

## Stanley Lifestyles Limited

### Company Overview:

Stanley Lifestyles Limited is a super-premium and luxury furniture brand in India, one of the country's few home-grown super-premium and luxury consumer brands. According to the RedSeer Report, the company is the fourth largest player in the home furniture segment in India based on revenue in FY23. The company's revenue has increased primarily due to growth in retail sales and presence. The company's furniture is sold under the "Stanley" brand. It has built brand recognition and customer loyalty with quality products and targeted marketing like 'Beautiful Living' and 'Bed of Dreams'. The customers are ambassadors, generating publicity through testimonials and word-of-mouth advertising.

### Key Highlights:

**1. Strong retail presence:** The company markets and sells luxury furniture products through 38 COCO 'company-owned and company-operated' stores and 24 FOFO 'franchisee-owned and franchisee-operated' stores across India. In some cities, the company combines different store formats under one roof for an enhanced customer experience. For example, the company's store at Hosur Road, Bengaluru, Karnataka, features both 'Stanley Level Next' and 'Sofas & More by Stanley' concepts. The company retails its furniture products primarily through three store formats, each catering to a different segment of the market i.e., 1) Stanley Level Next targets customers in the ultra-luxury home solution price points. 2) Stanley Boutique targets customers in the luxury category price points. 3) Sofas & More by Stanley targets customers in the super-premium price points.

**2. Integrated manufacturing facility:** The company has two manufacturing facilities in Bengaluru, Karnataka. One is at Electronic City and is dedicated to producing bespoke products under the 'Stanley' brand. The other facility, located at Bommasandra Jigani Link Road, specializes in contract manufacturing for multinational home furnishing players. The company's manufacturing capabilities ensure reliability, craftsmanship, design, and customization of products, offering luxury home furniture with better aesthetics to customers.

**3. Focus on design-led innovation:** Customer preferences vary across regions. With 15 years of experience in retailing furniture products, the company has insights into customer requirements, trends, and design preferences. They design products with luxurious international appeal that align with Indian sentiment and sizing, which has been well-received. The company's product development division spans approximately 15,000 square feet at Electronic City facility, with one master Italian and 48 employees engaged in product design and development as of Dec'23. In FY23, the company designed and manufactured 88 new products. The company's product range under the 'Stanley' brand includes modern power motion recliner sofas, home cinema seating, sofa-cum-beds, dining tables, storage beds, kitchens and cabinetry, walk-in wardrobes, and laundry units.

**Valuation:** The company is valued at FY23/FY24 annualised EV/Sales and EV/EBITDA multiple of 4.4x/4.4x and 22.2x/23.9 based on the upper price band on the post-issue capital. The company's Revenue/PAT has grown at a CAGR of 46%/465% between FY21-FY23. The company is raising Rs 200 cr through fresh issue, out of which it plans to spend Rs 90 cr to open 24 new stores between FY25-FY27, which will significantly contribute to the company's topline. Industry growth for the luxury/super-premium furniture and home goods market is set to grow at a CAGR of 34% from USD 1.5 bn to USD 4.8 bn between F23-FY27 period. Stanley is well placed to encash on the healthy growth opportunity in premium furniture market.

Issue Details	
Date of Opening	21 <sup>st</sup> June 2024
Date of Closing	25 <sup>th</sup> June 2024
Price Band (Rs)	351 - 369
Offer for sale (Equity shares)	91,33,454
Fresh Issue (Rs cr)	200
Issue Size (Rs cr)	537 @ Upper Price Band
No. of shares	1,48,31,460 – 1,45,53,508
Face Value (Rs)	2
Post Issue Market Cap (Rs cr)	2,011 – 2,103
BRLMs	Axis Capital, ICICI Securities, JM Financial, SBI Capital Markets
Registrar	KFin Technologies Limited
Bid Lot	40 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
1) Investment in certain Subsidiaries for:	
(a) opening of new stores by such subsidiaries	90.1
(b) opening the anchor stores by such subsidiaries	40.0
(c) renovation of the existing stores by such subsidiaries	10.0
2)Funding the capital expenditure requirements for purchase of new machinery and equipment by the company and the material subsidiary, Stanley OEM Sofas Limited	6.7
3) General corporate purposes*	-
<b>Total proceeds from fresh issue</b>	<b>200.0</b>

\* To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	3,47,55,280	67.4
Public & Others	1,68,41,888	32.6
<b>Total</b>	<b>5,15,97,168</b>	<b>100.0</b>

Post Issue @Upper Price Band		
	No. of Shares	%
Promoter & Promoter Group	3,23,91,280	56.8
Public & Others	2,46,25,942	43.2
<b>Total</b>	<b>5,70,17,222</b>	<b>100.0</b>

Source: RHP, SSL Research

## Key Financials

Rs cr	FY21	FY22	FY23	9MFY24
Revenue from operation	196	292	419	313
EBITDA	30	59	83	58
PAT (excl. minority interest)	1	21	33	20
EBITDA Margin (%)	15.2	20.2	19.7	18.4
PAT Margin (%)	0.5	7.3	7.8	6.3
ROE (%)	0.6	10.7	15.2	8.3*
ROCE (%)	8.2	20.8	27.0	14.5*
Total Debt / Equity (x)	0.0	0.0	0.0	0.1*

\* Not Annualized

Source: RHP, SSL Research

## Risk Factors

- **Change in customer preference:** The company's business depends heavily on sofa and recliner sales. Changes in demand or consumer preference could negatively impact the business.
- **Revenue concentration:** The company's sales heavily depend on the stores in southern India. Adverse events in this area could significantly impact the revenue and operations.
- **Raw material:** Supply chain disruptions for key raw materials like leather and wood may affect the business and finances.
- **Retail network:** If company can't manage or expand their retail network effectively, company's stores may not be profitable, which could negatively impact the business.

## Growth Strategy

- To continue expansion of retail presence within India and abroad by leveraging the 'Stanley' brand appeal.
- To continue to increase brand awareness.
- To evaluate and increase presence in the B2B segment as well as enter into distribution arrangements.
- To continue expanding product portfolio.
- To enter and expand into additional segments.
- Leverage technology to enhance customer experience and grow operations.

## Store Size

Store format	Average Store Size* (Square Feet)**
Stanley Level Next	10,199
Stanley Boutique	6,387
Sofas & More by Stanley	6,541

\*The average store size is an average size of the total number of stores as at Dec'23 corresponding to each store format.

\*\* Average store size excludes the area of the hybrid store located at Hosur Road, Bengaluru, Karnataka which houses Stanley Level Next spread across 63,165 square feet and Sofas & More by Stanley spread across 11,000 square feet.

Source: RHP, SSL Research

## Number of Stores

Format	FY21		FY22		FY23		9MFY24**^	
	Stores	Cites	Stores	Cites	Stores	Cites	Stores	Cites
<b>Company Owned and Company Operated</b>								
Stanley Level	3	1	4	2	5	3	6	4
Stanley Boutique	7	5	7	5	9	5	10	5
Sofas & More by Stanley	8	1	14	2	17	2	19	3
Others*	1	1	2	2	3	2	3	2
<b>Total (A)</b>	<b>19</b>	<b>5</b>	<b>27</b>	<b>5</b>	<b>34</b>	<b>5</b>	<b>38#</b>	<b>5</b>
<b>Franchisee Owned and Franchisee Operated</b>								
Stanley Level	-	-	1	1	1	1	1	1
Stanley Boutique	3	3	3	3	4	3	4	3
Sofas & More by Stanley	3	3	9	9	15	15	19	19
Total (B)	6	5	13	11	20	17	24	21
<b>Total (A+B)</b>	<b>25</b>	<b>9</b>	<b>40</b>	<b>15</b>	<b>54</b>	<b>21</b>	<b>62</b>	<b>25</b>

# Includes stores under renovation

\* Others includes D Eight and Stanley Personal stores.

\*\* Subsequent to Dec'23, the company has opened three Company Owned Company Operated Stores which includes one Stanley Boutique store, one Sofas & More by Stanley store, and company's first Anchor Store.

^ Subsequent to Dec'23, the company has opened one Sofas & More by Stanley Franchisee Owned Franchisee Operated store .

Source: RHP, SSL Research

## Revenue Generated from Store Category

Store Category	FY21		FY22		FY23		9MFY24	
	Revenue (Rs cr)	% of revenue from operations	Revenue (Rs cr)	% of revenue from operations	Revenue (Rs cr)	% of revenue from operations	Revenue (Rs cr)	% of revenue from operations
COCO	121.6	62.1%	175.9	60.2%	264.3	63.1%	194.7	62.2%
FOFO	14.4	7.4%	25.9	8.9%	46.7	11.2%	40.9	13.0%
Others*	59.7	30.5%	90.4	30.9%	108.0	25.8%	77.7	24.8%
Total	195.8	100.0%	292.2	100.0%	419.0	100.0%	313.3	100.0%

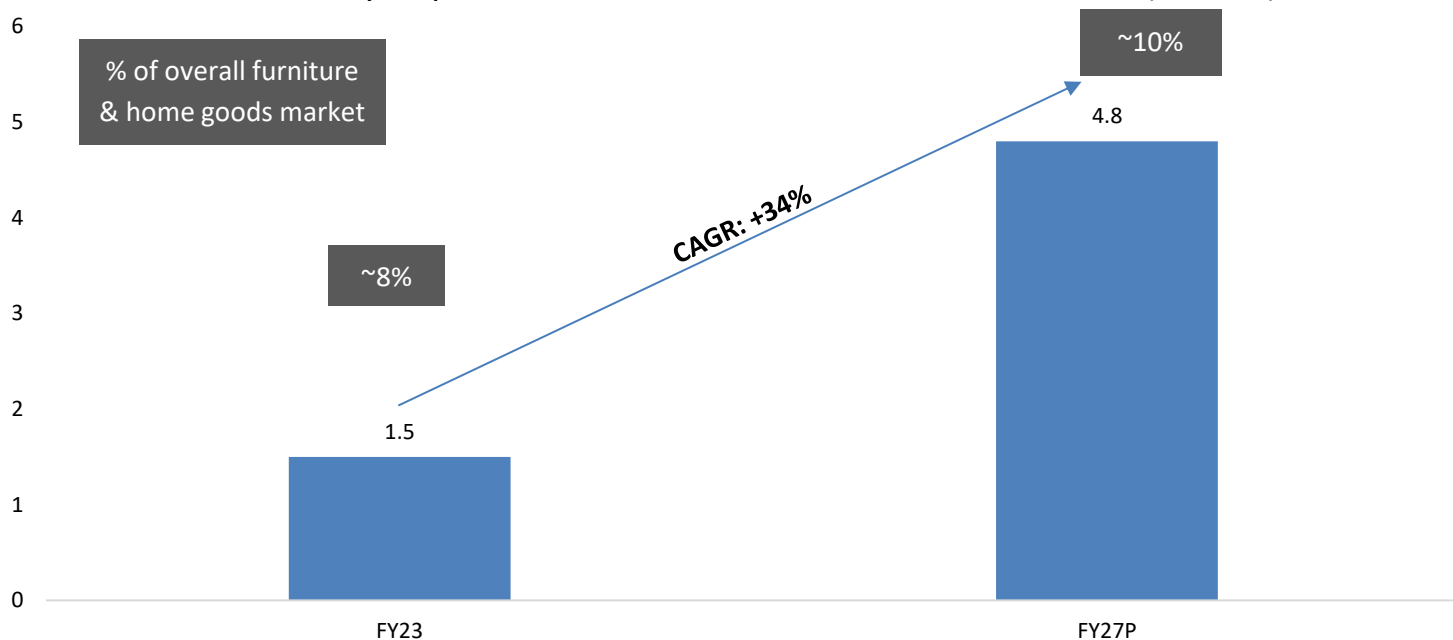
\* Others include revenue from operations generated from contract manufacturing, leather automotive interiors, other B2B sales, trading of raw materials.

Source: RHP, SSL Research

## Industry Overview

**Luxury/super-premium furniture and home goods market:** India's luxury/super-premium furniture & home goods market is currently valued at USD 1.5 billion and is expected to triple in the next four years, reaching USD 4.8 billion. It includes a wide range of products such as sofas, chairs, dining tables, wardrobes, kitchens, home furnishings, and home décor items. The market's growth is driven by increasing consumer affluence, global influences, technology integration, and a growing demand for sustainable furniture choices, providing consumers with various options to create sophisticated living spaces.

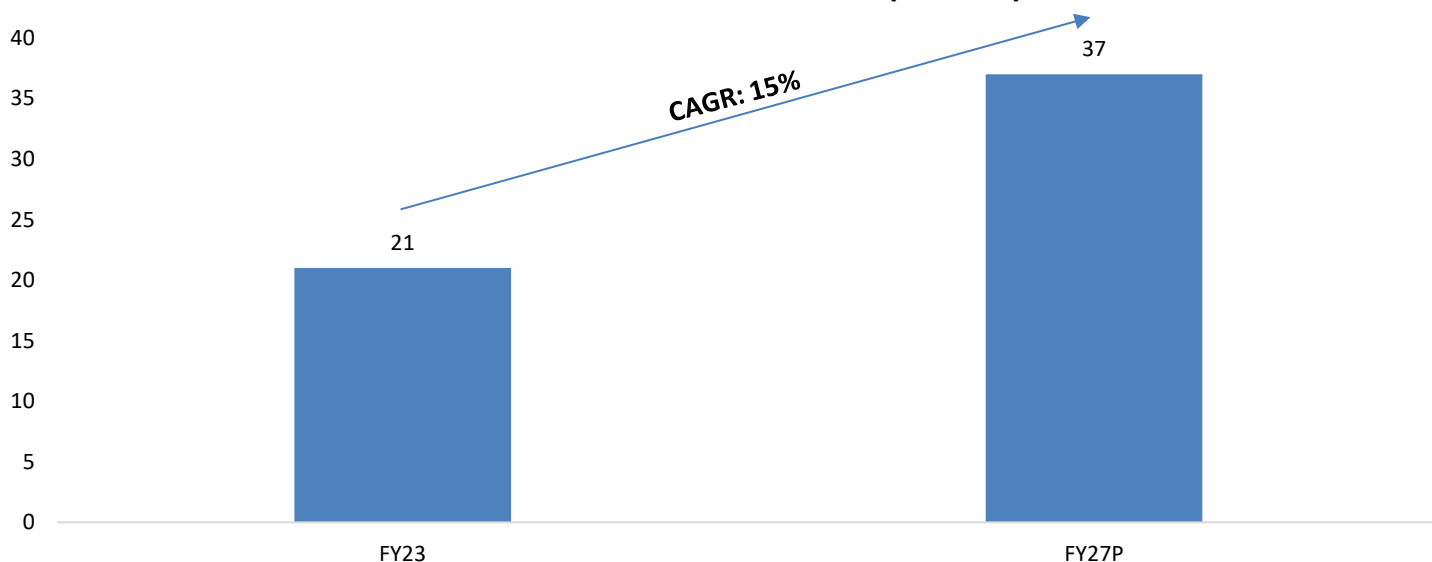
India Luxury/Super Premium Furniture & Home Goods Market (USD bn)



Source: RHP, SSL Research

**Indian home interior market:** India has home interiors market of USD 21 bn in FY23 which is projected to grow by 15% to reach USD 37 bn by FY27P. The growth in the home interior market is driven by increase in new property sales. A major trend in the market is also the emergence of interior designers as the influencers who are leveraging social media to drive home interiors business both through personal studios and through partnership with home interior platforms.

India Home Interiors Market (USD bn)



Source: RHP, SSL Research

## Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
<b>Revenue from Operations</b>	<b>196</b>	<b>292</b>	<b>419</b>
<b>YoY growth (%)</b>	-	49.3	43.4
Cost Of Revenues (incl. Stock Adj.)	98	144	204
<b>Gross Profit</b>	<b>98</b>	<b>148</b>	<b>215</b>
<b>Gross margins (%)</b>	<b>50.2</b>	<b>50.7</b>	<b>51.2</b>
Employee Cost	27	34	49
Other Operating Expenses	41	55	83
<b>EBITDA</b>	<b>30</b>	<b>59</b>	<b>83</b>
<b>EBITDA margins (%)</b>	<b>15.2</b>	<b>20.2</b>	<b>19.7</b>
Other Income	6	6	7
Net Interest Exp.	9	11	15
Depreciation	21	22	28
Exceptional Items	0	0	0
<b>PBT</b>	<b>6</b>	<b>32</b>	<b>46</b>
Tax	4	9	11
<b>PAT (excl. minority interest)</b>	<b>1</b>	<b>21</b>	<b>33</b>
<b>PAT margin (%)</b>	<b>0.5</b>	<b>7.3</b>	<b>7.8</b>
<b>EPS</b>	<b>0.2</b>	<b>4.1</b>	<b>6.4</b>

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
<b>Assets</b>			
Property, Plant and Equipment	37	51	71
Right of use assets	77	111	125
Capital WIP	0	1	1
Intangible Assets	1	1	3
Intangible Assets under development	0	0	1
Other Non-current Assets	22	29	31
<b>Current Assets</b>			
Inventories	95	118	121
Trade receivables	14	19	17
Cash and Bank Balances	86	75	73
Short-term loans and advances	0	0	0
Other Current Assets	14	18	16
<b>Total Current Assets</b>	<b>210</b>	<b>230</b>	<b>227</b>
<b>Current Liabilities &amp; Provisions</b>			
Trade payables	42	49	44
Other current liabilities	24	32	32
Short-term provisions	2	2	3
<b>Total Current Liabilities</b>	<b>68</b>	<b>83</b>	<b>78</b>
<b>Net Current Assets</b>	<b>142</b>	<b>147</b>	<b>149</b>
<b>Total Assets</b>	<b>279</b>	<b>339</b>	<b>380</b>
<b>Liabilities</b>			
Share Capital	7	7	7
Reserves and Surplus	176	192	209
<b>Total Shareholders' Funds</b>	<b>183</b>	<b>200</b>	<b>217</b>
Minority Interest	5	6	7
<b>Total Debt</b>	<b>0</b>	<b>6</b>	<b>9</b>
Long Term Provisions	1	1	1
Lease Liabilities	87	124	142
Other Long-Term Liabilities	2	3	4
<b>Total Liabilities</b>	<b>279</b>	<b>339</b>	<b>380</b>

Cash Flow (Rs)	FY21	FY22	FY23
Cash flow from Operating Activities	33	29	68
Cash flow from Investing Activities	(3)	(12)	(27)
Cash flow from Financing Activities	(24)	(19)	(41)
Free Cash Flow	22	6	38

RATIOS			
	FY21	FY22	FY23
<b>Profitability</b>			
Return on Assets (%)	0.3	5.1	7.2
Return on Capital Employed (%)	8.2	20.8	27.0
Return on Equity (%)	0.6	10.7	15.2
<b>Margin Analysis</b>			
Gross Margin (%)	50.2	50.7	51.2
EBITDA Margin (%)	15.2	20.2	19.7
Net Income Margin (%)	0.5	7.3	7.8
<b>Short-Term Liquidity</b>			
Current Ratio (x)	2.7	2.2	2.2
Quick Ratio (x)	1.5	1.1	1.0
Avg. Days Sales Outstanding	26	24	14
Avg. Days Inventory Outstanding	178	148	106
Avg. Days Payables	79	61	38
Fixed asset turnover (x)	5.3	5.7	5.9
Debt-service coverage (x)	3.3	3.5	3.4
<b>Long-Term Solvency</b>			
Total Debt / Equity (x)	0.0	0.0	0.0
Interest Coverage Ratio (x)	1.7	3.9	4.2
<b>Valuation Ratios</b>			
EV/EBITDA (x)	61.0	31.1	22.2
P/E (x)	1846.6	89.2	57.9
P/B (x)	10.4	9.5	8.8
EV/Sales (x)	9.3	6.3	4.4

Source: RHP, SSL Research

**SBICAP Securities Limited**

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