

IPO Details	
Opening Date	Jan 25, 2024
Closing Date	Jan 30, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price	₹ 66 to ₹ 70 per share
Issue Size	Aggregating up to 20.37 Cr.
Fresh Issue	Aggregating up to 20.37 Cr.
Offer for Sale	-
Application Amount	₹ 1,40,000

IPO Objective	
Funding of working capital requirements.	
Meet public issue expenses.	
General corporate purposes.	

Pre-Issue Shareholding			
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	73,50,000	100.00%	
Public	-	-	

Promoter of the Company	
1	Manishbhai Girishbhai Patel
2	Jigar Lallubhai Desai
3	Parth Lallubhai Desai
4	Jigneshkumar Dashrathlal Parekh
5	Amitkumar Gopalbhai Patel

Competitive Strengths	
1	Experienced promoters and management team
2	Widespread distribution network
3	Wide range of products
4	Strategic location and facilities

Company Background	
<ul style="list-style-type: none"> Fonebox Retail Limited was originally incorporated in the year 2021 and had its registered office in Ahmedabad, Gujarat, India. The company is engaged in multi-brand retail selling of smartphones and allied accessories from manufacturers like Vivo, Apple, Samsung, Oppo, Realme, Nokia, Narzo, Redmi, Motorola, LG and Micromax. The company operate a total of 143 stores across the state of Gujarat. Out of 143 stores 39 stores are Company Owned and Company Operated retail outlets ("COCO Model") and 104 stores are under Franchise Owned and Company Operated retail model ("FOCO Model"). As of 1st January 2024, the Company had 130 employees on its payroll. 	

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 51	₹ 72

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Total Assets	71.07	2,110.70	3,858.05	4,342.27
Net Assets	12.64	60.43	220.29	925.48
Total Borrowings	-	584.26	1,058.22	506.57
Total Revenue	9.92	9,002.33	19,626.0	14,022.9
Profit After Tax	-2.36	12.79	160.37	155.19

Tentative Timeline	
Opening Date	Jan 25, 2024
Closing Date	Jan 30, 2024
Basis of Allotment	Jan 31, 2024
Initiation of Refunds	Feb 01, 2024
Credit of Shares to Demat	Feb 01, 2024
Listing Date	Feb 02, 2024

Company Background and Analysis

Fonebox Retail Limited was originally incorporated on February 05, 2021. The company is engaged in multi-brand retail selling of smartphones and allied accessories from manufacturers like Vivo, Apple, Samsung, Oppo, Realme, Nokia, Narzo, Redmi, Motorola, LG and Micromax. The company is also engaged in multi-brand retail selling of consumer durable electronics goods like Laptop, Washing Machines, Smart TVs, Air Conditioners, Fridges, etc. from brands like TCL, Haier, Lloyd, Daikin, Voltas, Mi, Realme, and OnePlus.

The company operates its retail business with multiple brands. The company have a portfolio of retail stores with different brands. The company mainly operates under the brand name “Fonebox”, “Fonebook”, or “My Mobile”. The company operates a total of 143 stores across the state of Gujarat. Out of 143 stores 39 stores are Company Owned and Company Operated retail outlets (“COCO Model”) and 104 stores are under Franchise Owned and Company Operated retail model (“FOCO Model”) distributed in more than 20 cities in Gujarat.

The company’s product portfolio consists of Mobile Handsets/Smartphones, Tablets and allied accessories. And Consumer Durable Home Appliances such as LED televisions, Air Conditioner, Laptop, and Washing Machine. Revenue generation from the same is given below –

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Mobile and Other mobile accessories	9.92	100.00	9,025.53	99.28	19,258.99	98.35	13,534.12	96.84
Electrical gadgets and equipment	-	-	65.21	0.72	323.60	1.65	441.72	3.16
Total	9.92	100.00	9,090.74	100.00	19,582.59	100.00	13,975.84	100.00

Company’s Business Model and Revenue bifurcation for the same –

1. Sales through Owned Stores (COCO Model) - Under this model, company sells mobile handsets, mobile accessories and other consumer-durable home appliances through the owned stores. The company owns and operates 39 stores strategically located in high-traffic areas across the State of Gujarat.
2. Sales through Franchise Branch Stores (FOCO Model) – Under this model, the sale of mobile handsets, mobile accessories and consumer durable home appliances through 104 franchise retail outlets. the company gives its brand name to the franchise at a pre-agreed franchise fee for a period of one to five years.

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
COCO Model	0.52	5.24	5,916.84	65.09	11,512.42	58.79	6,182.96	44.24
FOCO Model	9.41	94.76	3,173.89	34.91	8,070.17	41.21	7,792.88	55.76
Total	9.93	100.00	9,090.73	100.00	19,582.59	100.00	13,975.84	100.00

To conclude, Fonebox Retail Limited was incorporated in 2021 and has good experience in the industry. The company is engaged in the retail business and generates the majority of its revenue from the sale of mobile and other mobile accessories. The company has seen a steep increase in revenue generation over the years. The company operates in a very concentrated market and is raising a total of ₹ 20.37 Cr through fresh issue.

Business Strategies

1. Improve Sales -

The company intends to expand its footprint across all states in Western India. The Company further intends to reduce the overhead costs which will spread out over time.

2. Leveraging the market skills and relationship -

The company aims to leverage the marketing skills and relationships and further enhance customer satisfaction. The Company provides effective follow-ups with customers which ensures that the customers are satisfied with the product and do not have any complaints.

3. To increase brand visibility -

The company propose to increase the number of channel partners/dealers in order to broaden its reach. The company believes greater visibility of the brand would ensure brand retention in the minds of the customers and would in effect further enhance the reach.

4. Maintaining edge over competitors -

The company intends to continue to enhance the scale of existing products and introduce new products across high-end and mid-segments to capitalize on the opportunity to cater to the rising acceptance and demand for new products. The company will continue to add newer products to its product portfolio.

Competitive Scenario and Peer Mapping

Competition

The company faces competition from the organized and unorganized players. The company operate in a competitive industry which is characterized by rapid shifts in consumer trends and technology. face competition from various kinds of players including players operating in retail, wholesale and e-commerce space. compete with national and local consumer durable stores, independent retail stores and internet businesses that market similar lines of products. The company has low barriers to entry. The bargaining power with the customers is high in the sector in which the company operates. The bargaining power with the suppliers is also high in the sector in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Fonebox Retail Limited	Jay Jalaram Technologies Limited	Bhatia Communications & Retail (India) Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	1%	1%	3%
EBITDA Margin	2%	2%	-5%
Return on Capital Employed	20%	10%	-27%
Return on Equity	73%	13%	15%
EPS (INR)	2.35	2.26	0.68

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Fonebox Retail Limited	Jay Jalaram Technologies Limited	Bhatia Communications & Retail (India) Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.14%	0.61%	2.15%
EBITDA Margin	1%	2%	-4%
Return on Capital Employed	12%	7%	-18%
Return on Equity	21%	9%	11%
EPS (INR)	0.19	3.14	0.42

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Fonebox Retail Limited	Jay Jalaram Technologies Limited	Bhatia Communications & Retail (India) Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-23.79%	0.0%	2.3%
EBITDA Margin	-23.1%	1.7%	-5.2%
Return on Capital Employed	-6.3%	3.6%	-20.4%
Return on Equity	-18.7%	-	9.5%
EPS (INR)	-0.04	13.81	0.30

Industry Overview

Exhibit 1: Global Rank of Telecommunications

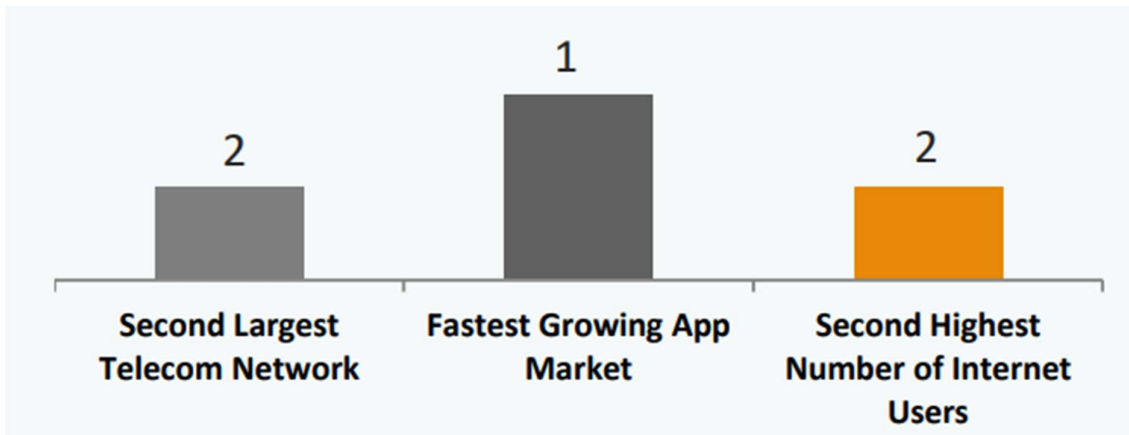
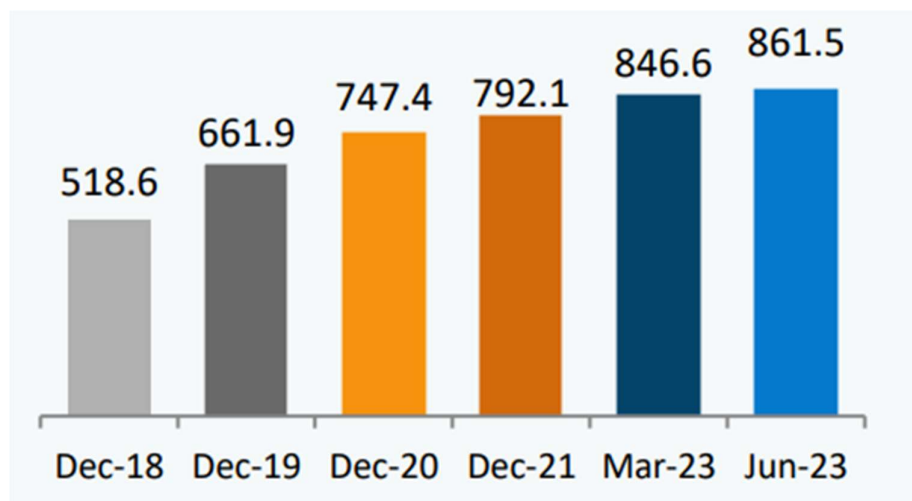


Exhibit 2: Broadband Subscribers (million)



(Source: ibef.org)

Indian Telecommunication Industry -

Executive Summary –

INCREASING MOBILE SUBSCRIBERS

- India is the second-largest smartphone market in the world. India's mobile subscriber base is expected to reach 1,420 million by 2024 from 1,200 million in 2018.
- By 2022, the 4G user base is expected to reach 820 million.

UNTAPPED RURAL MARKETS

- Tele-density of rural subscribers reached 57.46% in March 2022.

RISING INTERNET PENETRATION

- Internet penetration is expected to grow steadily and is likely to be bolstered by Government policy.
- The number of broadband subscribers reached 846.57 million in March 2023.
- To encourage a cash economy, the Indian Government announced to provide free Wi-Fi to more than 1,000-gram panchayats.

DEVELOPMENT OF TELECOM INFRASTRUCTURE

- TRAI has made several recommendations for the development of telecom infrastructure, including tax benefits and recognising telecom infrastructure as essential infrastructure.

GROWTH IN MVAS

- The Indian Mobile Value-Added Services (MVAS) industry is expected to grow at a CAGR of 18.3% during the forecast period of 2015-2020 and reach US\$ 23.8 billion by the end of 2020 6. TELECOM ADVERTISING MARKET

- According to a Zenith Media survey, India is expected to become the fastest-growing telecom advertisement market, with an annual growth rate of 11% between 2020 and 2023

TELECOM ADVERTISING MARKET

- In order to overcome the cash-related problems being faced by people, due to demonetisation, Paytm launched a service through which consumers and merchants can pay and receive money instantly, without an internet connection.
- Payments on unified payments interface (UPI) hit an all-time high of 97.88 million (by volume), with transactions worth ~Rs. 12.98 trillion (US\$ 157.85 billion) in January 2023.

Government initiatives to expand telecom subscribers -

India is currently the second-largest telecommunication market and has the second-highest number of internet users in the world. The PLI scheme in telecom and networking products aims to make India a global hub of manufacturing telecom equipment. It is estimated that full utilisation of the scheme funds is likely to lead to incremental production of about ₹2.4 lakh crore (US\$ 32.01 billion) with exports of ~₹ 2 lakh crore (US\$ 26.67 billion) over five years. India's telephone subscriber base increased to 1,170.75 million in January 2023 from 1,170.38 billion in December 2022. In India, teledensity (defined as the number of telephone connections per 100 individuals) stood at 84.51%, as of March 2023.

(Source: prospectus)

Key Managerial Personnel

Manishbhai Girishbhai Patel, aged 50 years, is one of the Promoters, Chairman and Executive Director of the Company. He holds the degree of bachelor's in engineering (Electrical). He has more than 17 years of business experience in the Food Processing Industry as well as the Retail Distribution Industry.

Amitkumar Gopalbhai Patel, aged 41 years, is one of the Promoters, and Managing Director of the Company. He is an undergraduate. He is having 4 years of business experience in the Food Processing Industry.

Jigneshkumar Dashrathlal Parekh, aged 39 years, is one of the Promoters, and Whole-Time Director of the Company. He is an Undergraduate. He is having more than 12 years of business experience in the Retail Distribution Industry.

Parth Lallubhai Desai, aged 41 years, is one of the Promoters, Executive Director, and Chief Financial Officer of the Company. He holds the degree of Bachelor of Business Administration (BBA) and completed a training programme on Marketing of Rural Products from the Entrepreneurship Development Institute of India. He is having more than 15 business years of experience in the Retail Distribution Industry.

Jigar Lallubhai Desai, aged 40 years, is one of the Promoters of the company. He has completed his higher secondary. He is having more than 4 years of experience in the Food Processing & Retail Distribution Industries. He was appointed as Chief Financial Officer of the company with effect from March 24, 2023. Thereafter, pursuant to the Board Meeting. He resigned from the post with effect from April 22, 2023.

Jay Deepakbhai Khantnani, aged 29 years, is the Independent Director of the Company. He holds the degree of Company Secretary from the Institute Company Secretaries of India. He is having professional experience of more than 7 years in Company Law, Securities Law, Listing and Capital Market Transactions, RERA Registration and Compliance with authority.

Bhavisha Kunal Chauhan, aged 30 years, is the Independent Director of the Company. She holds a degree of Company Secretary, Degree of Bachelor of Commerce. She has professional experience of more than 8 years in various Security market issues such as IPOs, FPOs, Bonus Issues, Migration, and Voluntary Liquidation of Private Companies.

Aayush Kamleshbhai Shah, aged 31 years, is the Independent Director of the Company. He holds a degree of Company Secretary, Degree of Bachelor of Commerce, Degree of Bachelor of Law (L.L.B). He has professional experience of more than 8 years in the areas of Corporate Law, Security law, Capital market, Corporate Governance, FEMA Compliances, Listing Processes, liaison with Regulatory authorities as well as Various Compliances under the Financial Services

Sumitkumar Hareshbhai Patel, aged 23 years, is the Independent Director of the Company. He holds a degree of Company Secretary, Degree of Bachelor of Commerce. He has professional experience of 3 years as Company secretary.

To conclude, the company has 5 promoters, out of which 4 of them are involved in the operations of the business and they have good experience in the food processing industry and not in direct operations. The Directors of the company have good experience in fields which help in the growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	9.92	9,090.74	19,582.60	13,975.84
Other Income	0.00	1.59	43.49	47.14
Total Income	9.92	9,092.33	19,626.09	14,022.98
Expenses				
Purchase of Stock in Trade	25.30	9,308.89	18,907.49	13,121.47
Change in inventories	-15.81	-1,036.34	-1,238.05	-525.95
Employee benefits expense	-	173.20	324.30	167.79
Finance costs	-	34.99	100.71	30.68
Depreciation and Amortization expense	0.01	31.29	69.03	39.62
Other expenses	2.72	561.09	1,242.62	973.53
Total Expenses	12.22	9,073.12	19,406.10	13,807.14
Earnings Before Interest, Taxes, Depreciation & Amortization	-2.29	83.90	346.24	239.00
EBITDA Margin	-23%	1%	2%	2%
Profit/(Loss) before exceptional items and tax	-2.30	19.21	219.99	215.84
Prior period items	-	-	-0.25	-
Profit/(Loss) before tax	-2.30	19.21	220.24	215.84
Tax Expense				
Current Tax	-	3.00	60.54	62.56
Deferred Tax	0.06	6.42	-0.67	-1.91
MAT Credit Entitlement		-3.00		
Total Tax Expense	0.06	6.42	59.87	60.65
Profit/(Loss) for the year	-2.36	12.79	160.37	155.19
Net Profit Margin	-23.79%	0.14%	0.82%	1.11%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	15.00	50.00	50.00	735.00
Reserve and Surplus	(2.36)	10.43	170.29	190.48
Total Equity	12.64	60.43	220.29	925.48
2. non-current liabilities				
Long Term Borrowings	-	14.63	9.64	7.00
Other non-current liabilities	24.00	366.90	1,162.56	1,530.10
Deferred Tax Liabilities (Net)	0.06	6.48	5.80	3.89
Long Term Provisions	-	-	5.25	5.61
Total non-current liabilities	24.06	388.01	1,183.25	1,546.60
3. Current liabilities				
Financial Liabilities				
Short-term borrowings	-	569.63	1,048.58	499.57
Trade payables				
Due to MSME	-	140.95	269.42	304.78
Due to Others	33.98	927.17	1,023.47	767.44
Other Current Liabilities	0.12	10.22	46.45	22.25
Short-term Provisions	0.28	14.29	69.59	276.15
Total Current liabilities	34.38	1,662.26	2,457.51	1,870.19
Total Liabilities	58.44	2,050.27	3,640.76	3,416.79

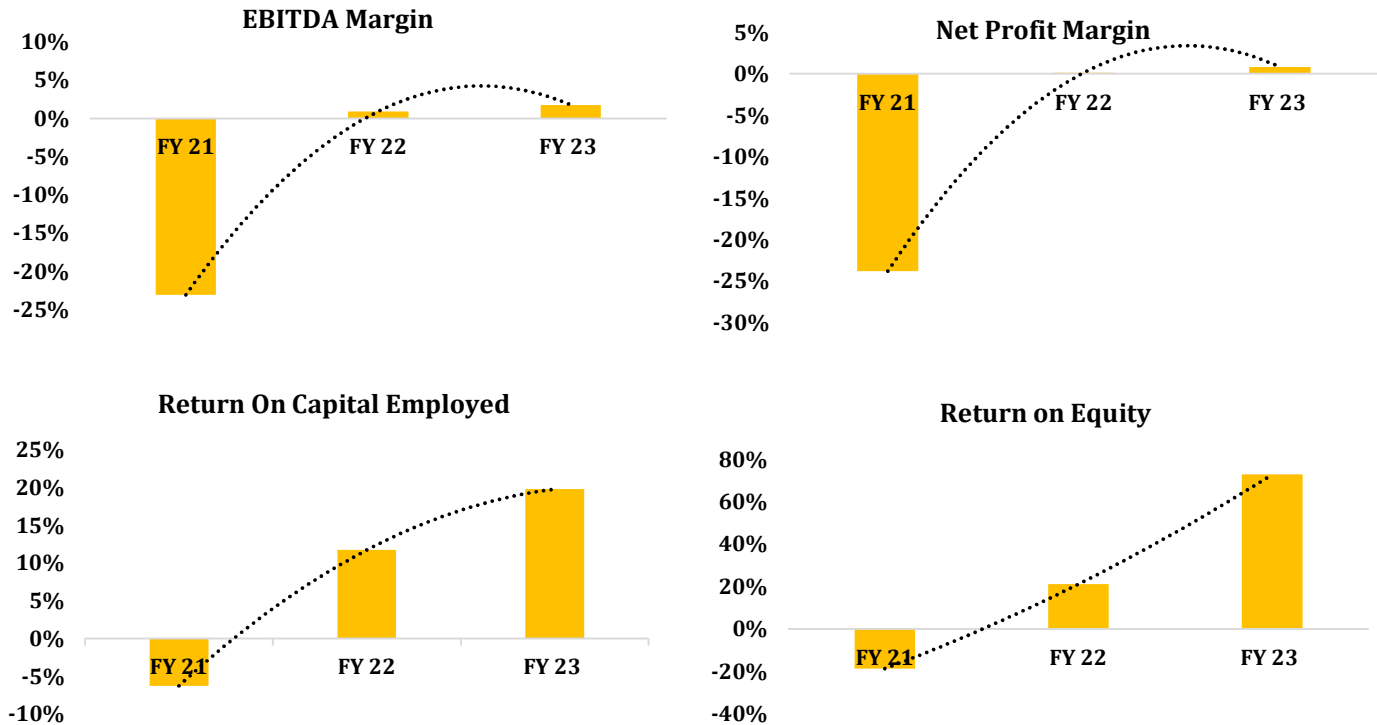
Balance Sheet					(In Lacs)
Total Equity and Liabilities	71.08	2,110.70	3,861.05	4,342.27	
ASSETS					
1. non-current assets					
Property, Plant and Equipment					
Tangible Assets	4.35	397.53	430.77	407.90	
Intangible Assets	-	26.42	42.45	37.25	
Long-term loans and advances	5.71	3.00	-	-	
Other non-current assets	0.26	67.61	83.42	86.82	
Total non-current assets	10.32	494.56	556.64	531.97	
2. Current assets					
Inventories	15.81	1,052.15	2,290.20	2,816.15	
Trade receivables	-	227.22	314.93	99.85	
Cash and Bank Balances	41.51	44.53	91.86	249.94	
Short-term loans and advances	3.43	291.43	599.26	637.50	
Other Current Assets	-	0.81	5.16	6.86	
Total Current assets	60.75	1,616.14	3,301.41	3,810.30	
Total Assets	71.07	2,110.70	3,858.05	4,342.27	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Net Cash Flow from Operating Activities	6.87	90.66	-524.68	-714.95	
Net Cash Flow from Investing Activities	-4.37	-445.18	-117.95	-11.55	
Net Cash Flow from Financing Activities	39.00	357.54	689.96	884.58	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	-0.04	0.19	2.35	3.15
BV per share	0.12	0.59	2.15	30.51
Operating Ratios				
EBITDA Margins	-23.08%	0.92%	1.77%	1.71%
PAT Margins	-23.79%	0.14%	0.82%	1.15%
Inventory days	581.72	42.24	42.69	36.87
Debtor days	-	9.12	5.87	1.31
Creditor days	490.23	41.88	24.96	14.95
Return Ratios				
RoCE	-6%	12%	20%	13%
RoE	-19%	21%	73%	10%
Valuation Ratios (x)				
EV/EBITDA	12.61	7.15	3.43	7.08
Market Cap / Sales	723.99	0.79	0.37	0.26
P/E	-	368.42	29.79	22.23
Price to Book Value	568.20	118.85	32.60	2.29
Solvency Ratios				
Debt / Equity	0.00	9.67	4.80	0.55
Current Ratio	1.77	0.97	1.34	2.04
Quick Ratio	1.31	0.34	0.41	0.53
Asset Turnover	0.14	4.31	5.08	3.22
Interest Coverage Ratio	-	1.50	2.75	6.50

*Ratio sheet for Sep-23 is annualized.

Financial Charts



Key Risk Factors

1. There are outstanding legal proceedings involving the Company amounting to Rs. 5.15 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
2. The Company had negative cash flow from operating activity for the FY ended 2023, and the Period Ended September 2023. Sustained negative cash flow could adversely impact the business, financial condition and results of operations.
3. The company is dependent on a few numbers of suppliers for the purchase of products. The loss of any of these large Suppliers may affect the business operations. The Top ten Suppliers contributed to 78.30%, 83.02%, 79.55% and 100.00% of the total Purchases for the period ended September 30, 2023, and for the year ended March 31, 2023, March 31, 2022, and March 31, 2021, respectively.
4. The company have incurred a net loss in the past for the FY ended 2021 and may not be able to achieve or maintain profitability in the future.
5. The company's revenues are highly dependent on its operations in the geographical region of the state of Gujarat. Any adverse development affecting the operations in this region could have an adverse impact on the business, financial condition and results of operations.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private 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 –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Indifra Limited	14.04	65.00	December 29, 2023	50.55
2.	Benchmark Computer Solutions Limited	12.24	66.00	December 21, 2023	68.95
3.	Sheetal Universal Limited	23.80	70.00	December 11, 2023	72.85
4.	Rajgor Castor Derivatives Limited	47.81	50.00	October 31, 2023	48.80
5.	Arvind and Company Shipping Agencies Limited	14.74	45.00	October 25, 2023	63.3
6.	Karnika Industries Limited	25.07	76.00	October 12, 2023	140.0
7.	Hi-Green Carbon Limited	52.80	75.00	September 28, 2023	222.50
8.	Kody Technolab Limited	27.52	160.00	September 27, 2023	978.70
9.	Chavda Infra Limited	43.26	65.00	September 25, 2023	106.85
10.	Vinsys IT Services Limited	49.84	128.00	August 11, 2023	280.0

The company has had 25 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 24th January 2024.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at premiums on the listing date.



Recommendation

The company has been in the industry since 2021 and has relatively less experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 22.23 times which seems to be slightly highly priced by looking at the performance of the company and the sector. The Sector P/E is 41.9 times.

The industry in which the company operates is highly fragmented. The company has had a loss for FY 2021 and has negative operating cash flow for FY 2023, and the period ended September 2023 which is not very attractive for the company. The profitability margins are not satisfactory. The company also operates in a very concentrated market. The services which the company provides are not unique in the existing competitive retail industry. Thus, keeping in mind the above-mentioned point we believe one can **AVOID** applying to this IPO.



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