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Issue Opens

August 6, 2024 to August 8, 2024

Price Band
₹440 to ₹465

Face Value
₹2

Issue Size
₹4,193.73 Cr

Lot Size
32 Shares

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

90,187,690 shares / ₹4,193.73 Cr

Fresh Issue

35,827,957 shares / ₹1,666.00 Cr

Offer for Sale

54,359,733 shares of ₹2 / ₹2,527.73 Cr

Basis of Allotment

Friday, August 9, 2024

Initiation of Refunds

Wednesday, August 7, 2024

Credit of Shares to Demat

Monday, August 12, 2024

Firstcry IPO Listing Day

Tuesday, August 13, 2024

Objects of The Offer

The Company proposes to utilise the Net Proceeds towards funding the following objects:

- Expenses of the Company for: (I) establishment of new modern stores under the "BabyHug" brand; and (II) establishment of a warehouse in India;
- Expenditure on lease payments for existing identified modern stores owned and operated by the Company in India;



- Investments in its Subsidiary Digital Age for (I) setting up new modern stores under the FirstCry brand and other house brands of the Company; and (II) lease payments for the existing identified modern stores owned and controlled by Digital Age in India;
- Investment in Subsidiary FirstCry Trading for overseas expansion by: (I) establishment of new modern stores; and (II) establishment of warehouses in KSA;
- Investment in Subsidiary Globalbees Brands for the acquisition of an additional stake in its Subsidiaries;
- Sales and marketing initiatives;
- Technology and data science costs, including cloud and server hosting costs; and
- Financing of inorganic growth through acquisitions and other strategic initiatives and general corporate purposes.

Brief profiles of the Directors

Supam Maheshwari - He is the MD and CEO and has been on the Board since incorporation. He is responsible for the overall management of the Company. He holds a bachelor's degree in engineering (mechanical) from Delhi College of Engineering, University of Delhi and a post graduate diploma in management from IIM Ahmedabad. He was previously associated with Brainvisa Technologies Private Limited as a president. He has approximately 14 years of experience in e-commerce industry

Sanket Hattimattur - He is one of the Executive Directors and Chief of Staff. He joined the Company in 2010. He is responsible for key initiatives in India business, strategy, M&A and overseeing 353 international business expansion in the Company. He holds a bachelor's degree in commerce (financial accounting and auditing) from University of Mumbai. Prior to joining the Company, he has worked with Brainvisa Technologies Private Limited, Deutsche Bank Group - Global Markets Centre Private Limited and Tata AIG Life Insurance Company Limited. He has approximately 14 years of experience in e-commerce industry.



Paul Davison – He is the Non – Executive Director of the Company as a nominee of SVF Frog (Cayman) Ltd and has been on our Board since 2019. He holds a bachelors’ degree in arts from University of Cambridge, England. He is currently associated with SB Investment Advisors (US) Inc. He has approximately 7 years of experience specifically in technology investing.

Puneet Renjhen – He is a Non – Executive Director of the Company as a nominee of Mahindra & Mahindra Limited and has been on the Board since July 2024. He has completed a post graduate programme in management from the Indian School of Business, Hyderabad. He is a member of the group executive board of the Mahindra Group. He is responsible for leveraging potential acquisitions for the Mahindra Group. He has experience of 12 years in M&A advisory.

About The Company.

BRAINBEES SOLUTIONS LIMITED is India’s largest multi-channel retailing platform for Mothers’, Babies’ and Kids’ products, in terms of GMV, for the Financial Year 2024, according to the RedSeer Report, with a growing presence in select international markets. In India, they sell Mothers’, Babies’ and Kids’ products through our online platform, company-owned modern stores, franchisee-owned modern stores and general trade retail distribution.



Description Of Their Business

They are India's largest multi-channel retailing platform for mothers', babies', and kids' products, in terms of GMV, for the financial year 2024, with a growing presence in select international markets. In India, they sell mothers', babies', and kids' products through their online platform, company-owned modern stores, franchisee-owned modern stores, and general trade retail distribution.

They launched the FirstCry platform in India in 2010 with the goal of creating a one-stop destination for parenting needs across commerce, content, community engagement, and education. They named their platform "FirstCry" to signify the special moment of a baby's first cry for parents, aiming to fill such moments in the parenting journey with joy and happiness. They seek to develop a tangible, emotional, multi-year relationship with parents, especially mothers, starting from their baby's conception and continuing until the child reaches about 12 years of age.

They have expanded internationally in select markets, establishing a presence in the UAE in 2019 and in KSA in 2022, aiming to replicate their India playbook. According to the RedSeer Report, they are the largest specialist online retail platform for mothers', babies', and kids' products in the UAE, in terms of GMV, for the financial year 2024. In KSA, they are the largest online-first retail platform focused on mothers', babies', and kids' products. After the UAE, they aim to replicate their India playbook in KSA.

Our BabyHug Modern Stores



Our FirstCry Modern Stores

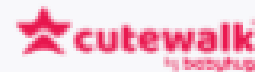


Product portfolio



They have created trusted home brands in the mothers', babies', and kids' products categories through their deep understanding of customer requirements, robust data analytics tools, in-house design and development capabilities, and leveraging the market recognition of the "FirstCry" brand. They believe that their customers' trust has been built and earned through their deep understanding of parenting needs and their ability to provide a relevant assortment of mothers', babies', and kids' products. Reflecting FirstCry's strong brand recognition and customer trust, BabyHug, one of FirstCry's home brands, is the largest multi-category mothers', babies', and kids' products brand in India in terms of GMV for the financial year 2024.

Portfolio of Key Home Brands



Set forth below is an image depicting of their portfolio of home brands:

The FirstCry Portfolio of Home Brands



Track Record Of Financial Performance



Particulars	Note No.	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
Income				
Revenue from operations	17	64,808.56	56,325.39	24,012.88
Other income	18	942.25	987.37	1,156.28
Total income		65,750.81	57,312.76	25,169.16
Expenses				
Cost of materials consumed	19(a)	5,574.65	4,795.19	2,228.37
Purchases of stock-in-trade	19(b)	38,898.87	31,171.84	17,544.55
Changes in inventories of stock-in-trade, finished goods and work in progress	20	(2,841.56)	3,386.15	(4,051.53)
Employee benefits expense				
(i) Employee benefits expense	21(a)	5,084.21	4,083.93	2,467.17
(ii) Employee share based payment expense	21(b)	1,780.58	3,614.37	921.31
Finance costs	22	1,153.63	715.73	376.83
Depreciation and amortisation expense	23	3,708.73	2,942.83	1,108.88
Other expenses	24	15,606.90	12,446.63	5,085.02
Total expenses		68,966.01	63,156.67	25,680.60
Loss from continuing operations before exceptional item and income tax		(3,215.20)	(5,843.91)	(511.44)
Exceptional items income (net)	24(a)	-	543.68	-
Loss before tax		(3,215.20)	(5,300.23)	(511.44)
Tax expense				
Current tax	25	(438.05)	(172.05)	(121.42)
Deferred tax	25	438.18	611.72	(153.99)
Total tax expense		0.13	439.67	(275.41)
Loss for the year		(3,215.07)	(4,860.56)	(786.85)
Other comprehensive income (OCI)				
Items that will not be reclassified to Statement of Profit or Loss				
Re-measurement of post-employment benefit obligations	29	3.09	27.02	7.59
Income tax relating to items that will not be reclassified to Statement of Profit or Loss				
Income tax relating to re-measurement of post-employment benefit obligations		(0.56)	(6.56)	(2.90)
Items that will be reclassified to Statement of Profit or Loss				
Gains and losses arising from translating the financial statements of a foreign operation		(10.96)	8.67	6.99
Income tax relating to items that will be reclassified to Statement of Profit or Loss				
Income tax relating to gains and losses arising from translating the financial statements of a foreign operation		1.83	(4.36)	(0.89)
Total other comprehensive income		(6.60)	24.77	10.79
Total comprehensive loss for the year		(3,221.67)	(4,835.79)	(776.06)
Loss for the year				
Attributable to:				
Owners of the Company		(2,742.77)	(4,410.81)	(719.29)
Non-controlling interests		(472.30)	(449.75)	(67.56)
Total other comprehensive (loss)/income		(3,215.07)	(4,860.56)	(786.85)
Attributable to:				
Owners of the Company		(8.02)	24.61	13.63
Non-controlling interests		1.42	0.16	(2.84)
Total comprehensive loss for the year		(6.60)	24.77	10.79
Earning per share	26			
Basic earning per share (Rs.)		(6.20)	(9.97)	(1.74)
Diluted earning per share (Rs.)		(6.20)	(9.97)	(1.74)

key financial metrics for our consolidated operations for the Financial Years 2024, 2023 and 2022, were as follows:



Metric	Unit	For the year ended March 31,		
		2024	2023	2022
<i>Financial Metrics (based on or derived from our Restated Consolidated Financial Statements)</i>				
Revenue from Operations	₹ Million	64,808.56	56,325.39	24,012.88
Revenue Growth ⁽¹⁾	%	15.06%	134.56%	N/A
Materials Cost	₹ Million	41,631.96	39,353.18	15,721.39
Materials Cost %	%	64.24%	69.87%	65.47%
Gross Margin ⁽²⁾	₹ Million	23,176.60	16,972.21	8,291.49
Gross Margin % ⁽²⁾	%	35.76%	30.13%	34.53%
Direct Cost	₹ Million	5,879.10	4,644.13	780.22
Direct Cost %	%	9.07%	8.25%	3.25%
Contribution Margin	%	26.69%	21.89%	31.28%
Loss for the year	₹ Million	(3,215.07)	(4,860.56)	(786.85)
Loss Margin for the year ⁽³⁾	%	(4.96)%	(8.63)%	(3.28)%
Adjusted EBITDA ⁽²⁾	₹ Million	2,744.49	749.82	961.99
Adjusted EBITDA Margin ⁽²⁾	%	4.23%	1.33%	4.01%
<i>Financial metrics (based on or derived from the Unaudited Pro Forma Consolidated Financial Information)</i>				
Revenue from Operations	₹ Million	N/A	52,621.90	35,975.04
Loss for the year	₹ Million	N/A	(4,863.81)	(1,017.28)
Loss Margin for the year ⁽³⁾	%	N/A	(9.24)%	(2.83)%
Gross Margin ⁽²⁾	₹ Million	N/A	17,324.64	11,904.32
Gross Margin % ⁽²⁾	%	N/A	32.92%	33.09%
Contribution Margin	%	N/A	23.59%	22.80%
Adjusted EBITDA	₹ Million	N/A	771.71	950.94
Adjusted EBITDA Margin	%	N/A	1.47%	2.64%

They organize their business into four reportable segments: India multi-channel, International, GlobalBees Brands and Others.



The Restated Consolidated Financial Statements include information on revenues from operations and results from our reportable segments, as set forth in the tables below, for the Financial Years 2024 and 2023:

<i>For the year ended March 31, 2024</i>						
Particulars	India multi-channel	International	Globalbees Brands	Others	Inter Company Adjustments	Total
<i>(₹ in million, except %)</i>						
Revenue from operations	45,794.84	7,537.16	12,093.46	333.55	(950.45)	64,808.56
Segment-wise revenue from operations as a percentage of our total revenue from operations (%)	70.66%	11.63%	18.66%	0.51%	(1.47)%	100.00%
Segment results before depreciation and amortisation expense	4,039.82	(1,395.96)	23.08	58.41	19.14	2,744.49
Segment Results	1,666.18	(1,553.77)	(963.77)	47.03	(159.91)	(964.24)

<i>For the year ended March 31, 2023</i>						
Particulars	India multi-channel	International	Globalbees Brands	Others	Inter-Company Adjustments	Total
<i>(₹ in million, except %)</i>						
Revenue from operations	42,808.65	4,874.83	8,971.79	229.61	(559.49)	56,325.39
Segment-wise revenue from operations as a percentage of our total revenue from operations (%)	76.00%	8.65%	15.93%	0.41%	(0.99)%	100.00%
Segment results before depreciation and amortisation expense	2,413.52	(1,200.59)	(447.29)	(30.52)	14.70	749.82
Segment Results	740.42	(1,329.33)	(1,407.50)	(42.07)	(154.54)	(2,193.01)

Strengths



1. They are India's largest multi-channel, multi-brand retailing platform for mothers', babies', and kids' products.
2. Their platform benefits from powerful network effects driven by content, brands, and data.
3. They have strong brand affinity, loyalty, and trust from their customers in the FirstCry brand.
4. They combine curating their growing home brands with relationships with third-party brands.
5. Their technology and data-driven, personalized customer journey leads to higher customer engagement.
6. They operate a full-stack platform with control over manufacturing and supply chain.
7. They have a proven and scalable business model.



Threats

1. Economic downturns or recessions could reduce discretionary spending in the retail sector, leading to lower sales for organized and branded retail.
2. Despite being essential services, economic pressures could reduce enrolment in branded pre-schools, with consumers shifting to non-branded schools and delaying payments for services.
3. Heightened inflationary pressures may reduce consumer purchasing power, resulting in lower sales volumes and decreased profitability in the retail sector.
4. A decline in birth rates in India could negatively impact the demand for FirstCry's products and services.
5. Geopolitical tensions and disruptions in logistics and distribution channels, such as natural disasters, pandemics, or industrial actions, could disrupt supply chain continuity, increase operational costs, and cause inventory shortages, impacting FirstCry's ability to deliver products and services efficiently.
6. Increased competition from new vertical-focused entrants and established horizontal players like Flipkart and Amazon poses a significant threat to FirstCry's multi-channel businesses in India.

Valuation and Outlook



The expected share price for Brainbees Solutions (Firstcry) IPO is set to open between ₹440 to ₹465 per share. The company's valuation shows a Price-to-Earnings (P/E) ratio of negative, based on a price above ₹465, and FY24 EPS is Rs -6.20.

According to the RHP, there are no listed companies similar in business or size to theirs, so an industry comparison isn't possible.

Brainbees Solutions, the parent company of FirstCry, is India's largest online retailer of baby and child care products, known for strong brand recognition, customer loyalty, and engagement. Despite capturing a significant market share with a scalable business model, Brainbees has faced financial challenges, incurring losses and negative cash flows over the past three years.

The company operates in a competitive market whereas unorganised market has taken a good portion of the TAM and it relies on third-party manufacturers, suppliers, and brands.

Despite rising revenue and international store expansion, the company has posted losses, resulting in a negative P/E valuation. By keeping the aforementioned points, we rate this IPO as of now "**AVOID.**"

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