

**IPO Details**

Opening Date	June 15, 2023
Closing Date	June 20, 2023
Stock Exchange	NSE SME
Lot Size	1200 shares
Issue Price	₹ 100 per share
Issue Size	50,34,000 Equity Shares
Application Amount	₹ 1,20,000
Amount Raised (Issue Type)	₹50.34 Cr (Fresh Issue)

IPO Objective

1. Repayment of certain borrowings.
2. Repairs and Renovation of existing retail stores & setting of new retail stores.
3. To meet the Working Capital requirements.
4. General Corporate Expenses.
5. Issue Expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,36,51,600	100%
Public	-	-

Promoter of the Company

1. Mr. Mohan Prasad Panday
2. Mr. Bala Balaji Panday

Competitive Strengths

1. Established brand name.
2. Experienced and Result Oriented Team.
3. Strategic Location Benefit.
4. Wide range of Products.
5. Good network of stores all over Andhra Pradesh which offers One-Stop Solution.
6. Training of work force and after sale services.
7. Well established and cordial relationship with Manufacturers

Company Background

- Cell Point (India) Limited was incorporated in the year 2013 and is headquartered in Vishakhapatnam -Andhra Pradesh.
- The Company is engaged in multi-brand retail selling of Smart Phones, tablets, mobile accessories and mobile related products and allied accessories of various brands such as Apple, Samsung, Oppo, Realme, Nokia, Vivo, Xiaomi, Nokia, Redmi, Techno, One Plus, GIONEE, VIVO etc.
- They are also engaged in retail selling of some of the consumer durable electronics goods, specifically, smart televisions of various brands such as Xiaomi, Realme and One Plus.
- All their products are sold under one roof through 75 retail store chain located all over the Andhra Pradesh.
- As on date of filing of Red Herring Prospectus, company have 298 employees on their payroll.

Financial Summary

	(INR In Lacs.)		
For the Period Ended	Mar-21	Mar-22	Dec-22
Total Assets	6,530.63	8,270.46	9,064.19
Net Assets	1,171.31	1,335.94	1,916.94
Total Borrowings	3,858.03	5,171.68	5,838.29
Total Revenue	22,356.02	27,004.43	22,167.59
Profit After Tax	69.11	164.63	580.96

Tentative Timeline

Opening Date	June 15, 2023
Closing Date	June 20, 2023
Basis of Allotment	June 23, 2023
Initiation of Refunds	June 26, 2023
Credit of Shares to Demat	June 27, 2023
Listing Date	June 29, 2023



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Company Overview

Cell Point (India) Limited was incorporated in the year 2013 and is headquartered in Vishakhapatnam -Andhra Pradesh. The Company is engaged in multi-brand retail selling of Smart Phones, tablets, mobile accessories and mobile related products and allied accessories of various brands such as Apple, Samsung, Oppo, Realme, Nokia, Vivo, Xiaomi, Nokia, Redmi, Techno, One Plus, GIONEE, VIVO etc. They are also engaged in retail selling of some of the consumer durable electronics goods, specifically, smart televisions of various brands such as Xiaomi, Realme and One Plus. All their products are sold under one roof through 75 retail store chain located all over the Andhra Pradesh. Company also provides payment option such as credit/EMI facilities including UPI, vouchers, & pay on delivery to its customers for buying products for which company has tied up with major leading credit houses like Bajaj Finserv, Capital First, TVS Credit finance etc. The products sold by the Company enjoy limited warranty from its supplier company as back-to-back.

Analysis

Being in operations since 2013, the company has decent track record of existence in the business and also all the promoters of the company have a decent experience in the industry. Company was originally incorporated under the name of "Cell Point (India) Private Limited" in the year 2013 wherein they took over the running businesses of Proprietary Concerns of the Promoters namely, M/s. Cell Point and M/s. Mobile King as a going concern with all of their respective assets and liabilities and at present under the Brand names of Cell Point and Mobile King company operates with the moto - "All your mobile needs, the only one point is Cell Point" and continued to offer wide range of mobile handsets, mobile accessories and mobile related products.

Currently, company sells all its product directly through their 75 stores, out of the 75 stores, 2 stores are owned properties and 73 stores are on leased properties. These stores can be further divided into 4 zones namely: -

1. Visakhapatnam Zone (30 stores),
2. Costa Zone (30 stores),
3. Vijaywada Zone (12 stores), and
4. Rayalaseema Zone (3 stores).

The company generates most of its revenue from Visakhapatnam Zone and Costa Zone, collectively contributing up to 80.65% of total revenue and remaining from Vijaywada Zone and Rayalaseema Zone. The further breakup of revenue zone wise is given below.

Cell Point (India) Ltd revenue bifurcation: -

(Rs. in lakhs)

Particulars	Dec-22	(%)	Mar-22	(%)	Mar-21	(%)	Mar-20	(%)
Visakhapatnam Zone	10,126.58	48.14	12,150.41	47.26	10,153.82	47.47	12,102.57	45.97
Costa Zone	6,838.04	32.51	8,426.85	32.78	7,005.49	32.75	8,327.84	31.63
Vijaywada Zone	3,083.36	14.66	3,732.63	14.52	2,895.36	13.54	4,253.34	16.16
Rayalaseema Zone	987.27	4.69	1,397.64	5.44	1,334.82	6.24	1,641.62	6.24
Total-Sales	21,035.25	100	25,707.53	100	21,389.49	100	26,325.37	100

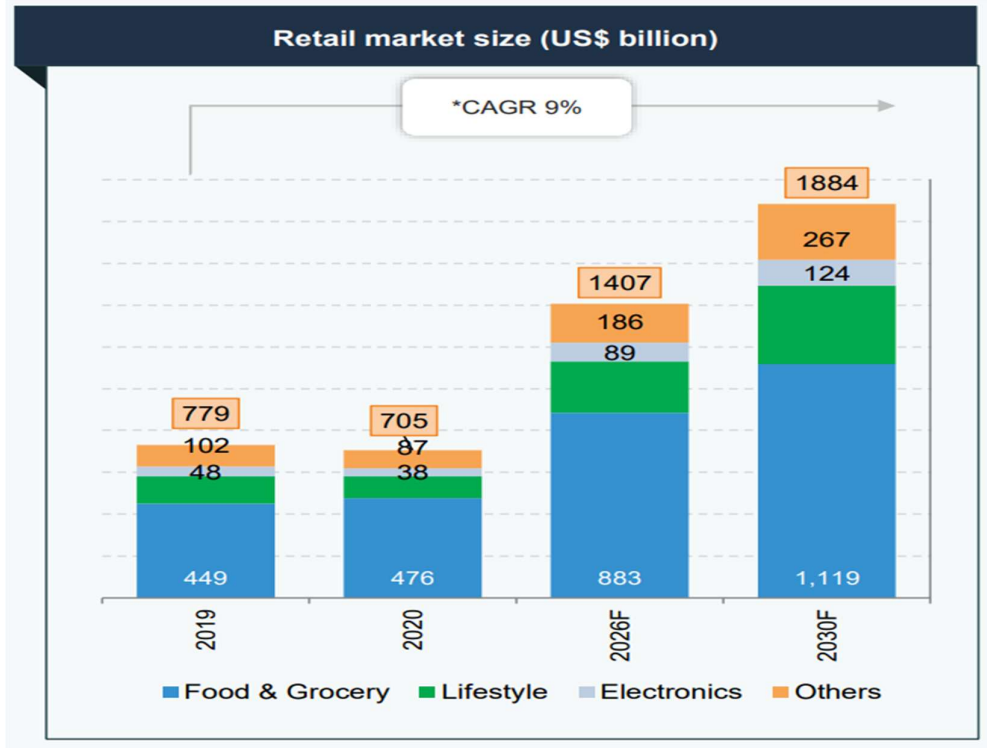
Products offered by the company can be classified in four major categories as follows: -

1. Smart Phones and Tablets- They sell variety of smart mobile handsets of all major brands operational in India like Apple, Samsung, Realme, Oppo, Oneplus, Nokia, Vivo and Lava to name a few. They also sell Tablets/ Ipads of all major brands operational in India like Apple, Samsung, Lenovo, Xiaomi, Lenovo, Nokia and Realme to name a few.
2. Smart Watches- They offer a variety of smart watches of all major brands operational in India like Apple, Samsung, Realme, One Plus, Boat, Gizmore, Fitbit, Noise, GOQii Vital to name a few.
3. Accessories- They offer a variety of accessories for smart phones and tablets/ Ipads like Screen Guard, Memory Card, Ear Pods, Mobile Charger, Mobile Covers, Collar Neck Bank, Bluetooth earplugs, Car Charger, speakers, power banks etc. from brands such as Apple, Samsung, Xiaomi to name a few.
4. Smart TVs- They offer a variety of smart TV of 3 major brands- Xiaomi, Realme and One Plus.

To conclude, the market for business segments company deals in have good prospect in future, whereas the industry in which company operates in is highly competitive with both organized and unorganized players. With a lot of customers sifting towards online platforms, company will have to keep coming up with creative and new business strategies to attract more customers.

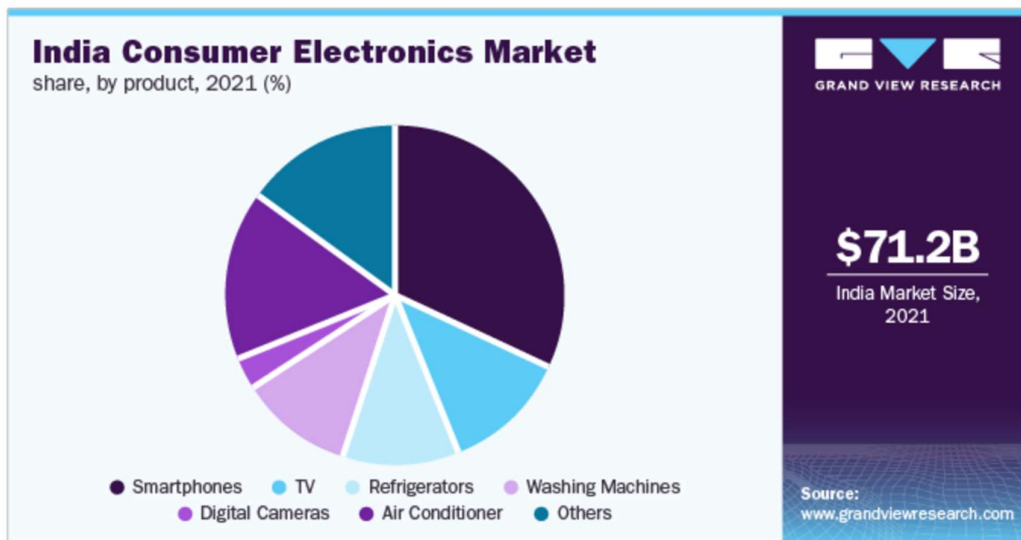
Industry Charts

Exhibit 1: Retail Market Size



(Source- www.ibef.org)

Exhibit 2: India consumer electronics market



(Source- www.ibef.org)



Investment Overview

Introduction to Indian Retail Industry

Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country's gross domestic product (GDP) and around 8% of the employment. India is the world's fifth-largest global destination in the retail space. India ranked 73 in the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019. India is the world's fifth-largest global destination in the retail space and ranked 63 in World Bank's Doing Business 2020.

The sizeable middle class and nearly unexplored retail market in India are the main enticing factors for international retail behemoths seeking to move into newer markets, which will help the Indian retail business grow more quickly. The urban Indian consumer's purchasing power is increasing, and branded goods in categories like apparel, cosmetics, footwear, watches, beverages, food, and even jewellery are gradually evolving into business and leisure that are well-liked by the urban Indian consumer. The retail sector in India is expected to reach a whopping US\$ 2 trillion in value by 2032, according to a recent analysis by the Boston Consulting Group (BCG).

India is the world's fifth-largest global destination in the retail space. In FDI Confidence Index, India ranked 16 (after US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy).

Market Size

As per Kearney Research, India's retail industry is projected to grow at 9% over 2019-2030, from US\$ 779 billion in 2019 to US\$ 1,407 billion by 2026 and more than US\$ 1.8 trillion by 2030. Revenue of India's offline retailers, also known as brick and mortar (B&M) retailers, is expected to increase by Rs. 10,000-12,000 crore (US\$ 1.39-2.77 billion) in FY20. India's direct selling industry is expected to be valued at US\$ 2.14 billion by the end of 2021. E-Retail has been a boon during the pandemic and according to a report by Bain & Company in association with Flipkart 'How India Shops Online 2021' the e-retail market is expected to grow to US\$ 120-140 billion by FY26, increasing at approximately 25-30% p.a. over the next 5 years.



Despite unprecedented challenges, the India consumption story is still robust. Driven by affluence, accessibility, awareness and attitude, household consumption stood at Rs. 130–140 trillion (US\$ 1.63-1.75 trillion) in 2021.

India has the third-highest number of e-retail shoppers (only behind China, the US). The new-age logistics players are expected to deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030. India is the fifth-largest and preferred retail destination globally. The country is among the highest in the world in terms of per capita retail store availability. India's retail sector is experiencing exponential growth with retail development taking place not just in major cities and metros, but also in tier II and III cities. Online penetration of retail is expected to reach 10.7% by 2024 versus 4.7% in 2019. According to India Ratings and Research (Ind-Ra), domestic organised food and grocery retailers are expected to increase by 10% YoY in FY22. By 2024, India's ecommerce industry is expected to increase by 84% to US\$ 111 billion, driven by mobile shopping, which is projected to grow at 21% annually over the next four years.

Smartphone Market Trends

Production of mobile phones in India has taken a leap after the government introduced the Phased Manufacturing Programme (PMP) and the Production Linked Incentive (PLI) scheme, reducing the country's imports and dependency on China. After logging a 33% compound annual growth rate (CAGR) between fiscals 2016 and 2021, domestic mobile production is estimated to have grown 24-26% in fiscal 2022. Despite the ongoing chip shortage, three of the global manufacturers met PLI production targets during the fiscal. CRISIL Research expects the growth momentum in production to sustain, with a 22-26% CAGR between fiscals 2022 and 2024 to Rs 4.0-4.5 lakh crore in value terms. The growth will be led by the PLI scheme, which is in the second year for most players. As a corollary, the country's mobile imports decreased ~33% on-year in fiscal 2022. Dependency on China reduced to 60% from 64% in fiscal 2021, and is expected to fall further in the medium term. However, with rising production, imports of electronic components essential for mobile assembling/manufacturing also increased 27% on-year.

(Source- Prospectus)

**Addressable market for Cell Point (India)**

Company currently sells through 75 stores spread across Andhra Pradesh. Their plan is to improve the sales by opening 5 new retail stores in Vishakhapatnam and Vijayawada zones of Andhra Pradesh. Company has direct tie up with few manufacturers such as Oppo, Vivo, Xiaomi, Realme. To gain first mover advantage with the remaining brands such as Nokia, Apple, Boat, Lava, Oneplus, JBL etc, they should plan to tie up with other brands also. Due to certain agreements as mentioned in the risk factors, their growth is only limited in and out of Andhra Pradesh and they cannot list their products on E-Commerce platforms.

Competition

The retail markets for smart phones, smart watches, smart TVs and allied accessories in which the company operates are highly competitive particularly in India as many new competitors have entered the market in the last several years. As the market continues to move towards multimedia devices, this trend may result in even more competition. In general, mobile device markets are becoming more segmented and diversified, and they face competition from other retailers who have also started making mobile devices as a result they are facing competition from such unorganized players. There is no barrier to entry in the industry and customers have some bargain power.

PEER ANALYSIS

As mentioned in the prospectus there are 3 peer company viz. Bhatia Communications & retail (India) Limited, Fone4 Communications India Limited, and Jay Jalaram Technologies Limited. An analysis of the same has been given below–

Particulars	Cell Point India Limited			Bhatia Communications & retail (India) Limited			Fone4 Communications India Limited			Jay Jalaram Technologies Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	1%	0%	1%	2%	2%	3%	0%	0%	-1%	1%	0%	0%
EBITDA Margin	4%	3%	3%	-4%	-5%	-5%	0%	2%	1%	2%	2%	1%
Return on Capital Employed	26%	18%	24%	-18%	-20%	-23%	-10%	0%	0%	20%	13%	0%
Return on Equity	12%	6%	15%	11%	10%	13%	12%	0%	400%	9%	0%	0%
EPS (INR)	14.47	6.07	14.06	0.42	0.30	0.43	0.75	0.97	-5.60	3.21	13.81	1.43

Based on the above analysis The ROE and RoCE were on a good note overall when compared to its peers. All the margins have been mostly high with slight difference when compared to its peers. The EPS of the company is high when compared to its peers. The margins of the company have performed good in the FY-22 when compared to its peers.

Cell Point India Limited

- PE on post IPO basis – 24.12 times
- Post IPO EPS – 4.15

Promoters' Profile and Management Analysis

Mr. Mohan Prasad Panday



- Mr. Mohan Prasad Panday, aged 46 years, He holds a degree of Bachelor of Science from Andhra University.
- He started his entrepreneurial journey in year 2005.
- He has over 18 years of experience in the retail industry of selling mobile phones.

Mr. Bala Balaji Panday



- Mr. Bala Balaji Panday, aged 44 years, He holds a Diploma in Medical Laboratory Technician Course from Murali Krishna School of Medical Technology, Nellore.
- He started his entrepreneurial journey in the year 2005.
- He has over 17 years of experience in the field of mobile industry.



Analysis on the Company's Promoter and Board of Directors

Mr. Mohan Prasad Panday, aged 46, is the Promoter and Managing Director of the Company. He holds a degree of Bachelor of Science. He has over 18 years of experience in the retail industry of selling mobile phones. He plays a vital role in formulating business strategies and business policies.

Mr. Bala Balaji Panday, aged 44, is a Whole time Director of the Company. He holds a Diploma in Medical Laboratory Technician Course. He has 17 years of work experience in the field of mobile industry. He oversees operations in the Company.

Mrs. Kiranmai Panday, aged 39, is a Non-Executive Director of the Company. She has completed her Intermediate Public Examination.

Mr. Ananda Rao Ravada, aged 50, is an Independent Director of the Company. He is a Fellow member and holds a certificate of practice from the Institute of Company Secretaries of India. He holds a Master of Business Administration degree. He has an experience of more than ten years in the field of secretarial compliance.

Ms. Kakshayani Sekharamantri, aged 39, is an Independent Director of the Company. She has completed her bachelor's in arts and bachelor's in law.

To conclude the company has two promoters and both the promoters have good experience in the industry which the company operates in. All the directors of the company also have decent experience in the fields which will help in the growth of the business.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, Dec 2022
<u>Profit and Loss</u>			
Revenue from operations	22,301.48	26,916.41	22,073.61
Other income	54.54	88.02	93.98
Total Revenue	22,356.02	27,004.43	22,167.59
Expenses	21,544.20	25,847.01	20,692.46
Depreciation and Amortisation Cost	120.43	112.06	69.16
Finance Cost	564.24	802.61	595.03
Total Expenses	22,228.87	26,761.68	21,356.65
PBT	127.15	242.75	810.94
PBT Margin	0.57%	0.90%	3.67%
EBITDA	757.28	1,069.40	1,381.15
EBITDA Margin	3.40%	3.97%	6.26%
Net Profit	69.11	164.63	580.96
Net Profit Margin	0.31%	0.61%	2.63%
<u>Balance Sheet</u>			
Total Borrowings	3,858.03	5,171.68	5,838.29
Net Worth	1,171.31	1,335.94	1,916.94
Fixed Assets	1,933.22	1,866.86	1,818.46
Net Working Capital	223.02	745.10	1,202.71
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	8.67	7.08	6.92
Receivables Turnover Ratio	896.36	589.50	1223.76
Payables Turnover Ratio	19.53	17.94	30.67
Fixed Assets Turnover Ratio	11.54	14.42	17.05
Return on Capital Employed	17.83%	26.50%	19.08%
Return on Equity	5.90%	12.32%	10.84%
Debt-Equity Ratio	3.29	3.87	0.81

(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 increased from Rs. 757.28 lacs in 2021 to Rs. 1,069.40 lacs in 2022 and up to 31st Dec 2022 it was Rs. 1,381.15 lacs and if we annualise the same it would be around Rs. 1,841.53 lacs growing at a CAGR of 55.94%. The EBITDA margin in 2021 was 3.40%, 3.97% in 2022, and as on 31st Dec 2022 it was 6.26%. The increase in EBITDA margin is due to percentage decrease in total expenses ex. Employee benefit expenses when compared to the percentage decrease in revenue from operations.

Net Profit

The Net Profit in 2021 was Rs. 69.11 lacs, Rs. 164.63 lacs, and as on 31st Dec 2022 it was Rs. 580.96 lacs and when annualized it would be around 774.61 growing at a CAGR of 234.79%. The Net Profit margin in 2021 was 0.31%, 0.61% in 2022, and as on 31st Dec 2022 it was at 2.63%. The increase in Net Profit margin is due to decrease in finance cost.

Finance Cost

The company's financial cost mainly comprises of Interest on term loans, OD & CC Charges.

Financial Measures/Ratios

RoCE of the company up to 31st Dec 2022 was 32.49% vs 26.50% in 2022 and 17.83% in 2021. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

ROE of the company in 2021 was 5.90%, 12.32% in 2022, and as on 31st Dec 2022 it was 30.31%. The ROE of the company has increased due to the substantial increase in Net Profit. The ROE on Post-IPO basis would decrease.

Inventory Turnover ratio has decreased for the company in FY 22, indicating there is an increase in inventory in hand, which does not show effective management of the inventory.

Receivables Turnover Ratio increased in FY 23, indicating that the company converting its receivables to cash has increased. Payables turnover ratio has



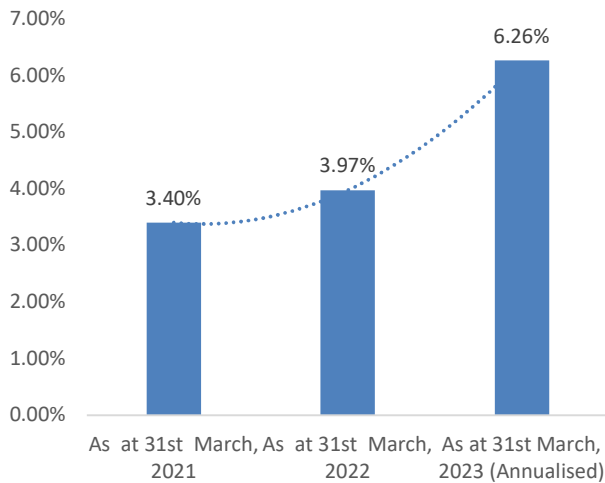
increased in FY 22. The company paying back to its creditors has increased, which would be considered not so effective working capital management.

Fixed Assets Turnover ratio decreased in FY 22 and is expected to increase on annualized basis.

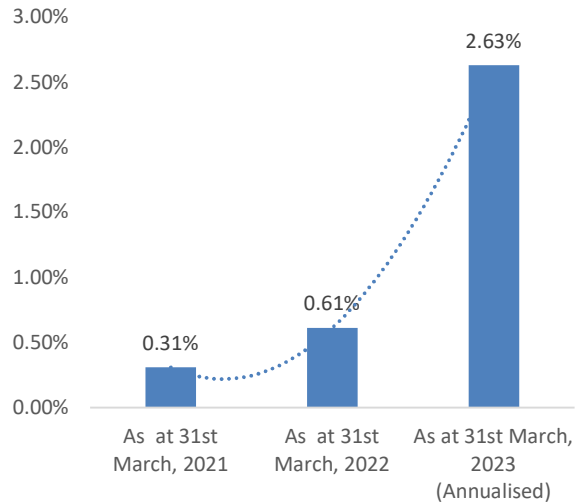
The company has a debt – equity ratio of 3.05 as on 31st Dec 2022. The decrease in the ratio is a good indicator for the company and with new inclusion of equity capital, the debt-equity ratio is expected to come down.

Financial Charts

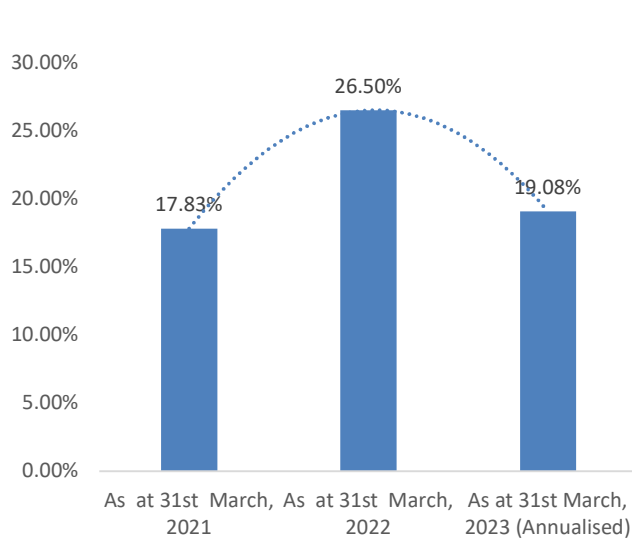
EBITDA Margin



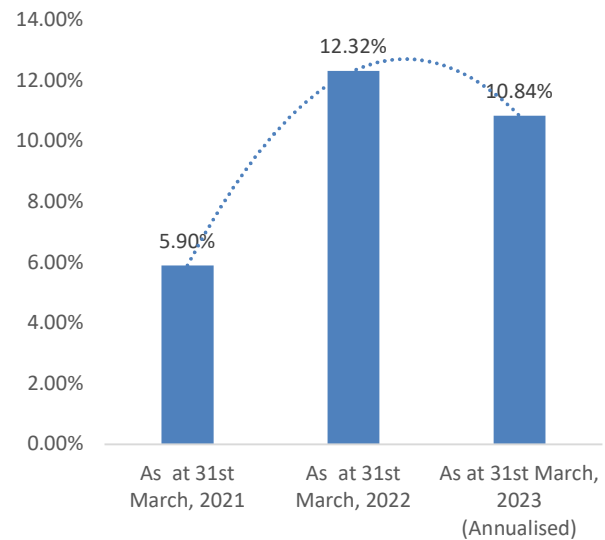
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. There are 2 outstanding legal proceedings involving Company, and its Promoters, any adverse decision in such proceeding may have a material adverse effect on their business, results of operations and financial condition. Currently, these legal proceedings amounted to Rs. 47 lacs.
2. Top 3 suppliers contribute major portion of company's revenues. Any delay or failure on the part of the suppliers to deliver products may materially and adversely affect the business, profitability, and reputation of the company. i.e., top 3 contribute up to 62.49%, 71.54%, and 73.14% respectively.
3. Some of the agreements restrain them from entering new territories and the e-commerce space. Certain of these agreements mandate that they sell their products offline and in the territory of Andhra Pradesh, which may adversely affect the business, profitability, and growth of the company.

Track Record of Lead Manager

The lead manager to the issue is First Overseas Capital Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Nirman Agri Genetics Limited	20.30	99.00	March 28, 2023	122
2.	SVJ Enterprises Limited	6.12	36.00	March 09, 2023	47.46
3.	Amanaya Ventures Limited	2.76	23.00	March 09, 2023	16.8
4.	Ducol Organics and Colours Limited	31.51	78.00	January 19, 2023	125
5.	SVS Ventures Limited	11.24	20.00	January 12, 2023	9.21
6.	QMS Medical Allied Services Limited	56.87	121.00	October 11, 2022	145
7.	Varanium Cloud Limited	36.60	122.00	September 27, 2022	153
8.	Ishan International Limited	18.24	80.00	September 22, 2022	25.2
9.	Veerkrupa Jewellers Limited	8.10	27.00	July 18, 2022	3.20
10.	Nanavati Ventures Limited	2.18	50.00	May 06, 2022	45.0**

*CMP is taken as on 10th June 2023

** Nanavati Ventures Limited CMP mentioned as on 7th June 2023.

As per the offer document First Overseas Capital Limited have had 15 mandates in the last three fiscals (including the ongoing one). For First Overseas Capital Limited out of the last 10 that are mentioned above, 2 has opened at par, 1 opened at discount, and rest all have opened at premiums ranging from 2.50% to 43.53%. Thus, it has a decent track record.

Recommendation

The company has been into this industry since 2013 and have a decent track record in the business. However, the company has also managed to increase its revenue at a good growth rate, along with an exponential growth in EBIT margins and net profit margins.

The company has been in an industry which is highly competitive with low barriers to entry.

The management outlook of the company is good as mentioned in the analysis, they have almost all the personnel in the top management with decent work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a Leading P/E of around 24.12 times which makes the stock highly priced, looking at the performance of the company over the past years and when compared to its peers.

In conclusion, the company has shown a good growth in revenue which can be sustained going forward, whereas the exponential growth in EBIT and NP margins will be difficult to maintain. The company is operating in a good segment and has been able to perform well over the years. The company has good prospect but faces competition with very low barrier to entry and also the market segment is good but not unique. As mentioned in the risk factors company's growth is limited to Andhra Pradesh and offline market only. Along with the leading P/E makes this IPO too high priced making this stock unattractive for long term growth and one should wait and **Avoid** applying for this 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.