

BAAZAR STYLE RETAIL LIMITED

30-08-2024 - 03-09-2024

Industry: Value Retail

Price Band: ₹370-389

Recommendation: Subscribe with Risk

Post Implied Market Cap: ₹2,768 Cr - ₹2,903 Cr

Key Data

Issue Size (₹ Cr)	801 – 835
Fresh (₹)	148
OFS (₹)	687
No. of shares offered	2,16,55,143 - 2,14,59,488

Face Value (₹ /share)	5
Bid Lot	38

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	04-09-2024
Refunds/Unblocking ASBA Fund	05-09-2024
Credit of equity shares to DP A/c	05-09-2024
Trading commences	06-09-2024

Shareholding (No. of shares)

Pre-Issue	70,810,966
Post Issue (Lower price band)	74,813,789
Post Issue (Higher price band)	74,618,134

Shareholding Pattern

Promoter:

Pre Issue	33.56%
Post Issue	30.58%

Promoter Group:

Pre Issue	21.47%
Post Issue	14.98%

Investor Selling Shareholder:

Pre Issue	30.72%
Post Issue	25.80%

Public-Others:

Pre Issue	14.26%
Post Issue	28.63%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Axis Capital, Intensive Fiscal Services, JM Financial

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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About the Company

Bazaar Style Retail Ltd (Bazaar) is a leading value retailer, offering a wide range of products for the entire family at affordable prices. It has a strong presence in Eastern India, operating 162 stores across 146 cities, covering over 1.47 million square feet. The company's product portfolio includes apparel for men, women, and children, as well as non-apparel items and home furnishings.

Investment Rationales

One of the fastest growing value retailer in eastern India with a market share of 3.03% and 2.22% in the states of West Bengal and Odisha, respectively in organized value retail market:

Bazaar is one of the fastest-growing value retailers in India, with a compound annual growth rate (CAGR) of 35.8% in store expansion and 26.8% in revenue from 2017 to 2024. The company operates 162 stores across 9 states, primarily in Eastern and North eastern India. Its success is attributed to a cluster-based expansion strategy, strategic store locations, and a diverse product mix. The company's core markets contribute over 87% of its revenues, targeting the aspiring middle class with an average annual income of less than \$5,000. The value retail market in these regions is estimated at ₹1,417.48 billion, with organized players holding a 30% market share.

Accelerated store expansion through a cluster-based approach:

Bazaar has rapidly expanded its store count from 2 at incorporation to 162 in FY2024, achieving a CAGR of 55.18%. The company's success is driven by its ability to understand customer preferences and offer a wide range of affordable products. It follows a methodical approach to selecting new store locations, considering factors like population density, visibility, and local economy. The company has a low rate of store closures compared to its peers, with only 14 stores closed in the last three fiscal years while opening 85 new ones. Revenues grew at a CAGR of 32.86% from ₹551.12 crore in FY2022 to ₹972.88 crore in FY2024, outpacing the overall lifestyle and home value retail market. The company's cluster-based store expansion strategy and effective use of resources have been key to its successful growth.

Strong understanding of customer preferences to offer a comprehensive, targeted and affordable product mix along with the company's private label brands leading to customer loyalty:

Company offers a diverse product portfolio that includes both apparel and general merchandise, such as cosmetics, imitation jewelry, consumer appliances, and houseware. The company's deep understanding of local customer preferences allows it to tailor its product assortment effectively, leading to an Average Transaction Value of ₹1,038.69 in FY2024, the second highest among listed value retailers. The company balances private label and third-party brands, with private labels contributing significantly to revenues—₹368.99 crore in FY2024. Private label sales grew at a CAGR of 64.57% from FY2022 to FY2024. Repeat purchases from existing customers reached 71.94% in FY2024, boosting the company's sales efficiency and transaction value per square foot.

Targeted marketing and promotion activities enabling increasing brand salience and garnering customer loyalty:

The company's marketing strategy emphasizes brand promotion, interactive audience engagement, and increasing product visibility within its target community. This approach has resulted in high repeat purchase rates of 71.94% in FY2024, 70.00% in FY2023, and 68.50% in FY2022. The in-house marketing team, consisting of 13 personnel as of March 31, 2024, is supported by a creative team for executing marketing initiatives. The company also has a strong social media presence, with over 170,000 followers across various platforms as of the same date.

Risk

- Geographical concentration
- Product concentration
- High Competitive Business

MView

We believe Bazaar style retail ltd IPO gives investors an opportunity to invest in the value retail sector, given its impressive growth trajectory and strategic focus on core markets in Eastern and North eastern India. We think with a CAGR of 55.18% in store expansion and 32.86% in revenue from FY2022 to FY2024, Bazaar has demonstrated its ability to scale efficiently while maintaining a low store closure rate. We also believe the company's deep understanding of customer preferences, coupled with its diverse product mix and effective marketing strategy, has resulted in strong repeat purchase rates and a high average transaction value. Additionally, the significant contribution of private labels to revenue, with a growth rate of 64.57% CAGR, underscores the company's ability to enhance margins. By looking at the financials, the company has shown a good growth in revenue from operations 43%/23.5% in FY 2023/2024, while the net profit saw a substantial increase from ₹5.1 Cr in FY 2023 to ₹21.94 Cr in FY 2024. On valuation parse at the upper price band of ₹389/-, the issue is asking for a market cap of ₹2903 cr. Based on FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking for PE of 132.2x which seems very expensive considering near term growth triggers. But as the objective of the issue is to repay the outstanding borrowing, will result in better net profit for FY 2025. Investors should also look at IPO offers which come with 82% OFS i.e ₹686.68 Cr out of total issue ₹834.68 which is an area of concern for new investors. Given its robust expansion plans, strategic market positioning and the growth potential in the value retail market underscore its potential for sustained growth. However, understanding the nuances of fashion trends and regional preferences remains a critical challenge. Hence, considering all parameters we recommend only risk taking investors "SUBSCRIBE WITH RISK" to Bazaar style retail ltd IPO. If the market sentiment leads to listing gains exceeding 20% over the issue price, we advise booking profits.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Crs)	As at March' 31		
	2024	2023	2022
Equity Share Capital	34.93	34.93	34.93
Net worth	212.60	191.00	141.20
Borrowings	178.23	115.18	101.57
Revenue from Operations	972.88	787.90	551.12
Revenue Growth (%)	23.48	42.96	-
EBITDA as stated	142.16	101.48	68.35
EBITDA Margin (%) as stated	14.61	12.88	12.40
Net Profit for the Year	21.94	5.10	-8.01
Net Profit Margin (%)	2.23	0.64	-1.43
EPS- Basic & Diluted (₹)	3.14	0.76	-1.31
RONW (%)	10.32	2.67	-5.67
NAV (₹)	30.43	27.35	21.21
ROE (%) as stated	10.74	3.02	-6.86
ROCE (%) as stated	18.39	13.77	6.59

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Mcap (in Cr)	FV	Operating Revenue FY 2024(in Cr)	EPS	NAV	P/E	P/B	RoNW (%)
Bazaar Style	2903	5	972.90	3.14	28.49	132.28	13.65	10.32
V-Mart Retail	7,087	10	2,785.60	-48.93	-	-	9.49	-12.98
V2 Retail	3,995	10	1,164.70	8.04	79.42	105	14.6	10.12

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 30-08-2024
 Bazaar Style Ltd., Revenue EPS/PE,PB, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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