



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	Retail
Fresh Issue (Shares)	84,745,763
Net Offer to the Public	84,745,763
Issue Size (Rs. Cr.)	474-500
Price Band (Rs.)	56-59
Offer Date	4-Oct-22
Close Date	7-Oct-22
Face Value	10
Lot Size	254

Issue Composition In shares

Total Issue for Sale	84,745,763
QIB	42,372,881
NIB	12,711,864
Retail	29,661,017

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	77.97%
QIB	0.00%	11.01%
NIB	0.00%	3.31%
Retail	0.00%	7.71%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Net Proceeds from the Issue are proposed to be utilized by the Company for the following objects:

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.
4. General Corporate Purposes.

Book Running Lead Manager

- Anand Rathi Advisors Limited
- IIFL Securities Limited
- JM Financial Limited

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in 1980, Electronics Mart India Limited is the 4th largest consumer durable and electronics retailer in India. The company offers a diversified range of products with a focus on large appliances (air conditioners, televisions, washing machines and refrigerators), mobiles and small appliances, IT and others. The company's offering includes more than 6,000 SKUs (stock keeping units) across product categories from more than 70 consumer durable and electronic brands. Electronics Mart India Limited business models: Ownership Model & Lease Rental Model. The company operates its business activities across three channels retail, wholesale and e-commerce.

Strength

4th largest consumer durable and electronics retailer in India: The company is the 4th largest consumer durable and electronics retailer in India with a leadership position in South India. The company was able to achieve revenue from operations of Rs 14,08.45 Crore and Rs. 4349.31 crore for three month period ended June 30, 2022 and for the Financial Year ended 2022, respectively. The 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. Its scale of operations along with its long-standing relationship with leading consumer brands enables it to procure products at competitive rates.

One of the fastest growing consumer durable and electronics retailers: The company has been one of the fastest growing consumer durable and electronics retailer in India with Revenue CAGR of 18.10% from Financial Year 2016 to Financial Year 2022. The Company's core competency lies in understanding the aspirations and demands of its customers and meeting their demand with its concept of value retailing. With more than three decades of experience and successful growth, it has grown steadily in the recent years and expanded its store network from 71 in Financial Year 2020 to 112 stores as of August 31, 2022, while its retail business area grew from 0.76 million sq. ft in Financial Year 2020, to 0.94 million sq. ft. in Financial Year 2021, to 1.04 million sq. ft. in Financial Year 2022 to 1.12 million sq. ft. as on August 31, 2022. Its total bill cuts, increased from 1.49 million in Financial Year 2020 and 1.45 million in Financial Year 2021 to 1.81 million in Financial Year 2022 respectively. For the three month period ended June 30, 2022 bill cuts stood at 0.55 million. It has 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.

Increasing market presence and geographic reach with cluster-based expansion: Its business has grown steadily in the recent years, primarily through expansion of its store network. The company has started its business operations by setting up its first consumer durable and electronic retail store in Hyderabad it 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, it is the largest player in the Southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. It had the second highest operating margin amongst its peers in Fiscal Year 2021.

Business model provides operational flexibility to create long term sustainable footprint: The company operates with a mix of ownership and lease rental model. In order to optimize its profitability, maintain its operational flexibility and ensure that its stores continue to be located in densely populated neighborhoods and residential locations; it has

a flexible strategy of owning or leasing its premises according to availability, cost and other considerations. Its endeavor is to build reliable long-lasting relationships with the customers residing in a given area, therefore following the store ownership model or long-term lease rental model, ensures permanency and brand recognition in designated areas. The company gives emphasis on identifying 'growth pockets' – places in major cities where addressable population density is high. It 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. As on August 31, 2022, 100 MBOs (Multi Brand Outlets) were operative, having an average store area of 10,876 sq. feet per store.

Diversified product offering & optimal product assortment leveraging its deep knowledge and understanding of regional markets: The company offers 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. It focuses on providing a competitive product range for the leading brands at its store. The company strives to ensure that the latest models & new product launches are available in its stores. Based on its geographic and demographic analysis, it decides the product mix which is to be offered by its stores to cater to its customer preferences, demands and trends. It classifies 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. A product-wise revenue break up for the preceding three Financial Years and three month period ended June 30, 2022 has been provided below:

In Crore

Sl No	Product category	Three month period ended June 30, 2022	Financial Year 2022	Financial Year 2021	Financial Year 2020
1	Large appliances	706	2048	1651	1665
2	Mobiles	403	1395	1031	1018
3	Small appliances, IT and others	202	618	347	295
	Sale of Products – Consumer Electronics & Durables	1312	4062	3029	2978

The company provides a complete and unique shopping experience to its customers, by either showcasing a wide range of electronic products under one roof in its MBO model or providing a specialized brand experience with EBOs (Exclusive Brand Outlets).

Strategically located logistics and warehousing facilities backed by stringent inventory management using IT systems: The company's strategically located warehousing facilities enable it to fulfill its promise of timely delivery at cost competitive prices. The company operates through a combination of large centrally located warehousing facilities which are backed by individual storage areas at store level. The company operates nine large warehouses with an average area of 28,114 sq ft. It has 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. Its network of multiple store level storage areas enables it to deliver products to its customers within a reasonable time period. Its wide-spread supplier network and warehousing facilities located within the reach of its consumer durable and electronic retail stores have also allowed it to provide products at cost competitive prices due to the reduced procurement and transportation costs. It closely monitors its inventory levels to ensure that its inventories are fresh by adopting a first-in, first-out policy for all its merchandise. Its robust technology system and supply chain efficiencies enable the company to provide time efficient and quality services to its customers.

Robust customer service support, timely delivery & installation support: The company has well trained in-house floor managers and section managers' sales teams who are assigned to and also speak the regional language which helps in establishing connect with the customers. It also strives 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. Its customer supports team is operational on all seven days of the week. Its widespread vendor/ supplier network and robust tracking systems, ensure timely delivery of products with limited procurement costs.

Strategy

Expand reach across select geographies and deepen the footprint in its existing markets: The company aims to deepen its store network in its existing clusters to increase its market share in the Hyderabad, Telangana, and Andhra Pradesh markets. The company also intends to open stores and build its store network in the NCR region by opening 26 MBOs with the proceeds of the IPO. The company intends to continue to identify properties that it believes may be viable retail property spaces at strategic locations and enter into arrangements to lock such properties for its stores. As of August 31, 2022, it has operationalized eight store at NCR and are at various stages of negotiations to enter into arrangements for locking such retail property for its future requirements to open stores.

Enhancing sales volumes: The company has enhanced sales volume by continuing to prioritise customer satisfaction through optimal product assortment and offering value for money through:-

- Right mix of product assortments at competitive pricing
- Leveraging consumer finance to provide convenience and enhance purchasing ability
- Focus on differentiated customer experience and engagement

Technology led effective inventory management & lean operating structure to maintain & improve operating efficiencies: The company's business model requires it to maintain high levels of operational efficiency on a regular basis. Further, it believes that supply chain management is critical to its business. Its supply chain management is critical in reducing operational costs and helping maintain an optimum balance between the level of inventory available and the availability of products at all stores as per customer requirements. This involves planning, sourcing, vendor management, logistics, quality control, pilferage control, replacement and replenishment. It intends to further strengthen its internal systems and controls regarding its inventory management to monitor and reduce shrinkage and pilferage. It plans to further improve its operating efficiency and ensure efficient supply chain management, including by (i) investing further in its technological systems to improve its productivity and time management thereby increasing its operating efficiency; and (ii) expanding and upgrading its warehouse to improve the efficiency of its inventory and supply management; (iii) continuing to absorb best industry practices and (iv) supplement its current security system, consisting of manual checks and electronic surveillance. It believes that by improving its supply chain management, the company would optimise in-store availability of products, and consequently meet customer demands effectively.

Maintaining & forging new relationships with leading brands across existing and new format stores thereby ensuring wider product range: The company intends to expand its relationship with existing business partners as well as forge new relations with renowned brands in order to set up and operate increased number of stores including EBOs. It also intends to increase the product range presently available across its MBOs. As of August 31, 2022, out of 112 stores, 100 stores are MBOs, including three specialized stores and 12 stores are EBOs. In order to further vision and to expand its specialized store network, the company has set up two specialised stores under the name "Kitchen Stories" which caters to the kitchen specific demands by showcasing various kitchen appliances for them to choose from. Additionally, it has set up one specialized store format under the name "Audio&Beyond" focusing on high end home audio and home automation solutions.

Continuous training of manpower: The company's success in the future will depend on its ability to continue to maintain a pool of experienced professionals. The company aims at identifying fresh talent, training, grooming them and providing opportunities for growth. It has been successful in building a team of talented professionals and intends to continue placing special emphasis on managing attrition and attracting and retaining its employees. It also provides technical and functional training to its employees. It intends to further improve its training programmes to ensure that its employees have the skills to meet its customers' demands and provide quality customer service. It has also adopted organisation-wide human resource policies which lays emphasis on providing continuous training to its employees and establish definite career growth paths for them. It intends to continue to encourage its employees to be enterprising and help them to 'learn on the job' and grow within its organisation.

Risk factor

- Majority of its stores are presently concentrated in Andhra Pradesh and Telangana..
- Competition from online retailers
- A large part of its revenues is dependent on its top five brands.
- The Company is dependent on external suppliers for its product requirements.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Aditya Vision Limited*	1144.06	53.50	44.48	31.95	21.72	65.42	10.00	1421.05	1709.31
Electronics Mart India Limited	4349.32	103.89	2.70	21.85	1.93	30.63	10.00	59.00	2270.02

*Based on TTM

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.59, the stock is priced at pre issue P/E of 17.04x on FY22 EPS of Rs.3.46. Post issue, the stock is priced at a P/E of 21.85x on its EPS of Rs.2.70. Looking at the P/B ratio at Rs.59, pre issue, book value of Rs. 21.27 of P/Bvx 2.77x. Post issue, book value of Rs.30.63 of P/Bvx 1.93x.

Considering the P/E valuation, on the lower end of the price band of Rs.56, the stock is priced at pre issue P/E of 16.07x on FY22 EPS of Rs.3.46. Post issue, the stock is priced at a P/E of 20.74x on its EPS of Rs.2.70. Looking at the P/B ratio at Rs.56, pre issue, book value of Rs.21.27 of P/Bvx 2.63x. Post issue, book value of Rs.30.63 of P/Bvx 1.83x.

Industry Outlook

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. CRISIL Research expects the consumer durables industry to log an accelerated 10-12% CAGR between fiscals 2022 and 2027 to reach Rs 4.8-5.3 trillion. While the overall industry is pegged to grow 10-12%, dynamics across various product segments are quite different owing to varying penetration, perceived utility and product prices. Industry-leading mobile phone segment is likely to continue to provide a major thrust, given the expected improvement in customer disposable incomes, continuous upgradation in mobile technology, premiumisation trend in consumer preference, shorter product usage cycle, and intermittent launches by manufacturers. Sales of large consumer durables

are projected to clock 8-10% CAGR on the back of an expected rise in household incomes, better affordability, changing consumer preferences, shorter replacement cycles, multiple ownership (in the case of CTVs) and lower penetration levels (in the case of other appliances such as RACs and WMs). Increasing average temperatures during summer will provide an additional boost to the low-penetrated RAC segment. Smaller appliances (microwaves, mixers/ grinders, dishwashers, etc.) are expected to continue the steady growth trajectory of 6- 8% CAGR. An expected improvement in the economy, increased urbanisation, and changing consumer lifestyles will back demand for smaller appliances. The small appliances segment is estimated to reach Rs 325-335 billion by fiscal 2027.

Outlook

The Company is the 4th largest consumer durable and electronics retailer in India. It is one of the largest players in the southern region in the states of Telangana and Andhra Pradesh. Its business model is a mix of ownership and lease rental model. The company is increasing market presence and geographic reach with cluster-based expansion. However, there is stiff competition from online retailers like Amazon or Flipkart or any other offline brands who are offering at lower prices and it can impact company business.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	04-October-22
BID/ISSUE CLOSES ON	07-October-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	12-October-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	13-October-22
Credit of Equity Shares to demat accounts of Allottees	14-October-22
Commencement of trading of the Equity Shares on the Stock Exchanges	17-October-22

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Jun-22 (3 Months)	31-Mar-22 (12 Months)	31-Mar-21 (12 Months)
Revenue from operations	1408.45	4349.32	3201.88
Total expenditure	1311.40	4057.38	2997.99
Operating Profit	97.04	291.94	203.88
OPM%	6.89	6.71	6.37
Other Income	1.80	3.76	5.49
PBDIT	98.84	295.69	209.37
Depreciation	19.93	71.32	58.14
PBIT	78.91	224.37	151.24
Interest	23.82	84.61	71.67
Restated Profit before tax	55.10	139.76	79.56
Tax	14.44	35.87	20.94
Profit & Loss before Share of Post-acquisition Profit of Associate	40.66	103.89	58.62

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-22	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	432.49	279.47	275.47
Right-of-use assets	504.09	504.91	397.55
Capital work-in-progress	16.57	23.84	2.04
Other intangible assets	0.55	0.56	0.64
Financial Assets			
Loans	N.A	N.A	N.A
Other non-current financial assets	31.95	29.21	25.01
Deferred tax assets (net)	18.82	17.63	11.58
Non-current tax assets	5.65	5.66	4.77
Other non-current asset	3.37	14.12	3.15
Total non-current assets	1013.50	875.40	720.20
Current assets			
Inventories	473.30	613.82	481.37
Financial Assets			
Trade receivables	101.08	107.93	95.39
Cash and cash equivalents	19.70	34.40	35.02
Loans	1.37	1.31	0.95
Other current financial assets	3.74	0.15	0.17
Other current assets	142.90	191.72	190.42
Total current assets	742.08	949.34	803.33
Total Assets	1755.58	1824.74	1523.53
Non-current liabilities			
Financial liabilities			
Borrowings	143.85	55.16	62.13
Lease Liabilities	526.69	523.86	401.68
Provisions	0.18	0.70	2.05
Total financial liabilities	670.73	579.72	465.86
Current liabilities			
Financial liabilities			
Borrowings	332.06	538.48	485.82
Lease liabilities	27.70	25.89	18.25
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	1.19	0.62	0.00
Total outstanding dues of creditors other than micro enterprises and small enterprises	23.34	24.19	7.59
Other Current Financial liabilities	36.80	32.47	35.82
Other current liabilities	12.16	19.80	16.44
Current tax liabilities (net)	13.64	7.06	1.84
Total current liabilities	446.88	648.51	565.75
Total	1117.61	1228.23	1031.61
NET Worth	637.97	596.51	491.92
Net worth represented by:			
Share capital	300.00	300.00	300.00
Other Equity	337.97	296.51	191.92
Net Worth	637.97	596.51	491.92

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401/402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.