



IPO Report

30th Sept' 22

Snapshot

Electronics Mart India Ltd (EMIL) is the 4th largest and one of the fastest growing consumer durables and electronics retailers in India and as of Financial Year 2021, company is the largest regional organised player in the southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh

VALUATION

Company is bringing the issue at price band of Rs 56-59 per share at p/e multiple of 17x on post issue FY22 PAT basis. Company is the 4th largest consumer durable and electronics retailer in India with a leadership position in South India. Company's scale of operations along with its long-standing relationship with leading consumer brands enables it to procure products at competitive rates. Company being one of the fastest growing consumer durable and electronics retailer with consistent track record of growth and industry leading profitability has business model that provide operational flexibility to create long term sustainable footprint. Hence . looking after all above ,we recommend "Subscribe" on issue.

Price Band (Rs./Share)	56-59
Opening date of the issue	04th Oct 2022
Closing Date of the issue	07th Oct 2022
No of shares pre issue	300,003,000 Eq Shares
Issue Size	Rs 500 Cr
Fresh Issue	Rs 500 Cr
Face Value (Rs/ share)	10
Bid Lot	254

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 42372880 Eq Shares)
Non-Institutional	15% of the offer (Approx 12711865 Eq Shares)
Retail	35 % of the offer (Approx 29661017 Eq Shares)
Lead managers	Anand Rathi Advisors , IIFL Securities, JM Financial
Registrar to the issue	KFin Technologies. Ltd.

WHAT WE LIKE

4th largest consumer durable and electronics retailer in India with a leadership position in South India

As of August 31, 2022, company operate and manage 112 stores with a retail business area of 1.12 million sq. ft., located across 36 cities/urban agglomerates. As of August 31, 2022, company operate and manage 112 stores with a retail business area of 1.12 million sq. ft., located across 36 cities/urban agglomerates. Company is currently 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.

One of the fastest growing consumer durable and electronics retailer with consistent track record of growth and industry leading profitability.

Company have been one of the fastest growing consumer durable and electronics retailer in India with Revenue CAGR of 17.90% from Financial Year 2016 to Financial Year 2021 . Company have registered same store growth rate of (0.70)%, (9.80)% and 23.37% for Financial Years 2020, 2021 and 2022, respectively. As on August 31, 2022, 49 stores from a total of 112 stores are less than three years old. Company have a consistent track record of revenue growth and profitability. Despite the ongoing Covid pandemic and company's stores being non-operational & partially operational during different phases of the lockdown company's revenue from operations grew at a compounded annual growth rate (CAGR) of 17.09% from ₹ 31,724.77 million in Financial Year 2020 to ₹ 43,493.16 million in Financial Year 2022.

Increasing market presence and geographic reach with cluster-based expansion

Company's business has grown steadily in the recent years, primarily through expansion of its store network. As of August 31, 2022, company operate 112 stores in 36 cities/urban agglomerates of which 104 stores are concentrated in Andhra Pradesh and Telangana and eight stores in NCR. Company started its business operations by setting up its first consumer durable and electronic retail store in Hyderabad Company opened stores to deepen its reach in the Hyderabad market and gradually opened stores in Tier-II and Tier-III cities in Telangana and Andhra Pradesh. As of Financial Year 2021, company is the largest player in the Southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. Company had the second highest operating margin amongst its peers in Fiscal Year 2021.



COMPANY BACKGROUND

EMIL started in 1980 as a proprietary concern with a consumer durable and electronics store in Hyderabad. EMIL is the fourth largest and one of the fastest-growing consumer durables and electronics retailers in India. EMIL is a multi-brand consumer durable and electronics retailer dealing in home entertainment, mobiles, laptop, home appliances, camera, kitchen appliances, and personal care. EMIL operates multi-brand outlets under the Bajaj Electronics brand name. The company also operates exclusive brand outlets for various brands and a special format store for kitchen appliances called Kitchen Stories. IQ is an exclusive Apple Store-chain and Kitchen Stories is an experiential showroom which deals with luxury built-in kitchen appliance products across more than 100 brands, including a partnership with German brand Häcker Kitchens. Currently, the chain of stores has 105 outlets comprising 93 multi-brand outlets and 12 exclusive brand outlets across more than 30 cities in Andhra Pradesh and Telangana.

Company's offering includes more than 6,000 SKUs across product categories from more than 70 consumer durable and electronic brands. Company's retail spaces which ensures high visibility and easy accessibility to customers. Under the ownership model, company own the underlying property including the land and building and in lease rental model, company enter into a long-term lease arrangement with the property owner(s). As of August 31, 2022, out of the total 112 stores company operate, 11 stores are owned, 93 stores are under long-term lease rental model and eight stores are partly owned and partly leased.

Company operate its business activities across three channels of retail, wholesale and e-commerce.

Retail: With the object of providing comprehensive electronic solutions, company has set up diverse consumer durable and electronic retail stores arraying multifarious as well as specialized electronic products. As of August 31, 2022, out of 112 stores, 100 stores are Multi Brand Outlets ("MBOs") and 12 stores are Exclusive Brand Outlets ("EBOs"). Company operate 89 MBOs under the name "Bajaj Electronics" in Andhra and Telangana, eight MBO under the name of "Electronics Mart" in the NCR region, two specialized stores under the name "Kitchen Stories" which caters to the kitchen specific demands of company's customers and one specialised store format under the name "Audio&Beyond" focusing on high end home audio and home automation solutions. Company's MBOs endeavor to offer its customers with a comprehensive, distinctive and convenient shopping experience similar to a retail mall, by arraying a wide range of electronic products under one roof and providing one-stop-shop solutions for all their electronic needs.

Company's local market knowledge, careful product assortment, supply chain efficiencies coupled with efficient customer services has enabled in providing its customers with electronic products at competitive prices and a wide range of products to shop from and hand-pick the product best suited to their needs. As on August 31, 2022, 100 MBOs were operative, having an average store area of 10,876 sq feet per store. Owing to company's longstanding market presence, company have been able to enter into arrangements with its reputed electronic brand partners to operate and manage EBOs showcasing products manufactured by company's brand partners, thereby providing one-stop solution for all specialised and specific brand related needs of its customers. As on August 31 2022, company operate and manage 12 EBOs for its brand partners, which are located in Telangana and Andhra Pradesh including two for LG Electronics, having an average store area of 3,061 sq feet per store.

Wholesale: Company is also engaged in the wholesale business of consumer durables, where company supply products to single shop retailers in Andhra Pradesh and Telangana regions. The revenue from company's wholesale channel was ₹ 202.21 million, ₹ 642.35 million, ₹ 530.53 million and ₹ 505.22 million which represented 1.44%, 1.48%, 1.66% and 1.59% of the revenue from operations, respectively for the three month period ended June 30, 2022, Financial Year 2022, Financial Year 2021 and Financial Year 2020, respectively.

E-Commerce: In 2017, company diversified its operations by venturing into the e-commerce space through its website. Company's e-commerce website currently functions as a catalogue for the products it retail at its stores. Company further expanded its e-commerce operations in 2019 by associating with the largest domestic and international players of the e-commerce market thereby expanding its business reach from brick-and-mortar retail stores to ecommerce platforms. The revenue from company's e-commerce channel was ₹ 154.56 million, ₹ 399.59 million, ₹ 444.57 million and ₹ 280.11 million which represented 1.10%, 0.92%, 1.39% and 0.88%, of the revenue from operations, respectively for the three month period ended June 30, 2022, Financial Year 2022, Financial Year 2021 and Financial Year 2020, respectively.

Operational performance indicators

Parameter	FY20	FY21	FY22	June'22
New stores opened:				
a) MBO	11	19	10	5
b) EBO	1	3	1	--
Cumulative number of stores	71	93	103	108
Total number of bill cuts from Retail Stores (net of sales return)	1488098	1447659	1810527	553225
Average ticket size (Net retail sales divided by Total number of bill cuts from Retail Stores (net of sales return))	Rs 19482	Rs 20248	Rs 21862	Rs 23077
Same Store Growth rate for MBOs*	(0.70)%	(9.80)%	23.37%	NA
Summer season sales (Apr to Jun) (₹ in millions)	8119.20	4405.17	8613.01	12973.43
Festive season sales (Sep to Nov) (₹ in millions)	8561.09	9746.90	11533.62	NA



INVESTMENT RATIONALE

<i>Company's business model provides operational flexibility to create long term sustainable footprint</i>	Company operate with a mix of ownership and lease rental model. In order to optimise its profitability, maintain its operational flexibility and ensure that company's stores continue to be located in densely populated neighbourhoods and residential locations, company have a flexible strategy of owning or leasing its premises according to availability, cost and other considerations. As on August 31, 2022, 100 MBOs were operative, having at an average store area of 10,876 sq. feet per store. Comprehensive display of products to provide large number of options to prospective customers across brands & price range.
<i>Diversified product offering & optimal product assortment leveraging company's deep knowledge and understanding of regional markets</i>	Company offer its customers a wide product range across multiple categories, brands, price points to ensure that its customers have range of product options to choose from and is able to make the value buy decision. Company focus on providing a competitive product range for the leading brands at its store. Company strive to ensure that the latest models & new product launches are available in its stores. Based on company's geographic and demographic analysis, company decide the product mix which is to be offered by company's stores to cater to its customer preferences, demands and trends. Company classify its products internally into three broad categories viz., large appliances, mobiles, and small appliances, IT and others. This internal Concept Classification is very critical and helpful from the supply chain perspective and ensures the right product reaches the right store and targeted group of customers.
<i>Strategically located logistics and warehousing facilities backed by stringent inventory management using IT systems</i>	Company's strategically located warehousing facilities enable it to fulfil its promise of timely delivery at cost competitive prices. Company operate through a combination of large centrally located warehousing facilities which are backed by individual storage areas at store level. Company operates nine large warehouses with an average area of 28,114 sq ft. Company have six large warehouses in Hyderabad to cater to the Telangana region, one central warehouse in Vijayawada to cater for the Andhra Pradesh region and two warehouses in NCR to cater to the NCR region. Further, company also has several individual storage areas of varying sizes to cater to individual stores or a group of stores.
<i>Robust customer service support, timely delivery & installation support</i>	Company have well trained in-house floor managers and section managers' sales teams who they are assigned to and also speak the regional language which helps in establishing connect with the customers. Company also strive to achieve customer satisfaction by providing after sales support with the help of its dedicated store-wise customer support team with trained and experienced team members. Company's customer support team are operational on all seven days of the week. Company's widespread vendor/supplier network and robust tracking systems, ensure timely delivery of products with limited procurement costs. For the brand specific products sold by company's stores, the sales invoices contain customer support number for all brands which enables efficient and timely redressal of complaints.
<i>Experienced management team with a proven track record</i>	Company's business is consumer driven. Its strong Promoter background and an experienced senior management team have helped company to offer high standards of customer service and a pleasant shopping experience at its stores. Company's senior management brings their vision and leadership which has been instrumental in its success. Company's experienced management team and trained employees have enabled it to successfully establish a customer-oriented corporate culture, providing a foundation to maintain and enhance its longterm competitiveness.



OBJECTS OF OFFER

Fresh Issue:

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 company; and
4. General Corporate Purposes.

RISKS

Majority of company's stores are presently concentrated in Andhra Pradesh and Telangana. However, company plan to expand into new geographies and may be exposed to significant liability and could lose some or all of its investment in such regions, as a result of which company's business, financial condition and results of operations could be adversely affected.

Source:RHP

INDUSTRY OVERVIEW

Review and outlook of the consumer durables industry

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. Despite these gains, the loss in the first quarter is estimated to have weighed on the overall figures for fiscal 2021, and the industry is estimated to have contracted 20% on-year.


Consolidated Financials

(Rs in Mn)

Financials	FY20	FY21	FY22	Q1FY23
Total Revenue (A)	31724.77	32018.76	43493.16	14084.45
Total Expenditure (B)	29448.36	29979.94	40573.78	13114.03
EBIDTA	2276.41	2038.82	2919.38	970.42
EBIDTA Margin	7.18	6.37	6.71	6.89
Other Income	65.40	54.92	37.55	18.01
Depreciation	507.62	581.38	713.21	199.30
EBIT	1834.19	1512.36	2243.72	789.13
Interest	633.75	716.74	846.14	238.16
PBT	1200.44	795.62	1397.58	550.97
Tax	305.71	209.41	358.67	144.39
PAT	894.73	586.21	1038.91	406.58
NPM	2.82	1.83	2.39	2.89
ROE %	20.66	11.92	17.42	6.37
EPS	2.98	1.95	3.46	1.36
Eq Cap	3,000.03	3,000.03	3,000.03	3,000.03
Net Worth	4330.76	4919.18	5965.11	6379.73

(Source: RHP)

Peer Comparison

Company Name	Total Income (Rs in million)	P/E	EPS	RONW %	OPM %
Aditya Vision Ltd	8991.1	45.70	30.43	55.11	6.08
<i>Electronics Mart India</i>	<i>43493.16</i>	<i>---</i>	<i>3.46</i>	<i>17.42</i>	<i>6.71</i>

(Source: RHP, Ace Equity Database)



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