

## Electronics Mart India Limited

Incorporated in 1980, Electronics Mart India Limited (EMIL) is the 4th largest consumer durable and electronics retailer in India. The company offers a diversified range of products with a 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 (stock keeping units) across product categories from more than 70 consumer durable and electronic brands.

**Positives:** (a) 4th largest consumer durable and electronics retailer in India with a leadership position in South India (b) Consistent track record of growth and industry leading profitability (c) Increasing market presence and geographic reach with cluster-based expansion

**Investment concerns:** (a) High geographic concentration risk (b) High competition from online retailers (c) High dependence on limited number of brands

**Outlook & Valuation:** In terms of valuations, the post-issue P/E works out to 21.8x FY22 EPS (at the upper end of the issue price band) which is low compared to its peer Aditya Vision Ltd. Further, EMIL has better revenue growth (CAGR of 17%) over 2 years, better return on equity and expansion plan on the cards. Considering all the positive factors, we believe this valuation is at reasonable levels. Thus, we recommend a **SUBSCRIBE** rating on the issue.

### Key Financials

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Net Sales</b>	<b>3,172</b>	<b>3,202</b>	<b>4,349</b>
% chg		-1%	51%
<b>Net Profit</b>	<b>82</b>	<b>59</b>	<b>104</b>
% chg		-28%	77%
EBITDA (%)	7.2	6.4	6.7
<b>EPS (Rs)</b>	<b>2.1</b>	<b>1.5</b>	<b>2.7</b>
P/E (x)	27.8	38.7	21.8
P/BV (x)	5.2	4.6	3.8
ROE (%)	20.7	11.9	17.4
ROCE (%)	13.6	10.0	12.7
EV/Sales	1.0	1.0	0.8

Source: Company RHP, Angel Research

## SUBSCRIBE

Issue Open: October 04, 2022

Issue Close: October 07, 2022

### Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹ 300cr

Offer for Sale: ₹ 0cr

Fresh issue: ₹500cr

Post Eq. Paid up Capital: ₹ 385cr

Issue size (amount): ₹ 500cr

Price Band: ₹56- ₹59

Lot Size: 254 shares and in multiple thereafter

Post-issue mkt. cap: \* ₹2,180cr - \*\* ₹2,270cr

Promoters holding Pre-Issue: 99.99%

Promoters holding Post-Issue: 0.00%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	78.0%
Public	22.0%

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## Company background

Incorporated in 1980, Electronics Mart India Limited (EMIL) is the 4th largest consumer durable and electronics retailer in India. EMIL is also 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 a 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 (stock keeping units) across product categories from more than 70 consumer durable and electronic brands.

EMIL's business model is a mix of ownership and Lease rental model, as it focuses to secure retail paces which ensures high visibility and easy accessibility to customers. Under the ownership model, EMIL owns the underlying property including the land and building and in lease rental model, it enters a long-term lease arrangement. As of August 31, 2022, out of the total 112 stores it operates, 11 stores are owned, 93 stores are under long-term lease rental model and eight stores are partly owned and partly leased.

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

- 1) Retail:** 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 revenue from retail channel was ₹ 1,276.7cr, ₹ 3,958.1cr, ₹ 2,931.3cr and ₹ 2,899.1cr which represented 90.65%, 91.01%, 91.55% and 91.38%, of the revenue from operations, respectively, for the three-month period ended June 30, 2022, FY2022, FY2021 and FY2020, respectively.
- 2) Wholesale:** Company supplies products to single shop retailers in Andhra Pradesh and Telangana regions. The revenue from wholesale channel was ₹ 20.2cr, ₹ 64.2cr, ₹ 53.1cr and ₹ 50.5cr which represented 1.44%, 1.48%, 1.66% and 1.59% of the revenue from operations, respectively for the three-month period ended June 30, 2022, FY2022, FY2021 and FY2020, respectively.
- 3) E-Commerce:** In 2017, EMIL diversified its operations by venturing into the e-commerce space through its website. Company's e-commerce website currently functions as a catalogue for the products it retails at its stores. 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.

## Issue details

The IPO is made up of Fresh issue of ₹500cr making the total Issue size of ₹500cr.

### Pre & Post Shareholding

Particulars	(Pre-Issue)		(Post-Issue)	
	No of shares	%	No of shares	%
Promoter	29,99,89,713	99.99%	29,99,89,713	77.97%
Public	13,287	0.00%	8,47,59,050	22.03%
<b>Total</b>	<b>30,00,03,000</b>	<b>100.00%</b>	<b>38,47,48,763</b>	<b>100.00%</b>

Source: Company, Angel Research

## Objectives of the Offer

- Rs 500cr proceeds from the fresh issue would be utilized as follows:
  - Up to ₹220cr utilized for funding incremental working capital requirements.
  - Up to ₹111.4cr utilized for funding capital expenditure for expansion and opening of stores and warehouses.
  - ~₹55cr to be utilized for repayment / prepayment, in full or part, of all or certain borrowings availed by the Company.
  - Rest would be utilized for general corporate purposes

## Financial Summary

### Income Statement (Consolidated)

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Net Sales</b>	<b>3,172</b>	<b>3,202</b>	<b>4,349</b>
<i>% chg</i>		1%	36%
<b>Total Expenditure</b>	<b>2,945</b>	<b>2,998</b>	<b>4,057</b>
Raw Material	2,702	2,767	3,755
Personnel	59	61	79
Other Expenses	184	169	223
<b>EBITDA</b>	<b>228</b>	<b>204</b>	<b>292</b>
<i>% chg</i>		-10%	43%
<i>(% of Net Sales)</i>	7.2	6.4	6.7
Depreciation & Amortization	51	58	71
<b>EBIT</b>	<b>177</b>	<b>146</b>	<b>221</b>
<i>% chg</i>		-18%	51%
<i>(% of Net Sales)</i>	5.6	4.6	5.1
Interest & other Charges	63	72	85
Other Income	7	5	4
<b>PBT</b>	<b>112</b>	<b>80</b>	<b>140</b>
<i>% chg</i>		-34%	76%
Tax	31	21	36
<i>(% of PBT)</i>	25.5	26.3	25.7
<b>PAT</b>	<b>82</b>	<b>59</b>	<b>104</b>
<i>% chg</i>		-28%	77%
<i>(% of Net Sales)</i>	3	1.8	2.4
<b>Basic EPS (Rs)</b>	<b>2.1</b>	<b>1.5</b>	<b>2.7</b>

Source: Company, Angel Research

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>SOURCES OF FUNDS</b>			
Equity Share Capital	300	300	300
Reserves & Surplus	133	192	297
<b>Shareholders' Funds</b>	<b>433</b>	<b>492</b>	<b>597</b>
Total Loans	872	968	1,143
Other Liabilities	1	2	1
<b>Total Equity &amp; Liabilities</b>	<b>1,306</b>	<b>1,462</b>	<b>1,741</b>
<b>APPLICATION OF FUNDS</b>			
Net Block	571	674	785
Goodwill	-	-	-
Capital Work-in-Progress	2	2	24
Investments	-	-	-
<b>Current Assets</b>	<b>722</b>	<b>803</b>	<b>949</b>
Inventories	402	481	614
Sundry Debtors	85	95	108
Cash	87	35	34
Loans & Advances	1	1	1
Other Assets	147	191	192
<b>Current liabilities</b>	<b>42</b>	<b>62</b>	<b>84</b>
<b>Net Current Assets</b>	<b>680</b>	<b>742</b>	<b>865</b>
Deferred Tax Assets (net)	7	12	18
Other Assets	45	33	49
<b>Total Assets</b>	<b>1,306</b>	<b>1,462</b>	<b>1,741</b>

Source: Company, Angel Research

**Cashflow Statement (Consolidated)**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Profit before tax</b>	<b>32</b>	<b>61</b>	<b>127</b>
Depreciation	35	34	35
Change in Working Capital	30	-2	-121
Interest / Dividend (Net)	30	28	23
Direct taxes paid	(13)	-1	-31
Others	0	2	4
<b>Cash Flow from Operations</b>	<b>113</b>	<b>121</b>	<b>36</b>
(Inc.)/ Dec. in Fixed Assets	(74)	-42	-47
(Inc.)/ Dec. in Investments	5	0	-1
Interest Received	1	21	-6
<b>Cash Flow from Investing</b>	<b>(68)</b>	<b>(22)</b>	<b>(53)</b>
Proceed / (Repayment) of long-term borrowings	5	(62)	28
Dividend Paid (Incl. Tax)	(10)	0	0
Interest / Dividend (Net)	(30)	-28	-23
<b>Cash Flow from Financing</b>	<b>(35)</b>	<b>(90)</b>	<b>5</b>
<b>Inc./(Dec.) in Cash</b>	<b>10</b>	<b>9</b>	<b>(12)</b>
Opening Cash balances	14	24	33
<b>Closing Cash balances</b>	<b>24</b>	<b>33</b>	<b>21</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	27.8	38.7	21.8
P/CEPS	17.1	19.4	13.0
P/BV	5.2	4.6	3.8
EV/Sales	1.0	1.0	0.8
<b>Per Share Data (Rs)</b>			
EPS (fully diluted)	2.1	1.5	2.7
Cash EPS	3.4	3.0	4.6
Book Value	11.3	12.8	15.5
<b>Returns (%)</b>			
ROE	20.7	11.9	17.4
ROCE	13.6	10.0	12.7

Source: Company, Angel Research;

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