

Baazar Style Retail Limited

7th August 2025

Beat on all estimates

In Q1 FY26, Baazar Style Retail Ltd (BSRL) delivered strong sales growth of ~37% on a YoY basis, driven by aggressive store expansion. During the quarter, private label contribution rose to ~61% of revenue (vs ~52% in Q1 FY25), supporting an improvement of ~300 bps in gross margin on a YoY basis to ~35.9%. EBITDA margin stood at ~15.4%, despite continued store additions and prior investments in warehousing and technology. Going forward, the management is targeting a revenue growth of 25% on a YoY basis in FY26 (supported by 7–8% SSSG) and 40–50 new store additions.

Gross margins are not expected to sustain

The Company achieved strong revenue momentum in Q1 FY26, supported by the net addition of 66 stores on a YoY basis, bringing the total store count to 232. Gross margin expanded by 300 bps YoY, driven by a higher contribution from private label products and lower spends on promotions and discounting during the quarter. However, with the onset of the festive season, promotional intensity is expected to rise, which may exert pressure on margins. Management has guided for a modest gross margin expansion of 50 bps for FY26.

Guidance maintained

For FY26, management reiterated its revenue growth guidance of 25%, backed by SSSG of 7–8% (despite -3% in Q1 FY26) and the planned addition of 40–50 new stores. Pre-Ind AS EBITDA margins are expected to remain in the 7–8% range for the year, with a target to reach EBITDA margins of 9–10% by FY28 supported by gross margin expansion and operating leverage. PAT margins, on a pre-Ind AS basis, are expected to be in the range of 3–4%.

View & Valuation

Given BSRL’s strong store expansion plans, sustained SSSG, and increasing focus on private-label offerings, we project revenue to grow at 20-25% over FY25–27E. This growth is expected to be supported by higher revenue per store and continued new store additions. We also anticipate slight EBITDA margin expansion, driven by a rising share of private labels and operating efficiencies due to store maturity. Based on these factors, we have revised our estimates and maintain our BUY rating on BSRL, valuing the Company at 12x EV/EBITDA on FY27E, implying an upside potential of ~24.1%.

BUY

CMP Rs. 290

TARGET Rs. 360 (+24.1%)

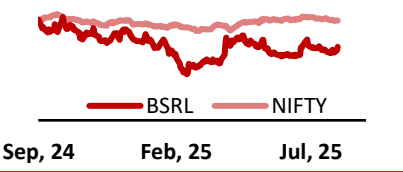
Company Data

Bloomberg Code	STYLEBAA IN
MCAP (Rs. Mn)	21,818
O/S Shares (Mn)	75
52w High/Low	431/181
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	106

Shareholding Pattern %

	Jun 25	Mar 25	Dec 24
Promoters	45.6	45.6	45.6
FIIIs	2.4	2.5	6.0
DIIIs	11.3	11.2	10.4
Non-Institutional	40.7	40.8	38.0

BSRL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY25	FY26E	FY27E
Revenue	13,437	16,751	20,152
EBITDA	1,896	2,362	2,922
Net Profit	147	156	310
Total Assets	17,329	19,839	22,211
ROCE (%)	8%	8%	10%
ROE (%)	5%	4%	7%

Source: Company, Keynote Capitals Ltd.

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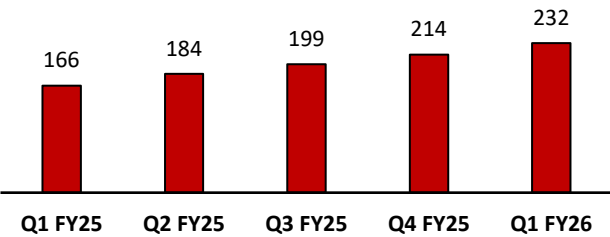
Q1 FY26 Result Update

Result Highlights (Rs. Mn)

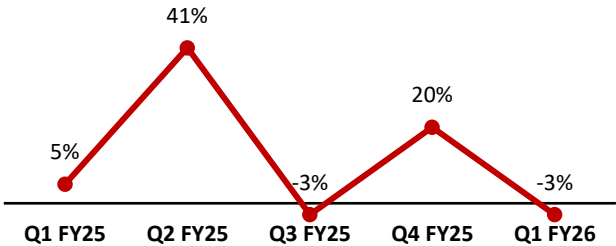
Particulars	Q1 FY26	Q1 FY25	Change % (Y-o-Y)	Q4 FY25	Change % (Q-o-Q)	FY25
Revenue from Operation	3,779	2,758	37%	3,454	9%	13,437
Gross Profit	1,356	907	50%	1,143	19%	4,542
Gross Profit %	35.9%	32.9%	300 Bps	33.1%	278 Bps	33.8%
Employee Cost	337	233	45%	321	5%	1,160
Other Expenses	436	254	72%	423	3%	1,486
EBITDA	582	420	39%	399	46%	1,896
EBITDA %	15.4%	15.2%	19 Bps	11.6%	385 Bps	14.1%
Depreciation	340	209	62%	294	16%	999
EBIT	242	211	15%	105	130%	897
EBIT %	6.4%	7.6%	-123 Bps	3.1%	336 Bps	6.7%
Finance Cost	235	141	67%	217	8%	690
Other Income	29	31	-8%	18	63%	90
Exceptional Items	-8	-108	-	0	-	-108
PBT	28	-6	-	-94	-	189
Tax Expenses	8	-2	-	-30	-	42
PAT	21	-4	-	-64	-	147
EPS	0.28	-0.06		-0.86		2.02

Source: Company, Keynote Capitals Ltd.

Store Count

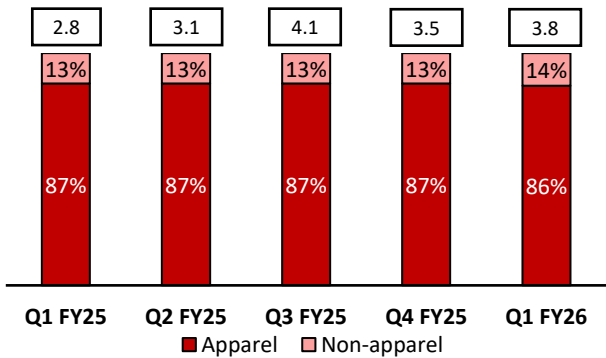


Same Store Sales Growth [SSSG] (%)



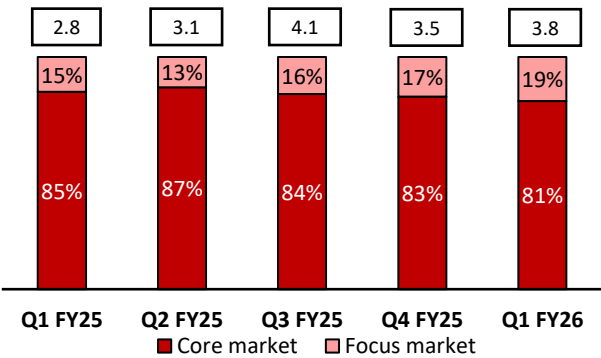
Revenue Mix - Product wise (%)

(Rs. Bn)

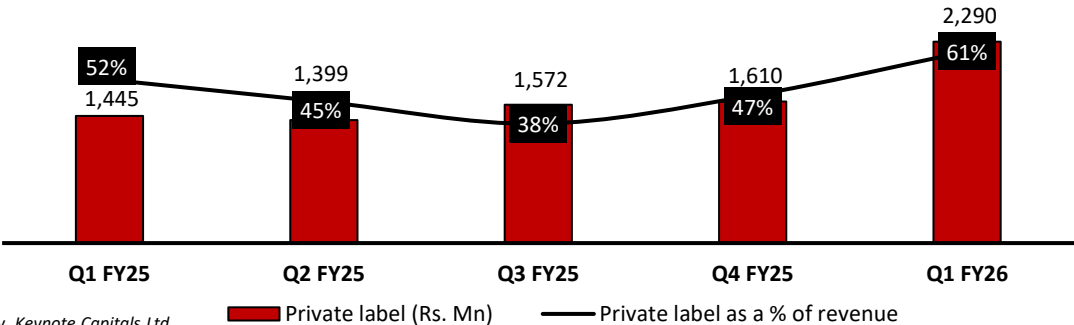


Revenue Mix – Market wise (%)

(Rs. Bn)



Private Label Contribution



Source: Company, Keynote Capitals Ltd.

Private label (Rs. Mn)

Private label as a % of revenue

Q1 FY26 Conference Call Takeaways

General Highlights

- An expansion in the store network primarily drove the sharp increase in other expenses during the quarter. As the business scales, operating leverage is expected to play out.
- In Q1 FY26, full-price sales contributed 92% to total revenues, marking an improvement from 89% in Q1 FY25.
- Average rental cost increased to Rs. 56/sq ft per month in Q1 FY26 from Rs. 53/sq ft per month in Q1 FY25, attributable to the Company's strategic expansion into metro and Tier 1 cities, where rental rates are typically higher.
- The Company has recovered Rs. 34.8 Mn for a capital asset valued at Rs. 42.4 Mn. Management highlighted that the claim for the inventory loss [amounting to Rs. 508.5 Mn] is still under review and will be settled separately in due course.
- To enhance supply chain efficiency and improve inventory turnover, the Company plans to transition from the Genesys platform to SAP HANA, reflecting its continued investment in backend capabilities.
- The payback period for a store in Core geographies stands at ~18 months, while Focused geographies range between 20–21 months. Including inventory investment, the payback extends to 33–36 months for Core geographies and 35–39 months for Focused geographies.
- As of Q1 FY26, the Company's gross debt stood at ~Rs. 1,574 Mn. Management expects to reduce this to ~Rs. 1,200 Mn by Q4 FY26.
- Corporate expenses for the quarter were 6.15% as a percentage of sales.
- Sales per store in Tier 1 stands at Rs. 12000/sq ft per month and Tier 2-4 stands at Rs. 8500/sq ft per month.
- ASP declined to Rs. 267 in Q1 FY26 from Rs. 286 in Q1 FY25.
- Out of the total 232 operational stores as of Q1 FY26, 145 are classified as matured stores.
- The Company has 51 stores in metro and Tier 1 cities as of Q1 FY26. Payback periods in these geographies typically range around 18 months, with a variability of $\pm 2 - 3$ months depending on location-specific dynamics.

Management Guidance

- Despite reporting an SSSG of -3% in Q1 FY26, impacted by the advancement of Eid sales into Q4 FY25, management remains confident in delivering a full-year SSSG of 7–8% in FY26.
- Management expects gross margins to improve by ~50 bps in FY26.
- The Company has guided for pre-Ind AS EBITDA margins in the range of 7–8% for FY26, with a roadmap to expand margins to 9–10% by FY28, driven by operating leverage and supply chain efficiencies.
- On a pre-Ind AS basis, the Company expects to deliver a PAT margin in the range of 3–4%, indicating a steady progression towards sustainable profitability.
- The upcoming quarter (Q2 FY26) is expected to be strong, as 11 days of the Durga Puja festive period fall within this quarter, unlike the previous year.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	9,729	13,437	16,751	20,152	23,714
Growth %		38%	25%	20%	18%
Raw Material Expenses	6,469	8,913	11,072	13,280	15,627
Employee Expenses	801	1,160	1,457	1,733	2,039
Other Expenses	1,038	1,468	1,859	2,217	2,609
EBITDA	1,422	1,896	2,362	2,922	3,439
Growth %		33%	25%	24%	18%
Margin%	14.6%	14.1%	14.1%	14.5%	14.5%
Depreciation	735	999	1,322	1,469	1,587
EBIT	687	897	1,040	1,453	1,851
Growth %		31%	16%	40%	27%
Margin%	7%	7%	6%	7%	8%
Interest Paid	494	690	917	1,126	1,312
Other Income & exceptional	99	-18	85	85	85
PBT	292	189	208	413	624
Tax	73	42	52	103	156
PAT	219	147	156	310	468
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	219	147	156	310	468
Shares (Mn)	69.9	74.6	74.6	74.6	74.6
EPS	3.14	2.02	2.09	4.15	6.27

Balance Sheet

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Cash, Cash equivalents & Bank	149	221	821	1,976	3,611
Current Investments	0	0	0	0	0
Debtors	0	0	0	0	0
Inventory	4,329	5,215	7,197	8,632	10,158
Short Term Loans & Advances	557	644	644	644	644
Other Current Assets	58	587	587	587	587
Total Current Assets	5,093	6,666	9,249	11,839	14,999
Net Block & CWIP	6,269	10,313	10,242	10,023	9,685
Long Term Investments	0	0	0	0	0
Other Non-current Assets	200	349	349	349	349
Total Assets	11,561	17,329	19,839	22,211	25,034
Creditors	2,618	3,108	4,177	4,709	5,489
Provision	119	3	3	3	3
Short Term Borrowings	1,491	1,488	1,338	1,338	1,338
Other Current Liabilities	629	915	915	915	915
Total Current Liabilities	4,857	5,514	6,434	6,966	7,745
Long Term Debt	291	177	127	127	127
Deferred Tax Liabilities	-159	-213	-213	-213	-213
Other Long Term Liabilities	4,421	7,813	9,298	10,828	12,403
Total Non Current Liabilities	4,553	7,777	9,212	10,742	12,317
Paid-up Capital	349	373	373	373	373
Reserves & Surplus	1,802	3,664	3,820	4,130	4,598
Shareholders' Equity	2,151	4,037	4,193	4,503	4,971
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	11,561	17,329	19,839	22,211	25,034

Cash Flow

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	292	189	208	413	624
Adjustments	1,167	1,760	2,153	2,509	2,814
Change in Working Capital	-315	-1,299	572	626	829
Total Tax Paid	-28	-123	-52	-103	-156
Cash flow from operating Activities	1,116	527	2,882	3,445	4,112
Net Capital Expenditure	-846	-1,028	-1,250	-1,250	-1,250
Change in investments	0	-1	0	0	0
Other investing activities	1	1	85	85	85
Cash flow from investing activities	-845	-1,027	-1,165	-1,165	-1,165
Equity raised / (repaid)	0	1752.36	0	0	0
Debt raised / (repaid)	631	-119	-200	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-812	-1,092	-917	-1,126	-1,312
Cash flow from financing activities	-181	541	-1,117	-1,126	-1,312
Net Change in cash	89	41	600	1,155	1,635

Valuation Ratios

	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
EPS	3	2	2	4	6
Book Value Per Share	31	54	56	60	67
Return Ratios					
Return on Assets (%)	2%	1%	1%	1%	2%
Return on Equity (%)	11%	5%	4%	7%	10%
Return on Capital Employed (%)	10%	8%	8%	10%	11%
Turnover Ratios					
Asset Turnover (x)	1.0	0.9	0.9	1.0	1.0
Sales / Gross Block (x)	1.3	1.2	1.2	1.3	1.4
Working Capital / Sales (%)	4%	5%	12%	19%	26%
Receivable Days	0	0	0	0	0
Inventory Days	212	195	205	218	219
Payable Days	102	107	102	110	109
Working Capital Days	109	89	103	107	111
Liquidity Ratios					
Current Ratio (x)	1.0	1.2	1.4	1.7	1.9
Interest Coverage Ratio (x)	1.6	1.4	1.2	1.4	1.5
Total Debt to Equity	0.8	0.4	0.3	0.3	0.3
Net Debt to Equity	0.8	0.4	0.2	-0.1	-0.4
Valuation					
Price to Sales (x)		1.3	1.3	1.1	0.9
Price to Book (x)		4.4	5.2	4.8	4.4
EV/EBITDA (x)		9.9	13.6	11.0	9.3
EV/Sales (x)		1.4	1.9	1.6	1.4

Source: Company, Keynote Capitals Ltd.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
5 th March 2025	BUY	216	+53.0%
20 th May 2025	BUY	285	+15.5%
7 th August 2025	BUY	290	+24.1%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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