

Recommendation		SUBSCRIBE		BACKGROUND	
Price Band	Rs 351-369			Stanley Lifestyles Ltd commenced its operations by providing car seat leather upholstery services for leading global automotive brands and subsequently transitioned to retailing luxury furniture in India. SLL is a super-premium and luxury furniture brand in India and among the few home-grown super-premium and luxury consumer brands operating at scale in terms of manufacturing as well as retail operations. It designs and manufactures super-premium, luxury and ultra-luxury furniture and sells it through its brand "Stanley".	
Bidding Date	21 st - 25 th Jun'24				
Book Running Lead Manager	Axis Capital, ICICI Securities, JM Financial, SBI Capital Markets				
Registrar	KFin Technologies Limited				
Sector	Speciality Retail				
Details of the Issue:					
<ul style="list-style-type: none"> Opening of new stores, anchor stores and renovation of existing stores under the formats of "Stanley Level Next", "Stanley Boutique" and "Sofas & More by Stanley" Funding the CAPEX requirements for purchase of new machinery and equipment by Stanley Lifestyles and its Material Subsidiary, Stanley OEM Sofas Ltd 					
Investment Rationale:					
<ul style="list-style-type: none"> Leading 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 Aims to foray into additional segments Focusing on the expansion in B2B segment as well as enter into distribution arrangements Focusing on technology to improve customer experience and operational growth 					
Valuation and Recommendation:-					
Stanley has delivered revenue growth at 46% CAGR and EBITDA growth at 67% CAGR between FY21-23. It expects organic growth of 25-30% over the medium term. While based on its 9MFY24 annualized performance, we expect flat revenue growth for FY24E. In terms of profitability ratios, company's ROE and ROCE stood at 11.8% / 9.6% for annualized 9MFY24, respectively.					
There are no listed peers in the furniture industry in order to benchmark and evaluate company's fair valuation. However, we have considered Vedant Fashions and Sheela Foam as its peers based on their premium business model. Stanley's issue is valued at 30x of 9MFY24 annualised EV/EBITDA which is at discount when compared with average peer valuation of 41.6x EV/EBITDA. Thus, we recommend SUBSCRIBE to the issue.					
Minimum Retail Application- Detail At Cut off Price					
Number of Shares	40				
Minimum Application Money	Rs. 14,760				
Discount to retail	0				
Payment Mode	ASBA				
Consolidated Financials (Rs Cr)	FY22	FY23			
Total Income	292	419			
EBITDA	59	83			
Adj PAT	21	33			
Valuations (FY23)	Lower Band	Upper Band			
Market Cap (Rs Cr)	2,001	2,104			
Adj EPS	5.77	5.77			
PE	61	64			
EV/ EBITDA	27	28			
Enterprise Value (Rs Cr)	2,209	2311			
Post Issue Shareholding Pattern					
Promoters	56.8%				
Public/Other	43.2%				
Offer structure for different categories					
QIB (Including Mutual Fund)	50%				
Non-Institutional	15%				
Retail	35%				
Post Issue Equity (Rs. in cr)	11.4				
Issue Size (Rs in cr)	537				
Face Value (Rs)	2				
<p>Priyanka Ghadigaonkar Research Analyst (+91 22 6273 8177) priyanka.g@nirmalbang.com</p>					
Financials		FY21	FY22	FY23	9MFY24 Ann.
Net Revenues	196	292	419	418	
Growth (%)	-	49.3%	43.4%		
EBITDA	30	59	83	77	
EBITDA Margin (%)	15.2%	20.2%	19.7%	18.4%	
PBT	6	32	46	33	
Adjusted PAT	1	21	33	26	
EPS	0.18	3.74	5.77	4.63	
ROCE	5.4%	12.8%	16.3%	9.6%	
EV/Sales	11.8	7.9	5.5	5.5	
EV/EBITDA	77.6	39.2	27.9	30.0	
P/E	2040.7	98.5	64.0	79.8	

Source: RHP, NBRR

Company Background

Stanley lifestyles Ltd is a super-premium and luxury furniture brand in India, among the few home-grown super-premium and luxury consumer brands operating at scale in terms of manufacturing and retail operations. Additionally, they hold the distinction of being one of the first Indian companies to venture into the super-premium and luxury furniture segment. They have a presence across various price points across super-premium, luxury, and ultra-luxury segments through their key brands such as “Sofas & More by Stanley”, “Stanley Boutique” and “Stanley Level Next”, respectively.

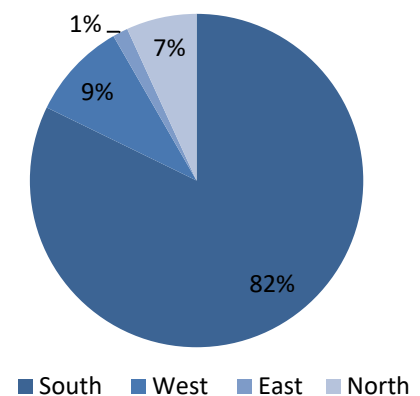
Classification of various Product categories as below:

Product Category	2021		2022		2023		9MFY24	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Seating	108.9	56%	164.8	56%	240.3	57%	176.2	56%
Automotive & Others	20.1	10%	22.8	8%	29.0	7%	22.9	7%
Beds and Mattress	11.5	6%	14.7	5%	20.0	5%	15.3	5%
Case Goods	18.8	10%	32.5	11%	55.2	13%	49.6	16%
Kitchen & Cabinetry	7.1	4%	9.5	3%	24.1	6%	14.0	4%
Leather Automotive Interiors	29.5	15%	47.0	16%	50.4	12%	35.3	11%
Total	195.8		292.2		419.0		313.3	

Source: RHP, NBRR

Pan India Presence:

The company's stores are strategically located across India to cover major markets, giving it competitive advantage that their competitors lack. They market and sell their products through a network of stores. Over the years, they have significantly expanded their store network. As on Dec'23, they operated 38 'company-owned and company-operated' (COCO) stores, all located in major metro-cities such as Bengaluru, Chennai, New Delhi, Mumbai, and Hyderabad. Additionally, they have 24 'franchisee-owned and franchisee-operated' (FOFO) stores in 21 cities across 11 States and Union Territories in India. In certain cities, they also experimented with a hybrid concept, featuring different store formats under one large store. This approach efficiently utilizes real estate and provides their customers with the complete 'Stanley' brand experience under a single roof.



Revenue contribution from COCO and FOFO stores:

Particulars (Rs. Cr)	FY21		FY22		FY23		9MFY24	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
COCO	122	62%	176	60%	264	63%	195	62%
FOFO	14	7%	26	9%	47	11%	41	13%
Others	60	31%	90	31%	108	26%	78	25%
Total	196	100%	292	100%	419	100%	313	100%

Source: RHP, NBRR *other include revenue from operations generated from contract manufacturing, leather automotive interiors, other B2B sales, trading of raw materials.

Manufacturing Facilities

The company has two manufacturing facilities located at Electronic City, Bengaluru (Karnataka) and Bommasandra Jigani Link Road, Bengaluru (Karnataka). The following table shows capacity utilization at the Electronic City facility and Bommasandra Jigani Link Road facility:

Manufacturing Facilities	Installed Capacity (in numbers/set of components)	2021	2022	2023	9MFY24
Capacity Utilisation					
Electronic City Facility					
Seating and Beds	43,200*	64%*	82%*	70%	52%
Kitchen and Cabinetry	600	23%	20%	20%	28%
Cased Goods	600	-	17%	30%	55%
Mattress and Pillow	10,800	7%	9%	12%	8%
Automotive	1,08,000	30%	47%	51%	35%
Bommasandra Jigani Link Road Facility					
Seating	1,44,000	36%	60%	62%	NA

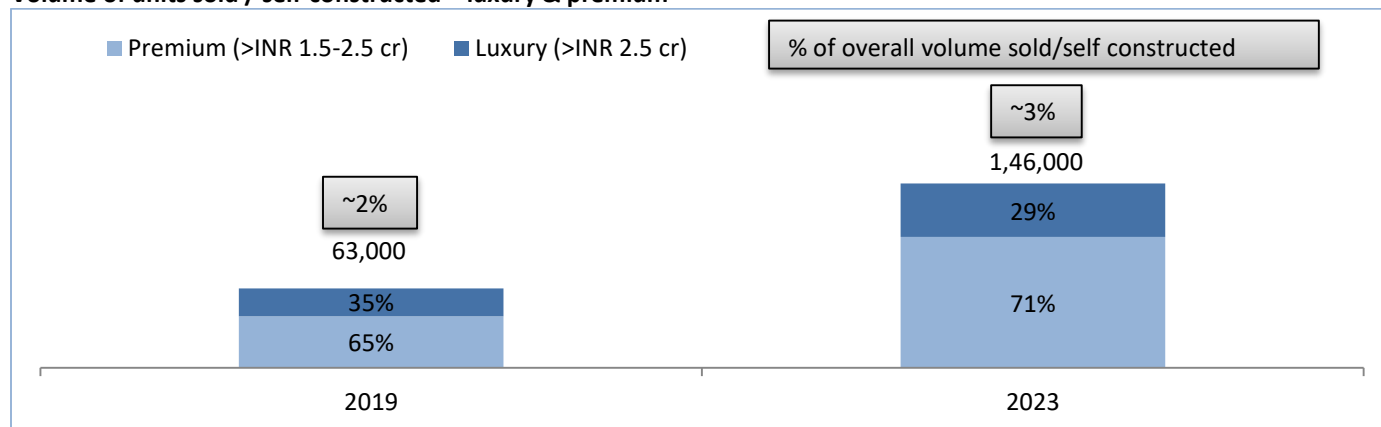
Source: RHP, NBRR,

NA- Not Available, FY21 & FY22 seating and beds capacity was at 28,800 which was increased in FY23 up to 43,200.

Industry Overview

Over the past five years, the real estate market has experienced notable shifts, particularly in the demand for luxury and premium properties. The real estate landscape has evolved significantly since 2019, with trends favoring luxury and premium properties. Between FY19 and FY23, luxury housing units exhibited an impressive growth rate of 17%, while premium housing units surpassed even that, growing at 25%. In contrast, affordable properties saw a more modest (CAGR) of 3% during the same period. Luxury and premium housing units, although forming a smaller segment of the overall market, have become increasingly significant. Their combined contribution rose from ~2% in FY19 to ~3% in FY23. The surge in demand for luxury and premium properties reflects a broader societal shift towards elevated lifestyles.

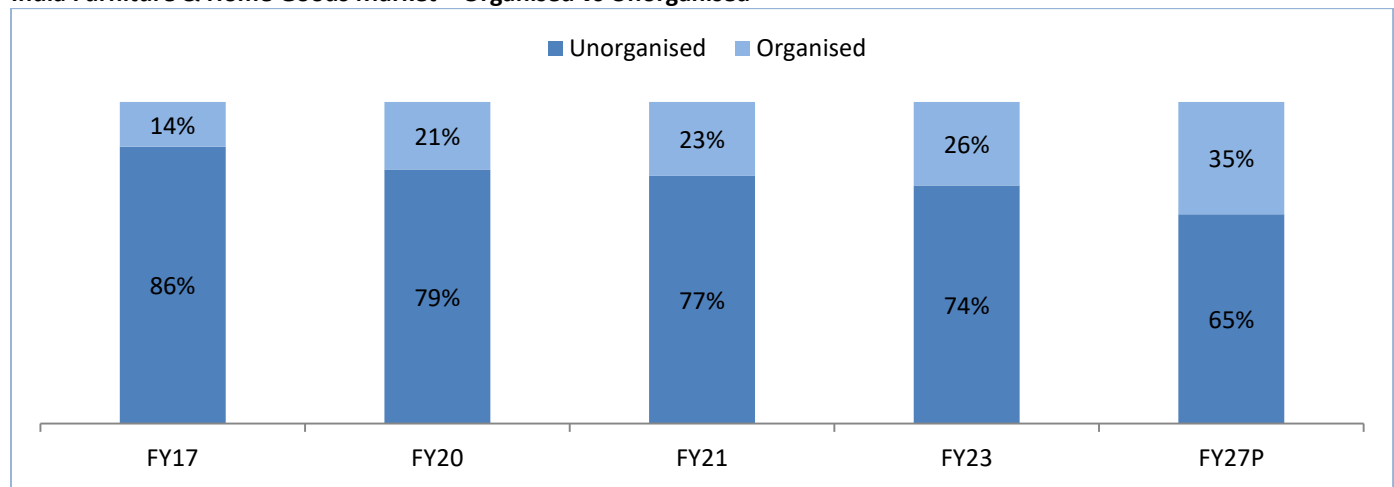
Volume of units sold / self-constructed – luxury & premium



Source: RHP, NBRR

Traditional market holds the majority share in the industry, the initiatives such as Make in India, Skill India and PLI scheme and the drivers such as working women population, increasing nuclearisation, and many more have led to an increase in the organized share in India. Increase online penetration is another factor that has contributed to increase growth of organized furniture & home goods market in India. Demonetization too paved the way for the growth of organized share in the furniture and home goods market by creating a temporary liquidity crunch that affected small and unorganized players. As a result, consumers, who were more inclined towards transparent transactions, shifted towards established branded stores. This shift in consumer behavior drove the growth of organized players in the furniture and home goods market. In FY21, the organised market accounted for 23% of the total furniture and home goods market, which increased to 26% by FY23.

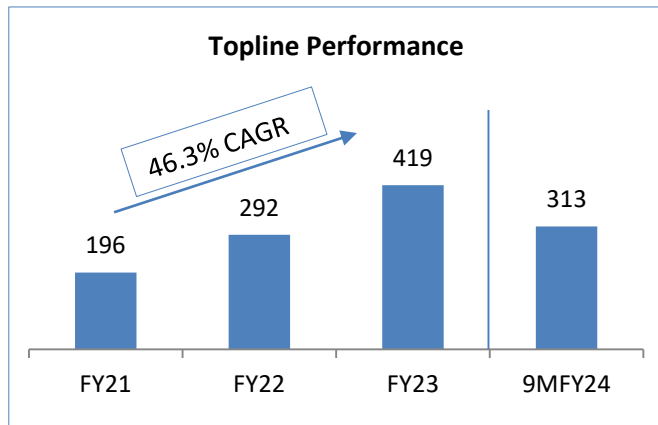
India Furniture & Home Goods Market – Organised vs Unorganised



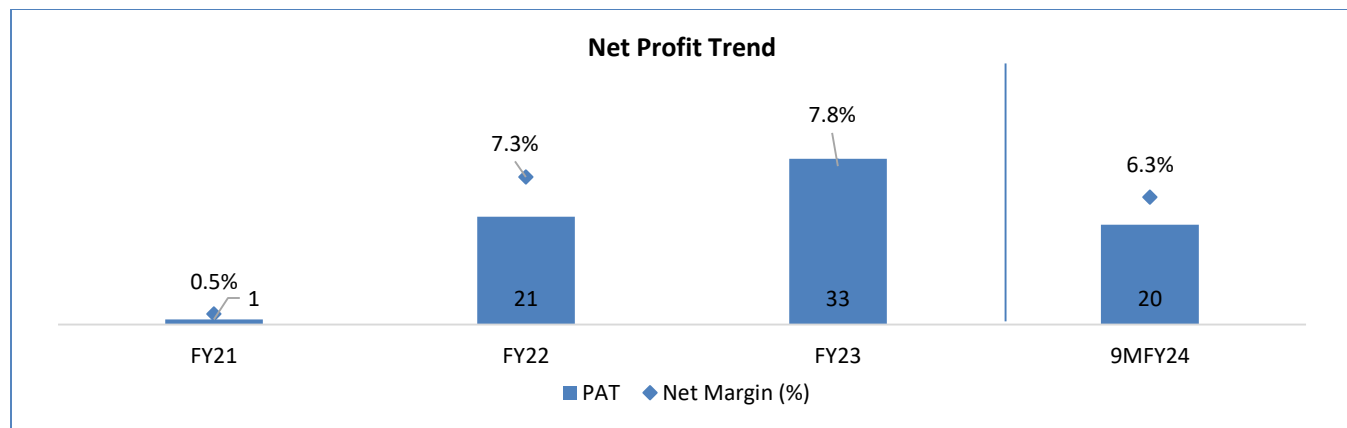
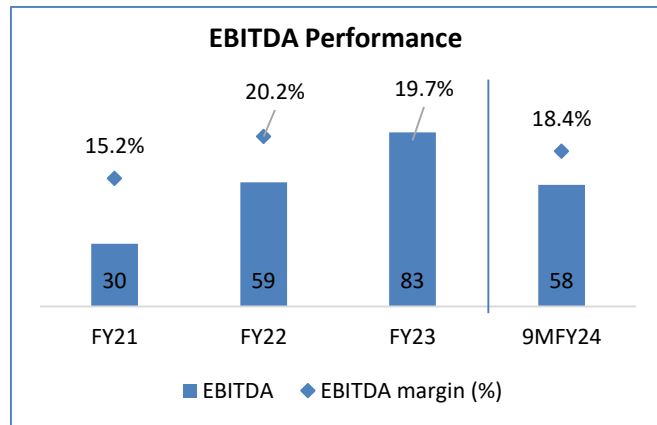
Source: RHP, NBRR

The Make in India initiative, launched by the Government of India in 2014, aims to transform the country into a global design and manufacturing hub. As part of this initiative, the government has introduced (PLI) schemes across 14 key sectors, including furniture manufacturing. These PLI schemes provide financial incentives to domestic manufacturers who invest in new production capacity or upgrade existing facilities. According to a study by the National Council of Applied Economic Research the PLI scheme for furniture manufacturing is expected to increase the value of furniture exports by US\$ 5bn by 2025. The study also found that the scheme is expected to lead to a 20% increase in the domestic production of furniture.

Financial Performance Metrics:

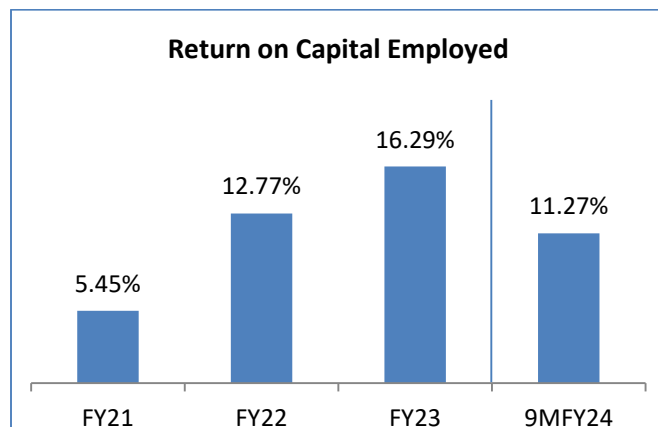


Source: RHP, NBRR

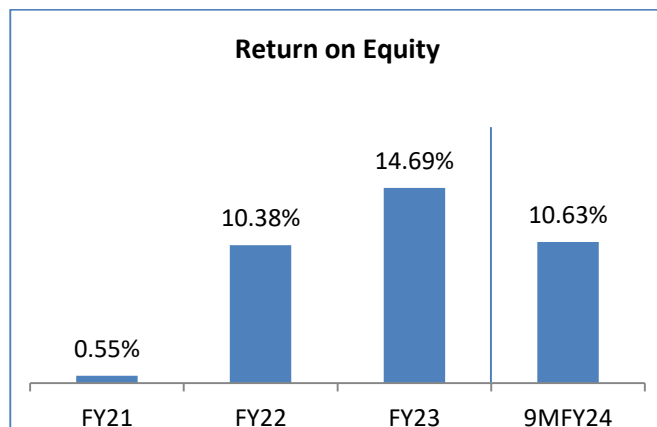


Source: RHP, NBRR

Return Ratios:



Source: RHP, NBRR



Source: RHP, NBRR

Investment Rationale

Leading brand in the luxury/super-premium furniture segment

- Stanley Lifestyle is a one of the few home-grown super premium and luxury furniture brands in India. It is the largest player in terms of number of stores and fastest in terms of revenue growth in furniture segment. Company's revenue has grown at 46% CAGR between FY21-23. It has positioned its brand 'Stanley' well across the market by leveraging the promoter's experience. The brand is known for its exclusivity, premium quality and high degree of personalization.
- It follows "Hub and spoke (bespoke high quality products)" business model where customer gets an opportunity to personalize their furniture according to their preferences.
- Company's skilled craftsmanship is one of the driver to elevate the "Stanley" brand appeal with improved customer loyalty.
- Company has engaged in the marketing campaigns such as "Beautiful Living", and "Bed of Dreams", and "Luxury Unlimited" in order to maintain the brand's visibility in the market.
- It also promotes its products across various channels such as newspapers, leading magazines, etc.
- Company's design led sales model offers its customers with various customization options. Customers have an opportunity to experience its products by selecting the design, type and colour of leather and upholstery to match their preferences and style.
- Besides, company offers after sales support and services and it mainly believes in word-of-mouth publicity that may attract more customer acquisition.

Comprehensive home solutions provider with offerings across categories and price points

- Company has a product portfolio including sofas, cabinetry and furniture for living rooms, dining rooms, family rooms, kitchens, bedrooms (including bedding products), and home offices, offering complete home solutions including installations.
- It offers diverse range of furniture and home solutions (products across multiple catalogues, designs, configurations and SKUs with options offered in 10 different types and over 300 colours of leathers and fabrics).
- Organized market accounted for 23% share of the total furniture and home goods market in FY21, which increased to 26% by FY23. The same is expected to contribute 35% of the total market by FY27 with an annual growth rate of 36% which surpasses the growth rate of traditional market.
- With expanded product portfolio, Stanley has witnessed growth in its average billing size per customer at certain stores.

Pan-India presence with strategically located stores

Stanley has the largest network of retail outlets that offer luxury furniture products in India, as on Jan'24. There are three key store formats, each catering to a different segment of the market:

- Stanley Level Next** targets customers in the **ultra-luxury home solution** price points.
- Stanley Boutique (luxury)** targets customers in the **luxury category** price points.
- Sofas & More by Stanley (super premium)** targets customers in the **super premium** price points.

It monitors the consumption patterns while opening its stores in particular cities such as, presence of high net-worth individuals and ultra-high net-worth individuals, who previously were concentrated in metros, are now emerging in tier-I and tier-II cities nationwide, resulting in a substantial increase in luxury/super-premium expenditures.

As on Dec'23, store size information of its three store formats is given below:

Store Format	Average Store Size (Square Feet)
Stanley Level Next	10,199.0
Stanley Boutique	6,387.0
Sofas & More by Stanley	6,541.0

Source: RHP, NBRR

Stanley's physical presence details as on Dec'23 mentioned below:

Particulars	FY21		FY22		FY23		9MFY24	
	Stores	Cities	Stores	Cities	Stores	Cities	Stores	Cities
Company Owned and Company Operated Stores								
Stanley Level Next	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	1	2	2	3	2	3	2
Total (A)	19	5	27	5	34	5	38	5
Franchisee Owned Franchisee Operated Stores								
Stanley Level Next	-	-	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
Total (A+B)	12	9	40	15	54	21	62	25

Source: RHP, NBRR

Stanley has drafted expansion plans as mentioned below:

1. Stanley is expected to establish 24 New Stores between FY25 to FY27 with an investment of ~Rs. 90 cr, in the States and Union Territories of Delhi, Tamil Nadu, Telangana, Maharashtra and Karnataka through five of its Subsidiaries, i.e. ABS Seating Pvt Ltd, Sana Lifestyles Ltd, Stanley Retail Ltd, Shrasta Décor Pvt Ltd and Staras Seating Pvt Ltd.
2. Also, it has started operations at its first Anchor store in Bengaluru, Karnataka in FY24 for which it has proposed an estimated amount of ~Rs.40 cr from the net proceeds. It aims to open such 3 Anchor stores between FY26 to FY27.

Store Format	No. of stores to be opened	FY25E	FY26E	FY27E
Stanley Level Next	2	1	-	1
Stanley Boutique	9	4	2	3
Sofas & More by Stanley	13	7	3	3
Total	24	12	5	7

Source: RHP, NBRR

3. In addition, Stanley is expected to renovate its 15 existing stores between FY25 to FY27 with an investment of ~Rs. 10 cr, as per its renovation policy where it renovates a stores after completion of five years of operations.

Aims to foray into additional segments

Stanley has its presence across three key segments, such as, super-premium, luxury and ultra-luxury segment, through its various brands. It aims to expand its presence across different segments, in the event there is a demand for products under particular price range in which they are not currently present. This will support them to increase their market share going forward. Further, it may expand its presence through product specific store format to increase its retail and online presence.

Focusing on the expansion in B2B segment as well as enter into distribution arrangements

Stanley is witnessing a shift towards providing luxury furniture mainly on account of premiumisation of airports, corporate offices and high end hospitals. Recently, it has designed and manufactured products for one of the new terminals of a major airport in India.

Stanley has received an opportunity to enter into a distribution arrangement with a leading foreign brand to distribute their products in India. Further, it will continue to explore opportunities of contract manufacturing for global furniture players as well as can retail its products through third party distributors to increase its market presence. It has recently entered into an arrangement with an American furniture company to distribute and installed their products within corporate and educational sectors in certain of SAARC countries.

Focusing on technology to improve customer experience and operational growth

Stanley is focusing on investing in data analytics in order to better understand customer preferences, improve sales while scaling up its operations. It will continue to invest in adding and building new features for each part of its business including websites and offline 360 degree visualization across all its stores. In addition to this, it aims to automate its design process for its various products which is already being used for its kitchen products as well as bedding. Going forward, it aims to provide complete home solutions to its customers to its retail stores. With increasing integration of technology in its end-to-end operations, it expects operating costs will reduce thereby improving operating margins.

Risks and concerns

- The 'Stanley' brand is not owned by the company while it is registered in the name of Mr. Sunil Suresh, one of the company's promoters. Further, Mr. Sunil has entered into co-existence agreement with Stanley Furniture Company, Inc to restrict the use of the term 'Stanley' as a trademark in a composite manner in respect of products. Due to which, Company may not be able to enforce its rights against Stanley Furniture, Inc. under this agreement.
- Major contribution of Sofas and recliners in the topline (~56% of 9MFY24 revenue) may have adverse impact on the business performance of the company in the event of any change in the demand or consumer preferences for its products.
- ~65%-70% of revenue generates from the stores located in the southern region of India. Any adverse developments in these regions may affect company's business operations and financials of the company.
- Any operational challenges at company's new or existing store may find difficulties to achieve expected level of profitability. This may have an adverse impact on company's overall operations as well as financials.
- Company's all COCO stores are operated by its subsidiaries. Company has a business model that involves manufacturing of products which are sold to its Subsidiaries which undertake the final retail sales to end customers through COCO stores. In addition, the contract manufacturing operations are undertaken at the manufacturing facility which is operated by one of its subsidiary.

Valuation and Recommendation

Stanley has been a prominent player in the furniture industry since more than a decade and serves the customers from super premium to ultra-luxury segments. While it has gained a significant market share throughout its journey, it has a long term vision to be available across customer segments at all price points. Stanley has delivered revenue growth at 46% CAGR and EBITDA growth at 67% CAGR between FY21-23. It expects organic growth of 25-30% over the medium term. While based on its annualized 9MFY24 performance, we expect flat revenue growth for FY24E. In terms of profitability ratios, company's ROE and ROCE stood at 9.6% / 11.8% for annualized 9MFY24, respectively.

The company is looking to improve its localisation in terms of sourcing of raw materials which is currently being imported from Europe and South East Asia. Currently, 20% of its raw materials are sourced from domestic market which is expected to improve gradually up to 70-80% over the next few years. This will have a positive impact on company's overall earnings.

There are no listed peers in the furniture industry in order to benchmark and evaluate company's fair valuation. However, we have considered Vedant Fashions Ltd and Sheela Foam as its peers based on their premium business model. Stanley's issue is valued at 30x of 9MFY24 annualised EV/EBITDA which is at discount when compared with average peer valuation of 41.6x EV/EBITDA. Thus, we recommend SUBSCRIBE to the issue.

Peer Comparison

FY24 Figures	Vedant Fashions	Sheela Foam	Average	Stanley Lifestyles (9MFY24 Annualized)
Revenue (INR cr)	1,368	2,873	2,120	418
CAGR (FY20-24)	10.5%	8.9%	9.7%	14.2%
EBITDA Margin	48.1%	10.1%	29.1%	18.4%
Asset Turns (x)	0.5	0.5	0.5	0.7
Working Cap Days	251	95	173	107
ROCE (%)	24.5%	5.5%	15.0%	9.6%
ROE (%)	25.9%	6.1%	16.0%	11.8%
Debt/Equity	0.3	0.5	0.4	0.7
EV/EBITDA	43.6	39.6	41.6	30.0
P/E	69.4	48.3	58.8	79.8

Source: Company, NBRR

Financials

P&L (Rs. Cr)	FY21	FY22	FY23	9MFY24	Balance Sheet (Rs. Cr)	FY21	FY22	FY23	9MFY24
Net Revenue	196	292	419	313	Share Capital	7	7	7	10
% Growth		49%	43%		Other Equity	176	192	209	227
Purchases of stock in trade	98	144	204	147	Minority Interest	5	6	7	11
% of Revenues	49.8%	49.3%	48.8%	47.0%	Networth	188	206	224	248
Employee Cost	27	34	49	42	Total Loans	88	130	151	213
% of Revenues	13.8%	11.5%	11.8%	13.5%	Other non-curr liab.	4	4	5	6
Other expenses	41	55	83	66	Trade payable	42	49	44	61
% of Revenues	21.2%	19.0%	19.7%	21.1%	Other Current Liab	26	34	34	53
EBITDA	30	59	83	58	Total Equity & Liab.	347	422	458	582
EBITDA Margin	15.2%	20.2%	19.7%	18.4%	Property, Plant and Equipment	37	51	71	75
Depreciation	21	22	28	28	CWIP	0	1	1	42
Other Income	6	6	7	9	Other Intangible assets / Right of u	81	114	132	172
Interest	9	11	15	14	Non Current Financial assets	9	11	12	14
Exceptional item	0	0	0	0	Other non Curr. assets	11	15	16	20
PBT	6	32	46	25	Inventories	95	118	121	147
Tax	4	9	11	6	cash and cash equivalents	12	10	10	6
Tax rate	69%	27%	25%	24%	Bank balances	74	64	64	47
Minority interest	(1)	(2)	(2)	1	Trade receivables(debtor)	14	19	17	25
Adj. PAT (norm. Tax)	1	21	33	20	Other Current assets	14	18	16	33
% Growth	-	1971%	54%	-	Total Assets	347	422	458	582
EPS (Post Issue)	0.18	3.74	5.77	3.47					
					Cash Flow (Rs. Cr)	FY21	FY22	FY23	9MFY24
Ratios & Others*	FY21	FY22	FY23	9MFY24	Profit Before Tax	6	32	46	25
Debt / Equity	0.47	0.63	0.68	0.86	Provisions & Others	29	28	39	36
EBITDA Margin (%)	15.2%	20.2%	19.7%	18.4%	Op. profit before WC	36	60	86	61
PAT Margin (%)	0.5%	7.3%	7.8%	6.3%	Change in WC	2	(20)	(4)	(37)
ROE (%)	0.5%	10.4%	14.7%	11.8%	Less: Tax	4	11	14	(11)
ROCE (%)	3.3%	11.1%	14.5%	9.6%	CF from operations	33	29	68	13
					Purchase/Sale of fixed assets	(10)	(22)	(30)	(37)
Turnover Ratios*	FY21	FY22	FY23	9MFY24	Sale/Purchase of Investments	4	10	(2)	16
Debtors Days	26	24	14	22	Interest, dividend and other inc	3	1	4	3
Inventory Days	178	148	106	129	CF from Investing	(3)	(12)	(27)	(17)
Creditor Days	79	61	38	54	Repayment towards Lease Liab	(8)	(9)	(13)	
Asset Turnover (x)	0.6	0.7	0.9	0.7	Repayment of Borrowings	(7)	6	(2)	
					(Repayment)/ proc current debt	0	0	5	26
Valuation Ratios*	FY21	FY22	FY23	9MFY24	interest & div paid	(8)	(16)	(31)	(25)
Price/Earnings (x)	2040.7	98.5	64.0	79.8	CF from Financing	(24)	(19)	(41)	1
EV/EBITDA (x)	77.6	39.2	27.9	30.0	Net Change in cash	6	(2)	(1)	(4)
EV/Sales (x)	11.8	7.9	5.5	5.5	Cash & Bank at beginning	6	12	10	10
Price/BV (x)	11.2	10.2	9.4	8.5	Cash & Bank at end	12	10	10	6

Source: Company Data, NBRR

9MFY24 Ratios are on annualized basis

Disclosure:

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