthermore, by FY27, the organised market is expected to contribute to 35% of the total market share, exhibiting an annual growth rate of 36%, which surpasses the growth rate of the traditional market.

Promoter and promoter group

The Promoters of the Company are Mr. Sunil Suresh and Mrs. Shubha Sunil. As on the date of RHP, the Promoters, in aggregate, hold 34,751,080 Equity Shares in the Company, representing 67.28% of the issued, subscribed and paid-up Equity Share capital of the Company, on a fully diluted basis.

As on the date of this Red Herring Prospectus, the Board has six directors comprising of two Executive Directors, four Non-Executive Director (including three Independent Directors, which includes one woman Director).

Brief Biographies of directors

- **Sunil Suresh** is the Managing Director of the Company.
- **Shubha Sunil** is the Whole Time Director of the Company.
- **Vishal Verma** is a Non-Executive Nominee Director of the Company.
- **Girish Shrikrishna Nadkarni** is an Independent Director of the Company .
- **Ramanujam Venkat Raghavan** is an Independent Director of the Company.
- **Anusha Shetty** is an Independent Director of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	9MFY24
Sales	292.3	419.0	313.3
% change	49.3	43.4	-
EBITDA	59.0	82.7	57.8
% change	98	40	-
Depreciation	21.7	28.3	27.8
EBIT	37.3	54.5	30.0
Interest	10.9	14.7	14.3
Other Income	5.6	6.6	9.0
Exceptional items	-	-	-
PBT	31.9	46.4	24.7
% change	41.3	45.3	-
Tax	8.7	11.4	6.0
Tax Rate (%)	27	25	24
Reported PAT	23.2	35.0	18.7
Adj			
Adj. PAT	23.2	35.0	18.7
% change	1107.4	50	-
Post issue No. of shares (cr)	5.7	5.7	5.7
Adj EPS (Rs)	4.1	6.1	3.3
% change	1107.4	50	-

BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	9MFY24
Cash	74.6	73.4	53.1
Accounts Receivable	18.9	16.5	24.8
Inventories	118.2	121.4	147.4
Other Cur. Assets	18.1	15.6	32.7
Investments	-	-	-
Deff. Tax Assets	14.4	13.3	16.8
Net Fixed Assets	51.3	70.5	75.5
CWIP	0.8	1.2	42.5
Intangible Assets	114.2	132.2	171.8
Other Assets	11.7	14.0	17.1
Total Assets	422	458	582
Current Liabilities	75.6	73.5	87.5
Provisions	6.2	7.7	10.3
Debt Funds	6.1	9.4	30.9
Other Fin. Liabilities	0.0	0.0	22.1
Deferred Tax liability	5.0	1.9	0.5
Equity Capital	7.4	7.4	10.3
Reserves & Surplus	192.4	209.1	226.9
Shareholder's Fund	205.6	223.8	248.2
Total Liabilities	422	458	582
BVPS (Rs)	36.1	39.3	43.5

CASH FLOW

Y.E March (Rs cr)	FY22	FY23	9MFY24
PBT Adj.	31.9	46.4	24.7
Non-operating & non cash adj.	28.0	39.2	35.8
Changes in W.C	-31.4	-17.6	-48.0
C.F. Operating	29	68	13
Capital expenditure	-22.4	-29.9	-36
Change in investment	10.0	0.6	16.37
Sale of investment	0	0	0
Other invest.CF	0.4	1.8	2.07
C.F - investing	-12.0	-27.4	-17.5
Issue of equity	-	-	-
Issue/repay debt	-13.8	-24.2	1
Dividends paid	-5.0	-17.0	
Other finance.CF	-	-	-
C.F - Financing	-18.8	-41.2	0.9
Change. in cash	-2.3	-0.6	-4.0
Opening Cash	12.1	10.3	9.67
Closing cash	10	9.7	5.7

RATIOS

Y.E March	FY22	FY23	9MFY24
Profitab. & Return			
EBITDA margin (%)	20.2	19.7	18.4
EBIT margin (%)	12.8	13.0	9.6
Net profit mgn.(%)	7.9	8.3	6.0
ROE (%)	11.3	15.6	7.5
ROCE (%)	15.6	20.7	-
W.C & Liquidity			
Receivables (days)	21	15	22
Inventory (days)	270	214	180
Payables (days)	61	38	54
Current ratio (x)	2.8	2.8	2.6
Quick ratio (x)	1.2	1.2	0.9
Turnover & Levq.			
Net asset T.O (x)	6.6	6.9	4.2
Total asset T.O (x)	0.8	1.0	0.5
Int. covge. ratio (x)	3.4	3.7	2.1
Adj. debt/equity (x)	0.0	0.0	0.1
Valuation ratios			
EV/Sales (x)	7.2	5.0	5.1*
EV/EBITDA (x)	35.8	25.5	27.7*
P/E (x)	90.6	60.15	84.4*
P/BV (x)	10.2	9.4	8.5

*Annualised

DISCLAIMER & DISCLOSURES

Certification

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

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