

IPO-Note

Rs.440 – Rs.465 per Equity share

Brainbees Solution Limited

Recommendation: Listing Gains

Issue Details

Objects of the issue	<ul style="list-style-type: none"> To establish new stores and warehouses Expenditure on lease payments. Sales and marketing initiatives.
Issue Size	Total issue Size - Rs.4193.73 Cr Fresh Issue – Rs 1666 Cr Offer for sale- Rs 2527.73Cr
Face value	Rs.2
Issue Price	Rs.440 – Rs.465(employee discount Rs.44 per share)
Bid Lot	32 Shares
Listing at	BSE, NSE
Issue Opens	August 6, 2024 – August 8, 2024
QIB	75% of Net Issue Offer
NIB	15% of Net Issue Offer
Retail	10% of Net Issue Offer

The company was founded in 2010 as Brainbees Solutions Limited, operating through its online platform and offline platform, FirstCry. It provides a wide range of products for mothers, babies, and kids, aiming to be a comprehensive destination for parental retail, content, community engagement, and education needs. FirstCry caters to children from infancy to 12 years old, offering products such as apparel, footwear, baby gear, nursery essentials, diapers, toys, and personal care items. The company has expanded internationally in select markets, establishing a presence in UAE and KSA in 2019 and 2022 respectively, where they aim to replicate the India playbook. It features products from Indian and global brands, as well as its own proprietary brands. The company's strong brand awareness and customer trust are exemplified by Baby Hug, one of its house brands. According to a Red Seer report, Baby Hug was the largest multi-category brand for mother, baby, and kids' products in India by GMV for the year ending December 2023.

Strengths:

- FirstCry provides an extensive range of products, including diapers, baby food, newborn accessories, gear (like strollers and high chairs), nursery furniture, clothing, footwear, toys, and school supplies. These diverse offerings are tailored to meet the needs of parents shopping for their children. The store features a broad selection of baby and kids' items from leading manufacturers.
- A 14% rise in revenue year-over-year is impressive. For the year ended FY24, the revenue of 64,808.56 crores indicates strong performance and growth for the company.
- Concepts such as "gift boxes," which are delivered to new mothers in partnership with hospitals, aid in customer acquisition. To date, over 600,000 FirstCry boxes have been delivered.

Risk Factors:

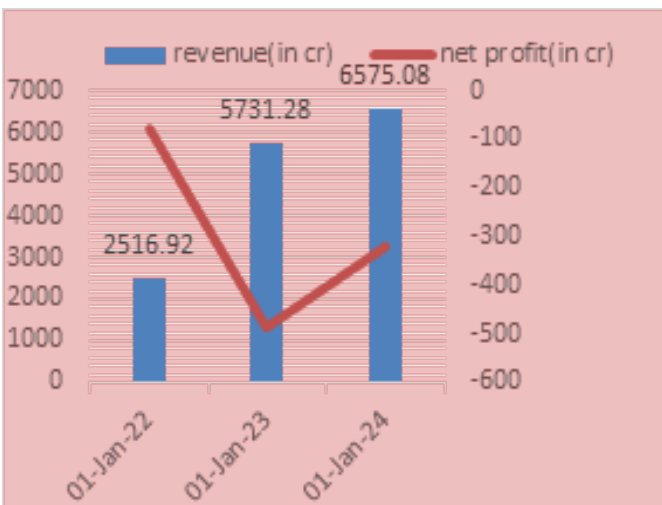
- The company's financial health is weak, having reported a loss of 321.51 crores for the financial year 2023-2024. Additionally, the return on net worth is negative, standing at -8.65%.
- The company net borrowings have also risen by 286.25 crores. Inability to manage this debt effectively could hamper its operations.
- FirstCry's products are priced higher compared to competitors. The company focuses on a niche market segment in India that is still emerging.

Outlook:

Brainbees Solutions Limited holds the largest market share in India for the sector producing clothing and other items for babies and children. The company enjoys strong brand value in the market, allowing it to sell its products at a premium due to high brand recognition. Currently, there are no direct competitors in the same segment. With e-commerce growing at an annual rate of 11.45%, the company is poised for future expansion. The wide range of products offered by Brainbees consolidates multiple needs for new parents in one place, reducing the need to visit different websites. Company revenue has increased by 14% as compared to FY23. The company has reported losses for FY24, which stands at Rs 321.51cr which has decreased by 33% as compared to FY23. Additionally, the company's market reach is limited due to the higher pricing of its products. Despite these challenges, Profitability remains uncertain, and it may take some time for the company to achieve positive turnaround.

There is potential for increased demand as Brainbees plans to open new stores and invest in growth. Investors with a long-term perspective and higher risk tolerance are encouraged to consider applying for the IPO.

Financial Performance:



Shareholding Pattern:

Particulars	Pre-Issue
Promoter Group	6.29%
Others	76.35%

Source: DRHP, EWL Research

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