



IPO Note

Brainbees Solutions Limited

Recommendation: **AVOID!**

Company Background -

- Brainbees Solutions Limited was established on May 17, 2010. The registered office is located at Pune, Maharashtra.
- Firstcry is a multi-channel platform for Mothers, Babies and Kids products and is a one-stop destination for parenting needs.
- They have established their presence all over India and globally as well (UAE and KSA).
- The company had 3,499 permanent employees and 2,311 on contractual basis as of March 31, 2024.

Objects of the Issue -

- Expenditure by the Company for: (i) setting up new modern stores under the "BabyHug" brand and (ii) setting up a warehouse, in India.
- Expenditure for lease payments for existing identified modern stores owned and operated by the Company in India
- Investment in the Subsidiary, Digital Age for: (i) setting up new modern stores under the FirstCry brand and other home brands of the Company; and (ii) lease payments for existing identified modern stores owned and controlled by Digital Age, in India
- Investment in the Subsidiary, FirstCry Trading for overseas expansion by: (i) setting up new modern stores; and (ii) setting up warehouse(s), in KSA
- Investment in the Subsidiary, Globalbees Brands towards acquisition of additional stake in their step-down Subsidiaries
- Sales and marketing initiatives.
- Technology and data science cost including cloud and server hosting related costs.
- Funding inorganic growth through acquisition and other strategic initiatives and general corporate purposes.

Rationale for recommendation -

- ✓ The bottom line and profitability margins have remained negative over the years.
- ✓ The company has a negative EPS of -6.19 for FY 2024 as the total comprehensive income is negative.
- ✓ The company had negative cash flow from operations from FY 2022 to FY 2024.
- ✓ The e-commerce industry and childcare industry are highly fragmented.

IPO Details

Opening Date	Aug 06, 2024
Closing Date	Aug 08, 2024
Allotment Date	Aug 09, 2024
Listing Date	Aug 13, 2024
Stock Exchange	BSE, NSE
Lot Size	32 Shares
Issue Price Per Share	₹440 to ₹465
Issue Size	4,193.73 Cr.
Fresh Issue	1,666.00 Cr.
Offer for Sale	2,527.73 Cr
Application Amt	₹ 14,880 - ₹ 1,93,440 (32 to 416 shares)

KPI's	KPIs (In Cr)		
	FY 22	FY 23	FY 24
Revenue	2,401.29	5,632.54	6,480.86
EBITDA	-18.20	-317.27	70.49
Net Profit	-78.68	-486.06	-321.51
RoCE	-2.44%	-10.34%	-5.06%
ROE	-1.83%	-11.57%	-8.48%
P/E	-267.24	-46.64	-75.00

Promoter Share Holding Pattern

Pre-Issue	Post Issue
-	-

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	-6.20	-6.19
BVPS	78.44	91.46
P/E	-	-
P/BV	5.93	5.08
Mkt Cap (In Cr)	22,475.75	24,141.75

Lead Managers -

Kotak Mahindra Capital Company Limited

Morgan Stanley India Company Private Limited

BofA Securities India Limited

JM Financial Limited

Avendus Capital Private Limited

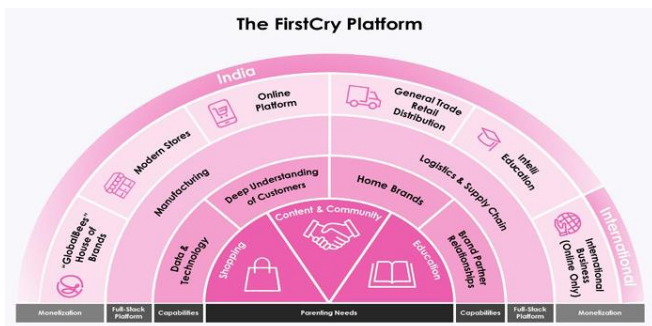
Registrar -

Link Intime India Private Limited

Business Overview -

Brainbees Solutions Limited was established on May 17, 2010. The company 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. The company has an extensive offering for mothers, babies, and Kids with more than 1.5 million SKUs from more than 7,500 brands on its multi-channel platform across categories including apparel and fashion, toys, books, school supplies, diapers etc.

They launched Firstcry platform in India in 2010. They offer products from third-party Indian brands, global brands, and home brands as well. Their key home brands include BabyHug, Pine Kids, CuteWalk and Babyoye. They address the needs of customers across various channels: online platform, modern stores, and general trade retail distribution channels in India; and online platforms in UAE and KSA. Their content-led strategy enables engagement with parents early through YouTube channel, i.e., FirstCry.com parenting platform. They also own and operate several pre-schools in India through Edubees Educational Trust.



Capacity Utilization -

The average capacity utilization for FY 2024, 2023 and 2022 remained at 72.25%, 64.33% and 66.03% respectively for Swara Baby ‘s manufacturing plant.

Revenue

(Amt in Crores)

Bifurcation

Products offered -

- Fashion for boys and girls ranging from newborn babies to kids up to 12 years of age, including clothing, footwear and accessories.
- Toys
- Diapering. Disposable diapers, baby wipes, cloth diapers, bed protectors, diaper bags and potty chairs.
- Baby gear. Strollers, scooters, baby walkers, car seats and baby carriers.
- Feeding and nursing - Baby food, infant formula, feeding bottles, breast pumps, utensils, teethers, sterilizers and pacifiers.
- Bath and skin care
- School supplies, stationery and other accessories.
- Birthday and gifts.
- Moms and maternity products.



Subsidiaries -

I. Indian Subsidiaries

1. Digital Age Retail Private Limited
2. Firmroots Private Limited
3. Globalbees Brands Private Limited
4. Intellibeas Solution Private Limited
5. Joybees Private Limited
6. Solis Hygiene Private Limited
7. Swara Baby Products Private Limited

II. Foreign Subsidiaries

1. Firstcry Management DWC LLC
2. Shenzhen Starbees Services Limited

Particulars	FY 2023		FY 2024	
	Amt	%	Amt	%
India multi-channel	4,280.87	76.00	4,579.48	70.66
International	487.48	8.65	753.72	11.63
Globalbees Brands	897.18	15.93	1,209.35	18.66
Others	22.96	0.41	33.36	0.52
Inter Company Adjustments	-55.95	-0.99	-95.05	-1.47
Total	5,632.54	100.00	6,480.86	100.00

Competition -

- **Market Competition:** The e-commerce sector is highly competitive where the key factors of competition primarily comprise quality of product, variation in product portfolio, price and timely delivery.
- **Geographic Competition:** The company faces competition from organized as well as unorganized players in both domestic and international market.
- **Barriers to entry:** Low barriers to entry.
- **Bargaining Power of Suppliers:** The bargaining power is high with the suppliers.
- **Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

Grow customer base by continuing to invest in brand, technology, products and membership program: The company intends to continue to invest in increasing brand awareness and brand salience. They will also further invest in technology to elevate customer experience, and provide personalized, enjoyable and multi-channel customer journeys.

Grow offline and online touchpoints to strengthen multi-channel competitive advantage: The company aims to invest towards the expansion of modern store network by adding both new stores and newer formats of stores across India and international markets. They also seek to further leverage the synergies between the offline and online channels to create seamless journeys across touchpoints for customers and brand partners.

Continue to expand portfolio of home brands: The company aims to diversify the product offerings through continuous research and review of current home brand portfolio across business channels and geographies, by launching innovative products, newer price segments, and by adding new brands in the long-term.

Risk Factors -

The company has outstanding cases against it for tax matter (11 cases), statutory matter (5 cases) and criminal matter (1 case) amounting to Rs. 5.957 Cr.

There are outstanding cases filed against the subsidiaries for criminal matter (1 case), taxation matter (44 cases) and statutory matter (13 cases) amounting to Rs. 19.521 Cr.

The company has contingent liabilities amounting to Rs. 5.398 Cr for FY 2023-24.

The company had incurred loss in FY ended 2022, 2023 and 2024.

The company had negative cash flow from operations for FY ended 2022, 2023 and 2024.

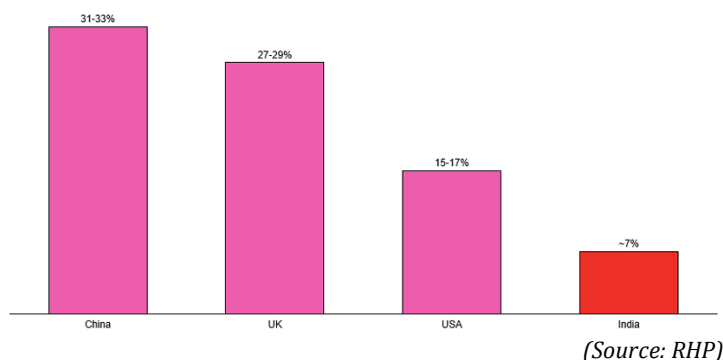
PEER ANALYSIS

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

Indian E-Commerce Industry -

The e-commerce market in India has grown at a CAGR of approximately 26% between the Financial Year 2017 and the Financial Year 2020. As of the Financial Year 2024, the e-commerce market size in India was ₹4,880-5,040 billion (approximately US\$61-63 billion) and is expected to grow at a CAGR of approximately 20% to reach ₹12,480-12,640 billion (approximately US\$156-158 billion) by the Financial Year 2029, with e-commerce penetration at 10-12% in the Financial Year 2029. Further, higher expansion in Tier 2+ cities and towns and the emergence of new e-commerce models such as Direct to Consumer (“D2C”) and value commerce will also drive the growth of e-commerce in India.

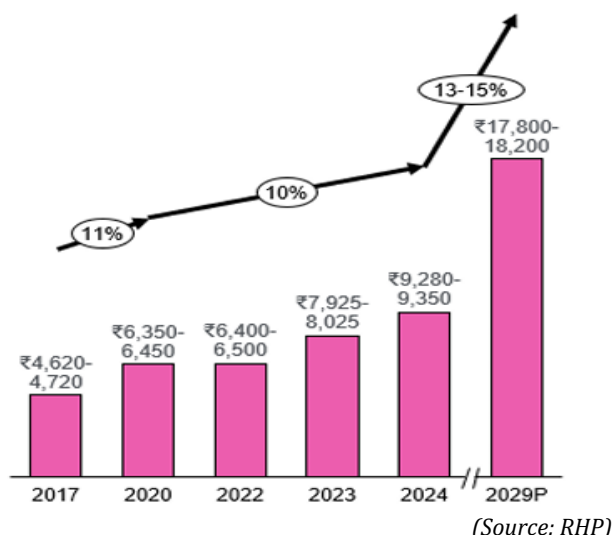
e-Commerce Penetration in India (as a share of overall retail market) and global benchmarks
% of total, FY2024



Indian Childcare Market-

Childcare Products spending per capita in India is currently nascent, at only ₹9,280-9,350 in the Financial Year 2024. It is projected to grow faster than those in mature markets, at a CAGR of 13-15% from the Financial Year 2024 to the Financial Year 2029 (compared to 2-4% for USA and 5-7% for China). The growth in per capita spending on Childcare Products in India is projected to be among the fastest globally. This is driven by increasing awareness of childcare, child health, and wellness, rising disposable incomes, and shifting customer perceptions that regard spending on Childcare Products as essential.

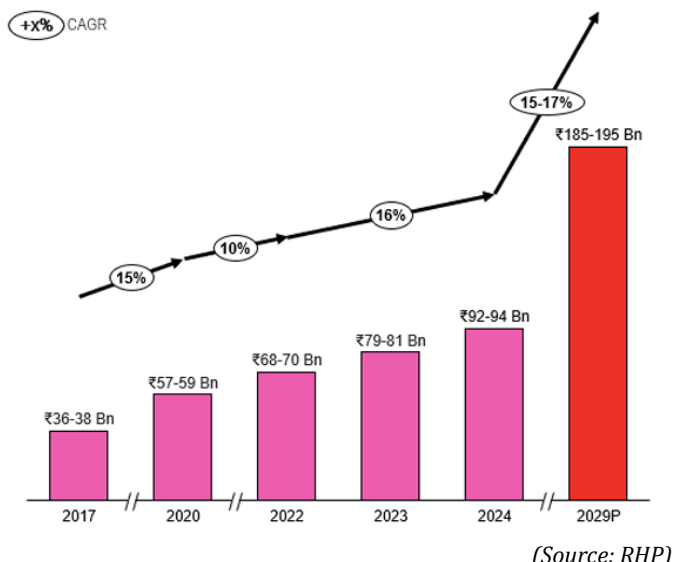
Spend per child on Childcare products in India
In INR, FY 2017-2024, 2029P



India Diaper Manufacturing Industry -

Diaper manufacturing market in India is estimated at ₹92-94 billion (approximately US\$1.2 billion) in the Financial Year 2024 and is projected to grow at a CAGR of 15-17% till the Financial Year 2029 to ₹ 185-195 billion (US\$ 2.3-2.4 billion).

India diaper manufacturing market
INR Bn, FY 2017-FY2024, 2029P



UAE and KSA Childcare Products Market -

- The UAE Childcare products market is estimated at ₹205-215 billion (approximately US\$ 2.6-2.7 billion) in the Financial Year 2024 and is projected to grow at a CAGR of 3-5% till the Financial Year 2029 to reach approximately ₹240-280 billion (US\$ 3-3.5 billion).
- KSA, the largest Childcare products market in GCC, is estimated at ₹535-545 billion (approximately US\$ 6.7-6.8 billion) in the Financial Year 2024 and is projected to grow at a CAGR of 3-5% till the Financial Year 2029 to reach ₹640-680 billion (US\$ 8-8.5 billion).

Key Management -

Key Management Persons Name -	Supam Maheshwari
Age	50
Designation and No. of years of experience	Managing Director and CEO, 14 Years of experience
Qualification	Bachelor's degree in Engineering (Mechanical), Post Graduate Diploma in Management.
Roles and Responsibility	Responsible for the overall management of the Company
Other Directorships	Busybees Logistics Solutions Private Limited, Firmroots Private Limited, Globalbees Brands Private Limited, Intellibeas Solutions Private Limited etc.

Key Management Persons Name -	Sanket Hattimattur
Age	42
Designation and No. of years of experience	Executive Director and Chief of Staff, 14 years of experience
Qualification	B. Com (Financial Accounting and Auditing)
Roles and Responsibility	Responsible for key initiatives in India business, strategy, M&A and overseeing international business expansion in the Company
Other Directorships	Digital Age Retail Private Limited and Shenzhen Starbees Services Limited

Key Management Persons Name -	Paul Davidson
Age	36
Designation and No. of years of experience	Non-Executive Director, 7 years of experience
Qualification	Bachelor's degree in Arts
Roles and Responsibility	-
Previous Associations	SVF Holdco (UK) Limited, Retina Finance UK Limited, Retina Finance UK Two Limited, Retina Finance UK Three Limited etc.

Key Management Persons Name -	Puneet Renjhen
Age	46
Designation and No. of years of experience	Non-Executive Director, 12+ years of experience
Qualification	Post Graduate programme in Management, Essentials of Leadership programme, Mahindra Universe Program.
Roles and Responsibility	-
Other Directorships	Mahindra Holdings Limited, Mahindra Susten Private Limited, Swaraj Engines Limited, Sustainable Energy Infra Investment Managers Private Limited etc.

Key Management Persons Name -	Bala C Deshpande
Age	58
Designation and No. of years of experience	Independent Director, 24 years of experience
Qualification	Bachelor's and Master's degree in Arts, Master's degree in Management
Roles and Responsibility	-
Other Directorships	eClerx Services Limited, Edelweiss Real Assets Managers Limited, Financial Software & Systems Private Limited, MediSys Edutech Private Limited etc.

Key Management Persons Name -	Neeraj Sagar
Age	53
Designation and No. of years of experience	Independent Director
Qualification	Bachelor's degree in Engineering (Chemical), M.Sc. in Petroleum Engineering and MBA
Roles and Responsibility	-
Other Directorships	Cognity Life India Private Limited, Globalbees Brands Private Limited, ZF Commercial Vehicle Control Systems India Limited etc.

Key Management Persons Name -	Gopalakrishnan Jagadeeswaran
Age	56
Designation and No. of years of experience	Independent Director, 30+ years of experience
Qualification	B. Sc degree, Master's degree in administration
Roles and Responsibility	-
Other Directorships	Shriprop Builders Private Limited, Shriprop Homes Private Limited, Shriprop Structures Private Limited, Shrivision Homes Private Limited etc.

Key Management Persons Name -	Sujata Vilas Bogawat
Age	45
Designation and No. of years of experience	Independent Director, 20 years of experience
Qualification	B.com degree and Post Graduate Diploma in Business Management, Qualified CA
Roles and Responsibility	-
Other Directorships	Avant Edge Business Consulting Private Limited, Convirza Private Limited (formerly known as Moentek Private Limited), Digital Age Retail Private Limited and SH Forhealth Solutions Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	2,401.29	5,632.54	6,480.86
Other Income	115.63	98.74	94.23
Total Income	2,516.92	5,731.28	6,575.08
Expenses			
Cost of Material Consumed	222.84	479.52	557.47
Purchase of stock-in-trade	1,754.46	3,117.18	3,889.89
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-405.15	338.62	-284.16
Employee benefits			
(i) Employee benefits expense	246.72	408.39	508.42
(ii) Employee share based payment expense	92.13	361.44	178.06
Finance Cost	37.68	71.57	115.36
Depreciation and Amortization expense	110.89	294.28	370.87
Other expenses	508.50	1,244.66	1,560.69
Total Expenses	2,568.06	6,315.67	6,896.60
EBITDA	-18.20	-317.27	70.49
EBITDA Margin	-0.76%	-5.63%	1.09%
Profit/(Loss) before exceptional items and tax	-51.14	-584.39	-321.52
Exceptional Items	-	54.37	-
Profit/(Loss) before tax	-51.14	-530.02	-321.52
Tax Expense			
Current tax	-12.14	-17.21	-43.81
Deferred Tax	-15.40	61.17	43.82
Total Tax Expense	-27.54	43.97	0.01
Profit/(Loss) for the year	-78.68	-486.06	-321.51
Net Profit Margin	-3.13%	-8.48%	-4.89%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	81.41	81.47	81.47
Equity component of compulsorily convertible preference shares	7.04	7.04	7.04
Other Equity	3,439.49	3,367.75	3,082.23
Non-Controlling Interest	760.10	743.44	620.72
Total Equity	4,288.04	4,199.69	3,791.45
2. Non-current liabilities			
Financial Liabilities			
(i) Borrowings	51.10	55.04	229.46
(i) Lease Liabilities	262.29	640.89	848.28
(iii) Other financial liabilities	484.42	681.95	708.55
Provisions	13.48	18.75	24.94
Deferred tax liabilities	174.54	301.46	284.52
Other non-current liabilities	11.94	17.21	54.12
Total Non-current liabilities	997.78	1,715.29	2,149.86
3. Current liabilities			
Financial Liabilities			
(i) Borrowings	39.06	121.43	233.26

Particulars	FY 22	FY 23	FY 24
(ii) Lease Liabilities	56.90	81.75	111.55
(iii) Trade Payables			
(a) Outstanding Dues to MSME	11.20	33.94	87.49
(b) Outstanding Dues to other than MSME	517.71	703.93	820.46
(iv) Other Financial Liabilities	211.78	115.99	126.82
Other current liabilities	65.93	139.69	178.25
Provisions	3.22	5.00	5.66
Current Tax Liabilities (net)	5.54	3.11	5.58
Total Current liabilities	911.35	1,204.84	1,569.07
Total Liabilities	1,909.12	2,920.14	3,718.93
Total Equity and Liabilities	6,197.16	7,119.83	7,510.38
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	246.08	421.57	669.16
Capital work-in-progress	41.42	24.53	0.51
Rights-of-use assets	324.21	711.66	900.88
Goodwill	641.78	775.84	778.15
Other Intangible Assets	1,000.49	1,624.08	1,519.77
Intangible assets under development	0.32	1.96	0.03
Financial Assets			
(i) Investments	0.00	0.01	5.01
(iii) Other financial assets	32.23	89.12	94.62
Deferred Tax Assets	113.00	162.79	189.74
Income Tax Assets (Net)	13.99	27.34	32.50
Other non-current assets	82.35	278.04	266.50
Total Non-Current assets	2,495.87	4,116.94	4,456.87
2. Current assets			
Inventories	979.55	1,286.00	1,629.46
Financial Assets			
(i) Investments	-	-	0.01
(ii) Trade receivables	217.98	225.13	218.41
(iii) Cash and cash equivalents	404.87	259.35	361.70
(iv) Bank balances other than cash and cash equivalents	1,863.31	920.02	312.09
(v) Loans	10.70	39.08	36.08
(vi) Other financial assets	12.83	13.06	79.19
Other Current Assets	212.06	260.25	416.58
Total Current assets	3,701.30	3,002.89	3,053.52
Total Assets	6,197.16	7,119.83	7,510.38

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-1,317.26	-3,989.89	-420.73
Net Cash Flow from Investing Activities	-4,905.81	3,040.89	629.44
Net Cash Flow from Financing Activities	6,443.76	-506.18	814.74

Key Ratios

Per Share Data	FY 22	FY 23	FY 24
Diluted EPS	-1.74	-9.97	-6.2
BV per share	88.72	86.89	78.44
Operating Ratios			
EBITDA Margins	-0.76%	-5.63%	1.09%
PAT Margins	-3.13%	-8.48%	-4.89%
Inventory days	148.89	83.34	91.77
Debtor days	33.13	14.59	12.30
Creditor days	97.02	74.02	73.55
Return Ratios			
RoCE	-2.44%	-10.34%	-5.06%
RoE	-1.83%	-11.57%	-8.48%

Valuation Ratios (x)	FY 22	FY 23	FY 24
EV/EBITDA	-115.93	-10.08	50.79
Market Cap / Sales	10.05	4.29	3.73
P/E	-267.24	-46.64	-75.00
Price to Book Value	5.24	5.35	5.93
Solvency Ratios			
Debt / Equity	0.02	0.04	0.12
Current Ratio	4.06	2.49	1.95
Quick Ratio	2.99	1.42	0.91
Asset Turnover	0.39	0.79	0.86
Interest Coverage Ratio	-3.43	-5.97	-3.13

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are Kotak Mahindra Capital Company Limited, Morgan Stanley India Company Private Limited, BofA Securities India Limited, JM Financial Limited and Avendus Capital Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Kotak Mahindra Capital Company Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Emcure Pharmaceuticals Limited	1,952.03	1,008.00	July 10, 2024	1,255.80
2.	Aadhar Housing Finance Limited	3,000.00	315.00	May 15, 2024	406.40
3.	Indegene Limited	1,841.76	452.00	May 13, 2024	554.85

The company has handled 24 mandates in the past three years (including the current year).

Morgan Stanley India Company Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Go Digit General Insurance Limited	2,614.65	272.00	May 23, 2024	326.40
2.	Nexus Select Trust	3,200.00	100.00	May 19, 2023	144.12
3.	Delhivery Limited	5,235.00	487.00	May 24, 2022	406.00

The company has handled 2 mandates in the past three years (including the current year).

BofA Securities India Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Tata Technologies Limited	3,000.00	315.00	May 15, 2024	447.25
2.	Nexus Select Trust	3,200.00	100.00	May 19, 2023	144.12
3.	Delhivery Limited	5,235.00	487.00	May 24, 2022	406.00

The company has handled 4 mandates in the past three years (including the current year).

JM Financials Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Stanley Lifestyles Limited	537.02	369.00	June 28, 2024	553.15
2.	Le Travenues Technology Limited	740.10	93.00	June 18, 2024	166.95
3.	TBO Tek Limited	1,550.81	920.00	May 15, 2024	1,661.30

The company has handled 38 mandates in the past three years (including the current year).

Avendus Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Tribhovandas Bhimji Zaveri Limited	200.00	120.00	May 09, 2012	135.75

The company has handled 0 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 6th July 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

The company has been in the industry since 2010 and has good experience in the industry. The management overview of the company is satisfactory.

The EPS on a post-IPO and annualised basis is -6.19 as the company has a total comprehensive loss for the year because of which the PE for the company is negative.

The company has seen an increase in the top line for FY 2024 due to increase in the sale of products and increase in the revenue from subsidiaries. But the company has faced continuous losses for FY 2022, 2023 and 2024 and this loss might be sustainable in the future. Due to the same the profitability margins have remained negative over the years.

The company has negative cash flow from operations for FY 2022, 2023 and 2024. If this continues in the future then it will adversely affect the results of operations, liquidity and financial condition of the company.

Also, the company doesn't have any identifiable promoter.

The e-commerce industry and the childcare market is highly fragmented and has many players.

Thus, knowledgeable investors can **AVOID** this IPO.

Disclaimer

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