



Incorporated in 1993, the Company is the largest home grown design-focused and solutions company engaged in manufacturing products in the consumer durables, lighting and mobile phones markets in India (*Source: Frost & Sullivan Report*). The Company’s diversified product portfolio includes (i) consumer electronics like LED TVs; (ii) home appliances like washing machines; (iii) lighting products like LED bulbs and tubelights, downlighters and CFL bulbs; and (iv) mobile phones. It also provides solutions in reverse logistics i.e. repair and refurbishment services of set top boxes, mobile phones and LED TV panels. As per the Frost & Sullivan Report, we are the leading manufacturer of lighting products of CFL, LED bulbs, LED TVs and semi-automatic washing machines in India. Our key customers include Panasonic India Private Limited, Philips Lighting India Limited, Haier Appliance (I) Pvt. Ltd., Gionee, Surya Roshni Limited, Reliance Retail Limited, Intex Technologies (I) Ltd., Mitashi Edutainment Pvt. Ltd., Dish Infra Services Private Limited.

The Company is a fully integrated end-to-end product and solution suite to original equipment manufacturers (“OEMs”) ranging from global sourcing, manufacturing, quality testing and packaging to logistics. It is also a leading Original Design Manufacturer (“ODM”) of lighting products, LED TVs and semi-automatic washing machines in India (*Source: Frost & Sullivan Report*). As an ODM, it develops and design products in-house at its R&D centre. The Company manufactures and supply these products to well-known companies in India who in turn distribute these products under their own brands.

On a pre IPO level, promoters hold 46.2 percent stake, which will be diluted to 38.93 post IPO. Motilal Oswal PE owns 23.68 percent, which will reduce to 5.8% post OFS. Other institutional investors in the company include GMO Emerging Domestic Opportunities Equity Fund (3.09% pre IPO holding) and Steadview Capital Mauritius Limited (1.75% pre IPO holding), who are not participating in the OFS.

The Company has witnessed robust financial performance in the past four years. Topline of the Company has registered a CAGR of 34 percent and net Profit clocked 78 percent CAGR over the period FY13-17. FY17 revenue performance was outstanding with a growth rate of 77 percent on a yoy basis to Rs. 2,457 crores owing to diversification into LED lighting and mobile phones manufacturing. In terms of revenue breakup, LED TVs account for 34 percent, 33 percent by mobile phones manufacturing and 22 percent from Lighting products.

Investment Rationale and Recommendation

At the upper end of the price band of Rs. 1766, the IPO is valued at 38x at FY17 EPS on post issue basis which is at a premium. With due consideration to factors like a) leading market position as a manufacturer in its key product verticals, namely, FPD TVs, washing machines, CFL and LED lights in India, b) strong relationships with a diverse top – tier customer base, c) experienced promoter and seasoned management team, d) end to end solutions provider with dedicated research and development capabilities, e) robust asset turnover of 18x f) strong financial performance and stable cash flows, g) low multiple of post ipo market cap/FY17 Sales: 0.79x, we recommend “SUBSCRIBE” to the issue. We believe the pricing of IPO enjoys premium due to shortage of companies in Consumer electronics in the listed space.

Issue date	Sep. 06 – 08, 2017		
Listing date	Sep. 18, 2017		
Type of issue	Fresh Issue: Rs. 600 mn Offer for sale: 30,53,675 equity shares		
Face Value	Rs. 10		
Price Band	Rs. 1,760 – Rs. 1,766 per share		
Issue allocation	QIB – 50% Retail – 35% NIB – 15%		
Lot size	8 equity Shares & multiple of 8 equity shares thereafter		
Equity shares post issue	11.019 mn equity shares at upper end of price band		
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%		
Post issue market cap	Rs. 19.5 bn at upper price band		
Book Running Lead Managers	IDFC Bank, IIFL, Motilal Oswal, Yes Securities		
Registrar to the issue	Karvy Computershare		
Promoters	Mr. Sunil Vachani		
Y/e 31 Mar (Rs. mn)	FY17	FY16	FY15
Revenue	24,568	13,894	12,013
EBITDA	922	1,070	340
OPM (%)	3.75	7.70	2.83
PAT	504	426	119
PAT (%)	2.05	3.06	0.99
Equity Capital	109.85	31.03	31.03
Post issue EPS (Rs.)*	46	39	11
Networth (Rs. mn)	1977.33	1208.31	829.31
Total debt	429	771	799
Debt/equity (x)	0.22	0.64	0.96
P/E (x) at Rs. 1766	38	45	161
RoE (%)	25.49	35.25	14.89

Source: RHP, Ajcon Research



Objects of the issue

The Issue comprises of a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

The Offer for Sale – Details of selling shareholders

Name of selling shareholders	No. of shares to be sold
India Business Excellence Fund – I	1,446,201
India Business Excellence Fund – II	495,313
Sunil Vachani	634,368
Atul Lall	233,333
Kamla Vachani	160,879
Geeta Vaswani	32,099
Sunita Mankani	25,741
Shobha Sippy	

Note *: IBEF-I (India Business Excellence Fund –I) & IBEF – (India Business Excellence Fund) of Motilal Oswal Private Equity

The Fresh Issue

Fresh issue is of Rs. 60 crore, which will be used for (i) debt repayment of Rs 22 crore, (ii) new manufacturing unit for LED TVs at Tirupati worth Rs. 7.5 crore, with incentive for land rentals, GST, water and power, (iii) enhancement of backward integration for lighting products at Dehradun for Rs. 8.9 crore and (iv) IT infra upgrade worth Rs. 5.3 crore.



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Research report written by - Akash Jain, MBA (Financial Markets), Vice – President Research



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net, 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Corporate and Broking Division

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office:

101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40