

6 May 2026

Recode Studios Limited – SUBSCRIBE

Company Overview

Recode Studios Limited is a Ludhiana-based Beauty and Personal Care (BPC) brand operating on an asset-light, omnichannel business model. Originally founded in 2018 as a partnership firm "M/s Lush Looks," it was incorporated as Recode Studios Private Limited on June 16, 2021, and transitioned to a public limited company in September 2025.

Investment Rationale

- The company presents a compelling investment case in India's booming BPC sector through its asset-light, capital efficient business model. By avoiding heavy capex on manufacturing, it maintains an agile product development cycle that quickly aligns with fast changing social media trends.
- Profitability:** EBITDA margin expanded sharply from 4.54% in FY24 to 23.24% in 9MFY26, while PAT margin improved from 0.74% to 15.79%.
- Diversified Omnichannel Presence:** A balanced mix of 22 physical stores, a strong proprietary D2C platform, and prominent listings on leading marketplaces like Nykaa, Amazon, Myntra, and Flipkart.
- Brand Recall:** Gained national visibility through its Shark Tank India appearance, backed by 457K+ Instagram followers and strategic influencer partnerships.
- Industry Tailwinds:** Well positioned to capture growth in the domestic cosmetics market, expected to rise from USD 15.19 Bn in 2024 to USD 27.75 Bn by 2034 at 6.21% CAGR, with Gen Z and Gen Alpha projected to account for 50% of India's BPC spending by 2030.
- Balance Sheet Improvement:** Aggressive deleveraging reduced the D/E ratio from 1.43 in FY24 to 0.19 by Dec 2025 through internal accruals and capital restructuring.
- Growth:** Strong foothold in North India with ongoing expansion into South & East regions via the FOFO model, alongside future plans for Middle East and Southeast Asia markets.

Valuation

At the upper price of Rs. 158, the IPO looks expensive at 38.9x FY25 EPS, but much cheaper at 10.6x based on expected FY26 EPS. Compared to peers like Honasa and Nykaa, which trade at very high valuations, and Ravelcare at 16.95x, the company is reasonably priced. Although it is priced higher than Ravelcare, it justifies this with strong growth, improving margins, and high ROE 68%. Overall, the valuation seems fair and could improve further as future earnings are confirmed. Hence, we recommend **SUBSCRIBE** to this SME IPO.

IPO Details

Industry	Beauty & Personal Care
Issue Open Date	05-May-26
Issue Close Date	07-May-26
Price Band	Rs. 150-158
Issue Size*	Rs. 4,459 Lakh
Issue Size (Shares)	28,22,400
Bid Lot	800 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

* At highest price band

Issue Details

Fresh Issue*	Rs. 3,726 Lakh
Offer for Sale	Rs. 504 Lakh
Issue Type	Fresh capital cum OFS
Lead Manager	Seren Capital
Registrar	Mudra RTA Ventures
Issue structure	Market Maker: 5.13% QIB: 47.36% NII: 14.29% Retail: 33.22%
Allotment	08-May-26
Credit of Shares	11-May-26
Listing Date	12-May-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	574
Working Capital	1,950
Marketing and Advertisement Exp	541
Corporate Purpose	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	88.93	65.01
Public & Others	11.07	34.99

Business Highlights

Revenue Mix by Product Category

Category	Dec 2025 Share
Face Make-Up	70.00%
Eye Make-Up	14.17%
Lip Make-Up	7.45%
Face & Body Care	7.10%
Other Accessories	4.09%

Geographic Concentration

- North Zone: Largest contributor 33.50%.
- Ludhiana, Punjab: HQ + primary warehouses.
- Active expansion into South & East India via franchise model.

Industry Tailwinds

- Skincare: 39% of market, Haircare: 21%, Makeup: 17%.
- Rising trends: Clean beauty, Ayurvedic/organic, gender neutral, male grooming.
- Tech adoption: AI personalization, AR/VR try on tools.

Financials

Financial Performance:

Particulars (in Lakh)	FY23	FY24	FY25	9MFY26	CAGR (FY23-25)
Revenue from Operations	2,238	3,682	4,780	5,739	46%
EBITDA	144	167	613	1,334	106%
EBITDA Margin	6.42%	4.54%	12.82%	23.24%	
PAT	69	27	330	906	118%
PAT Margin	3.10%	0.74%	6.91%	15.79%	

- Revenue CAGR: 46%; 9M FY26 already exceeds full year FY25.
- FY24 PAT dip caused by aggressive ad spend Rs. 546.49 Lakh + higher finance costs.
- Margin expansion in FY25 and 9M FY26 driven by bulk procurement discounts + manpower rationalization, employees reduced from 139 to 95.

Balance Sheet:

Particulars	FY23	FY24	FY25	9MFY26	Particulars	FY23	FY24	FY25	9MFY26
Equity & Liabilities					Assets				
Net Worth	520	547	877	1,784	PPE	79	203	245	323
Long Term Debt	179	274	245	147	Inventories	562	671	908	1,047
Short Term Debt	200	511	511	195	Trade Rec.	333	594	809	998
Trade Payables	282	150	411	342	Cash	45	16	82	45

- Net Worth tripled from Rs. 520 Lakh to Rs. 1,784 Lakh, entirely on profit accretion, no fresh equity infused.
- Debt peaked at Rs. 785 Lakh in FY24, then halved to Rs. 342 Lakh by 9MFY26. D/E compressed from 1.43x to 0.19x, a clean deleveraging story.
- Inventory efficiency improved materially: Days fell from 92 to 50. Revenue grew faster than inventory, which drove the operating cash flow turn.

Cash Flow:

Particulars	FY 2023	FY 2024	FY 2025	9M FY 2026
Operating Cash Flow	(526.67)	(163.62)	313.97	597.30
Investing Cash Flow	(81.42)	(183.75)	(99.86)	(167.33)
Financing Cash Flow	612.11	319.18	(148.42)	(467.34)
Net Cash Flow	4.02	(28.19)	65.69	(37.36)

- Major positive turn: Operating Cash Flow flipped from Rs. 526.67 Lakh in FY23 to Rs. 597.30 Lakh in 9MFY26.
- Investing outflows directed toward warehouse/vehicles/equipment.
- Financing turned negative in FY25–FY26, debt repayment using internal accruals.

Key Ratios:

Ratio	FY25
Return on Equity	46.37%
Return on Capital Employed	34.47%
Debt-Equity Ratio	0.86x
Current Ratio	1.75x
EPS (Rs.)	4.06
NAV (Rs.)	10.78

- **ROE 46.37%**, best in class versus listed BPC peers, Honasa 6.39%, and Nykaa 5.49%. Driven by the sharp PAT recovery to Rs. 330 Lakh from Rs. 27 Lakh in FY24.
- **ROCE at 34.47%** confirms operational efficiency beyond just financial leverage, the business is genuinely earning well above its cost of capital on the underlying asset base.
- **D/E at 0.86x** already on a downward path; collapsed to 0.19x by 9MFY26. FY25 ratios understate the current balance sheet strength.

Peer Comparison

Metrics (FY25)	Recode Studios	Honasa Consumer	FSN E-Commerce	Ravelcare
Revenue	4,780	2,06,695	7,94,982	2,498
EBITDA	613	6,853	47,400	682
PAT	330	7,269	7,207	526
EPS	4.06	2.23	0.23	10.5
RONW	37.64%	6.16%	5.60%	50.77%
NAV	10.78	36.28	4.55	20.68
P/E Ratio	38.92	349.37	1,151.91	16.95

Risk & Concerns

- **100% Outsourced Manufacturing:** No direct control over production quality, supply continuity, or formulation security. Reliance on 11 domestics + 6 international vendors.
- **Severe Product Concentration:** Face Make Up alone 70% of revenue.
- **Geographic Concentration:** Heavy dependence on North India, particularly Ludhiana.
- **Franchise Risk:** 19 of 22 stores are FOFO, limited operational control over service quality and brand experience.
- **High Working Capital Intensity:** Inventory and Receivables are 83% of current assets.
- **Intense competition** from Nykaa, Mamaearth, Sugar Cosmetics, Lakme, Maybelline, all with significantly larger marketing budgets and pan-India reach.
- **Lush Looks Conflict:** Promoters involved in similar line partnership firm, non-compete signed Feb 2026 but residual conflict risk remains.
- **Related Party Leases:** Multiple warehouses/offices leased from related parties.

Name

Designation

Sanket Roge

Research Analyst

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Bonanza Portfolio Ltd.

Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063 Phone: 022-68363794/708 Website: <https://www.bonanzaonline.com> SEBI Regn. No.: INZ000212137 BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836 | CDSL: 120 33500 INSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186
Compliance Officer: Trupti Milind Khot, 022-62735507, compliance@bonanzaonline.com