

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	2,000
Offer for sale	3,370
Total	5,370
Post issue mkt cap*	21,039
Lot size	40 shares

***At Upper Price Band**

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NII	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	21 Jun, 2024
Bid/Offer Closing Date	25 Jun, 2024
Finalization of the Basis of Allotment	26 Jun, 2024
Credit of shares	27 Jun, 2024
Listing Date	28 Jun, 2024

Use of Proceeds	Rs. Mn
Stores Expansion and Renovation	1,402
Capital Expenditure	67
General Corporate Purpose	532

Manager	Axis Capital, ICICI Securities, JM Financial, SBI Capital Markets
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Play on luxury Home Décor market...

Company Overview:

- Stanley Lifestyles is a super-premium and luxury furniture brand in India which offers complete home furnishing solution such as sofas, armchairs, kitchen cabinets, beds, mattresses and pillows amongst others. They design, manufacture and retail their furniture product under “Stanley” brand.
- 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.
- As of December 31, 2023, in aggregate, the company retails through 62 stores, of which 38 are Company Owned Company Operated (COCO) stores and 24 are Franchisee Owned Franchisee Operated (FOFO) stores.
- As per RedSeer Report, the company’s retail presence is 3x the presence of its nearest competitor luxury/super-premium furniture industry in India.
- The company sources Leather (through import), metal sponge and FSC Certified timber for production. This subjects the company to currency fluctuation risk.
- They operate with 2 manufacturing units in Bengaluru, Karnataka. One facility is for producing products under “Stanley” brand, while the other specializes in contract manufacturing for various multinational home furnishing players and products for “Sofas & More by Stanley”.
- Stanley Lifestyles is the fourth-largest player in the home furniture segment in India in revenue terms in FY23.

Valuation and Outlook:

At an upper price band of Rs 369/sh, the IPO is valued at an annualized FY24 PE of 79.8x. The company does not have an exact peer for comparison. Stanley Lifestyles is engaged in the business of manufacturing and retailing premium and luxury home furnishing. Over FY21-23, its revenue has grown at a CAGR of 46.3% driven by increase in retail sales and store expansion. EBITDA and PAT has grown at a CAGR of 67%/465% (lower base) over the same period. For next 2-3 years, Management expects to grow revenue by 20-25%, however the focus is more on profit growth. On an annualized FY24 basis, ROE and ROCE stands at 11% and 16.8% respectively. Net proceeds would be utilized for store expansion and renovation, and capital expenditure (machinery). We believe, growth would be driven by **(1)** Tailwinds from strong real estate demand, **(2)** New store addition, **(3)** increase in local procurement of leather and wood to rationalize production cost. We assign a “**Subscribe**” rating to the stock.

Stanley Lifestyles Limited

Key financial summary

Financial summary (Rs. Mn)	FY21	FY22	FY23	9MFY24
Revenue	1,958	2,922	4,190	3,133
EBITDA	298	590	827	578
<i>EBITDA margin (%)</i>	<i>15.2%</i>	<i>20.2%</i>	<i>19.7%</i>	<i>18.4%</i>
Adj. PAT	10	213	329	198
<i>Adj. PAT margin (%)</i>	<i>0.5%</i>	<i>7.3%</i>	<i>7.8%</i>	<i>6.3%</i>
EPS (Adj for issue)	0.2	3.7	5.8	4.6*
ROE	1.0%	11.3%	15.6%	11.1%*

* on an Annualized Basis

Key Risks:

- Highly dependent on sales of sofa and recliners which contribute more than 55% to total revenue.
- Both the manufacturing units along with majority of the stores are located in South India, any disruption in the region may impact operations.
- Leather, which is the primary raw material, is majorly imported from Europe this subjects the company to currency fluctuation risk. Additionally, suppliers are limited downplaying its bargaining power.
- The company sources its raw materials like leather from tanneries in Europe and India (Kanpur). We believe, this may hinder investments from ESG driven investors.
- As of 31st December 2023, contingent liabilities stood at ~Rs. 43.22mn which is ~22% of Adj. PAT for 9MFY24. Any adversity in this regard could impact profitability and cash flow of the business.

Pre-issue and post-issue holding structure

Shareholding pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoter & Promoter Group	67.4	56.8
Public	32.6	43.2
Total	100.0	100.0

* At upper price band

Stanley Lifestyles Limited

Competitive Strengths:

Comprehensive home solutions provider with presence across price points:

For over 15 years, the company has been catering to super-premium, luxury and ultra-luxury customers with its wide home furnishing products across different price points. This coupled with consumer shift towards branded products is expected to increase its market share and customer base.

Focus on design-led innovation: The company's product offers luxurious international appeal that suits customers sentiments. They tailor products as per customer requirements. New products are launched after thorough understanding of the demand trends. During FY21, FY22, FY23 and 9MFY24, Stanley Lifestyles had introduced 24, 76, 88 and 71 new products respectively.

Pan India Presence: The company has retail network of 62 stores throughout India. They retail furniture primarily through three store formats, each catering to a different segment of the market (i.e., ultra-luxury, luxury and super premium). They further aim to expand their network by opening new stores and cater to large customer base.

Vertically integrated operations: The company is functional in every stage of production cycle—raw materials procurement, design, production, marketing and retails. This enables them to deliver high-quality and personalized products to customers. Also, they have also reduced dependence on imports by sourcing certain quantities of raw materials domestically. Premium furniture products require skilled artisans and craftsmen. As of December 31, 2023, the total number of craftsmen associated with their new product development division were 58. The integrated operations of designers, craftsmen and manufacturing ensures high quality standards products required by the customers.

Business Strategies:

Expand its retail presence within India and abroad: The company intends to establish 24 New stores between FY25-27 in India as well as expand retail operations outside India. They would also grow their store count inorganically by converting FOFO stores into COCO stores by buying out franchisee partners to grab growth opportunity. Further they also seek to increase their Anchor store (different store formats under one roof) from currently one to four by FY27.

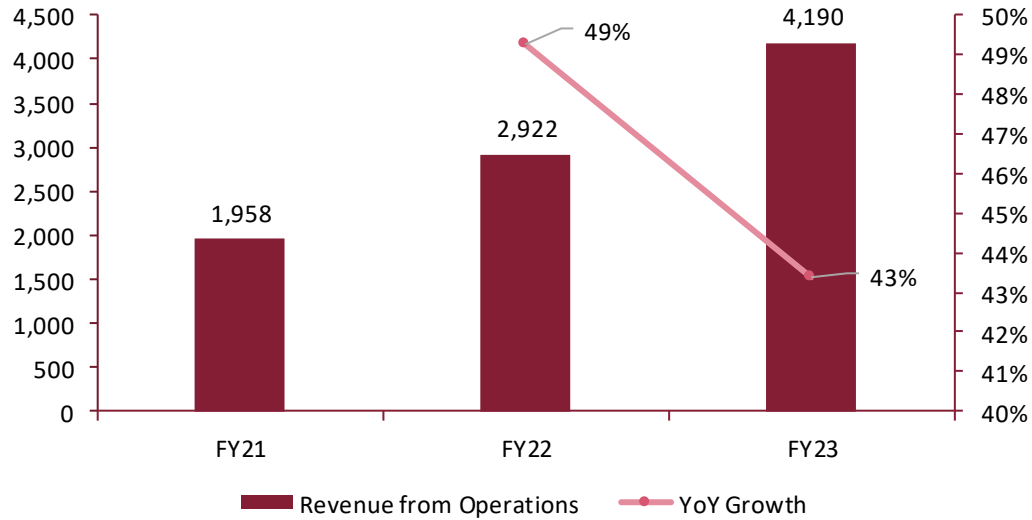
Expand Product Portfolio: Stanley Lifestyles aims to expand its product categories and portfolio to continue catering to growing demand of customers. For this purpose, they would utilize ~Rs 82mn of the net proceeds to purchase new machinery. Further, they also intend to diversify their business by offering hand-crafted Shoes, Bags and other lifestyle products. New Lifestyle products like Perfumes would also be offered.

Increase presence in B2B segment and foraying in distribution business: The company is actively seeking opportunities to offer its premium furniture in airports, corporate offices and high-end hospitals to cater to the shift for luxury furnishing in these establishments. They are also open for talks pertaining to distribution of leading foreign brands in India.

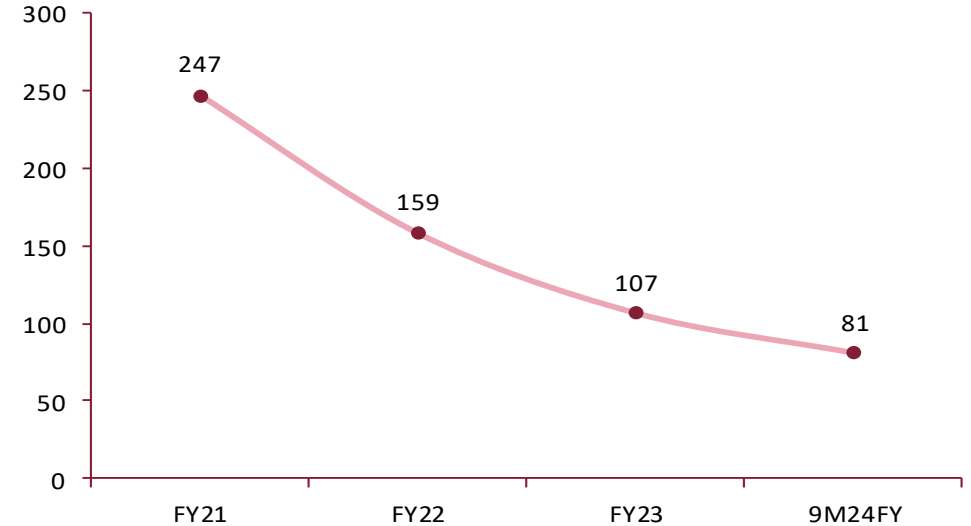
Open to expand into additional segments: They are ready to expand into affordable category, if there is growing demand from customers for quality products in that category. They may also establish product specific store format to offer only beds or mattresses products. This will also help them to increase their retail and online presence.

Stanley Lifestyles Limited

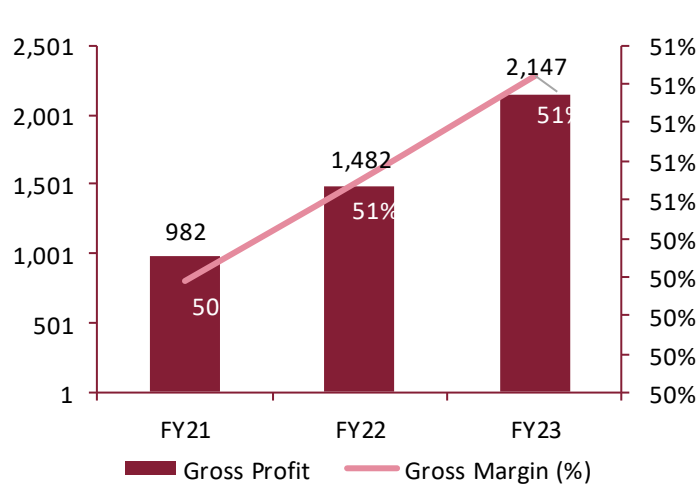
Revenue from operations (Rs. Mn)



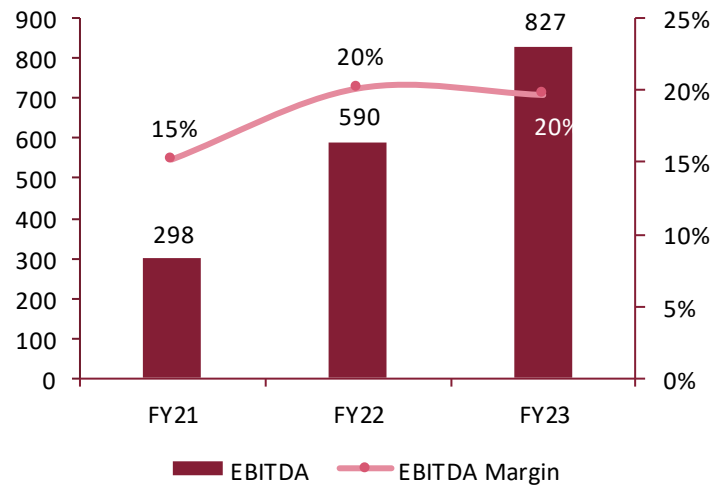
Working Capital Days



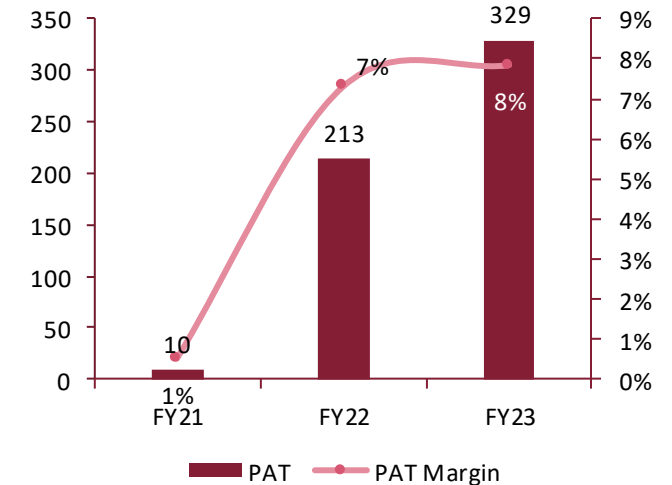
Gross Profit (Rs. Mn) and Gross Margin (%)



EBITDA (Rs. mn) and OPM (%)

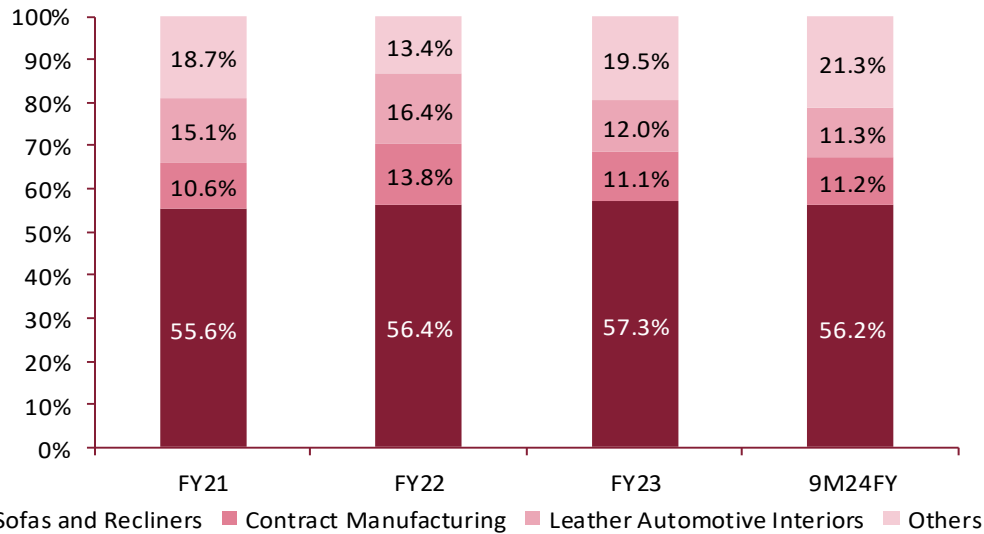


PAT (Rs. mn) and PAT Margin (%)

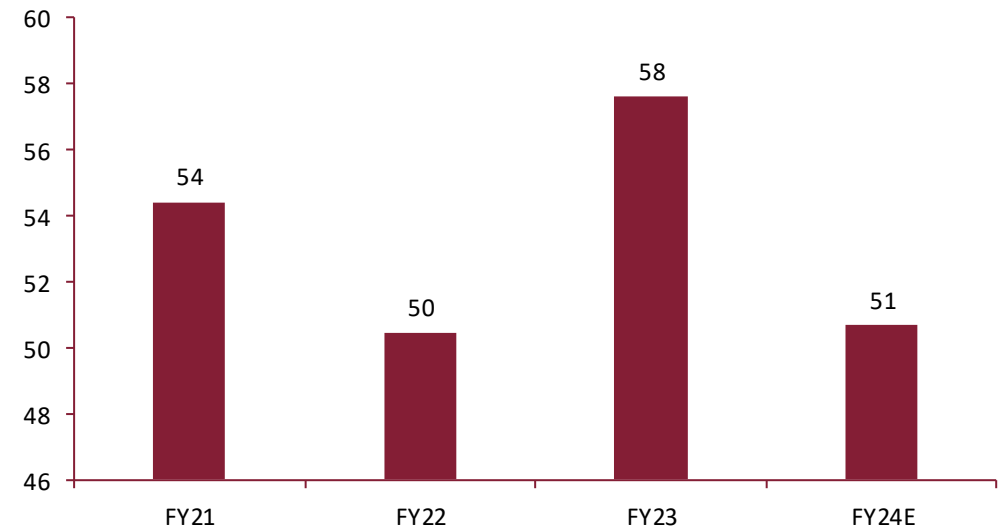


Stanley Lifestyles Limited

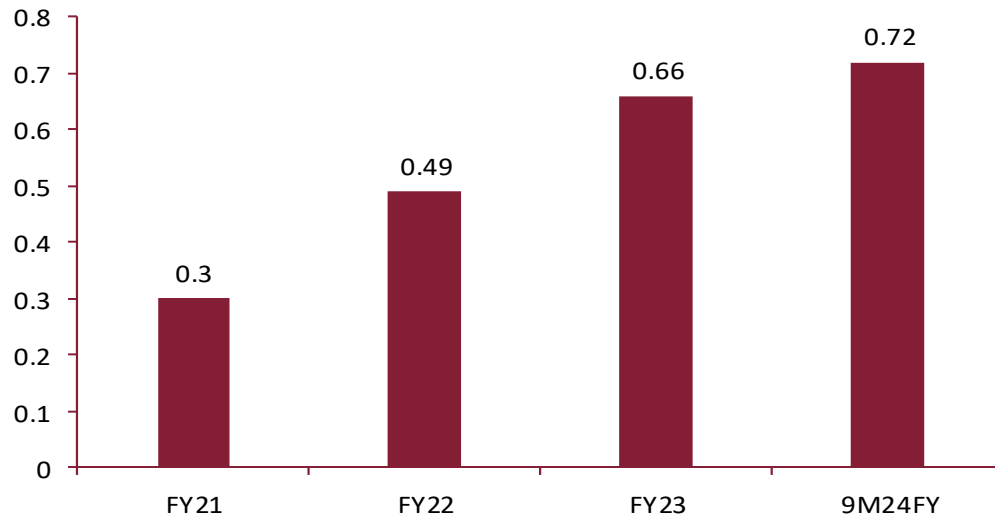
Segment Revenue



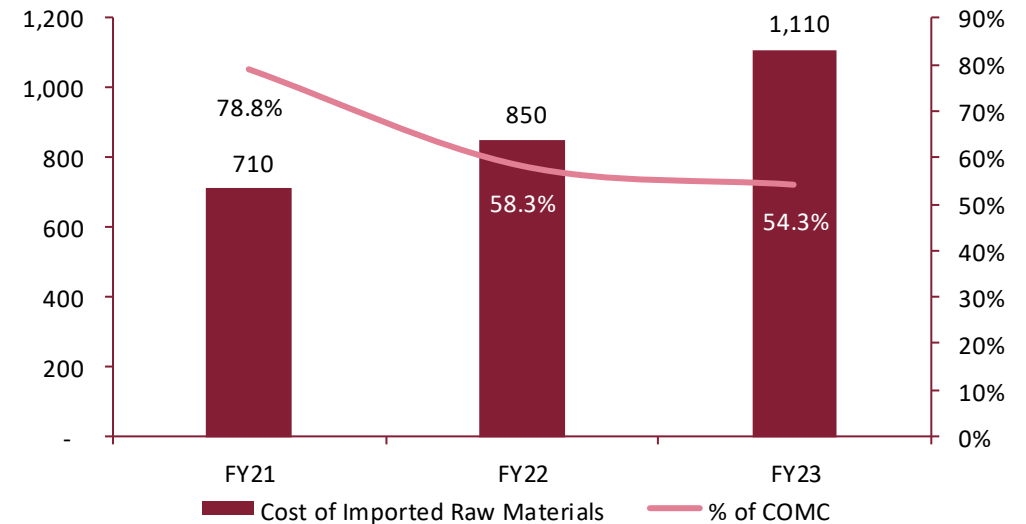
Total Revenue per Store (Rs. In Mn)



Avg. Billing Size per Customer (Rs. In Mn)

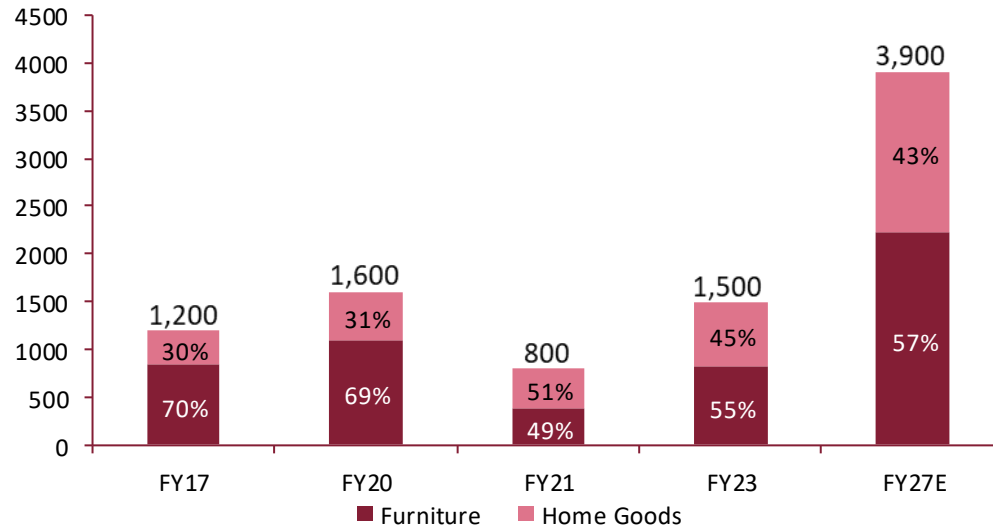


Cost of Imported Raw Materials (Rs. In Mn)

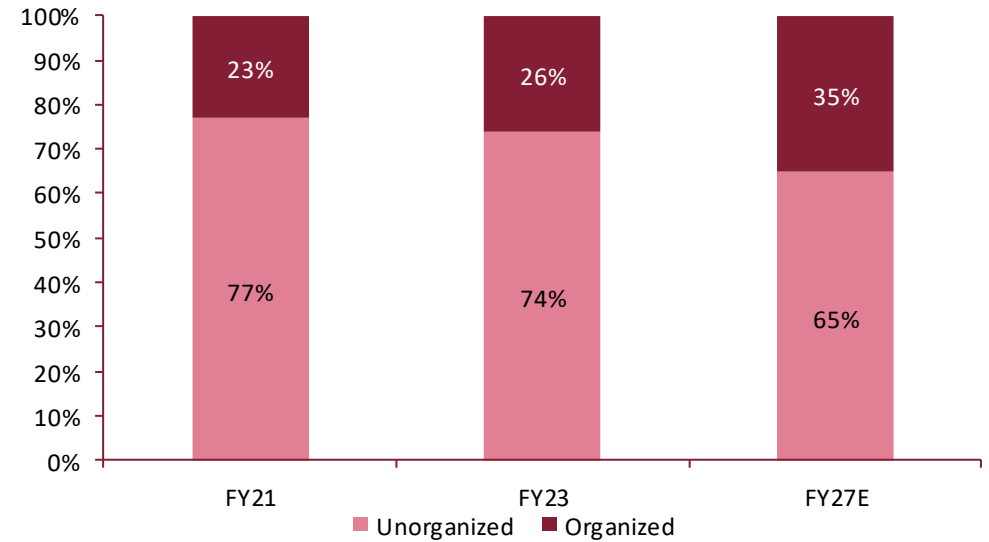


Industry Outlook

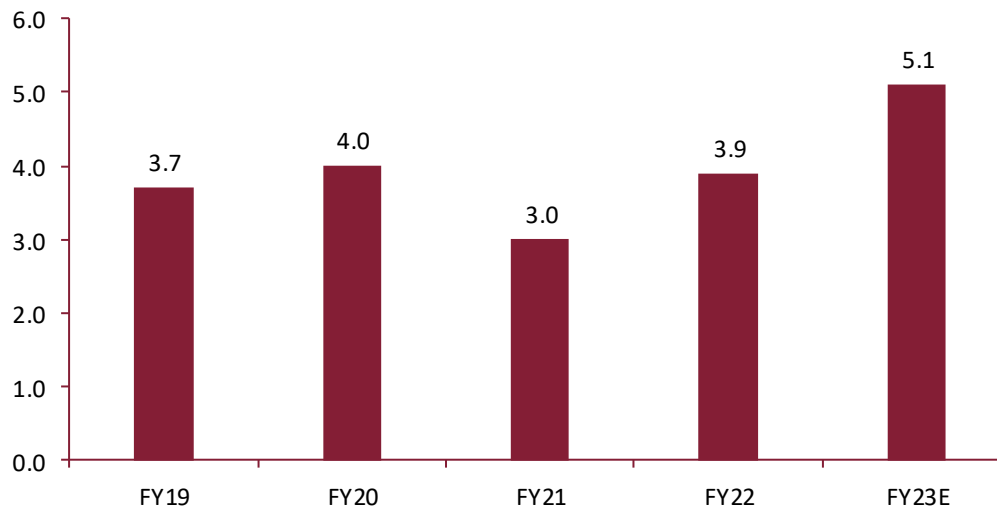
India Furniture & Home Goods Market Share (Rs. In Bn)



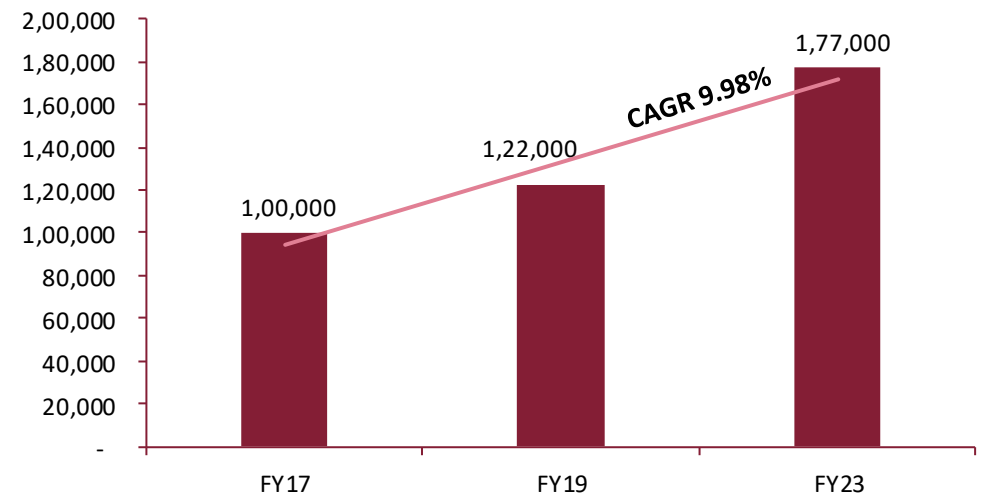
India Furniture & Home Goods Market Organized vs Unorganized



Volumes of Residential Units Sold/Self Constructed (In Mn)



Private Final Consumption Expenditure in India (Rs. In Bn)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

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