

Stanley Lifestyles Limited

Lifestyles | India

IPO | 20 June 2024

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About the Company

Stanley Lifestyles Limited (SLL) is the 4th largest player in the super-premium & luxury furniture segment in India in terms of revenue in FY23 available across various price points, i.e. super-premium, luxury, & ultra-luxury segment. SLL has transitioned from a sales driven model towards design led operations and has transformed into a comprehensive provider of home solutions with complete control over the processes through its 2 manufacturing facilities with combined total area of 3 lakh+ square feet. It has various new lifestyle products which are trendy, contemporary & more affordable and expanding product categories with a big product portfolio will help to capture higher wallet share from the consumers at a regular scale.

Strong tailwinds with large scale footprint

Households have a high prosperity to consume goods & services and these affluent households are the drivers of luxury/super-premium consumption in India with the adoption and exposure of global trends and lifestyles. The luxury/super-premium furniture and home goods market is expected to reach US\$ 4.8 bn by FY27 (tripled from 1.5 bn now) while the Indian home interior market is poised to grow at a rate of 15% to become a US\$37 billion market by FY27.

Expansion to drive growth

SLL operates through its 62 stores as of Dec'23 with a blend of 38 COCO and 24 FOCO having an pan India presence in 25 tier 1 cities with a strong presence in the southern region strategically located in the heart of the cities offering design led innovative home solutions in the luxury super premium furniture segment. SLL adopts targeted marketing campaigns enhancing the appeal for products by highlighting their luxurious and bespoke nature. SLL is trying to increase their presence in the country by opening new stores which will ensure effective penetration of the brand with a variety of marketing traditional and modern strategies.

Make in India turning into a global brand

The Make in India initiative by the Government of India, promoting Indian manufactured products will lead to increase in demand for the company and is in discussions with the Government of India for production linked incentives for the furniture industry. SLL is planning to shift towards providing furniture in establishments like airports, corporate offices and high-end hospitals and plans have been laid out for entering into a distribution arrangement with a leading foreign brand to distribute their products in India.

Financials in Brief

SLL revenues have grown from 195.8 Cr in FY21 to 419 Cr in FY23 on a consolidated basis with a 46% CAGR and EBITDA margins have also improved from 15.2% to 19.7% for the same period while PAT has grown from 1.92 Cr in FY21 to 35 Cr in FY23 at a CAGR of 326.48%. SLL has been generating positive cash flows over the years. Revenue contribution from COCO is at 62% while FOFO is being on an increasing trend from 7% to 13% over the past 4 years, SLL has laid out a vision of creating a truly luxurious brand and planning to pivot from just furniture to complete home solutions company in the coming few years

Our View

SLL ranks among the few home-grown super-premium and luxury consumer brands in India operating at scale in terms of manufacturing as well as retail operations. SLL has evolved its products over the last few years operating at a significant scale while maintaining such a high level of profitability covering the mass, luxury and ultra luxury segments. With improved lifestyle, growing number of households, second homes trend will continue to drive growth and the management is committed to expand market share and increase customer base over the next few years. **Hence we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	351-369
Face Value (Rs)	2
Issue Open/Closing Date	21-June-24/25-June-24
Fresh Issues (Crs)	200
OFS (Crs)	337
Total Issue (Crs)	537
Minimum Bid Qty. (Nos)	40
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	2104

*At higher band

Object of the Issue

- ▶ Investment in certain subsidiaries for opening of new stores, anchor stores and renovation of existing stores.
- ▶ Funding capex requirements for machinery & equipment.

Strengths

- ▶ Pan-India presence with strategically located stores and focused on design-led product innovation.
- ▶ Fully vertically integrated with efficient business model and track record of financial growth.
- ▶ Comprehensive home solutions with offerings across categories & price points.
- ▶ First generation Promoter with experienced professionals & senior-management team.

Key Risks

- ▶ High dependency on sofas and recliners and slowdown in demand.
- ▶ Loss of premium leather suppliers could adversely affect the business.

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	9MFY24(9)
Revenue	292.2	419.0	313.3
EBITDA	59.0	82.7	57.8
EBITDA Margin (%)	20.2%	19.7%	18.4%
PAT	23.2	35.0	18.7
PAT Margin (%)	7.9%	8.3%	6.0%
EPS (Rs)	4.1	6.4	3.83*
NAV (Rs)	38.7	42.0	46.0
RoE (%)	11.8	16.3	7.9
RoCE (%)	12.9	16.6	8.6
Net Worth	199.8	216.5	237.2
Total Borrowings	6.1	9.4	30.9

Source: RHP, Note: *9M Not annualised

Senior Research Analyst:

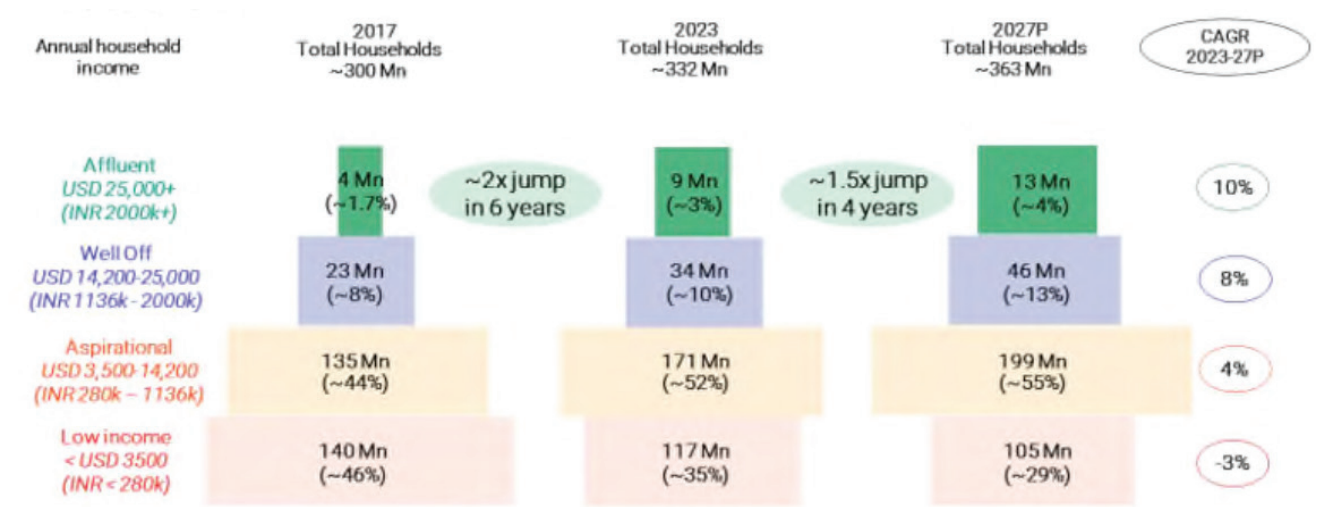
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Exhibit 1: Household segmented by income

Mn, %, CY 2017, 2023 & 2027P

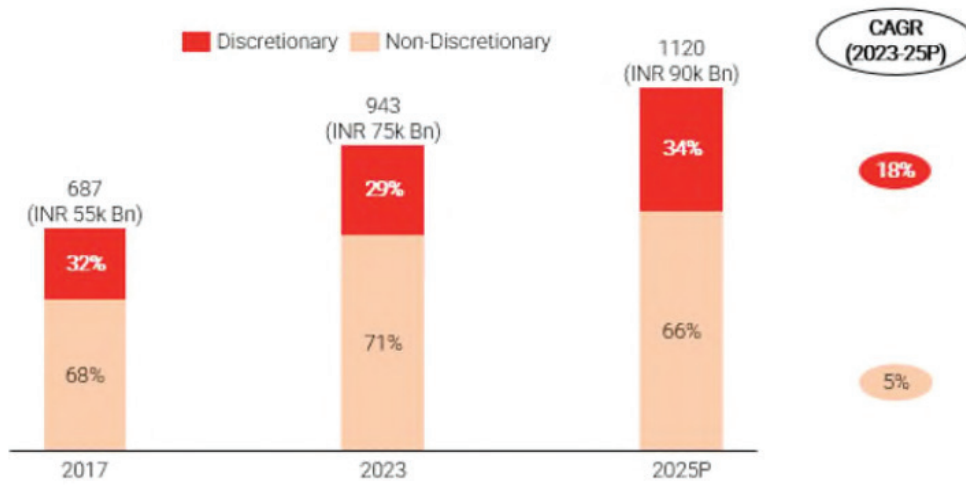


Notes: Annual household income is defined at 2021 prices. Household are split as Affluent, well-off, aspirational, and low Income.

Source: RHP, Redseer analysis & estimates

Exhibit 2: Indian retail market Split (Discretioner vs Non-discretionary split)

USD Bn, CY 2017, 2023 & 2027P



Notes: Non-discretionary spending includes food & non-alcoholic beverages, housing, water, electricity, gas & other fuels

Source: RHP, Redseer analysis & estimates

Exhibit 3: Split of Organized and Traditional Retail Market in India

USD Bn, CY 2017, 2023 & 2027P

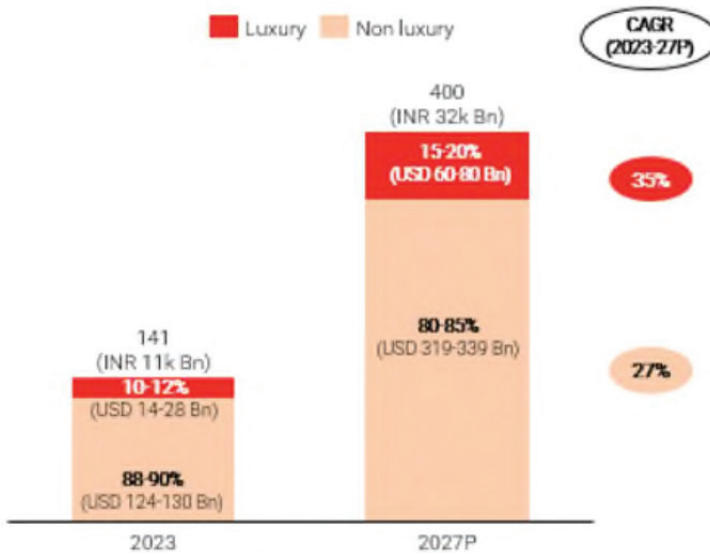


Notes: Organised retail includes sales happening through modern trade, organized brick & mortar, and online marketplace/platforms. Traditional Retail includes sales happening through general trade stores or unorganised kirana stores.

Source: RHP, Redseer analysis & estimates

Exhibit 4: Luxury and Non-luxury organized retail market in India

USD Bn, CY 2023 & 2027P

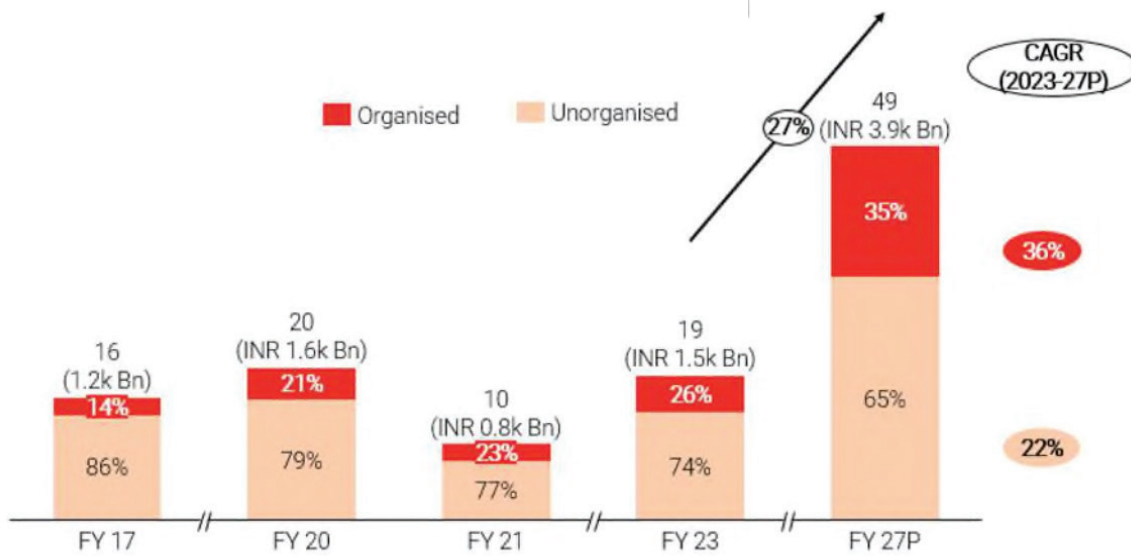


Note(s): Luxury encompasses various categories, including gourmet food (INR 4500+), fine wines and spirits (INR 10K+), luxury personal goods (Apparels – INR 30K+), high-end furniture and home décor (Sofas – INR 300K+), luxury automobiles (INR 1 Cr +) among others.

Source: RHP, Redseer analysis & estimates

Exhibit 5: India Furniture & Home Goods Market - Organized vs Unorganized

Sales, USD Bn, FY 17, 20, 21, 23 & 27P

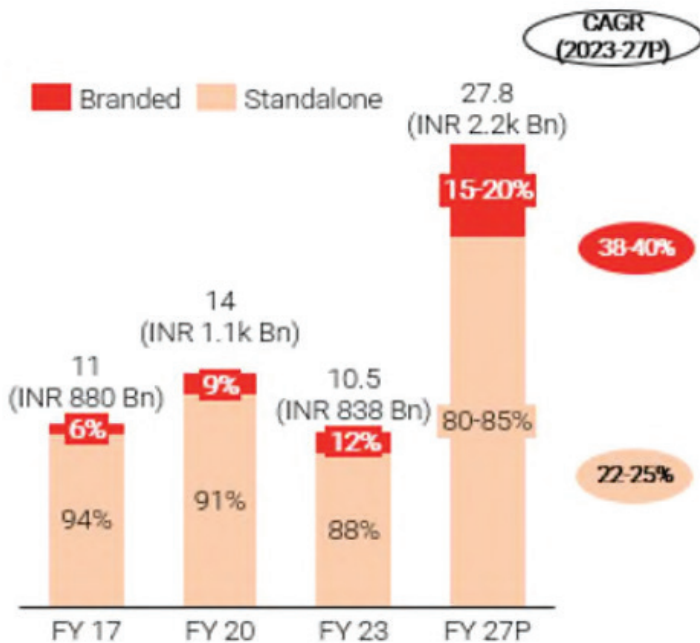


Notes(s): Organised sales refer to the sales of furniture occurring through branded retail stores, online channels, and standalone stores with a minimum area of 2500 sq. ft.

Source: RHP, Redseer analysis

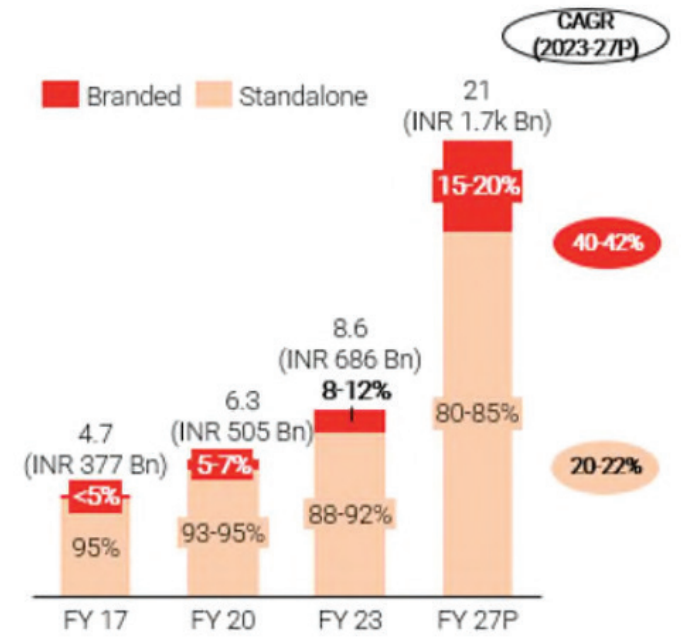
Exhibit 6: India Furniture Market - Branded Vs Standalone

GMV, USD Bn, FY 17, 23 & 27P



India Home Goods Market - Branded Vs Standalone

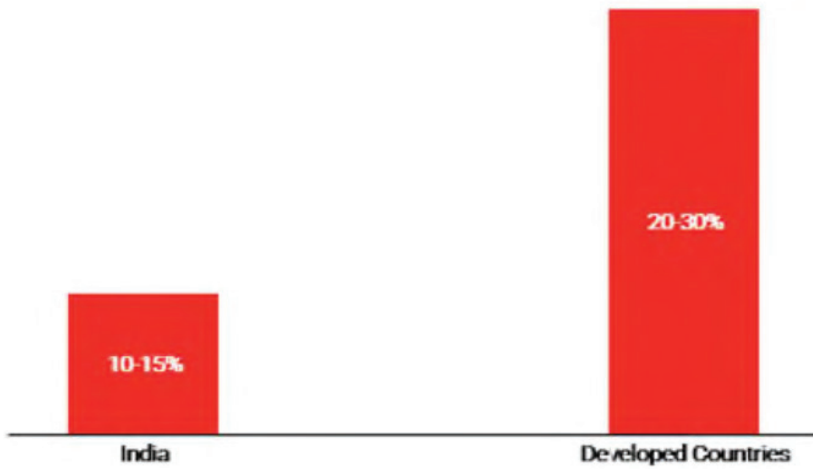
GMV, USD Bn, FY 17, 23 & 27P



Notes(s): Branded are considered stores with more than one retail outlet or sell their products online. Standalone are stores with single retail outlet.

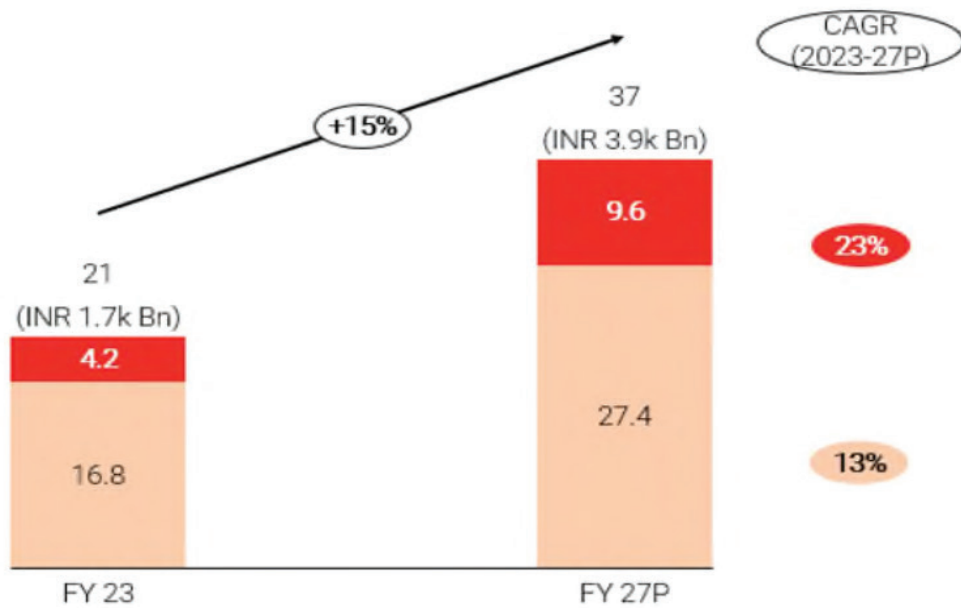
Source: RHP, Redseer analysis

Exhibit 7: Furnishing spends - % of home value
%, India & Development countries



Source: RHP, Redseer analysis & estimates

Exhibit 8: India Interior Market - Organized vs Unorganized
Sales, FY 23 & FY 27P



Note (s): Interiors include core services (like modular kitchens, storage units, entertainment units and other furniture items)

Source: RHP, Redseer analysis & estimates

Exhibit 9: Illustrative images of certain of our stores across different formats



Source: RHP

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