

Rating: Subscribe

Issue Offer

Fresh Issue of 3,804,627 equity shares up to INR 1480 Mn and OFS of 17,652,320 shares by Promoters group taking the total issue size at INR 6867 Mn

Issue Summary

Price Band INR	370-389
Face Value INR	5
Implied Market Cap INR mn.	29025.5
Market Lot	38
Issue Opens on	Aug 30, 2024
Issue Close on	Sept 3, 2024
No. of share pre-issue	70,810,966
No. of share post issue	74,615,593
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Link Intime India Private Ltd

Book Running Lead Managers

Axis Capital Ltd, Intensive Fiscal Services Pvt Ltd and JM Financial Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	55.03%	46.49%
Public & Others	44.97%	53.51%

Objects of the issue

- Prepayment or repayment of some or all of the Company's existing borrowings.
- General corporate purposes.

The company was founded in June 2013, Bazaar Style Retail Limited is a fashion retailer operating in West Bengal and Odisha, offering apparel for all ages and general merchandise including home furnishings. The company prioritizes a family-oriented shopping experience, providing quality products at affordable prices. As of March 31, 2024, its stores average 9,046 square feet and are managed by trained staff to enhance customer satisfaction. Expanding across 9 states—Odisha, Bihar, Assam, Jharkhand, Andhra Pradesh, Uttar Pradesh, Tripura, and Chhattisgarh—the company operates 162 stores. It also has a dedicated in-house marketing team of 13 and a design and merchandising team of 57, who use their expertise to cater to regional preferences and deliver the latest market trends.

Investment Rationale

Enhancing Profit Margins through Private Labels: The company aims to enhance profit margins and boost revenue by increasing its private label contribution, which accounted for 37.93% of revenue in Fiscal 2024. By improving product differentiation, controlling quality, and expanding SKU availability the company plans to boost production efficiency and lower costs. Introducing licensed comic characters on private label apparel will drive further revenue. Investments in an in-house design team and stronger supplier relationships will strengthen the competitive edge, increase customer acceptance, and improve footfall conversion ratios, supporting higher EBITDA margins and sustained profitability.

Strengthening Market Position through Cluster Expansion and Customer Retention:

The company plans to make strong its market position by deepening penetration in existing clusters and expanding into new high-growth areas. With a store count growth of 23.62% CAGR from Fiscal 2022 to 2024, driven by a 17.88% CAGR in Core Markets and a 65.14% CAGR in Focus Markets, the company is well-positioned to capitalize on the projected 800-1000 new store opportunities in Northern and Eastern India by FY27. Focusing on customer retention and increasing average basket size, the company will employ targeted marketing, expand product mix, and enhance store management to drive sales growth. Investments in high-traffic locations, celebrity endorsements, and influencer marketing will further strengthen brand loyalty and increase footfall conversion rates. This strategic approach aims to increase market share, enhance profit margins, and sustain long-term growth.

Enhancing Brand Salience and Customer Loyalty through Targeted Marketing:

The company enhances brand salience and customer loyalty through a strategic, multi-channel marketing approach. Utilizing traditional advertising, targeted campaigns with local influencers, and a loyalty program, the company engages customers via SMS, voice calls, and social media. Marketing spend, which is 1.65% of revenue, supports these efforts. With a dedicated marketing team and over 170,000 social media followers, the company aims to drive repeat purchases and revenue growth.

Advanced Processes and Automation:

The company's focus on robust business processes and automation drives high operational efficiency and a lean cost structure. By maintaining strong relationships with 641 suppliers and 1,226 vendors. Advanced technology, including an in-house ERP system and Tableau for data analytics, enables precise inventory management and responsive order fulfillment. This efficient system reduces operational costs, optimizes stock levels, and improves sales performance, as evidenced by increased sales per square foot and reduced inventory turnover days. The company's commitment to automation and data-driven decision-making supports continued operational excellence and cost control.

Valuation and View:

The company is set for strong growth and profitability by expanding its private label segment, which constituted 37.93% of revenue in FY24. Strategic store expansion, with a 23.62% CAGR, targets high-growth areas and enhances market presence. Investment in advanced processes and automation ensures operational efficiency, while targeted marketing and customer retention strategies boost brand loyalty and revenue growth. At the upper band of INR 389, the issue is valued at a P/E ratio of 132x, based on a FY24 EPS of INR 2.94. We are recommending a "Subscribe" for this issue.

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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