



Electronics Mart India Limited ("EMI") is the 4<sup>th</sup> largest electronic retailers and is strongly placed in the southern region. The company expanded in Delhi which offers a scope for growth in terms of revenues. The company prioritizes profitability of the store before expansion and is focused on enhancing the sales volume with optimal product assortments offering value for money. This has helped it to be retailers to have one of the highest margin among peers with a decent revenue growth. Considering the emerging demographics in India backed with rising per capita income, improving power situation, multiple financing options we believe there is a scope for organized electronic retail segment to grow. Post covid there has been an increase in the demand for consumer durables as highlighted by the management. In comparison to its listed peer, the issue is available for a lower valuation. Hence, we recommend to SUBSCRIBE to the issue for listing gains and long term.



#### About Company

Electronics Mart India Limited (EMI) is the 4<sup>th</sup> largest and one of the fastest growing consumer durables and electronics retailers in India dealing in home entertainment, mobiles, laptop, home appliances, camera, kitchen appliances and personal care. The company has 100 stores are Multi Brand Outlets ("MBOs") and 12 stores are Exclusive Brand Outlets ("EBOs"). They operate 89 MBOs under the name Bajaj Electronics in Andhra Pradesh and Telangana, 8 MBO under the name of "Electronics Mart" in the NCR region, 2 specialized stores under the name "Kitchen Stories" and 1 focusing on high end home audio and home automation solutions "Audio and Beyond"

#### Issue details

Price Band (in ₹ per share)	56-59
Issue size (in ₹ Crore)	500
Fresh Issue (in ₹ Crore)	500
OFS (in ₹ Crore)	NIL
Issue open date	04-10-2022
Issue close date	07-10-2022
Tentative date of Allotment	12-10-2022
Tentative date of Listing	17-10-2022
Total number of shares (lakhs)	892.86-847.46
No. of shares for QIBs (50%) (lakhs)	446.43-423.73
No. of shares for NII (15%) (lakhs)	133.93-127.12
No. of shares for retail investors (35%) (lakhs)	312.50-296.61
Minimum order quantity	254
Face value (in ₹)	10.00
Amount for retail investors (1 lot)	14,224-14,986
Maximum number of shares for Retail investors at lower Band	3556(14 Lots)
Maximum number of shares for Retail investors at upper band	3302(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,99,136-1,94,818
Exchanges to be listed on	BSE, NSE

#### Promoters

1. Pavan Kumar Bajaj
2. Karan Bajaj

#### Objective of the Offer

1. Funding of capital expenditure for expansion and opening of stores and warehouses
2. Funding incremental working capital requirements
3. Repayment/ prepayment, in full or part, of all or certain borrowings availed by the company

**Brief Financials**

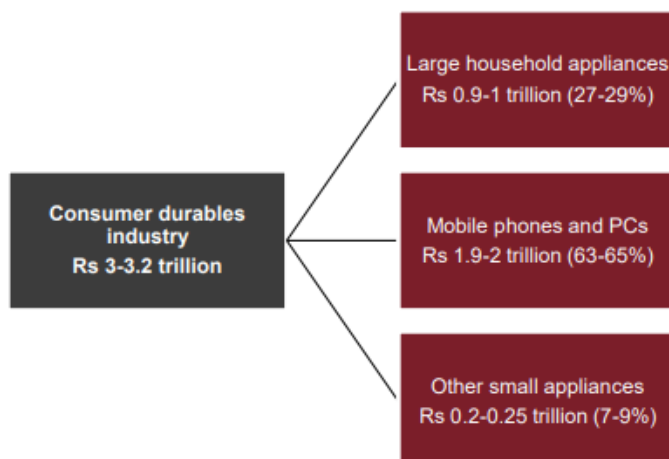
Particulars (Rs. Cr)*	JUN 22 (3M)	FY22	FY21	FY20
Share Capital	300.00	300.00	300.00	300.00
Net Worth	637.97	596.51	491.92	433.08
Revenue from Operation	1408.45	4349.22	3201.88	3172.48
PBT	55.10	139.76	79.56	112.18
PAT	40.66	103.89	58.62	81.61
Basic EPS(Rs)	5.44^	3.46	1.95	2.72
NAV	21.27	19.88	16.40	14.44
P/E#	10.84	17.05	NA	NA
P/B #	2.77	2.97	NA	NA

Source: RHP # Calculated at the upper price band, \* Restated consolidated financials ^Annualised P/E

**Industry Review**

Consumer durables (or electronic home appliances) are defined as products/ appliances that have a certain utility and/or entertainment value, lengthier life (typically more than three years), and require replacement after a few years. These appliances are of two types – large and small. While large appliances include products such as colour televisions (CTVs), refrigerators, washing machines (WMs) and room air conditioners (RACs), small appliances include geysers, kitchen appliances and personal use electronic products. Apart from household appliances, mobile devices form a significant part of the consumer durables and personal devices segment. CRISIL Research estimates the size of India's consumer durables industry, including large consumer durables, mobile phones and smaller appliances, at Rs 3-3.2 trillion as of fiscal 2022. The industry recorded ~12% CAGR between fiscals 2017 and 2020, backed by increasing disposable incomes, lower penetration, a widening product base, competitive pricing, lowering replacement cycles and an expanding product portfolio.

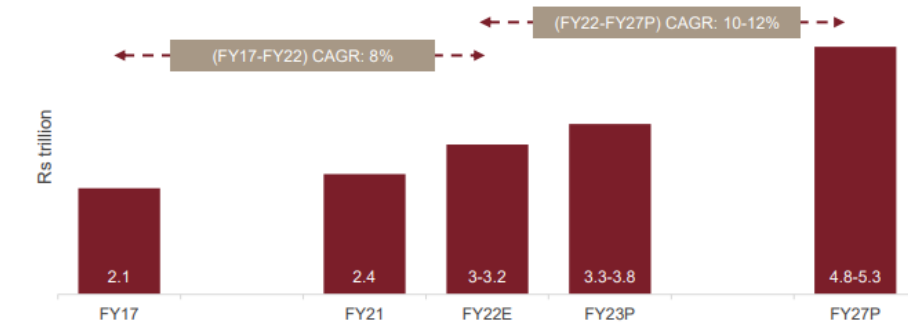
However, the industry recorded a decline of 20% on year in fiscal 2021 amid the Covid-19 pandemic. In fiscal 2021, the pandemic and the subsequent lockdown hit the industry hard. The online and B&M segments were severely impacted in the first quarter of the fiscal. With a staggered unlock, e-retail resumed operations, providing a much-needed breather to the organised industry. B&M stores registered gradual improvement from the second quarter. Consumer durables, being discretionary in nature, were more impacted than essential commodities such as food and medicine. However, work from home and online classes provided an added impetus to growth of consumer durables, especially mobiles and laptops, in the fiscal. Moreover, TVs and refrigerators saw better traction amid the increased need for in-house entertainment and more storage for perishable items such as milk, vegetables and grocery. Smaller kitchen appliances such as dishwasher and trimmers witnessed increased demand amid the lockdown. Fans and kitchen appliances, such as mixers/grinders and blenders, showed better resilience compared with other categories of consumer durables.





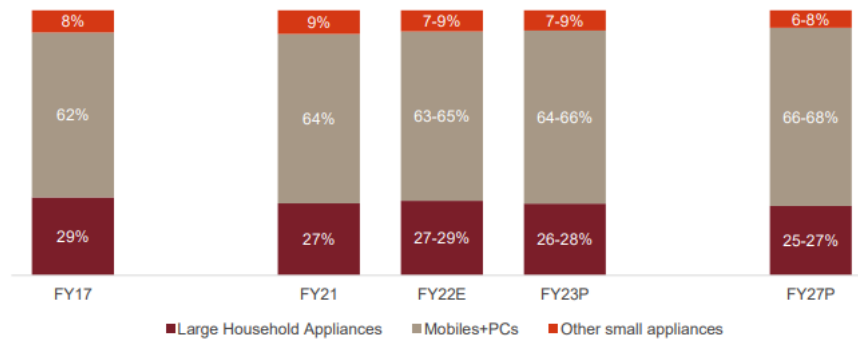
## Industry Review

Overall consumer durables market growth over fiscals 2017-2027P



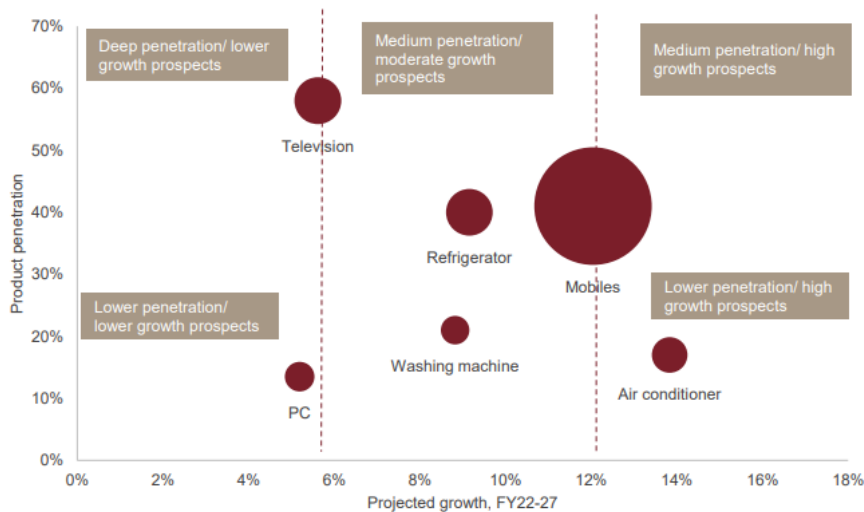
Source: Industry, CRISIL Research

Consumer durables market segment-wise split



Source: Industry, CRISIL Research

Market size, penetration, and five-year growth potential of consumer durable segments (fiscal 2022)



Note: The size of a bubble indicates the size of the segment

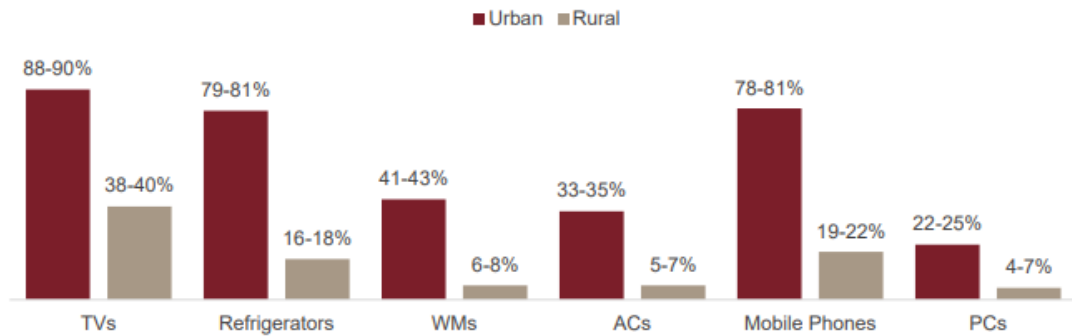
Penetration of a consumer durable product = Total number of the product (say TV) sold in a country / total number of large households

Source: Industry, CRISIL Research



## Industry Review

## Product-wise household penetration in rural and urban areas as of fiscal 2022



Source: CRISIL Research

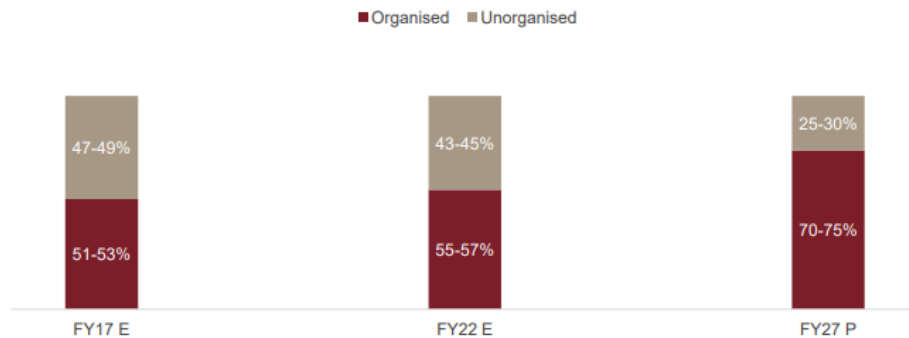
## Country-wise product penetration

% of households	India	US	Germany	Japan	Australia	China	Brazil
Colour television	58	98-100	96-98	96-98	98-100	96-98	95-97
Refrigerator	40	98-100	98-100	97-99	98-100	95-97	97-99
Mobile	41	94-96	97-99	96-98	98-100	96-98	93-95
Washing machine	21	85-87	95-97	96-98	97-99	93-95	66-68
Air conditioner	17	91-93	25-27	93-95	79-81	92-94	19-21
Personal computer	14	91-93	91-93	79-81	84-86	59-61	44-46

Note: India data is for fiscal 2022; data for other countries is for calendar year 2020

Source: CRISIL Research

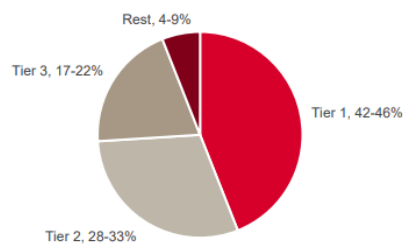
## Organised, unorganised break-up in India's consumer durables industry



Note: Includes large household appliances and mobile/PC segments

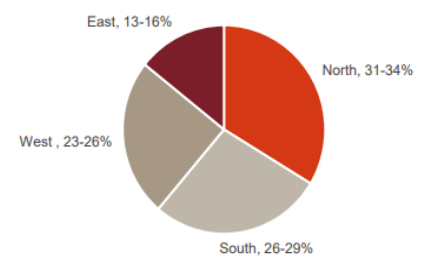
Source: Industry, CRISIL Research

## Tier-wise market break-up (fiscal 2022)



Source: Industry, CRISIL Research

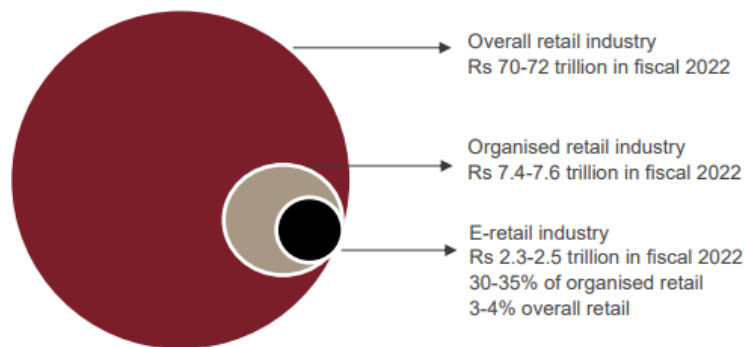
## Region-wise market break-up (fiscal 2022)



Source: Industry, CRISIL Research

## Industry Review

Online retail share in overall retail



Source: CRISIL Research

Consumption slowdown following Covid-19 impacted demand in fiscal 2021, with the first quarter feeling the brunt on account of ban on sale of non-essentials. The sector performed well during the festive season with demand coming in from Tier II and Tier III cities apart from metro and Tier I. With social distancing norms being in place and fear of spread of infection due to the pandemic, people preferred buying online. Thus, where most sectors witnessed de-growth during the fiscal, online retail is estimated to have witnessed growth, albeit at a slower pace of around 10-12% in fiscal 2021. E retail of essentials including food & grocery provided a significant impetus.

Moreover, the sector is estimated to have witnessed a healthy growth of 25-30% in fiscal 2022 on a low base of previous fiscal. Ban on sale of non-essentials for most part of the first quarter impacted demand to some extent. However, post that, the sector saw some revival. The festive season too brought cheer.

Going forward, players are expected to focus on customer convenience and their online experience rather than on only discounts. Entry of India's largest brick and mortar retailer Reliance Retail into the online channel will only intensify competition and benefit the customer and the industry. CRISIL Research projects online retail to clock 23-25% CAGR between fiscals 2022 and 2027.



## Competitive Strengths

### One of the leading players in India -

As of August 2022, the company operates 112 stores located across 36 cities. The company is associated with more than 70 electronic brands and has a long standing relationship of more than 15 years with a certain number of brands which operate in product categories such as large appliances, mobiles, small appliances, IT and others.

### Operational flexibility to create long term sustainable footprint –

The company operates with a mix of ownership and lease rental model. In order to optimise its profitability, they maintain operational flexibility and ensure that the stores continue to be located in densely populated neighbourhoods and residential locations, it has a flexible strategy of owning or leasing premises according to availability, cost and other considerations.

The company gives emphasis on identifying ‘growth pockets’ – places in major cities where addressable population density is high. The company follows an extremely meticulous approach in choice of locations - Partial investment in refurbishment of the locations allows the management to keep the rentals & subsequent annual hikes low

### Diversified product offering –

The company offers its customers a wide product range across multiple categories, brands, price points to ensure that customers have range of product options to choose from and is able to make the value buy decision. It focuses on providing a competitive product range for the leading brands at store.

The company sells more than 6,000 SKUs for varied product categories. It uses the company’s understanding of the regions to customize its product assortment keeping in mind local demands and preferences. Its stores offer customers a comprehensive, distinctive and convenient shopping experience similar to a retail mall which enables it to showcase a wide range of electronic products of varied brands and price ranges under one roof, thereby offering one-stop-solution to all the electronic needs of existing and prospective customers. Its customised product assortment and comprehensive product portfolio enables to achieve better visibility, brand recognition, deeper market penetration and increased customer base.

### Strategically located logistics and warehousing facilities backed with stringent inventory management–

The company’s strategically located warehousing facilities enables it to fulfil promise of timely delivery at cost competitive prices. It operates through a combination of large centrally located warehousing facilities which are backed by individual storage areas at store level.

Its wide-spread supplier network and warehousing facilities located within the reach of consumer durable and electronic retail stores has also allowed it to provide products at cost competitive prices due to the reduced procurement and transportation costs. Its sourcing capability, efficient logistics network and robust technological infrastructure have enabled it to deliver on value retailing promise and create a brand presence among its customers and brand partners. It has an extensive network of suppliers and more than 80% of the volume of procurement is from OEMS, which enables to efficiently source its products and minimise procurement costs.



## Risk Factors

### Inability to identify the customer profile and competition-

Majority of the stores are presently concentrated in Andhra Pradesh and Telangana. However, it plans to expand into new geographies. The company has opened eight stores in NCR till August 31, 2022 and intends to expand further in the said areas including AP and Telangana. Pursuant to such a growth strategy, they may be exposed to risks, which may arise due to lack of familiarity and understanding of the economic conditions in those areas, may be higher than expected. As the company enters new locations, it will face competition from regional or national players, who may have an established local presence, and may be more familiar with local customers' design preferences, business practices and customs.

### Competition from online players-

Competition from online retailers who are able to offer products at competitive prices and are also able to offer wide range of products may adversely affect business and financial condition, results of operations and cash flows.

### Dependence on brand promotion –

The business is highly dependent on the brand owners effectively maintaining, promoting or developing their brands and maintaining standard quality products including launching new electronic products at regular intervals. In case any of brand partners is unable to do so, the company's sales would get impacted which would have an adverse impact on the operations and financial performance of the Company.

## Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	ROE	ROCE
Electronics Mart India Ltd.	4349.32	10.00	5.44	21.27	10.84	2.77	17.42%	19.10%
Aditya Vision Ltd.	899.11	10.00	30.43	72.67	47.22	19.77	41.88%	24.20%

*\*P/E & P/B ratio based on closing market price as on Sept 29th, 2022, At the upper price band of IPO, financial details consolidated audited results as on FY22.*



## Our View

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**Source— Company, RHP, CBSL**





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