



Sept 29, 2022

ELECTRONICS MART INDIA LIMITED

IPO

One of the fastest growing consumer durables and electronics retailers in India, Electronics Mart India Ltd said it will launch its initial public offer (IPO) on Oct 4, 2022. The offer will close on Oct 7, 2022 and the company has fixed the price band at ₹56-₹59 per equity share.

Rating: **Subscribe**

Analyst

Saurabh Joshi, CA

saurabh.joshi@marwadigroup.in

Pravina Dali

pravina.dali@marwadigroup.in





Company's Overview

- Electronics Mart India Ltd is 4th largest and one of the fastest growing consumer durables and electronics retailers in India. As of FY 2021, the company 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 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. The offering includes more than 6,000 SKUs across product categories from more than 70 consumer durable and electronic brands.
- The business model of the company is a mix of ownership and lease rental model. Under the ownership model, the company owns the underlying property including the land and building and in lease rental model, the company enter into a long-term lease arrangement with the property owner(s).
- The company has 112 stores across 36 cities / urban agglomerates with a retail business area of 1.12 million sq. ft. Out of the total 112 stores the company operates, 11 stores are owned, 93 stores are under long-term lease rental model and eight stores are partly owned and partly leased.
- The company operates business activities across three channels of retail, wholesale and e-commerce. Retail Channel contributed 91.01% whereas Wholesale and Ecommerce channel contributed 1.48% and 1% respectively to the total revenues for the financial year 2022.
- The company retails large appliance products from leading brands including LG, Panasonic, Philips, Sony, Godrej, IFB, Daikin, Symphony and Voltas; mobiles from brands like Vivo, Oppo and OnePlus and other small appliances like laptops, geyser, coolers, speakers, headphones, kitchen appliances, etc from brands like Dell, Sony, Butterfly, Havells, Orient.

Valuations

- Considering the FY22 (adjusted) / FY23 (annualized) EPS of Rs.2.70/ Rs. 4.23 on a post issue basis, the company is going to list at a P/E of 21.85x/ 13.96x with a market cap of Rs.22,700 mn while its peer namely Aditya Vision is trading at a P/E of 32.7x.
- We assign "Subscribe" rating to this IPO as company is the fourth largest consumer durable and electronics retailer in India with a leadership position in South India. Also, it is available at discounted valuation as compared to its peer.

Financial Snapshot

Particulars (in millions)	FY21	FY20	FY19
Revenue	43,493.16	32,018.76	31,724.77
Other Income	37.55	54.92	65.4
Total Income	43,530.71	32,073.68	31,790.17
Total Expenses	42,133.13	31,278.06	30,589.73
EBITDA	2,956.93	2,093.74	2,341.81
EBITDA Margin	9.23%	4.81%	7.31%
PAT	1,038.91	586.21	816.08
PAT Margins	3.24%	1.35%	2.55%
EPS	3.46	1.95	2.72

Issue Open	Oct 4, 2022, Tue
Issue Close	Oct 7, 2022, Fri
Issue Type	Book Built Issue IPO
Issue Size	Fresh Issue: 84.75 mn eq shares (₹5,000.00 mn) OFS: Nil
Face Value	₹10
Issue Price Band	₹56-₹59
Listing at	NSE, BSE
Minimum Lot Size	254 shares

Objects of the Issue

- Funding of capital expenditure for expansion and opening of stores and warehouses.
- Funding incremental working capital requirements
- Repayment / prepayment, in full or part, of all or certain borrowings availed by the Company
- General corporate purposes

Issue Break-Up

Category	No of shares (Mn)	In Million	% of issue
QIB	42.37	2,500.00	50.00%
NIB	12.71	750.00	15.00%
Retail	29.66	1,750.00	35.00%
Total	84.75	5,000.00	100.00%

Shareholding Pattern

	Pre- Issue	Post- Issue
Promoters and Promoters Group	100.00%	77.97%
Public	0.00%	22.03%
Total	100.00%	100.00%

Capital Structure

Particulars	Aggregate value
Authorized Equity Share Capital	10,000.00 mn
Paid -Up Capital (Pre-Offer)	3,000.03 mn
Paid- Up Capital (Post-Offer)	3,847.49 mn



Competitive Strengths

- The company is the 4th largest consumer durable and electronics retailer in India with a leadership position in South India.
- The company is one of the fastest growing consumers durable and electronics retailer with consistent track record of growth and industry leading profitability.
- Increasing market presence and geographic reach with cluster-based expansion.
- The business model provides operational flexibility to create long term sustainable footprint.
- Diversified product offering & optimal product assortment leveraging deep knowledge and understanding of regional markets
- Strategically located logistics and warehousing facilities backed by stringent inventory management using IT systems
- Experienced management team with a proven track record.

Key Business Strategies

- Expand reach across select geographies and deepen the footprint in existing markets
- Enhancing sales volumes by continuing to prioritise customer satisfaction through optimal product assortment and offering value for money
- Technology led effective inventory management & lean operating structure to maintain & improve operating efficiencies
- Maintaining & forging new relationships with leading brands across existing and new format stores thereby ensuring wider product range
- Continuous training of manpower

Key Risks

- The company does not manufacture any of the products it sells and hence is dependent on external suppliers for its product requirements.
- Competition from online retailers who are able to offer products at competitive prices and are also able to offer wide range of products may adversely affect the company's business.

Peer Comparison:

Company Name	Face Value (₹ Per Share)	Revenue from Operations (in ₹ mn)	EPS(₹)	NAV (₹ per share)	RoNW(%)
Electronics Mart India Limited	10	43,493.16	3.46	30.43	72.67%
Aditya Vision Limited	10	8,991.10	30.43	72.67	41.88%

Promoters and Management Details

Name	Designation
Pavan Kumar Bajaj	Chairman & Managing Director
Karan Bajaj	Chief Executive Officer & Whole-time Director

