

Outlook : Positive

Stock Info	
Sector	Personal Care
BSE	544226
NSE	FIRSTCRY
Equity Capital (INR Mn)	814.71
Face Value (INR)	2
Shareholding Pattern	
Public	72.24%
Non Promoter -Nonpublic	27.76%

Brainbees Solutions Ltd was founded in 2010, and it is India's leading retailer of Mother's, Baby's, and Kid's products, with the highest sales for the year ending March 2024. It has a 16-17% market share in organized childcare products and boasts the largest retail presence with over 2 million sq ft. of space and 1,063 stores across 533 cities in 28 states and five union territories. BabyHug, a FirstCry brand, is the top multi-category brand for these products in India and the largest in the Asia Pacific (excluding China) for product variety. CuteWalk, a sub-brand under BabyHug, offers the widest range of kids' footwear in India. FirstCry competes with major online platforms like Amazon and Flipkart as well as other retail chains but stands out as the top specialized multi-channel player in this market.

Opportunities in Premium and Specialized Products: The per-child spending on childcare products in India is projected to rise significantly, from INR 9,280-9,350 in FY24 to INR 17,800-18,200 by FY29. This increase presents several investment opportunities. Increased spending enables the growth of premium product lines and drives demand for high-quality apparel, consumables, and advanced diapering solutions as parents focus on quality and safety.

Focus on Early Childhood Spending: A substantial portion of childcare expenditure (approximately 41% in FY24) is directed toward children aged 0-4. This age group is crucial due to its rapid developmental needs, which drive demand for specialized nutrition, developmental toys, and health and safety products tailored to young children's needs.

Potential from the Unorganized Sector: Despite the growth of the organized market, the unorganized sector still represents a significant portion (84%) of the market in FY24. This presents opportunities for strategic partnerships with unorganized retailers, innovative distribution models, and localized brand expansion to help increase market reach and penetration.

Valuation and view: India's leading multi-channel retailer of mothers', babies', and kids' products, FirstCry, is positioned in a rapidly growing market. While childcare spending in India is currently modest, it is expected to rise sharply, with per-child expenditure projected to increase from INR 9,280-9,350 in 2024 to INR 17,800-18,200 by 2029. FirstCry's GMV surged to INR 91,211.28 million in FY24, up from INR 72,576.34 million in FY23, highlighting robust growth as the company continues to invest in branding, technology, and product development. The market remains largely unorganized, but the share of organized retail is expanding due to the growth of e-commerce, increased presence in smaller cities, and a shift towards branded, hygienic products post-COVID-19. By FY29, organized retail is expected to capture around 21% of the market.

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INR Mn	FY24	FY23	FY22
Revenue	64,809	56,325	24,013
EBITDA	705	(3,173)	(182)
EBITDA Margin(%)	1.1	(5.6)	(0.8)
PAT	(3,222)	(5,715)	(225)
PAT Margin(%)	(5)	(10.1)	(0.9)
Assets	75,103	71,198	61,971
Borrowings	4,627	1,764	901

Source: Company, Arihant Capital

Pick up in birth rate is driving factor for market expansion: India stands out globally with its substantial child population, numbering around 306 million as of 2023. The country's high birth rate, at 16.3 births per thousand people in 2022, is significantly above that of developed economies. Despite a temporary decline in birth rates due to the COVID-19 pandemic, the rate is expected to rebound robustly. This rebound is supported by increased vaccination rates and a recovering economy, which are likely to drive higher demand for childcare products as more families have children. India is among the youngest nations in the world, with 306 million children between the ages of 0 and 12 as of 2023.

Rising willingness to spend among new parents: The Indian childcare market is set to experience impressive growth. The market size, estimated at INR2,800-2,900 billion in FY24, is projected to expand at a compound annual growth rate (CAGR) of 12-14% to reach INR 5,150-5,450 billion by FY29. The diaper market, valued at INR 92-94 billion (about US\$1.2 billion) for FY24, is expected to grow at a CAGR of 15-17% to INR 185-195 billion by FY29. The preschool market is projected to rise from INR 325-335 billion in FY24 to INR 638-658 billion by FY29, growing at a CAGR of 13-15%. This rapid growth is driven by several factors like rising disposable incomes, increased awareness of child health, and the non-discretionary nature of childcare spending are driving higher demand for high-quality childcare products, including nutrition, developmental toys, and diapers.

Organized Market gaining share from unorganized players: The organized sector in India's childcare market is expanding. Currently, organized players account for 16% of the market. However, this share is projected to grow to 21% by FY29. Key drivers of this shift include e-commerce growth, expanded retail presence beyond Tier 2+ cities, and a heightened preference for branded, hygienic products that are boosting organized retailers' reach and appeal.

Traction in the international market: While focusing on India, FirstCry sees opportunities for international expansion, having already made inroads in the UAE and KSA. Key criteria for this growth include targeting countries with increasing child populations, entering markets with strong growth potential, choosing regions with less competitive pressure, and adapting their successful Indian business model to offer a multi-channel retail experience in new markets.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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