



Impressive background and business model..

The Company is the 4th largest and one of the fastest growing consumer durables and electronics retailers in India and as of Financial Year 2021, the Company is the largest regional organised player in the southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh (Source: Company Commissioned CRISIL Report). EMI commenced its business operations in 1980 and since then there has been a steady rise in its revenue from operations. The Company has been 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 (Source: Red Herring Prospectus).

The Company has built a longstanding market presence with more than three decades of experience having commenced its business operations as a proprietary concern by setting up its first consumer durable and electronic retail store at Hyderabad. The group converted the erstwhile sole proprietorship into a partnership firm under the name of 'M/s Bajaj Electronics' pursuant to a partnership deed dated March 25, 2011 and subsequently converted the partnership firm into a public limited company under the Companies Act, 2013 with the name 'Electronics Mart India Limited'

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 Company's offering includes more than 6,000 SKUs across product categories from more than 70 consumer durable and electronic brands.

The Company's business model is a mix of ownership and lease rental model, as it focuses to secure retail spaces which ensures high visibility and easy accessibility to customers. Under the ownership model, the Company owns the underlying property including the land and building and in lease rental model, the Company enters into a long-term lease arrangement with the property owner(s). As of August 31, 2022, 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 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.

Despite the ongoing COVID-19 pandemic, the Company continued to expand its store network. Since April 1, 2022, the Company opened nine stores in its clusters of operations. The Company has been steadily increasing its market reach to cover 14 cities in Andhra Pradesh, 20 cities in Telangana and two 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. The Company has expanded its 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, the Company has set up four stores in Andhra Pradesh, eight stores in Telangana and eight stores in NCR. The Company has consistently increased its retail business area over the last three Financial Years from 0.76 million sq. ft in Financial Year 2020, to 0.94 million sq. ft. in Financial Year 2021, to 1.04 million sq. ft. in Financial Year 2022 and to 1.12 million sq. ft. as on August 31, 2022.

EMIL operates 9 large warehouses with an average area of 28,114 sq. feet. The Company has 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.

Type of Issue	Fresh issue of Equity shares aggregating upto - ₹500 Crore
No. of shares	84,745,762 Equity shares at the upper end of the price band
Issue date	October 04, 2022 - October 07, 2022
Listing date	October 17, 2022
Price Band	₹56 - ₹59 (Face value: ₹10)
Bid lot	254 equity shares and in multiple thereof
Issue structure	QIB - 50%, NIB - 15%, Retail - 35%
Post issue shares	38.47 Crore equity shares
Promoter	Pre IPO: 99.98% Post IPO: 77.96%
Promoter group	Pre IPO: 0.02% Post IPO: 0.01%
Public	Pre IPO: - Post IPO: 22.03%
Post issue market cap	₹ 2,270 Crore at the upper end of the price band
BRLMS	Anand Rathi Advisors, IIFL Securities, JM Financial
Registrar to the issue	KFin Technologies Limited

Particulars (₹ Crore)	As at June 2022	FY22	FY21	FY20
Revenue from operations	1,408.45	4,349.32	3,201.88	3,172.48
EBITDA	97.04	291.94	203.88	227.64
EBITDA (%)	6.89	6.71	6.37	7.18
Profit before tax	55.10	139.76	79.56	112.18
Net Profit	40.66	103.89	58.62	81.61
PAT margin (%)	2.89	2.39	1.83	2.75
Equity share cap.	300	300	300	300
Networth	637.97	596.51	491.92	433.08
Total Borrowings	475.91	593.3	547.95	520.55
Total Lease Liabilities	554.39	549.75	419.93	482.06
Book value (₹)	21.27	19.88	16.40	14.44
Post IPO EPS (₹)	1.06	2.70	1.52	2.12
P/E (x)	-	21.85	38.81	27.83
Fixed Asset turnover (x)	3.69	14.64	12.15	14.85
Inventory days	36	60	63	54
RoNW (%)	-	17.42	11.92	18.84
RoCE (%)	-	18.87	14.35	20.28

Source: Red Herring Prospectus (RHP), Restated Consolidated

Investment recommendation and rationale

At the upper end of the price band of ₹59, the Company's IPO is valued at P/E of 21.85x at post IPO FY22 EPS which we believe is reasonable and decent considering strong fundamentals of the Company. The Company's past financial performance has been good as compared to industry peers. We recommend "SUBSCRIBE" to the issue due to the following factors: a) The Company is the 4th largest consumer durable and electronics retailer in India with a leadership position in South India. The Company's scale of operations along with its long-standing relationship with leading consumer brands enables it to procure products at competitive rates, b) The Company is one of the fastest growing consumer durable and electronics retailer with consistent track record of growth and industry leading profitability, c) The Company's market presence and geographic reach with cluster-based expansion, d) The Company's business model provide operational flexibility to create long term sustainable footprint, e) Strategically located logistics and warehousing facilities backed by stringent inventory management using IT systems, f) Robust customer service support, timely delivery & installation support, g) Experienced management team with a proven track record.

Objects of the issue

Objects of the issue	(₹ Crore)
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	

Source: Red Herring Prospectus (RHP)

About its Business

The Company operates its business activities across three channels of retail, wholesale and e-commerce.

Retail: With the object of providing comprehensive electronic solutions, the Company has set up diverse consumer durable and electronic retail stores arraying multifarious as well as specialized electronic products. As of August 31, 2022, out of 112 stores, 100 stores are Multi Brand Outlets (“MBOs”) and 12 stores are Exclusive Brand Outlets (“EBOs”). The Company operates 89 MBOs under the name “Bajaj Electronics” in Andhra and Telangana, eight MBO under the name of “Electronics Mart” in the NCR region, two specialized stores under the name “Kitchen Stories” which caters to the kitchen specific demands of its customers and one specialised store format under the name “Audio&Beyond” focusing on high end home audio and home automation solutions.

The Company's MBOs endeavor is to offer its 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. The Company's local market knowledge, careful product assortment, supply chain efficiencies coupled with efficient customer services has enabled us in providing its customers with electronic products at competitive prices and a wide range of products to shop from and hand-pick the product best suited to their needs. As on August 31, 2022, 100 MBOs were operative, having an average store area of 10,876 sq feet per store.

Owing to its longstanding market presence, the Company has been able to enter into arrangements with its reputed electronic brand partners to operate and manage EBOs showcasing products manufactured by its brand partners, thereby providing one-stop solution for all specialised and specific brand related needs of its customers. As on August 31 2022, the Company operates and manage 12 EBOs for its brand partners, which are located in Telangana and Andhra Pradesh including two for LG Electronics, having an average store area of 3,061 sq feet per store.

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

E-Commerce: In 2017, the Company diversified its operations by venturing into the e-commerce space through its website. The Company's e-commerce website currently functions as a catalogue for the products the Company retail at its stores. The Company further expanded its e-commerce operations in 2019 by associating with the largest domestic and international players of the e-commerce market thereby expanding its business reach from brick-and-mortar retail stores to e-commerce platforms.

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.

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

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	93.18%	4,062.31	93.00%	3,028.79	95.11%	2,977.67	93.85%

Source: Red Herring Prospectus (RHP)

The Company's sourcing capability, efficient logistics network and robust technological infrastructure have enabled it to deliver on its value retailing promise and create a brand presence among its customers and brand partners. As one of the leading electronic retail players, the Company's core competencies lie in its efficient inventory management which complements its logistics network. In order to manage and track its inventory, the Company periodically monitor its stock levels with the help of modern software installed in the



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Company's warehouses which enables it to maintain optimal levels of inventory and ensures smooth functioning of its consumer durable and electronic retail stores.

The Company has a long-term relationship with various major brands, supplying consumer durables, electronics, mobile & IT equipment. Most of the Company's purchases are directly from the Original Equipment Manufacturers (OEMs) on either advance payment terms or cash on delivery terms, which puts the Company on a strong platform that enables better price and delivery terms.

The Company's procurement function for the Andhra Pradesh cluster is centralized at its regional office in Vijayawada, where the market demand for various products and customer responses to the new products launched by brands is closely monitored. Based on a critical analysis of the customers, the Company places orders for various products from time to time. The Company's sales and inventory levels are captured in the ERP system, which assists the management's decisions on the procurement planning.

Key performance indicators

Operational performance indicators

Parameter	Financial Year 2020	Financial Year 2021	Financial Year 2022	Three-month period ended June 30, 2022
New stores opened:				
a) MBO	11	19	10	5
b) EBO	1	3	1	-
Cumulative number of stores	71	93	103**	108***
Total number of bill cuts from Retail Stores (net of sales return)	1,488,098	1,447,659	1,810,527	553,225
Average ticket size (Net retail sales divided by Total number of bill cuts from Retail Stores (net of sales return))	₹ 19,482	₹ 20,248	₹ 21,862	₹ 23,077
Same Store Growth rate for MBOs*	(0.70)%	(9.80)%	23.37%	NA
Summer season sales (Apr to Jun) (₹ in millions)	8,119.20	4,405.17	8,613.01	12,973.43
Festive season sales (Sep to Nov) (₹ in millions)	8,561.09	9,746.90	11,533.62	NA

Source: Red Herring Prospectus (RHP),

* New format MBOs & EBOs, which have been converted from older formats or EBOs are considered for Same Store Growth as per the conversion date. Closed / converted formats are excluded for comparability.

** While the total number of new stores opened in FY 2022 was 11 store, one MBO store was shut down in FY22 hence the total cumulative number of stores stands at 103.

*** From July 1, 2022 to August 31, 2022, the Company has opened four MBOs taking the total store count to 112 as on August 31, 2022.

Revenue indicator

Parameter	Financial Year 2020	Financial Year 2021	Financial Year 2022	Three-month period ended June 30, 2022
Retail Business Area (in million sq.ft.)	0.76	0.94	1.04	1.09*
Revenue from retail sales per Retail Business Area sq.ft. (in ₹)	37,912	31,167	38,010	11,734

Source: Red Herring Prospectus (RHP), * Retail Business Area has increased from 1.09 million sq. ft. as on June 30, 2022 to 1.12 million sq. ft as on August 31, 2022



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

Parameter	Reliance Retail ¹	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%	5.3%	25.5%	(7.6) %	(20.3) %	12.0%
Revenue (Rs bn)	1316.9	53.5	36.7	32.0	9.9	9.2	7.8	7.5	2.6	1.7	
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+ ²	195	121	105	157	15	104	70	70	34	
Per store revenue (Rs Mn)	NA ⁴	274	303	305	61	NM	75	107	36	50	150
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%
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

Source: Red Herring Prospectus

(Note: National player is defined as retailer with presence in more than seven states. All financials at a standalone level.

N: National, R: Regional; Region mentioned in the bracket; NA: Not available NM: Not meaningful

*: Sargam fiscal 2021 data is not available on MCA, hence financials of fiscal 2020 have been used

#: Operating margin: Operating profit before depreciation, interest and taxes (OPBDIT)

** : Only one year data is available

ROCE: 3 year moving average ROCE used

1 Refers to Reliance Retail; Reliance Digital- the consumer durable and electronics retailing business is a one segment of overall Reliance Retail operations

2 Refers to number of stores under Reliance Digital- the consumer durable and electronics retailing business

3 No of stores as reported on company website as on Sep 2, 2022

4 Comparable per store revenue not available due to lack of reporting of Reliance Digital revenues)

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

Parameter	Reliance Retail ¹	Croma	EMIL	Aditya Vision
Revenue (Rs bn)	1694.0	82.1	43.5	9.0
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

Source: Red Herring Prospectus, Note: #: Operating margin: Operating profit before depreciation, interest, and taxes (OPBDIT)

ROCE: 3 year moving average ROCE used, 1 Refers to Reliance Retail; Reliance Digital- the consumer durable and electronics retailing business is a one segment of overall Reliance Retail operations

Competition

The Indian electronics retail market has become increasingly competitive in recent years. The Company believes the principal bases of competition in India in organized retailing of electronics are pricing, range of brands and convenience of locations. The 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 the Company operates and in some cases across India and each is continuing to open additional stores. The increasing competition shall result in shrinkage of catchment area of its stores. Further, the availability of multiple options enhances the bargaining power of the customers, which in turn forces the store operators to resort to aggressive discounting practices affecting the gross margins.

(Source: Red Herring Prospectus)

Key risks

- 1) Majority of the Company stores are presently concentrated in Andhra Pradesh and Telangana. However, the Company plans to expand into new geographies and may be exposed to significant liability and could lose some or all of its investment in such regions, as a result of which our business, financial condition and results of operations could be adversely affected.
- 2) 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 business and its financial condition, results of operations and cash flows.

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.

Annapurna 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.

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