

The Issue	
Type of Issue	Share Aggregating Upto Rs.mn
Fresh Issue	5,000
Offer for Sale*	-
Total	5,000

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	4 Oct, 2022
Bid/Offer Closing Date	7 Oct, 2022
Finalization of the Basis of Allotment	12 Oct, 2022
Credit of shares	14 Oct, 2022
Initiation of refunds	13 Oct, 2022
Listing Date	17 Oct, 2022

Use of Proceeds
Funding for expansion/opening of stores and warehouses
For working capital needs
Repayment of debt

General Information	
Manager	Anand Rathi Advisors Ltd , IIFL Securities Ltd & JM Financial Ltd
Registrar	KFin Technologies Ltd

Rakesh Roy

rakeshr@indsec.co.in

Sr. Research Analyst

+91 22 61146111

Onkar Kelji

onkark@indsec.co.in

Research Associate

+91 22 61146103

On track of next leg of growth

Company Overview:

Electronics Mart India is the fourth largest and one of the fastest growing consumer durables and electronics retailers in India that has grown at a revenue CAGR of 17.9% from FY16 to FY21. It is the largest regional organized player in the southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. The company commenced business operations in 1980 and since then they have witnessed a steady rise in their revenue from operations. They offer a diversified range of products with focus on large appliances (air conditioners, televisions, washing machines and refrigerators), mobiles and small appliances, IT, and others. They have consistently demonstrated profitability with a robust operating performance. EMIL had the second highest operating margin amongst its peers in FY21. The company has achieved revenue from operations of Rs 14,084.45mn, Rs 43,493.16mn, Rs 32,018.76mn and Rs 31,724.77mn for the Q1FY23, FY22, FY21 and FY20 respectively. They achieved a 35.8% YoY and 0.93% YoY growth in FY22 and FY21 respectively. As on August 31, 2022, the company operates through 112 stores spread across 36 cities/urban agglomerates with a retail business area of 1.12mn sq. ft.

Valuation:

EMIL is one of the leading consumer durable and electronics retail players in southern Indian and has a diversified product portfolio. The company classifies the product offerings as Large appliances (~50% of sale), Mobiles (~30% of sales) and Small appliances, IT & Others (~15% of sales). They have a long-term relationship with various renowned brands like LG, Panasonic, Philips for large appliances, Oppo, One Plus and Vivo for mobiles and Dell, Sony, Havells for small appliances, IT & others. As of August 2022, company operates through 112 stores of which 100 stores are MBOs and 12 stores are EBOs. The management intends to add 60 new stores in couple of years that will add to the topline in future.

We believe, improvement in per capita income and increase in urbanization will drive sales of consumer durables and other electronic products. We also believe the coming festive season, demand for electric equipment will increase on account of improvement in macroeconomic indicator that has increased per capita income level.

At the upper price band of Rs.59, the stock is trading at 22x FY22 P/E. We assign a "Subscribe" rating to the stock.

Key Strengths

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

As of August 31, 2022, EMIL operates and manages 112 stores with a retail business area of 1.12 million sq. ft., located across 36 cities/urban agglomerates. They are 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 have grown and expanded their product portfolio in the domestic market on account of these relationships. The company continues to strengthen these relationships by entering into long-term contracts and strategic alliances.

Increasing market presence and geographic reach with cluster-based expansion

To expand and increase its market presence, It follows a cluster-based approach of expanding their network in a particular market till a substantial depth and scale is reached. The company emphasizes on identifying 'growth pockets', by taking into account various factors, including population density, proximity and performance of competitors, customer and vehicular traffic, customer accessibility, potential growth of the local population and economy, area development potential, future development trends, estimated spending power of the population and local economy and payback period, estimated on the basis of expected sales potential, strategic benefits, and store site characteristics. Through these efforts, EMIL has been able to cater to the demands of its target customers and establish their brand presence in a designated region.

As of FY21, they are the largest player in the Southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. They also achieved second highest operating margin amongst their peers.

Diversified product offering & optimal product assortment

EMIL offers a wide range of products across multiple categories, brands at various price points offering customers several product options to choose from. They strive to ensure that the latest models and new product launches are available in their stores. The product mix in stores is decided based on the geographic and demographic analysis. The company classifies its products into three broad categories viz., Large appliances, Mobiles, and Small appliances, IT and Others.

Key Strengths

This 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 is as below:

Amt (in Mn)					
S. No	Product category	FY20	FY21	FY22	Q1FY23
1	Large appliances	16,649.25	16,507.60	20,481.79	7,062.25
2	Mobiles	10,177.60	10,310.08	13,952.73	4,036.90
3	Small appliances, IT and others	2,949.83	3,470.26	6,188.50	2,024.59
Total		29,776.68	30,287.94	40,623.02	13,123.74

The company sells more than 6,000 SKUs of its varied product categories. Their stores offers customers a comprehensive, distinctive and convenient shopping experience similar to a retail mall, thereby offering one-stop-solution to all the electronic needs of their existing and prospective customers. They retail these products either through Multi Brand Outlets (MBO) or Exclusive Brand Outlets (EBO) model stores. The customized product assortment and comprehensive product portfolio offers them with better visibility, brand recognition, deeper market penetration and increased customer base.

Strategically located logistics and warehousing facilities backed by stringent inventory management

The company operates nine large warehouses with six large warehouses in Hyderabad to cater to the Telangana region, one central warehouse in Vijayawada for the Andhra Pradesh region and two warehouses in NCR for the NCR region. Further, they also has several individual storage areas of varying sizes to cater to individual stores or a group of stores. The company's strategically located warehousing facilities ensures timely delivery at cost competitive prices due to the reduced procurement and transportation costs. Further, its stores utilizes a computerized inventory management system, which tracks the inventory level and movement of SKUs on a daily basis. The inventory management system also records specific information in respect of its inventory, such as stock description, merchandise mix and positioning, prices and sales, on an individual store basis.

Expanding reach across select geographies and deepening footprint in existing markets

EMIL aims to continue to deepen store network in its existing clusters to increase the market share in the Hyderabad, Telangana, and Andhra Pradesh. They aim to follow a peripheral and concentric expansion approach pursuant to target contiguous states and avail new opportunities. They will continue to expand stores through the cluster-based model. They also intend to open stores and build store network in the NCR region by opening 26 MBOs with the proceeds of the IPO. As of August 31, 2022, they have operationalized eight stores at NCR and are at various stages of negotiations to enter into arrangements for locking retail property for future requirements of new stores.

The total store count grew from 71 in FY20 to 112 as on August 31, 2022, while the retail business area grew from 0.76mn sq. ft. to 1.12mn sq. ft. over the same period. Increasing penetration in existing cities with a greater number of stores will enable them to enter into new 166 catchment areas and optimize their infrastructure. If opportunity arises, they may adopt a methodical approach in evaluating and selecting suitable locations for the establishment of new stores in the existing clusters, such as local population density, accessibility and proximity to their competitors.

Enhancing sales volume through optimal product assortment and value for money offerings

The company will strive to provide customers with a comprehensive range of products at value for money prices as well as maintain optimal customer service standards. They will continue to introduce new products and focus on optimal product assortment keeping in mind the local needs and preferences. Apart from this, they have also partnered with financial institutions to provide financing solutions in the form of low cost or zero costs EMIs to customers making their products affordable and thereby expanding market reach and brand recognition. They will continue to invest in advertisement and branding and continuously improve its customer relationship management with the intent of creating a long-term relationship with customers, building customer retention and driving sales. They will also undertake various strategies and campaigns to analyze and manage customer interactions throughout the customer lifecycle.

Maintaining & forging new relationships with leading brands across existing and new format stores

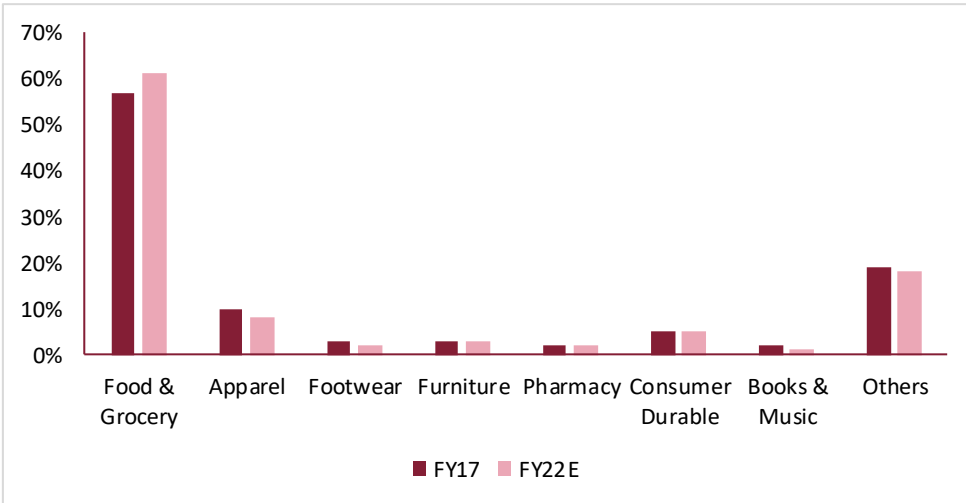
They intend to expand their relationship with existing business partners as well as forge new relations with renowned brands in order to set up and operate increased number of stores including EBOs. They also intend to increase the product range presently available across their MBOs. As of August 31, 2022, out of 112 stores, 100 stores are MBOs, including three specialized stores and 12 stores are EBOs. These relationship will also enable them to further diversify product portfolio as well as establish themselves as a comprehensive and complete dealer and distributor of major electronic brands.

Technology led effective inventory management & lean operating structure to maintain and improve operating efficiencies

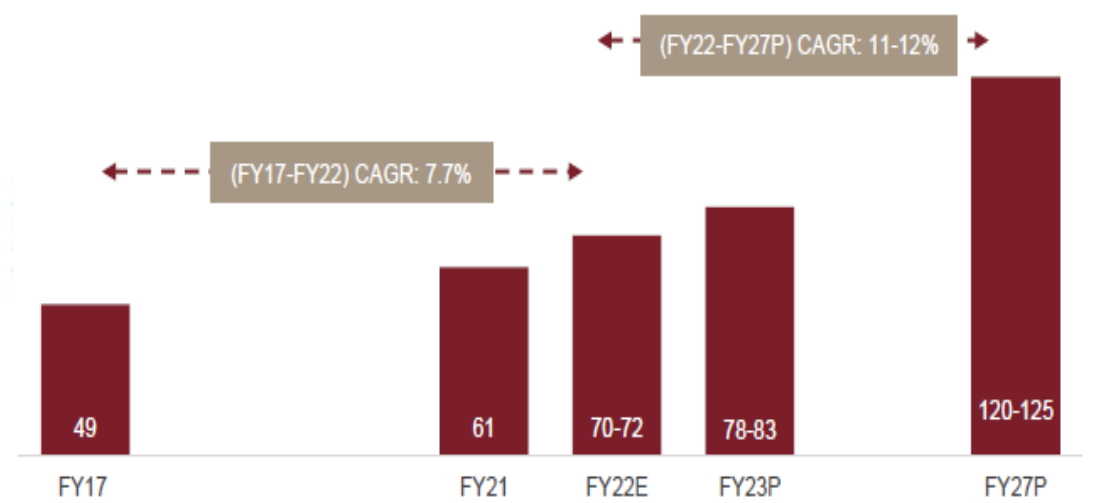
They intend to strengthen their internal systems and controls regarding inventory management and improve supply chain management by **(i)** investing further in technological systems **(ii)** expanding and upgrading warehouses **(iii)** adopting best industry practices and **(iv)** supplement current security system, consisting of manual checks and electronic surveillance. They are also investing in analytics and technology to provide seamless shopping experience to customers as they become more digital in their lifestyle.

Industry Overview

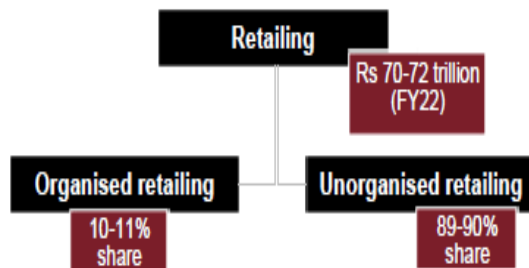
Indian consumer retail basket and spending trend (%)



Retail industry market size (Rs in tn)



Retail: Organised & Unorganised

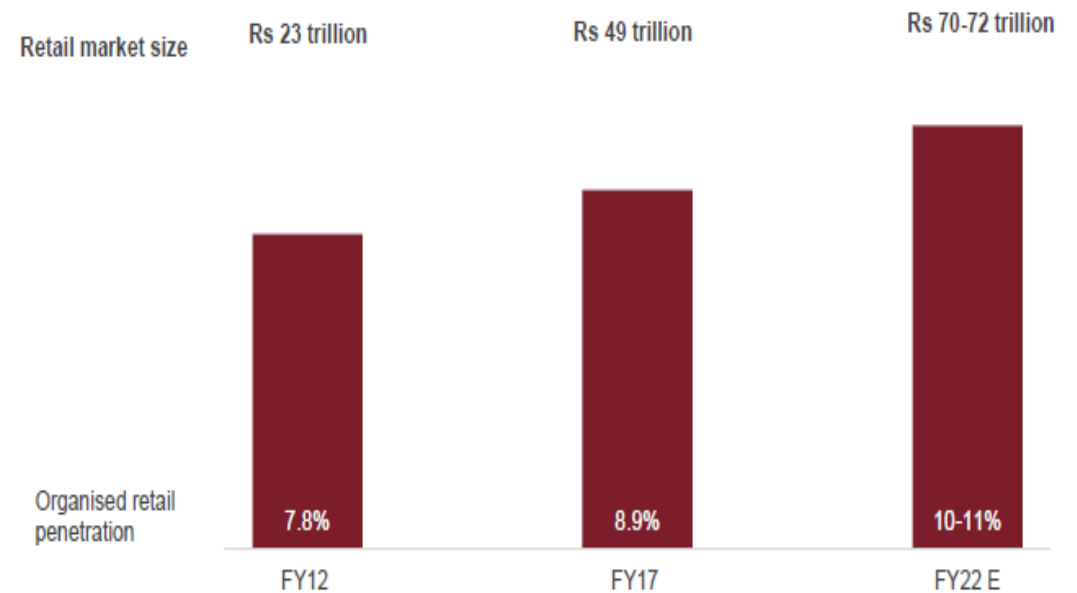


A format whereby consumers can buy goods from a similar purchase environment across more than one physical location. These typically comprise chain stores, either owned or franchised by a central entity.

It includes e-retail, where products are sold via the online retail and online marketplace business models.

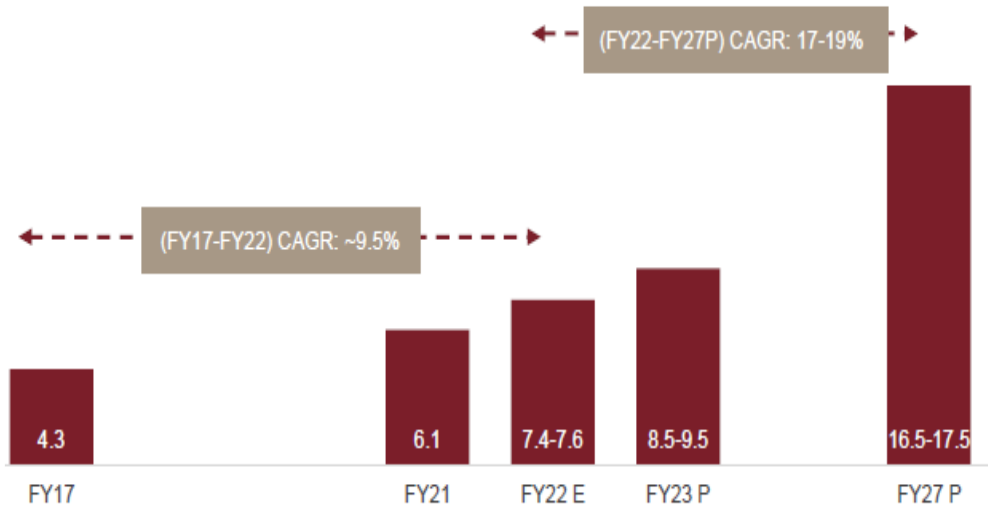
Unorganised retailing refers to small retailers selling goods via traditional formats such as counter stores, kirana shops, street markets, kiosks and vendors, where the ownership and management rests with one person/family.

Share of organised retailing

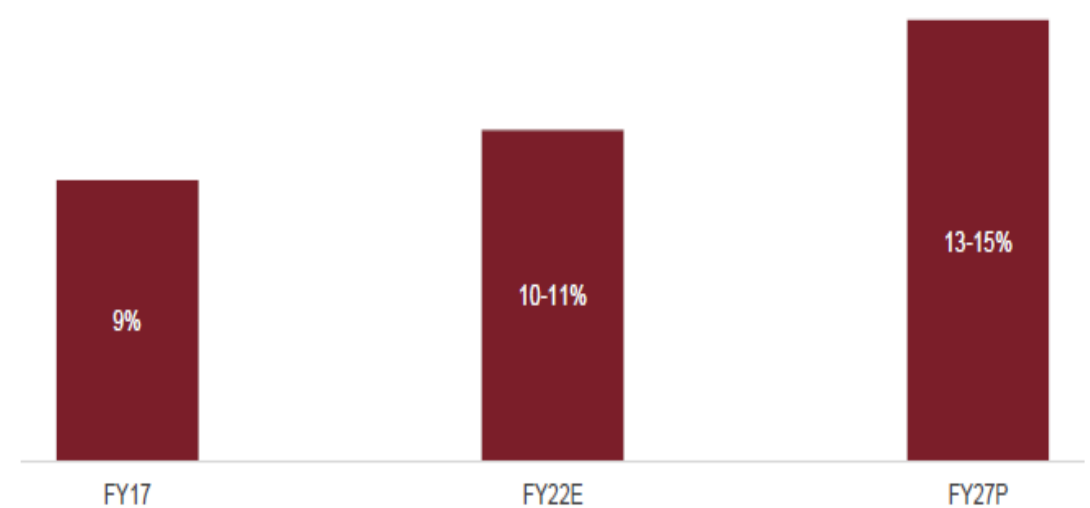


Industry Overview

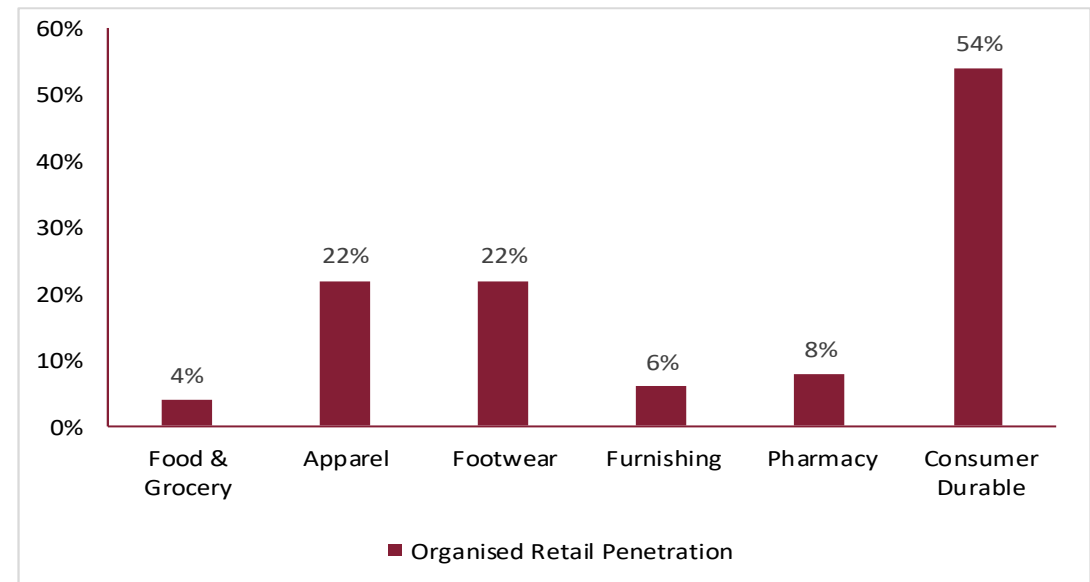
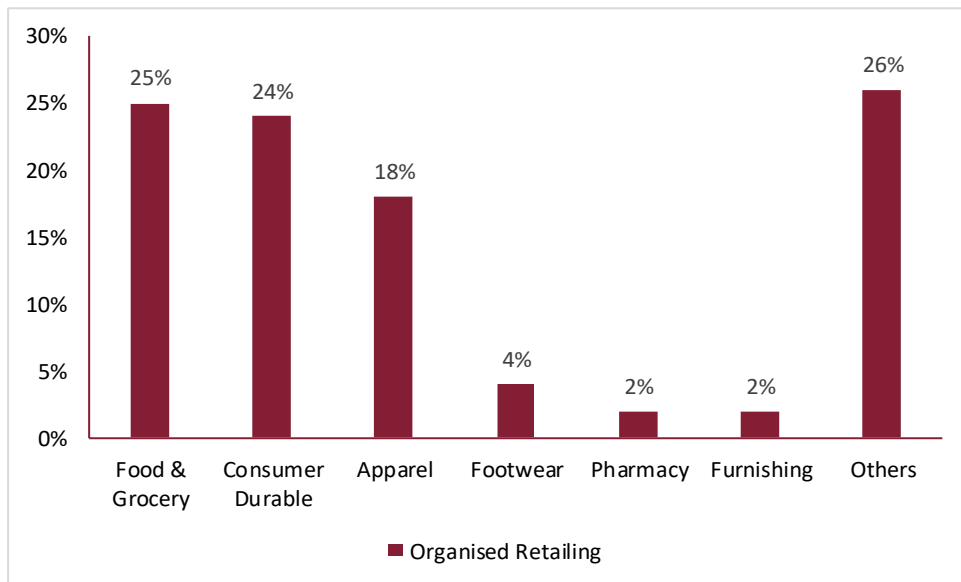
Organised retail market size trend (Rs in tn)



Expansion of Organised retail penetration

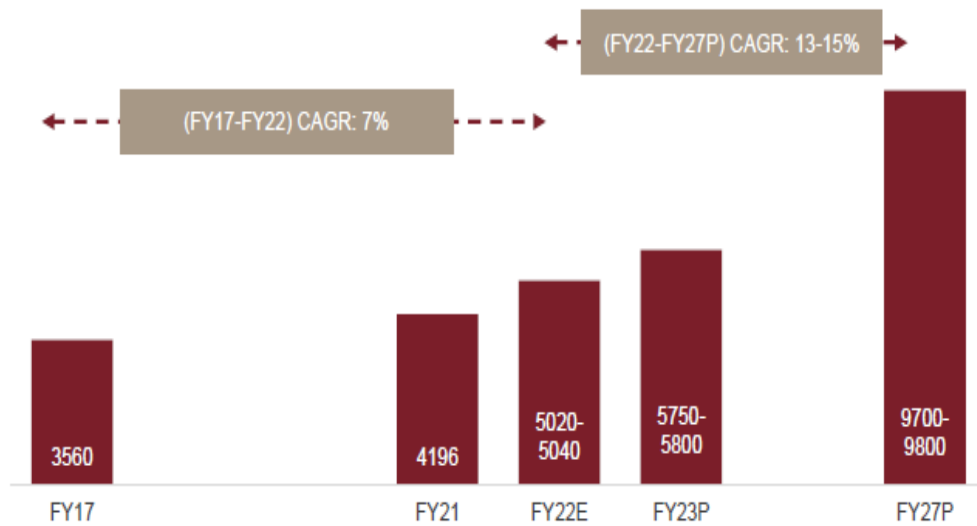


Share in organized retailing and penetration by vertical as of fiscal 2022

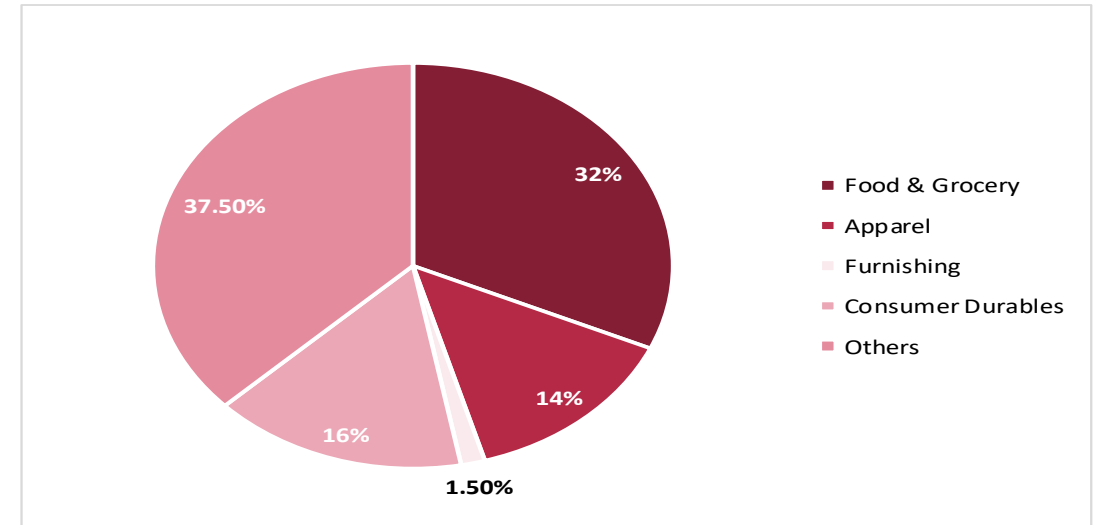


Industry Overview

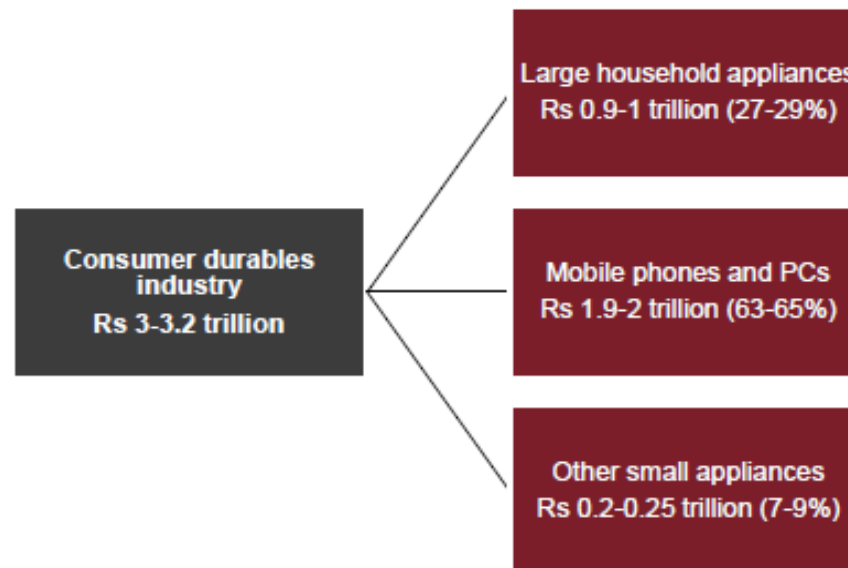
Organised B&M market size trend (Rs in Bn)



Segmentation within organised B&M Retail



Market segmentation of consumer durable appliances in India

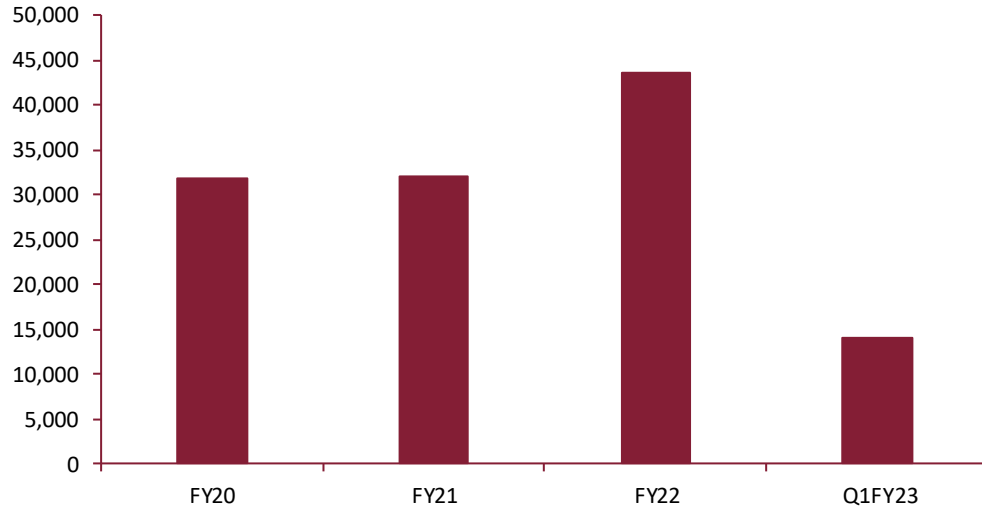


Key Risk

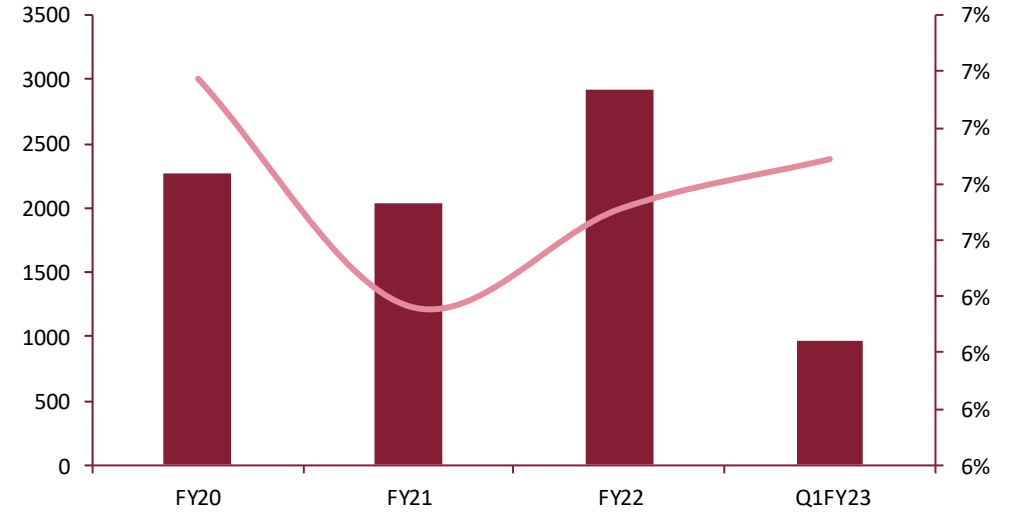
- Company's operations are majorly concentrated in Andhra Pradesh and Telangana, any adverse development in these regions could materially impact their revenues and operations.
- Stiff competition from online retailers who are able to offer wide range of products at competitive prices.
- Verdict against the company of ongoing legal proceedings could have an adverse effect on the business.
- Any delay or failure on the part of the external suppliers to deliver products, may materially and adversely affect their business, profitability and reputation.

Financial Story

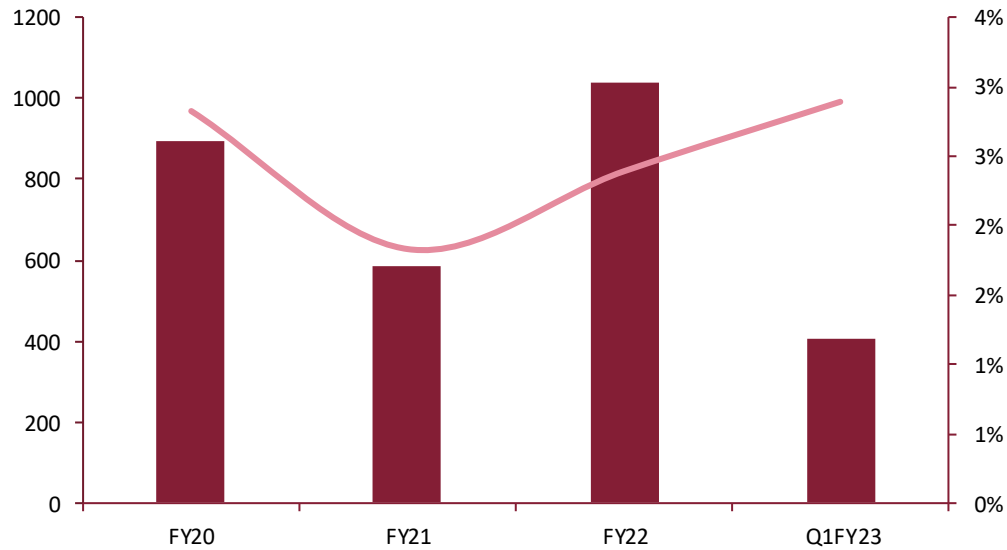
Revenue (Rs. Mn)



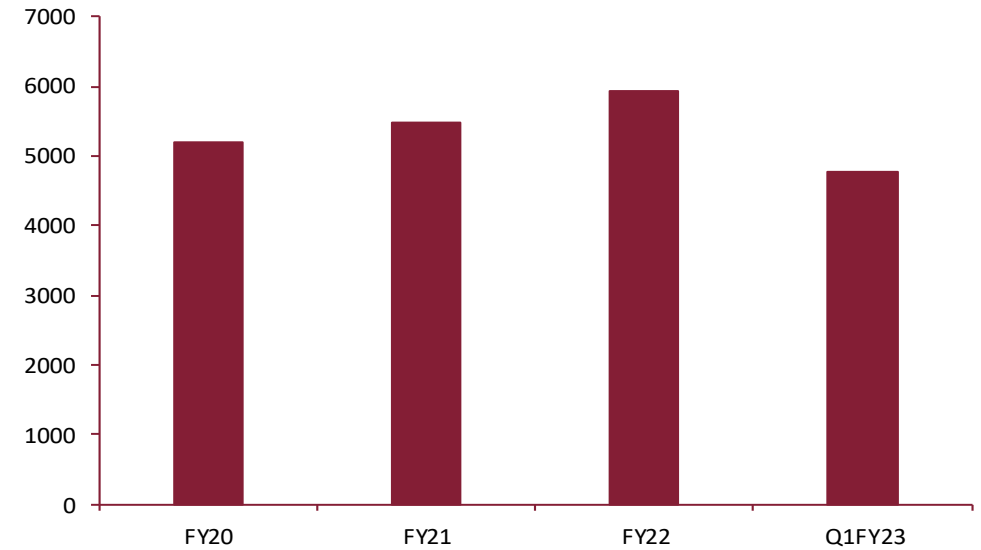
EBITDA (Rs.Mn) & Margins (%)



Adj. PAT (Rs.bn) & Margins (%)



Total Debt (Rs. Mn)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

DISCLOSURE

DISCLOSURE

BUSINESS ACTIVITIES:

Indsec Securities and Finance Limited (ISFL) is a corporate member of BSE (Equity, WDM segment), of NSEIL (Equity, WDM, Futures & Options and Currency Derivative segments) and has also secured membership of the MSEI Exchange (Currency Derivative Segment) vide registration No. INZ000236731. ISFL is an AMFI Registered Mutual Fund Advisor (MRMFA) vide Registration Number 9194. ISFL is also a Depository Participant of the National Securities Depository Limited (NSDL) and a SEBI registered Portfolio Manager. With this setup ISFL is in a position to offer all types of services in the securities industry.

Since inception company's focus has been on research. In view of its research capabilities ISFL focused mainly on institutional business and is today empaneled with most of the local financial institutions, insurance companies, banks and mutual funds. ISFL has grown from being a medium size broking outfit to become one of the largest capitalized Indian broking company offering the complete range of broking services.

ISFL was incorporated on 28th July 1993 and doesn't have any associates/ subsidiaries. ISFL is a registered Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 vide registration No. INP000001892.

DISCIPLINARY HISTORY:

- No material penalties / directions have been issued by the SEBI under the securities laws, SEBI Act or Rules or Regulations made there under
- No penalties have been imposed for any economic offence by any authority.
- No material deficiencies in the systems and operations of the Company have been observed by any regulatory agency.
- There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Company or its Directors, principal officers or employees or any person directly or indirectly connected with the Company.

DECLARATION:

- ISFL/Research Analysts or their associates or their relatives do not have any financial interest in the subject company (ies);
- ISFL/Research Analysts or their associates or their relatives do not have actual or beneficial ownership of 1 % or more in the subject company (ies);
- Directors may have actual or beneficial ownership of 1 % or more in the subject company (ies);
- ISFL/Research Analysts or their associates or their relatives do not have any material conflict of interest in the subject company(ies) at the time of publication of this document;
- ISFL has not received any compensation from the subject company (ies) in the past twelve months;
- ISFL has not managed or co-managed public offering of securities for the subject company (ies) in the past twelve months;
- ISFL has not received any compensation for investment banking or merchant banking or brokerage services or any other service from the subject company (ies) in the past twelve months;
- ISFL has not received any compensation or other benefits from the subject company (ies) or third party in connection with this document;
- None of the research analysts have served as an officer, director or employee of the subject company (ies);
- ISFL has not been engaged in the market making activity for the subject company (ies);

DISCLOSURE

GENERAL TERMS AND CONDITION/ DISCLAIMERS:

This document has been issued by ISFL and is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of security.

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However, we do not guarantee its accuracy and the information may be incomplete and condensed. Note however that, we have taken meticulous care to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any other employee of our company is in any way responsible for its contents. The Company's research department has received assistance from the subject company (ies) referred to in this document including, but not limited to, discussions with management of the subject company (ies). All opinions, projections and estimates constitute the judgment of the author as of the date of this document and these, including any other information contained in this document, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. While we would endeavor to update the information herein on reasonable basis, we are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent us from doing so.

Securities recommended in this document are subject to investment risks, including the possible loss of the principal amount invested. Any decision to purchase/sale securities mentioned in this document must take into account existing public information on such security or any registered prospectus. The appropriateness of a particular investment, decision or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved).

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject the company to any registration or licensing requirement within such jurisdiction. Further, this document is not directed or intended for distribution to the US taxpayers covered under US Foreign Account Tax Compliance Act (FATCA) provisions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction

This is just a suggestion and the company will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of the company. No matter contained in this document may be reproduced or copied without the consent of the company. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The information contained in this document is intended solely for the recipient and may not be further distributed by the recipient. The Company accepts no liability whatsoever for the actions of third parties.

The research analyst(s) of this document certifies that all of the views expressed in this document accurately reflect their personal views about those issuer(s) or securities. **Analyst's holding in the stocks mentioned in the Report:-NIL**