



BIZZBUZZ, 05/10/2022, Page 06

## IPO ANALYSIS

# ELECTRONICS MART INDIA: SCOPE FOR LISTING AND MEDIUM-TERM GAINS

Consumer durables and electronic retailing firm, 4th largest player in India and the largest regional organised player in the Southern region, is expanding into Delhi, UP and Haryana markets

ELECTRONICS Mart India Ltd is tapping the capital markets with its fresh issue of Rs500 crore in a price band of Rs56-59. The issue opens on Tuesday, October 4, and closes on Friday (October 7). The company is into the business of consumer durables and electronic retailing in India. It was historically present in the unified state of Andhra Pradesh, now bifurcated into Andhra Pradesh and Telangana. As part of its expansion strategy, it has entered into the NCR region.

The company is the fourth largest player in this space and is the largest regional organised player in the Southern region. It is the fastest growing company in the vertical as well. With the expansion into NCR, it will enter into the states of Delhi, UP and Haryana and a large addressable market would be available.

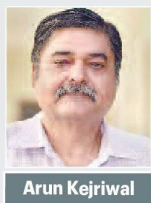
The company has a small wholesale business where it supplies products to single shop retailers in Andhra Pradesh and Telangana. Its revenues from this business were Rs64.2 crore for the year ended March 22 and Rs20.2 crore for the first quarter of FY23. In terms of sales proportion it was 1.48 per cent and 1.44 per cent respectively. The company in 2017 also started its own e-commerce venture and

revenues from this were Rs40 cr in the year ended March 22 and Rs15.4 cr in the first quarter FY23.

The company has currently 112 stores in 36 cities of which 104 are in Andhra Pradesh and Telangana while 8 are in the NCR region. Going forward, the company plans to increase the number of stores by 50 per cent by adding 58 stores in Andhra Pradesh, Telangana and NCR. The NCR region accounts for between 5-5.5 per cent of the total consumer durable sales in the country.

Within the stores that EMIL operates, it has 100 MBOs (multi-brand outlets), 12 EBOs (exclusive brand outlets), 2 exclusive kitchen stores which cater to requirements of kitchen needs and one store in Audio and Beyond which caters to high end home audio and home automation solutions.

Covid-19 had hit the industry and business quite badly as stores were closed down for some period which included the peak summer season and the festive season.



Arun Kejriwal



There is seasonality in the durables goods business with the first quarter accounting for AC sales related with summer and the third quarter coinciding with festive season.

Coming to the revenues of the company, they are back on track and have recovered from the covid-19 impact.

The company clocked revenues of Rs4,353 cr for the year ended March 2022. This has improved in the first quarter of FY23 to Rs 1,410 cr. In terms of PAT the company recorded a profit after tax of Rs103.9 cr for the full year and Rs40.65 cr for the first quarter. Margins at the net level have improved as well. The expected margins for this company in the near future would be in the 2.75-3.00% region. They key would be to expand revenues from the new stores which are opening for the company. These stores would be a mix of owned and leased prop-

- The biggest growth factor in the business is the demand for mobiles and with 5G rollout round the corner, the replacement of phones will lead to a splurge in sales. The issue is attractively priced
- Electronics Mart India has a small wholesale business where it supplies products to single shop retailers in Andhra Pradesh and Telangana. It also started its own e-commerce venture in 2017 and has currently 112 stores in 36 cities including 104 in Andhra Pradesh and Telangana, while 8 in the NCR region

erties. The idea of investing in owned properties is that premium locations or flagship stores over their lifetime create an identity of their own.

The objects of the issue are to fund capital expenditure of expansion and setting up new stores to the extent of Rs111 cr, funding incremental working capital requirements of Rs220 cr and repayment/prepayment in full or part of certain borrowings of Rs55 cr. The balance would be for general corporate purposes.

The EPS for the year ended March 22 was Rs3.46. The price earnings band at this EPS is 16.18 – 17.05. The performance in the first quarter has improved significantly and the EPS is Rs1.36. If one were to annualise the same the full year EPS would be Rs5.44 and

the PE band 10.29 – 10.84. The seasonality factor would be taken care of by the incremental stores which are opened as the year progresses. The annualised EPS and performance should be achieved with new stores.

There is only one listed player in the form of Aditya Vision who operates in the state of Bihar. His size and area of operation is significantly smaller.

The biggest growth factor in the business is the demand for mobiles and with 5G rollout round the corner, the replacement of phones will lead to a splurge in sales. The issue is attractively priced and offers scope for appreciation on listing and the medium term.

*(The author is the founder of Kejriwal Research and Investment Services, an advisory firm)*