

## Jaya Jalram Technologies Limited

### A REVIEW REPORT ON JAYA JALRAM TECHNOLOGIES LIMITED IPO

#### IPO Details

|                           |                         |
|---------------------------|-------------------------|
| <b>Opening Date</b>       | Aug 26, 2022            |
| <b>Closing Date</b>       | Aug 30, 2022            |
| <b>Stock Exchange</b>     | NSE SME                 |
| <b>Lot Size</b>           | 3000 Shares             |
| <b>Issue Price</b>        | ₹ 36 per share          |
| <b>Issue Size</b>         | 30,00,000 Equity Shares |
| <b>Application Amount</b> | ₹ 1,08,000              |

#### IPO Objective

- To meet the Working Capital Requirements
- General Corporate Purposes

#### Pre-Issue Shareholding

| Category                  | No. of Shares | % of Total Shares |
|---------------------------|---------------|-------------------|
| Promoter & Promoter Group | 59,38,152     | 73.04%            |
| Public                    | 21,91,848     | 26.96%            |

#### Company Background

- Company was incorporated in the year 2012 in Gujarat.
- Company is engaged in multi-brand retail selling of Smart Phones and allied accessories from manufacturers like Apple, Samsung, Oppo, Realme, Nokia, Vivo, Xiaomi, Nokia, Redmi, Techno, One Plus, and Xiaomi.
- Company is also engaged in multi-brand retail selling of consumer durable electronics goods like Smart TVs, Air Conditioners, Fridges, Coolers etc. from brands like TCL, Haier, Diakin, Voltas, Mi, Realme, OnePlus, Xiaomi, Skytron.
- Company operates under the brand name “Kore”
- As on 30<sup>th</sup> April 2022, the company had 13 employees on its payroll.

#### Promoter of the Company

1. Mr. Kamlesh Varjivandas Thakkar
2. Mr. Kamlesh Hariram Lalwani
3. Mr. Mukeshkumar Navnitray Bhatt.

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## Company Overview

Jaya Jalram Technologies Limited was incorporated in the year 2012 in Gujarat. The company is engaged in multi-brand retail selling of Smart Phones and allied accessories from manufacturers like Apple, Samsung, Oppo, Realme, Nokia, Vivo, Xiaomi, Nokia, Redmi, Techno, One Plus, and Xiaomi. Company is also engaged in multi-brand retail selling of consumer durable electronics goods like Smart TVs, Air Conditioners, Fridges, Coolers etc. from brands like TCL, Haier, Diakin, Voltas, Mi, Realme, OnePlus, Xiaomi, Skytron.

### Analysis

Established in the year 2012, the company has a decent track record of existence. Company operates in retail sector where it provides multi-brands electronic items to its customers through 82 stores in Gujarat. Out of these 82 retail outlets, 10 are owned by the company, 65 are Franchisee Owned and Franchisee Operated and 7 are Franchisee Owned and Company Operated. Company operates under its brand name “**Kore**” and primarily deals with selling of multi-brand mobile handsets and its accessories along with other electronic items of various brands such as Samsung, Mi, Haier, Voltas etc. Recently the company has also started 2 outlets in Gujarat where it sells Electric Bike “**Revolt**” and its spare parts and accessories.

Company has been generating healthy revenue through its above mentioned products and the same has been increasing over the years. The table below summarises the revenue breakup of the company through its product segment –

(Amount in Lakh)

| Particulars  | For the year ended March 31 |               |                  |               |                 |               |                 |               |
|--|-----------------------------|---------------|------------------|---------------|-----------------|---------------|-----------------|---------------|
|  | 2022                        |               | 2021             |               | 2020            |               | 2019            |               |
|  | Sales                       | %             | Sales            | %             | Sales           | %             | Sales           | %             |
| Revenue from Sale of Electric Gadgets and other consumer durable items | 14,624.72                   | 91.60         | 11,554.00        | 97.26         | 9,323.43        | 100.00        | 9,415.33        | 100.00        |
| Revenue from Sale of Electricbikes                                     | 1,340.27                    | 8.40          | 325.67           | 2.74          | 0.00            | 0.00          | 0.00            | 0.00          |
| <b>Revenue from Operations (Other than Other Operatingincome)</b>      | <b>15,964.99</b>            | <b>100.00</b> | <b>11,879.67</b> | <b>100.00</b> | <b>9,323.43</b> | <b>100.00</b> | <b>9,415.33</b> | <b>100.00</b> |

The company has done well in its new segment as well and that is more appealing. The prospect of electric vehicles is huge but also comes with a lot of competition. Electric bikes come with alternative products such as petrol vehicles and also Electric Scooters. Petrol vehicles can be competed without much difficulty in coming times but to compete with electrical scooters will be a greater task as scooter comes with a lot more compatibility than bikes and that's what everyone is looking for now.

The electrical gadgets that the company sells are available at a lot of other stores and e-commerce platforms. The competition is huge from other retail outlets such as Croma, Reliance Digital, Vijay Sales (Big chain in Gujarat) etc. Also, though the customers might have been reluctant to buy costly electronic items from online platforms, but in coming times it seems to change as in 2022, online sales of consumer electronics had shown a share of 16.9% of the total revenue.

So to conclude, although the company has fared well in recent times, the brand name being particularly recognised only in Gujarat gives it a less chance to be as successful as it has been in other parts of the country. Also accompanied by a competitive environment it becomes difficult for the company to perform well in other part of the country. However, getting listed might give an edge to it from other small and unorganised retailers but already established brands would be a difficult task for the company to overcome.

## Industry Charts

Exhibit 1: Indian Appliances and Electronics Market Expected to grow at a CAGR of 2112% from FY 21 to FY 25

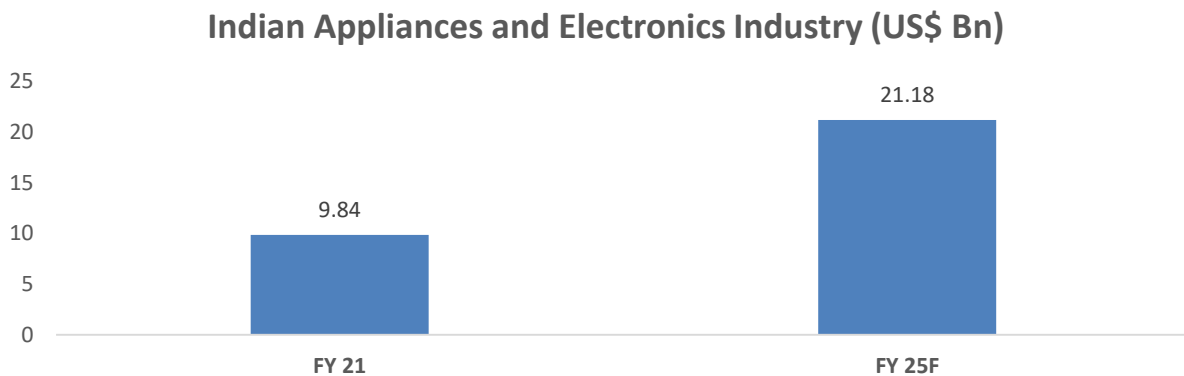


Exhibit 2: Sector Composition of Indian Consumer Durables

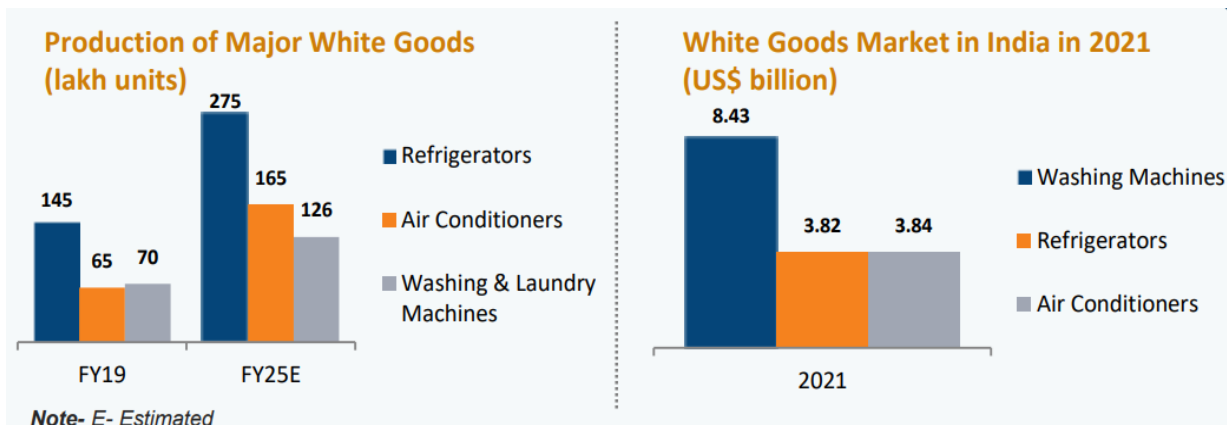
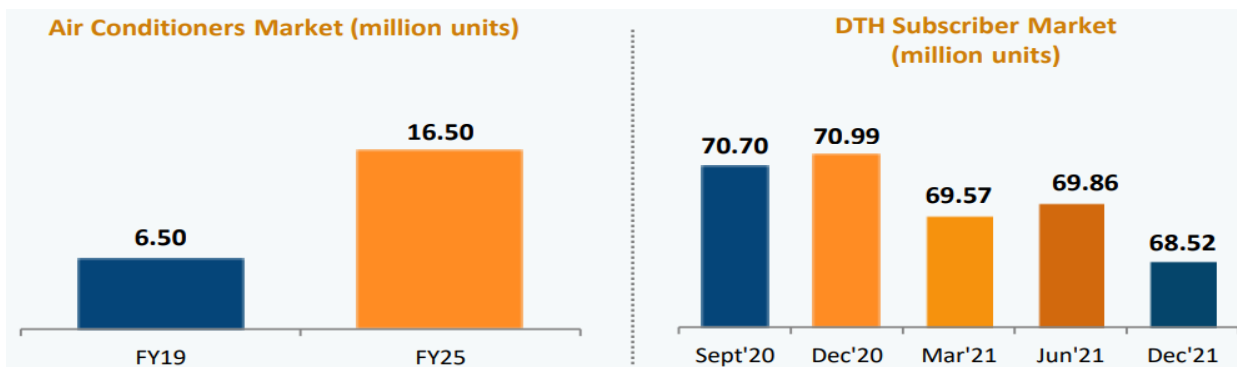


Exhibit 3: Key Trends in Indian Consumer Durables



## Investment Overview

### **Consumer Durables Industry**

The Indian consumer durables market is broadly segregated into urban and rural markets and is attracting marketers from across the world. The sector comprises of a huge middle class, relatively large affluent class and a small economically disadvantaged class. Global corporations view India as one of the key markets from where future growth is likely to emerge. The growth in India's consumer market would be primarily driven by a favourable population composition and increasing disposable income.

Indian appliance and consumer electronics (ACE) market is expected to increase at 9% CAGR to reach Rs. 3.15 trillion (US\$ 48.37 billion) in 2022. Demand growth is likely to accelerate with rising disposable income and easy access to credit. Increasing electrification of rural areas and wide usability of online sales would also aid growth in demand. The government anticipates that the Indian electronics manufacturing sector will reach US\$ 300 billion (Rs. 22.5 lakh crore) by 2024–25.

In November 2021, 42 companies were selected under the PLI Scheme for White Goods with a committed investment of Rs. 4,614 crores (US\$ 580.6 million), which is expected to create additional direct employment for 44,000 people. In April 2022, 19 companies filed applications for the PLI Scheme for White Goods in the 2nd round of applications, with committed investments of Rs. 1,548 crores (US\$ 194.79 million).

(Source: ibef.org)

### **Addressable Market for Jaya Jalram Technologies Limited**

The company has been currently operating its 82 stores in the state of Gujarat. The company has not mentioned about expanding in other parts of the country but we believe that might be in the plans of the company to expand its geographical presence.

## **Competition**

Operating in the retail segment of the consumer electronics market makes the company deal with a lot of competition from many small players and also branded retail outlets already in the market. The company also faces competition from e-commerce platforms. Talking about its outlet of electric bikes, the competition is increasing heavily and the alternate product is gaining more traction than electric bikes.

## **Peer Analysis**

As Mentioned in the prospectus, the company has mentioned only one peer viz. Bhatia Communications and Retail Limited. A brief analysis on the same is given in the table below –

| <b>Company</b>             | <b>Jaya Jalram Technologies Limited</b> | <b>Bhatia Communications and Retail limited</b> |
|----------------------------|---|---|
| Net Profit (INR Cr)        | 0.87                                    | 5.27  |
| EBITDA (INR Cr)            | 3.39                                    | 9.55  |
| Return on Capital Employed | 7.73%                                   | 15.40%  |
| Return on Equity           | 8.16%                                   | 11.40%  |
| EPS (INR)#                 | 2.08                                    | 0.45  |
| P/E* (Times)               | 17.28                                   | 71.44   |

**\*PE has been taken as on 24/08/2022**

**#EPS has been calculated on post IPO basis.**

## Promoters' Profile

### Mr. Kamlesh Varjivandas Thakkar



- **Mr. Keyur Shah** is the Promoter and Chairman cum Managing Director of the Company.
- He is having more than 10 years of experience in trading of Electronic goods and Mobile related accessories.
- He is under-matriculate by educational background.
- He presently looks after business strategies of the company.

### Mr. Kamlesh Hariram Lalwani



- **Mr. Kamlesh Hariram Lalwani** is the Promoter and Executive Director of the company.
- He is having more than 10 years of experience in trading of Electronic goods and Mobile related accessories.
- He is generally entrusted with the responsibilities to look after the sales and other general administration of the Company.

### Mr. Mukeshkumar Navnitray Bhatt



- **Mr. Mukeshkumar Navnitray Bhatt** is the Promoter and Executive Director of the company.
- He is having more than 10 years of experience in trading of Electronic goods and Mobile related accessories.
- He holds Degree of Bachelor of Commerce from the Saurashtra University.
- He looks after various matters like finance, sales & marketing, brand building, human resource, general affairs of retail stores across the Gujarat and business expansion of the Company.



## **Analysis on the Company's Promoter and Board of Directors**

**Mr. Kamlesh Varjivandas Thakkar**, Promoter and Chairman Managing Director, of the company is the guiding force behind the business decisions of the company. He is having more than 10 years of experience in trading of Electronics good and Mobile accessories. He is responsible for strategic and tactical decisions of the business.

**Mr. Kamlesh Hariram Lalwani** is a Promoter and Executive Director of the company. He has more than 10 years of experience in trading of Electronics good and Mobile accessories. He is entrusted to look after the sales and general administrative parts of the business.

**Mr. Mukeshkumar Navnitray Bhatt** is a Promoter and Executive Director of the company. He has more than 10 years of experience in trading of Electronics good and Mobile accessories. He is a commerce graduate and looks after finance, sales & marketing, brand building, human resource, general affairs of retail stores across the Gujarat and business expansion of the Company.

**Mr. Vipul Thakkar** is an Executive Director of the company. He is a commerce graduate and has 13 years of experience in trading of Electronics good and Mobile accessories. It is 32 years of age and already has 13 years of experience which shows he has been into business from a young age.

To conclude the company's management outlook is decent. The promoters are experienced in the line of business and the management is also not dependent on a single personnel as it generally happens in case of many SME IPOs. On educational background part, the management might lack but this business does not require to have technical knowledge

## Financial Snapshot

(Amount in Lacs)

| Particulars                        | As at 31st March, 2020 | As at 31st March, 2021 | As at 31st March, 2022 |
|------------------------------------|------------------------|------------------------|------------------------|
| <b>Profit and Loss</b>             |                        |                        |                        |
| Revenue from operation             | 9,515.11               | 12,145.87              | 16,525.90              |
| Other income                       | 8.30                   | 79.43                  | 29.95                  |
| Total Revenue                      | 9,523.41               | 12,225.30              | 16,555.85              |
|                                    |                        |                        |                        |
| Expenses                           | 9,390.93               | 11,989.26              | 16,216.61              |
| Depreciation and Amortisation Cost | 76.94                  | 84.55                  | 94.64                  |
| Finance Cost                       | 51.01                  | 108.34                 | 136.68                 |
|                                    |                        |                        |                        |
| Total Expenses                     | 9,518.88               | 12,182.15              | 16,447.93              |
| PBT                                | 4.53                   | 43.15                  | 107.92                 |
| PBT Margin                         | 0.05%                  | 0.36%                  | 0.65%                  |
| EBITDA                             | 132.48                 | 236.04                 | 339.24                 |
| EBITDA Margin                      | 1.39%                  | 1.94%                  | 2.05%                  |
|                                    |                        |                        |                        |
| Net Profit                         | 2.56                   | 29.35                  | 87.17                  |
| Net Profit Margin                  | 0.03%                  | 0.24%                  | 0.53%                  |
| <b>Balance Sheet</b>               |                        |                        |                        |
| Total Borrowings                   | 951.60                 | 892.22                 | 1,040.00               |
| Net Worth                          | 26.27                  | 55.62                  | 1,067.79               |
| Fixed Assets                       | 295.19                 | 764.86                 | 686.65                 |
| Net Working Capital                | 751.57                 | 998.28                 | 2071.03                |
|                                    |                        |                        |                        |
| <b>Financial Measures</b>          |                        |                        |                        |
| Inventory Turnover Ratio           | 9.20                   | 8.27                   | 8.37                   |
| Receivables Turnover Ratio         | 79.47                  | 704.11                 | 326.08                 |
| Payables Turnover Ratio            | 22.39                  | 19.50                  | 24.61                  |
| Fixed Assets Turnover Ratio        | 32.23                  | 15.88                  | 24.07                  |
| Return on Capital Employed         | 3.13%                  | 7.76%                  | 7.73%                  |
| Return on Equity                   | 9.74%                  | 52.77%                 | 8.16%                  |
| Debt-Equity Ratio                  | 36.22                  | 16.04                  | 0.97                   |

(The data has been taken and calculated from the financials given in the prospectus)

## **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has grown from Rs. 132.48 lacs in 2020 to 339.24 lacs in 2022 at a CAGR of 60.02%. The EBITDA margin in 2022 was 2.05% from 1.94% in 2021 and 1.39% in 2020. The EBITDA margin has shown stable and decent growth but is below its peer company. The growth of EBITDA at 60.02% of CAGR looks supernormal and unsustainable.

## **Net Profit**

The net profit of the company has grown from Rs. 2.56 lacs in 2020 to Rs. 87.17 lacs in 2022 at a CAGR of 483.53%. The net profit margin has grown from 0.03% in 2020 to 0.53% in 2022. The growth is again supernormal and is not likely to continue in the coming times. The net profit margin despite of growing extra-ordinarily is below its peer company.

## **Finance Cost.**

The company has incurred finance cost mainly on secured borrowings availed from bank. The same has increased 2022 with new loan been taken as Loan Against Property.

## **Financial Measures/Ratios**

The financial ratios of the company have shown mixed trend in recent years.

RoCE of the company in FY22 was 7.73% vs 3.13% in FY 20. In the year 2021 it was 7.76% which shows decrease in RoCE. The reason for this slowdown may be linked to new shares been issued and new term loan been taken increasing the capital base. With the increase in capital through IPO, the same is expected to fall more.

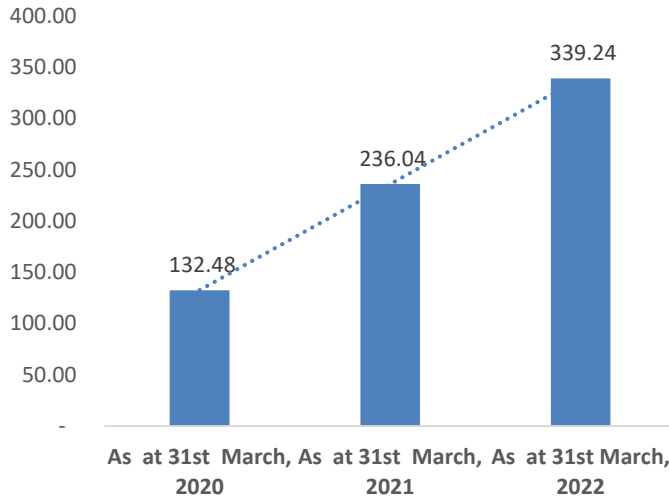
Return on Equity (ROE) of the company in FY 22 was 8.16% showing a decrease from 8.16% in FY 20. The same can be set forward with similar assumptions as that of ROCE.

The company has been able to perform well in maintaining its receivables, payables and inventory as evident from the respective turnover ratios. As being in the retail sector, the Receivable Turnover is very high as evident from the table above.

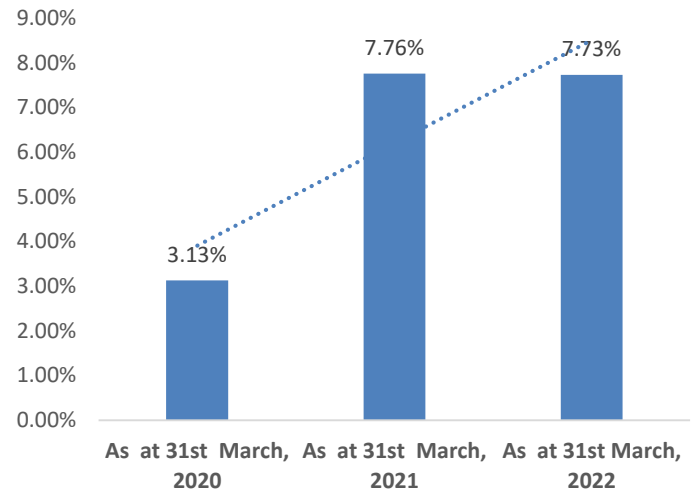
The company has debt-equity ratio of around 0.97 in FY 22. The same has decreased from previous years in spite of taking new loan is because of new capital being introduced as well. Looking at the history and in coming times to open newer branches, the company is expected to take up more loan and the debt-equity ratio is expected to be on the same levels.

## Financial Graph

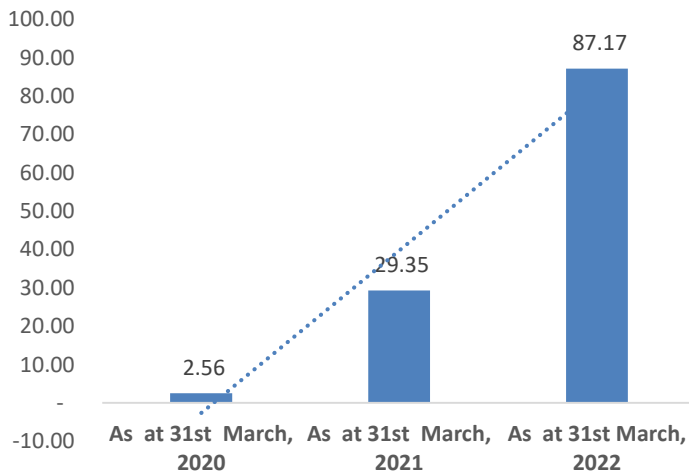
**EBITDA (In Lacs)**



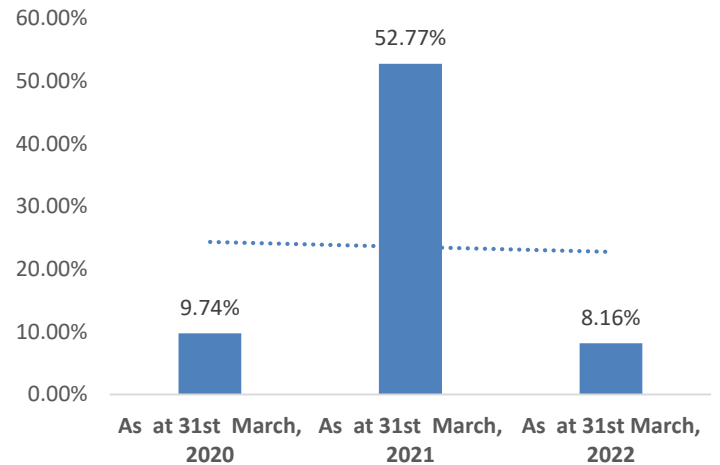
**Return on Capital Employed**



**Net Profit (In Lacs)**



**Return on Equity**



## **Key Risk Factors**

1. The Company, Promoter and Promoter Group of the company has been involved in certain outstanding litigation amounting to Rs. 244.84 lacs.
2. Majority of the company's franchisee agreements are not renewed and might hamper the business operations if it continues.
3. The company only operates in the state of Gujarat and any geographical, political and demographical change might adversely affect the business operations.
4. The company operates in retail segment and is highly competitive.

## **Track Record of Merchant Banker/Lead manager**

This is the first IPO of Beeline Capital Advisors Private limited

## Recommendation

The company has been into the business since 2012 showing decent track record of existence. The company is in the Industry of consumer durables which is expected to grow at a CAGR of around 21% till 2025.

The Revenue, although has shown stable growth, the Profit Margin of the company has shown extra-ordinary increase in FY 22 and therefore the stability of the same is highly doubtful. The company has shown around 483.53% of CAGR growth which raises eyebrows.

The sector PE is at around 15 times on post IPO basis and the company is getting listed at a PE of 44 times which makes it fairly priced looking at the size of the business and growth opportunities.

The management outlook is decent the promoters are experienced and the management is segregated not being entirely dependent on a single personnel.

To conclude, the company has shown good strength in top line, but the bottom line margins are below its peer despite of extra-ordinary growth in profits. The industry prospect is good but is highly competitive which is also visible in the company's margins.

So, one should look for capital protection and **avoid** applying in the IPO

## **Disclaimer**

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**