

ELECTRONICS MART INDIA LIMITED

Issue highlights

- ❑ **Electronics Mart India Limited (“EMI”)** was incorporated in 1980 as a proprietary concern with a consumer durable and electronics store in Hyderabad. EMIL is the 4th largest and one of the fastest-growing consumer durables and electronics retailers in India with a revenue CAGR of 17.90% from Financial Year 2016 to Financial Year 2021.
- ❑ 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 offers a diversified range of products with focus on **large appliances (air conditioners, televisions, washing machines and refrigerators), mobiles and small appliances, IT and others**. Their offering includes **more than 6,000 SKUs** across product categories from more than 70 consumer durable and electronic brands.
- ❑ **As of August 31, 2022, out of 112 stores, 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 and Telangana, 8 MBO under the name of “Electronics Mart” in the NCR region, 2 specialized stores under the name “Kitchen Stories” which caters to the kitchen specific demands of their customers and 1 specialised store format under the name “Audio&Beyond” focusing on high end home audio and home automation solutions.**
- ❑ **As of August 31, 2022, out of the total 112 stores, which are across 36 cities / urban agglomerates with a retail business area of 1.12 msf., 11 stores are owned and operated by EMIL, 93 stores are under long-term lease rental model and 8 stores are partly owned and partly leased.**

Brief Financial Details*

(₹ In Cr)

	As at Jun' 30,	As at Mar' 31,		
	2022(03)	2022(12)	2021(12)	2020(12)
Equity Share Capital	300.00	300.00	300.00	300.00
Reserves	337.97	296.51	191.92	133.07
Net worth	637.97	596.51	491.92	433.08
Revenue from Operations	1,408.45	4,349.32	3,201.88	3,172.48
Revenue Growth (%)	-	35.84%	0.93%	-
EBITDA	97.04	291.94	203.88	227.64
EBITDA Margin (%)	6.89%	6.71%	6.37%	7.18%
Profit before Tax	55.10	139.76	79.56	112.18
Net Profit for the period	40.66	103.89	58.62	81.61
Net Profit Margin (%)	2.89%	2.39%	1.83%	2.75%
EPS – Basic & Diluted (₹)	1.36 [^]	3.46	1.95	2.72
RoNW (%)	6.37% [^]	17.42%	11.92%	18.84%
Net Asset Value (₹)	21.27	19.88	16.40	14.44
RoCE (%)	6.95%	18.87%	14.35%	20.28%

*Source: RHP *Restated Consolidated, ^ not annualised*

Issue Details

Fresh Issue of Equity shares aggregating upto ₹ 500 Cr

Issue summary

Issue size: ₹ 500 Cr

No. of shares: 89,285,714-84,745,762 Shares

Face value: ₹ 10/-

Price Band : ₹ 56 - 59

Bid Lot: 254 Shares and in multiple thereof

Post Issue Implied Market Cap = ₹ 2,180 – 2,270 Cr

BRLMs: Anand Rathi Advisors, IIFL Securities, JM Financial

Registrar: KFin Technologies Ltd.

Issue opens on: Tuesday, 4th Oct'2022

Issue closes on: Friday, 7th Oct'2022

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	12-10-2022
Refunds/Unblocking ASBA Fund	13-10-2022
Credit of equity shares to DP A/c	14-10-2022
Trading commences	17-10-2022

Issue break-up

	No. of Shares		₹ In Cr	% of Issue
	@Lower	@Upper		
QIB	44,642,856	42,372,880	250	50%
NIB	13,392,858	12,711,865	75	15%
RET	31,250,000	29,661,017	175	35%
Total	89,285,714	84,745,762	500	100%

Listing : BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue [~]	Post issue [^]
300,003,000	389,288,714	384,748,762

[~]Lower price Band [^]Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	99.98%	77.96%
Promoter Group	0.02%	0.01%
Public	-	22.03%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was originally formed as a sole proprietorship under the name of 'M/s Bajaj Electronics' at Hyderabad in 1980 and it was converted into a partnership firm on March 25, 2011. It was thereafter converted into public limited company with the name Electronics Mart India Limited on September 10, 2018. Pavan Kumar Bajaj and Karan Bajaj are the Promoters of the company. Currently, promoters hold 299,936,565 Equity Shares comprising 99.98% of the Pre issued, subscribed and paid-up Equity Share Capital of the company.

Brief Biographies of Directors

Pavan Kumar Bajaj is the founder Promoter, Chairman and Managing Director of the company. He founded the erstwhile sole proprietorship 'M/s. Bajaj Electronics' in 1980 and has over 40 years of experience in retail business management.

Karan Bajaj is the Chief Executive Officer and Whole-time Director of the company. He has over 10 years of experience in retail business management.

Astha Bajaj is the Whole-time Director designated as the Executive Director of the company. She has over 4 years of experience in business management.

Anil Rajendra Nath is the Independent Director of the company. He holds an experience in banking and finance and was associated with HSBC Bank, HDFC Bank and State Bank of India in various capacities.

Mirza Ghulam Muhammad Baig is the Independent Director of the company. He has over 31 years of experience in tax administration and has served as a Deputy Commissioner.

Jyotsna Angara is the Independent Director of the company. She has over 8 years of experience in the non-profit sector.

Key Managerial Personnel

Premchand Devarakonda is the Chief Financial Officer of the company. He has been associated with the company since October 30, 2019.

Giridhar Rao Chilamkurthi is the Vice President - Sales of the company. He has been associated with the company since June 06, 2019.

Rajiv Kumar is the Company Secretary and Compliance Officer of the company. He has been associated with the company since September 10, 2018.

Annapura Devi Kuchibhatla is the Chief Technical Officer of the company. She has been associated with the company since January 27, 2020.

Gorantla Suma Reddy is the Head- E-commerce of the company. She has been associated with the company since December 01, 2016.

Nammi Ravi Kiran is the General Manager-HR and Administration of the company. He has been associated with the company since November 17, 2017.

Chaluvadi Chandra Sekhar is the Senior Manager- Inventory of the company. He has been associated with the company since March 08, 2019.

Pankaj Rathi is the General Manager- Commercial and Procurement of the company. He has been associated with the company since August 22, 2017.

Vishal Singh is the Head- Marketing of the company. He has been associated with the company since August 28, 2020.

Virinder Singh Sandhu is the Vice President, Sales – North of the company. He has been associated with the company since January 15, 2022.

OBJECTS OF THE ISSUE

(₹ In Cr)	
Objects	Amount
Funding of capital expenditure for expansion and opening of stores and warehouses;	111.44
Funding incremental working capital requirements;	220.00
Repayment / prepayment, in full or part, of all or certain borrowings availed by the company;	55.00
General Corporate Purposes	[•]
Total	[•]

Proposed schedule of Implementation and Utilization of Net Proceeds:

Particulars	from the Net Proceeds	Estimated deployment of the Net Proceeds		
		FY 2022	FY 2023	FY 2024
• Funding of capital expenditure for expansion and opening of stores and warehouses	111.44	23.46	46.93	41.06
• Funding incremental working capital requirements	220.00	100.00	120.00	-
• Repayment / prepayment, in full or part, of all or certain borrowings availed by the company	55.00	55.00	-	-
• General Corporate Purposes		[•]	[•]	[•]

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered*	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	299,936,565	99.98%		299,936,565	77.96%
Promoters Group	53,148	0.02%		53,148	0.01%
Total for Promoter and Promoter Group	299,989,713	100.00%	-	299,989,713	77.97%
Public	13,287	0.00%	84,745,762	84,759,049	22.03%
Total for Public Shareholder	13,287	0.00%	-	84,759,049	22.03%
Total Equity Share Capital	300,003,000	100.00%	84,745,762	384,748,762	100.00%

* Fresh issue of 84,745,762 shares at upper price band

BUSINESS OVERVIEW

Electronics Mart India Limited (“EMIL”) is the 4th largest consumer durable and electronics retailer in India and as of Financial Year 2021, they are the largest player in the Southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. They commenced their business operations in 1980 and since then there has been a steady rise in their revenue from operations. EMIL is one of the fastest growing consumer durable & electronics retailers in India with a revenue CAGR of 17.90% from Financial Year 2016 to Financial Year 2021. They have consistently demonstrated profitability with a robust operating performance. EMIL has the 2nd highest operating margin amongst their peers in Financial Year 2021. As on August 31, 2022, EMIL had 112 stores across 36 cities / urban agglomerates with a retail business area of 1.12 msf.

EMIL has built a longstanding market presence with more than 3 decades of experience having commenced their business operations as a proprietary concern by setting up their 1st consumer durable and electronic retail store at Hyderabad.

EMIL offers a diversified range of products with focus on **large appliances (air conditioners, televisions, washing machines and refrigerators), mobiles and small appliances, IT and others**. Their offering includes **more than 6,000 SKUs** across product categories from more than 70 consumer durable and electronic brands.

Company’s business model is a mix of ownership and lease rental model, as they focus to secure retail spaces which ensures high visibility and easy accessibility to customers. Under the ownership model, they own the underlying property including the land and building and in lease rental model, they enter into a long-term lease arrangement with the property owner(s). **As of August 31, 2022, out of the total 112 stores EMIL operates, 11 stores are owned, 93 stores are under long-term lease rental model and 8 stores are partly owned and partly leased.**

Despite the ongoing COVID-19 pandemic, EMIL has continued to expand their store network. Since April 1, 2022, they opened 9 stores in their clusters of operations. They have been steadily increasing their market reach to cover 14 cities in Andhra Pradesh and 20 in Telangana and 2 cities in the NCR region, as on August 31, 2022, by setting up new consumer durable and electronic retail stores and venturing into diverse and specialized product categories. They have expanded their business operations based on high potential locations and created a market presence in the tier-I and tier-II cities in Andhra Pradesh, Telangana and NCR.

Between April 1, 2021 and August 31, 2022, EMIL has set up 4 stores in Andhra Pradesh, 8 stores in Telangana and 8 stores in NCR. They have consistently increased their retail business area over the last 3 Financial Years from 0.76 msf in Financial Year 2020, to 0.94 msf in Financial Year 2021, to 1.04 msf in Financial Year 2022 and to 1.12 msf as on August 31, 2022.

EMIL focuses on deepening their presence in the regions they operate in before venturing into new markets which has led them to establish brand presence in Telangana and Andhra Pradesh markets. They plan to continue to deepen their store network; and gradually plan to expand their network in the NCR region in pursuing their defined cluster-focused expansion strategy.

EMIL operates their business activities across 3 channels of retail, wholesale and e-commerce.

Retail:

EMIL has set up diverse consumer durable and electronic retail stores arraying multifarious as well as specialized electronic products aiming of providing comprehensive electronic solutions.

As of August 31, 2022, out of 112 stores, 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 and Telangana, 8 MBO under the name of “Electronics Mart” in the NCR region, 2 specialized stores under the name “Kitchen Stories” which caters to the kitchen specific demands of their customers and 1 specialised store format under the name “Audio&Beyond” focusing on high end home audio and home automation solutions.

The MBOs endeavours to offer their 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. As on August 31, 2022, MBOs operate at an average store area of 10,876 sq feet per store.

As on August 31, 2022, EMIL operates and manages 12 EBOs for their brand partners, which are located in Telangana and Andhra Pradesh including 2 for LG Electronics having an average store area of 3,061 sq. feet per store.

Wholesale:

EMIL is also engaged in the wholesale business of consumer durables, where they supply products to single shop retailers in Andhra Pradesh and Telangana regions.

E-Commerce:

In 2017, EMIL diversified their operations by venturing into the e-commerce space through their website. Their e-commerce website currently functions as a catalogue for the products they retail at their stores. They further expanded their e-commerce operations in 2019 by associating with the largest domestic and international players of the e-commerce market thereby expanding their business reach from brick-and-mortar retail stores to e-commerce platforms.

The Revenue details of Sale of products - Consumer Electronics and Durables

Category	3 months ended Jun'30, 2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
	Revenue (Cr)	% to Total Revenue	Revenue (Cr)	% to Total Revenue	Revenue (Cr)	% to Total Revenue	Revenue (Cr)	% to Total Revenue
Retail	1,276.70	90.65%	3,958.11	91.01%	2,931.28	91.55%	2,899.14	91.38%
Wholesale	20.22	1.44%	64.24	1.48%	53.05	1.66%	50.52	1.59%
E-Commerce	15.46	1.10%	39.96	0.92%	44.46	1.39%	28.01	0.88%
Total sale of products	1,312.37	0.93%	4,062.31	93.00%	3,028.79	95.11%	2,977.67	93.85%

EMIL 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.

They classify the products offered by their consumer durable and electronic retail stores under the following categories:

- **Large appliances:** This category includes refrigerators, televisions, air conditioners and washing machines. They retail large appliance products from leading brands including LG, Panasonic, Philips, Sony, Godrej, IFB, Daikin, Symphony and Voltas among others.
- **Mobiles:** This category includes mobile phones, tablets, smart watches and fitness trackers. EMIL started this category in 2011, and it is the fastest growing product category of the company in the last 3 Financial Years. They retail mobiles from leading brands including Oppo, One Plus and Vivo among others.
- **Small appliances, IT and others:** This category includes items that typically compliment the above-mentioned products, laptops, personal computers, printers, cables, screen guards, headphones, bluetooth speakers, coolers, geysers, ceiling fans, personal care devices and kitchen appliances such as kitchen hobs, chimneys, water purifiers and other allied appliances. They retail small appliances, IT and other products from leading brands including Dell, Sony, AO Smith, Ariston Thermos, Butterfly, Miele, Preethi, Havells, Kaff, Orient, Liebherr and Franke Faber among others.

REVENUE FROM OPERATIONS

Business Verticals	3 months ended Jun' 30, 2022		Year Ended March 31,					
			2022		2021		2020	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Sale of products	1,312.37	93.18%	4,062.30	93.40%	3,028.79	94.59%	2,977.67	93.86%
- Consumer electronics and durables	1,312.37		4,062.30		3,028.79		2,977.67	
- <i>Retail</i>	1,276.70		3,958.11		2,931.28		2,899.14	
- <i>Wholesalers</i>	20.22		64.24		53.05		50.52	
- <i>E-Commerce</i>	15.46		39.96		44.46		28.01	
Other Operating Revenue	96.08	6.82%	287.02	6.60%	173.08	5.41%	194.81	6.14%
- Commission income	17.88		49.79		30.89		35.73	
- Incentives income	67.26		213.68		130.56		145.61	
- Other collections from customers	10.94		23.55		11.63		13.47	
Total	1,408.45	100.00%	4,349.32	100.00%	3,201.88	100.00%	3,172.48	100.00%

In order to make their products affordable and to expand their market reach, EMIL has entered into arrangements with the financing partners which allows them offer financing solutions in the form of low cost or zero cost EMIs to their customers.

In order to create their brand presence and to create awareness of their product portfolio and stores, EMIL engages in various marketing and promotional campaigns. The key marketing initiatives are summarised below:

- **The business of EMIL is seasonal in nature** and experiences two major seasons - the Indian festival season and the summer season. It is crucial for their business operations that they capitalise the market opportunities offered in these seasons and therefore, they market and advertise mostly in prominent media about their products and the prevailing offers on them.
- EMIL also investing in **marketing activities specific to certain days/ events** by advertising their products and stores in multiple channels for a shorter duration.
- EMIL consider their **store launches** as the most prominent time to capture the attention of their local customer base and to further this strategy, they use various advertising channels to reach out to them.
- EMIL organises **marketing events during Indian festivals** like Dusshera and Diwali by organising a contest under the name '*India's Biggest Festive Offer*' in which a customer can win cash prizes up to ₹ 1 crore and small passenger cars.

The expenses in relation to advertisement expenses, business promotion expenses and sales promotion expenses were ₹ 50.03 crore, ₹ 140.34 crore, ₹ 96.14 crore and ₹ 119.52 crore which represented 63.96%, 62.88%, 56.81% and 64.96% of the total other expenses for the 3-month period ended June 30, 2022, Fiscals 2022, 2021 and 2020,

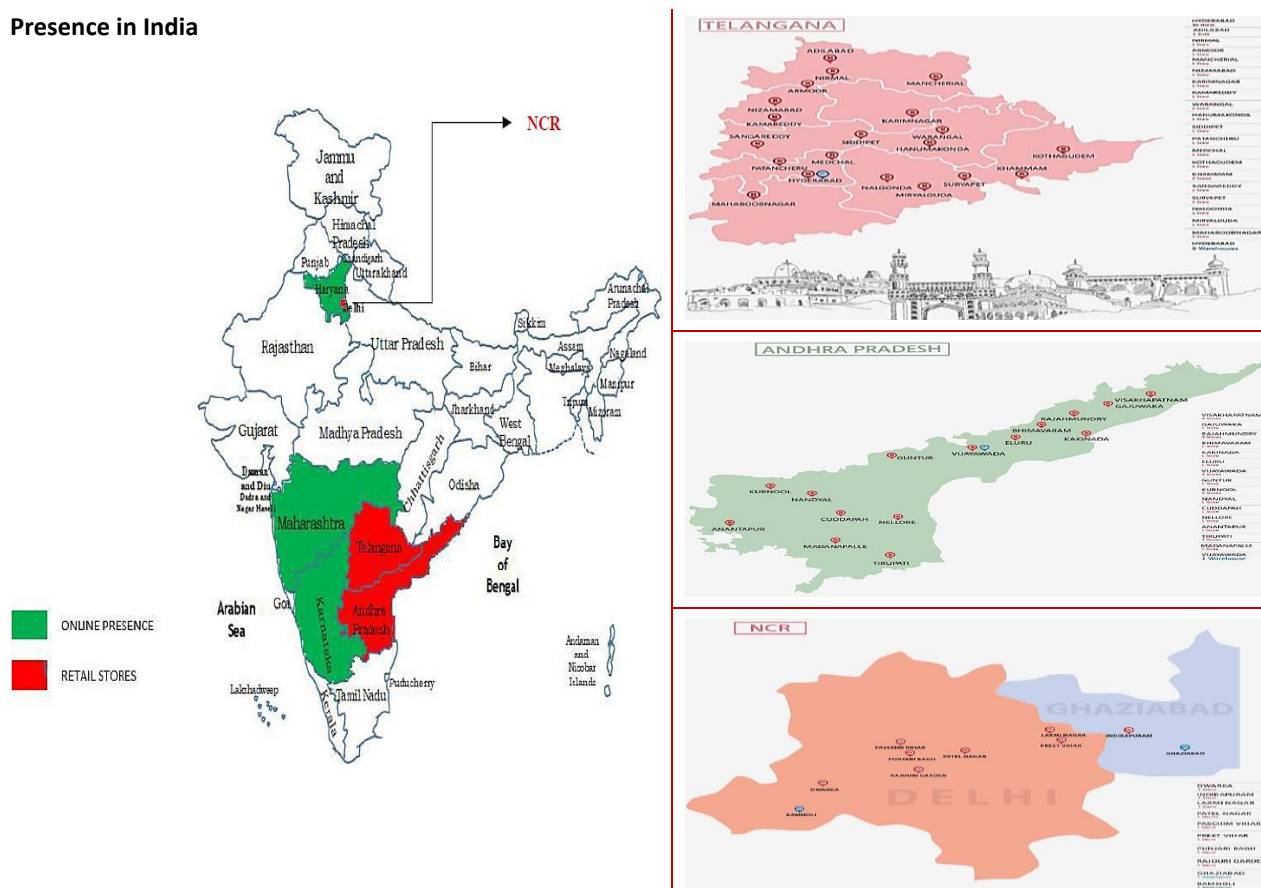
respectively. The quality of their products and their associations with renowned brand partners is also a key marketing technique.

Their sourcing capability, efficient logistics network and robust technological infrastructure have enabled them to deliver on their value retailing promise and create a brand presence among their customers and brand partners.

The COVID-19 pandemic has significantly impacted the consumer durable and electronic retail industry as the customers were unable to visit their stores. Their stores operations were shut either fully or partially by lockdown restrictions, during the months from April 2020 till September 2020 in Financial Year 2020 and partially shut during the months of April 2021, May 2021 and June 2021 in Financial Year 2022, which impacted their business and revenue from operations. Even though the consumer durable and electronic retail industry experienced a slowdown due to COVID-19 related restrictions, EMIL continued to open 42 stores since the onset of the pandemic, across their existing clusters and has been able to expand their reach, thereby reinforcing the market position and brand strength. Out of the 42 stores, 20 MBOs and 3 EBOs were opened in Telangana and 10 MBOs and 1 EBO were opened in Andhra Pradesh and 8 MBOs were opened in NCR.

COMPANY PRESENCE

Presence in India



KEY PERFORMANCE INDICATORS

Parameter	3 months period ended Jun'30,	Financial Year		
	2022	2022	2021	2020
Total income (₹ Cr)	1,410.25	4,353.07	3,207.37	3,179.02
Total revenue from operations (₹ Cr)	1,408.45	4,349.32	3,201.88	3,172.48
Net retail sales (₹ Cr)	1,276.70	3,958.11	2,931.28	2,899.14
Net retail sales per store (₹ Cr)	11.82	38.43	31.52	40.83
CAGR Revenue from Operations (FY 2020 – FY 2022)	NA	17.09%	NA	NA
Growth rate of Revenue from Operations (y-on-y)	NA	35.84%	0.93%	NA
Inventory days	36	60	63	54
Fixed asset turnover ratio	3.69	14.64	12.15	14.85

COMPETITIVE STRENGTHS

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

As of Financial Year 2021, EMIL is the largest player in the Southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. As of August 31, 2022, they operate and manage 112 stores with a retail business area of 1.12 msf, located across 36 cities/urban agglomerates. They achieved revenue from operations of ₹ 1,408.45 crore and ₹ 4,349.32 crore for 3-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. They continue to strengthen their relationships by entering into long-term contracts and through strategic alliances with them.

There has been a steady increase in the revenues earned by the company through their association with their brand partners across their product categories.

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

EMIL is 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's core competency lies in understanding the aspirations and demands of their customers and meeting their demand with their concept of value retailing.

With more than 3 decades of experience and successful growth, EMIL has grown steadily in the recent years and expanded their store network from 71 in Financial Year 2020 to 112 stores as of August 31, 2022. The 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 to 0.55 million for the 3 months period ended June 30, 2022, respectively.

The store vintage can be detailed as under:

Year	As on August 31,	Financial Year	Financial Year	Financial Year
	2022	2022	2021	2020
<1	14	11	22	12
1-3	35	34	20	22
3-5	17	22	18	13
>5	46	36	33	24
Total	112	103	93	71

- **Increasing market presence and geographic reach with cluster-based expansion**

Company's business has grown steadily in the recent years, primarily through expansion of their store network. As of August 31, 2022, they operate 112 stores in 36 cities/urban agglomerates of which 104 stores are concentrated in Andhra Pradesh and Telangana and 8 stores in NCR. Key highlights of their expansion in the last 3 Financial Years are set out below:

Parameter	As on June 30, 2022	Financial Year 2022	Financial Year 2021	Financial Year 2010
New stores opened	5	11	22	12
Cumulative number of stores	108	103	93	71
Retail Business Area (in million sq.ft.)	1.09	1.04	0.94	0.76
Revenue from Sales per Retail Business Area sq.ft. (in ₹)	11,734	38,010	31,167	37,912

EMIL started their business operations by setting up their first consumer durable and electronic retail store in Hyderabad. They opened stores to deepen their reach in the Hyderabad market and gradually opened stores in Tier-II and Tier-III cities in Telangana and Andhra Pradesh.

(₹ in Cr)

Cluster	3 months period ended Jun'30,2021	Financial Year 2022	Financial Year 2021	Financial Year 2020
Andhra Pradesh	161.97	472.73	336.39	242.87
Telangana	1,108.66	3,485.38	2,594.89	2,656.27
NCR	6.07	-	-	-
Net retail sales	1,276.70	3,958.11	2,931.28	2,899.14

Company's expansion and increased market presence is based on their cluster-based approach, wherein they expand their network in a particular market, till they reach substantial depth & scale. In the process of opening new stores, they give emphasis on identifying 'growth pockets', by taking into account various factors.

- Formation of clusters, of stores and warehouses in Andhra Pradesh, Telangana and Hyderabad they are able to identify the target customers and understand their needs, demands, preferences, which in turn helps them to align their stores, product offerings and marketing strategies with their preferences.
- Owing to this approach they have been able to cater to the demands of their target customers and establish their brand presence in a designated region.

Such clusters lead to effective penetration in underserved markets and concentrated brand visibility due to focused implementation of marketing and advertising initiatives.

- ***The business model provides operational flexibility to create long term sustainable footprint***

Company's endeavour 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. EMIL operates with a mix of ownership and lease rental model. In order to optimise their profitability, maintain their operational flexibility they have a flexible strategy of owning or leasing their premises according to availability, cost and other considerations.

As of August 13, 2022 out of their total 112 consumer durable and electronic retail stores, 93 retail stores have been taken on lease by them and 11 retail stores are owned by them and 8 retail stores are partly owned and partly leased.

The company gives emphasis on identifying 'growth pockets' – places in major cities where addressable population density is high. As on August 31, 2022, 100 MBOs were operative at an average store area of 10,876 sq. feet per store.

- ***Diversified product offering & optimal product assortment leveraging the deep knowledge and understanding of regional markets***

EMIL offers their customers a wide product range across multiple categories, brands, price points to ensure that their customers have range of product options to choose from and can make the value buy decision. They focus on providing a competitive product range for the leading brands at their store.

Based on their geographic and demographic analysis, EMIL decides the product mix which is to be offered by their stores to cater to their customer preferences, demands and trends. They classify their products internally into 3 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.

- ***Strategically located logistics and warehousing facilities backed by stringent inventory management using IT systems***

EMIL operates 7 large warehouses with an average area of 28,114 sq. feet. They have 6 large warehouses in Hyderabad to cater to the Telangana region and 1 central warehouse in Vijayawada to cater for the Andhra Pradesh region and 2 warehouses in NCR to cater to the NCR region. Further, they also had several individual storage areas of varying sizes to cater to individual stores or a group of stores. Their core strength lies in their ability to effectively manage inventory levels across their large warehouses and individual storage areas and store level display inventory, which is the backbone of their supply chain and supports their consumer durable and electronic retail store network

Company's sourcing capability, efficient logistics network and robust technological infrastructure have enabled them to deliver on their value retailing promise and create a brand presence among their customers and brand partners. They have an extensive network of suppliers and more than 80% of the volume of their procurement is from OEMS. Further, their stores utilise a computerised inventory management system, which allows them to track the inventory level and movement of their SKUs on a daily basis.

They closely monitor their inventory levels to ensure that their inventories are fresh by adopting a first-in, first-out policy for all their merchandise. Their robust technology system and supply chain efficiencies enable them to provide time efficient and quality services to their customers.

- ***Robust customer service support, timely delivery & installation support***

EMIL has 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. They are providing after sales support with the help of their dedicated store-wise customer support team with trained and experienced team members. Their customer support team are operational on all 7 days of the week. Their widespread vendor/supplier network and robust tracking systems, ensure timely delivery of products with limited procurement costs.

- ***Experienced management team with a proven track record***

Company's experienced management team and trained employees have enabled them to successfully establish a customer-oriented corporate culture, providing a foundation to maintain and enhance their long-term competitiveness. Company's Board and senior management have a proven track record and an understanding of the retail business in India and local consumer preferences. They have helped the company successfully implement their development and operating strategies and provide quality service to their customers over the years. Their employees have been an important factor in their success as the quality and efficiency of the services they provide are dependent on them.

KEY BUSINESS STRATEGIES

- ***Expand reach across select geographies and deepen the footprint in the existing markets***

Company's aim is to follow a peripheral and concentric expansion approach pursuant to which, they will look to target contiguous states, to avail new opportunities. They have, in the past, expanded their stores through a cluster-based expansion model and intend to continue to do so in the future. They also intend to open stores and build their store network in the NCR region by opening 26 MBOs. As of August 31, 2022, they have operationalized 8 stores at NCR and are at various stages of negotiations to enter into arrangements for locking such retail property for their future requirements to open stores.

- ***Enhancing sales volumes by continuing to prioritise customer satisfaction through optimal product assortment and offering value for money***

- ***Right mix of product assortments at competitive pricing***

Company's strategy is to provide their customers with a comprehensive range of products at value for money prices and maintain optimal customer service standards. In order, to maintain and enhance their competitive position, they will continue to offer their products at competitive prices achieved through their low procurement, supply, operational and other costs. A continuous review of their merchandise according to the understanding of evolving customer preferences will help them better cater to their customers' needs, enhance their shopping experience and maximise their sales.

- ***Leveraging consumer finance to provide convenience and enhance purchasing ability***

The company entered into arrangements with their financing partners, which allows them offer financing solutions in the form of low cost or zero cost EMIs to their customers.

- ***Focus on differentiated customer experience and engagement***

The company endeavours to provide a one stop shopping experience. All their stores are air conditioned and they aim to provide a pleasant ambience and functional store layout. They have installed computerised billing points coupled with convenient payment options including, credit and debit cards, UPI which provide greater flexibility and convenience to their customers.

The company intends to continue to invest in advertisement and branding and continuously improve the customer relationship management, or strategies, and campaigns to analyse and manage customer interactions throughout the customer lifecycle. They invest in marketing activities by advertising their products, offers and the launch of their new stores through print media, digital media and radio shows.

- ***Technology led effective inventory management & lean operating structure***

Company's business model requires the company to maintain high levels of operational efficiency on a regular basis. Their 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.

They plan to further improve their operating efficiency and ensure efficient supply chain management, including by (i) investing further in their technological systems to improve their productivity and time management thereby increasing their operating efficiency; and (ii) expanding and upgrading their warehouse to improve the efficiency of their inventory and supply management; (iii) continuing to absorb best industry practices and (iv) supplement their current security system, consisting of manual checks and electronic surveillance. Also, to ensure that investments in analytics and technology improve their current business model, their digital strategy is geared to deliver on two fronts - expectations of their customers as well as their internal functions.

- **Maintaining & forging new relationships with leading brands across existing and new format stores thereby ensuring wider product range**

As of August 31, 2022, out of 112 stores, 100 stores are MBOs, including 3 specialised stores and 12 stores are EBOs. In order to further their vision and to expand their specialized store network, the company has set up 2 specialised stores under the name “**Kitchen Stories**” which caters to the kitchen specific demands by showcasing various kitchen appliances for them to choose from. Further, they have set up 1 specialized store format under the name “**Audio & Beyond**” focusing on high end home audio and home automation solutions.

They intend to expand their network and presence among the renowned electronic brands to further diversify their product portfolio and increase the categories of their products to establish their brand as a comprehensive and complete dealer and distributor of major electronic brands.

- **Continuous training of manpower**

The company aims at identifying fresh talent, training, grooming them and providing opportunities for growth as their success in the future will depend on their ability to continue to maintain a pool of experienced professionals. They have been successful in building a team of talented professionals and intend to continue placing special emphasis on managing attrition and attracting and retaining their employees. They intend to continue to encourage their employees to be enterprising and help them to ‘learn on the job’ and grow within the organisation.

INDUSTRY OVERVIEW

Comparative parameters of some key organised electronic retailers in India (fiscal 2022)

Cluster	Reliance Retail	Croma	EMIL	Aditya Vision
Revenue (₹ Cr)	169,400	8,210	4,350	900
Employee cost (% of sales)	0.9%	4.2%	1.8%	3.2%
Operating margin (%)	6.1%	(1.4)%	6.7%	7.4%
PAT margin (%)	2.9%	(5.4)%	2.4%	4.1%
Inventory days	46	70	55	92
Working capital days	7	(29)	(15)	NA
ROCE	23.5	(17.4)	19.1	31.0
ROE	31.6	94.1	17.4	NA

Comparative parameters of some key organised electronic retailers in India (fiscal 2021)

Parameter	Reliance Retail	Croma	Vijay Sales	EMIL	Sathya	Sargam	Girias	Aditya Vision	Adishwar	Viveks	Average
Revenue (CAGR FY16-21)	48.3%	12.7%	NA	17.9%	15.6%	11.0%	5.3%	25.5%	(7.6)%	(20.3)%	12.0%
Revenue (₹ Cr)	131,690	5,350	3,670	3,200	990	920	780	750	260	170	
Type(National/Regional)	N	N	N	R-S	R-S	R-N	R-S	R-E	R-S	R-S	
No. of stores ³	300+	195	121	105	157	15	104	70	70	34	
Per store revenue (₹ Cr)	NA	27.4	30.3	30.5	6.1	NM	7.5	10.7	3.6	5.0	15.0
Online presence	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	
Own brand	Yes	Yes	Yes	No	No	No	No	No	No	Yes	
Presence across cities	100+	63	20	30+	40+	2	48	38	24	7	
Employee cost (% of sales)	0.9%	5.1%	3.4%	1.9%	4.2%	3.1%	5.6%	3.3%	7.7%	5.6%	4.1%
Operating margin (%)	6.1%	0.8%	7.4%	6.4%	3.0%	2.8%	3.3%	5.6%	4.2%	0.8%	4.0%

Parameter	Reliance Retail	Croma	Vijay Sales	EMIL	Sathya	Sargam	Girias	Aditya Vision	Adishwar	Viveks	Average
PAT margin (%)	3.5%	(3.8)%	4.1%	1.8%	1.7%	0.7%	1.3%	3.3%	0.2%	(5.2)%	0.8%
Inventory days	36	53	61	59	59	57	68	102	123	67	68.5
Working capital days	10	(140)	(13)	(15)	13	27	89	21	53	(145)	(10)
ROCE	31.8	3.4	NA	23.9	21.0	16.1	9.7	26.0	5.2	(18.1)	13.2
ROE	24.7	NM	99.3	11.9	30.4	9.5	6.4	43.5	0.9	16.2	27.0

COMPETITION

The Indian electronics retail market has become increasingly competitive in recent years. Company's key direct competitors include other organized brick & mortar retailers such as **Reliance Retail, Croma, Vijay Sales, Sathya, Sargam, Girias, Aditya Vision, Adishwar, Viveks**, etc. and unorganized retailers such as local electronic stores and others. Each of the aforementioned organised retailers of electronics has an established presence in the markets they operate and in some cases across India and each is continuing to open additional stores.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Company	Consolidated / Standalone	Face Value	Closing Price on Sep'9, 2022	Revenue from Operations (₹ Cr)	EPS (Basic & Diluted)	NAV (₹)	P/E	RoNW (%)
Electronics Mart India Ltd	Consolidated	10	NA	4,349.32	3.46	19.88	[•]	17.42%
Listed Peers								
Aditya Vision Ltd	Standalone	10	1,436.80	899.11	30.43	72.67	47.22	41.88%

Source: RHP, *Closing share price of listed industry peer as on September 9, 2022 has been taken from the website of BSE.

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