

To,  
Listing Manager,  
The National Stock Exchange of India Ltd.,  
Exchange Plaza, Plot No: C/1, G Block,  
Bandra Kurla Complex- Bandra(E),  
Mumbai - 400 051  
**Symbol: EMIL**  
**Series: EQ**  
**ISIN: INE02YR01019**

The Secretary  
BSE Limited  
PJ Towers  
Dalal Streets  
Mumbai- 400001  
**Scrip Code: 543626**

Dear Sir/Madam,

**Sub: Intimation for the revision in the Credit Rating of Electronics Mart India Limited (the Company)**

Pursuant to regulation 30(4) of the SEBI (LODR) 2015, this is to inform you that India Rating & Research (IRR), a credit rating agency, has published the revision in the credit rating for the credit facilities availed by the Company.

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR5,700 (increased from INR4,700)	IND A- /Positive/IND A2+	Affirmed; Outlook revised to Positive from Stable
Term loans	-	-	FY28	INR830.65 (reduced from INR1,100)	IND A-/Positive	Affirmed; Outlook revised to Positive from Stable

As per IRR, the Outlook revision reflects the Company's successful completion of its geographical diversification in FY23 by expanding its footprint in the National Capital Region (NCR), helping the company improve its scale of operations. The improvement in the scale of operations and margin expansions are key rating monitorable.

The published report is available on the website of IRR at <https://www.indiaratings.co.in/pressrelease/62529>.

We request that you to kindly take this information on record.

Thanking You,

For and on behalf of **Electronics Mart India Limited**

**Rajiv Kumar**

Company Secretary and Compliance Officer

Date: 06<sup>th</sup> July 2023

Place: Hyderabad

# India Rating Revises Electronics Mart India's Outlook to Positive; Affirms 'IND A-'; Limits Enhanced

Jul 05, 2023 | Diversified Retail

Ind-Ra-Mumbai-28 June 2023: India Ratings and Research (Ind-Ra) has taken the following rating actions on Electronics Mart India Limited (EMIL):

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR5,700 (increased from INR4,700)	IND A- /Positive/IND A2+	Affirmed; Outlook revised to Positive from Stable
Term loans	-	-	FY28	INR830.65 (reduced from INR1,100)	IND A-/Positive	Affirmed; Outlook revised to Positive from Stable

The Outlook revision reflects EMIL's successful completion of its geographical diversification in FY23 by expanding its footprint in the National Capital Region (NCR), helping the company improve its scale of operations. The improvement in the scale of operations and margin expansions are key rating monitorable.

## Key Rating Drivers

**Successful Completion of Public Issue and Geographical Diversification:** EMIL, whose promoter and his family have more than four decades of experience in the consumer retail industry, has a qualified and experienced team at top and mid-levels. With its experienced team, the company successfully completed its initial public offering (IPO) of INR5,000 million in October 2022 and also opened 14 new stores in New Delhi in FY23, helping the company to diversify its geographical concentration from a South India-based player. The successful completion of the IPO, the opening of new stores in the NCR, and the management's plan to further expand its presence in NCR and other states where it has presence will help the company improve its scale of operations.

**Continuous Store Additions to Help in Sustaining Leadership Position:** EMIL opened a total of 24 new stores in FY23 (FY22: 10) and plans to add 20-22 stores per annum on average over the next three-to-four years, helping the company

cross 200 stores by FY27. Despite continuous store additions, EMIL maintained its average per store sales per annum at above INR420 million, which is higher than that of the leading players in the industry. Ind-Ra expects the aggressive new store additions along with the management's execution capability to aid the company improve the scale of operations and sustain its market position in the medium term.

**Steady Operating Performance:** EMIL's revenue from operations grew 25.2% to INR54,457 million in FY23 (FY22: INR43,493 million), supported by an improvement in its billing and realisations. The same store sales growth stood at 17.5% in FY23, and the management expects the same store sales growth to be around 15% in the medium term, due to its rapid store additions and competition. Ind-Ra expects steady consumer demand along with continuous store additions to aid EMIL's top line to expand at a CAGR of over 14% over FY24-FY27.

Despite the increase in turnover, the EMIL's operating EBITDA margins marginally declined to 6.2% in FY23 (FY22: 6.7%) due to higher marketing, brand building and discount sales offered in the NCR region. However, Ind-Ra expects the margins to be rangebound at 6.1%-6.3% over FY24-FY27 given the company's stable operating performance.

**Credit Metrics to Remain Comfortable:** EMIL managed to maintain its comfortable credit metrics despite an increase in interest rates, short-term and long-term borrowings, supported by the improvement in operating EBITDA. The gross interest coverage (EBITDAR/gross interest expenses) slightly declined to 3.4x in FY23 (FY22: 3.5x). Ind-Ra expects the coverage to moderate in the near term, due to higher interest expenses and likely muted growth in its operating EBITDA margins. The net adjusted leverage ratio (net adjusted debt/operating EBITDAR) slightly reduced to 3.66x in FY23 (FY22: 3.8x). Ind-Ra expects the net leverage to remain at the same level considering that the company does not have any debt-funded capex plan. The company's incremental store additions would likely be met through its internal accruals and the available proceeds from its IPO.

**Liquidity Indicator- Adequate:** The working capital cycle of the company increased to 68 days in FY23 (FY22:66) despite the company opening 24 new stores. However, the cash flow from operations (CFO) turned to negative INR1,108 million in FY23 (FY22: INR355 million), due to an increase in the value of inventory due to the improvement in scale, other financial assets and muted operating profit. Ind-Ra expects the CFO to turn positive and remain above INR2,350 million in the medium term. The average bank working capital utilisation for the 12 months ended March 2023 stood at 40%. The company had unutilised limit of INR1,865 million as on 31 March 2023. Ind-Ra expects the total capex and additional working capital requirement for opening new stores for FY24-FY25 to be INR2,500 million-3,000 million. The company has repayment obligations of INR1,759 million and INR759 million for FY24 and FY25, respectively. Ind-Ra expects its steady CFO and available IPO proceeds to be adequate to meet the obligations.

**Established Market Player with Multiple Brand Portfolio:** EMIL is one of the leading and largest consumer electronic and durable products retailers in the country. It is the largest player in south India in terms of operating revenue. The company operates 127 stores in Andhra Pradesh, Telangana, New Delhi and Kerala as of March 2023. Out of the 127 stores, 114 stores are multi branded outlets and the balance 13 are exclusive brand outlet for high end brands such as Apple, Samsung, LG and MI. The company also offers more than 6,000 products in over 100 brands with more than 12.3 million square feet retail space.

**Inventory Obsolescence Risk:** As the company holds large inventories of consumer durable items, it is exposed to pricing and obsolescence risk. EMIL, however, efficiently manages its inventory and has agreements with brands, which compensate for inventory losses caused by new product launches, thus mitigating the risk of inventory turning obsolete. Furthermore, the company also has a wholesale business through which it liquidates the slow-moving inventory allowing 30-60 days credit period to its sub dealers.

**High Competition:** The traditional organised brick and mortar players face stiff competition from e-commerce players and other smaller unorganised players. Although the market is currently dominated by brick-and-mortar players as physical stores enable customers to touch and feel the product they are buying, guidance given by sales representatives also instils confidence in first-time buyers. However, e-commerce channels remain the fastest- growing segment in the retail sector with large new entrants with deep pockets foraying into the sector. EMIL also faces stiff competition from other established

brick and mortar stores, who offer products at competitive prices, thus competing for consumer footfalls in the region.

However, Ind-Ra believes EMIL is well positioned to benefit from the increasing shift of demand towards the organised players from the unorganised players as it leverages its strong brand value.

## Rating Sensitivities

**Positive:** An improvement in the scale of operations from new geographies along with an improvement in operating EBITDA margin, leading to the interest coverage exceeding 3.25x without any deterioration in the liquidity profile, on a sustained basis, will be positive for the rating.

**Negative:** Any further deterioration in the operating margins, a stretch in the working capital cycle or negative CFO and undisclosed capex, leading to a deterioration in the financial performance with the interest coverage reducing below 2.75x, on a sustained basis, would be negative for the ratings.

## Company Profile

EMIL is a limited liability (public unlisted company) primarily retailing consumer durables through 127 multi-brand and exclusive brand outlets located across 41 cities in Andhra Pradesh, Telangana, NCR and Kerala.

### FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR million)	54,457	43,493
EBITDA (INR million)	3361	2,919
EBITDA margins (%)	6.2	6.7
Interest expense (INR million)	985.4	846
Gross interest coverage (x)	3.4	3.5
Net leverage (x)	3.7	3.8
Source: EMIL, Ind-Ra		

## Non-Cooperation with previous rating agency

Not applicable

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## Rating History

Instrument Type	Current Rating/Outlook				Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	15 July 2022	1 July 2022	10 May 2021
Issuer rating	Long-term	-	IND A- /Positive	IND A-/Stable	IND A-/Stable	IND A-/Stable
Fund-based working capital limits	Long-term/ Short-term	INR5,700	IND A- /Positive/ IND A2+	IND A-/Stable/ IND A2+	IND A-/Stable/ IND A2+	IND A-/Stable/ IND A2+
Term loans	Long-term	INR830.65	IND A- /Positive	IND A-/Stable	IND A-/Stable	-

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Term loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Contact

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**APPLICABLE CRITERIA**

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**Evaluating Corporate Governance****The Rating Process****Short-Term Ratings Criteria for Non-Financial Corporates****Corporate Rating Methodology****DISCLAIMER**

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