



IPO Note

HP Telecom India Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** HP Telecom India Limited was originally incorporated on Mar 26, 2011. The registered office is located at Surat, Gujarat.
- **Business Activity:** The company is engaged in the business of distribution of mobile phones, accessories, LCD/LED home theatres, indoor/outdoor air conditioners, and other home appliances and related products.
- **Revenue Stream:** The company generates majority of the revenue from distribution of apple products and sale of mobile.
- **Human Resource:** The company has 7 permanent employees and 84 contractual basis employees as on Sep 30, 2024.

Objects of the Issue -

- Funding of working capital requirements
- General Corporate Expenses

Promoters Name -

Vijay Lalsingh Yadav, Seemabahen Vijay Yadav and Bharatlal Lalsingh Singh

Rationale for recommendation -

- ✓ The company's top line and bottom line saw a sudden increase in FY23.
- ✓ The profitability margins have seen a slight dip in FY24 and the percentage is very low.
- ✓ The company had negative CFO in FY22 and FY24.
- ✓ The DE ratio remained high for FY23 and FY24.
- ✓ The company is highly dependent on Apple products.
- ✓ The company has geographic concentration.
- ✓ The company has high concentration for suppliers.
- ✓ The industry is highly fragmented.

IPO Details

Opening Date	Feb 20, 2025
Closing Date	Feb 24, 2025
Allotment Date	Feb 25, 2025
Listing Date	Feb 28, 2025
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹108
Issue Size	34.23 Cr.
Fresh Issue	34.23 Cr.
Offer for Sale	-
Application Amt	₹ 1,29,600 (1,200 shares)

INDUSTRY - Consumer Electronics

Avg. P/E ratio as per RHP - 48.54

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	29,204.04	63,750.83	1,05,891.92	58,123.28
EBITDA	488.46	1,243.06	1,839.42	952.36
Net Profit	213.14	635.23	860.50	523.87
RoCE	31.37%	60.35%	62.92%	50.58%*
ROE	13.79%	30.97%	29.56%	26.46%*
P/E	40.15	14.88	8.01	12.28*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
99.99%	73.40%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	13.48	8.79
BVPS	33.29	33.23
P/E	8.01	12.28
P/BV	3.24	3.25
Mkt Cap (In Cr)	94.45	128.68

*Annualized

Lead Managers -

Interactive Financial Services Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

HP Telecom India Limited is engaged in the business of distribution of mobile phones, accessories, LCD/LED home theatres, indoor/outdoor air conditioners, and other home appliances and related products.

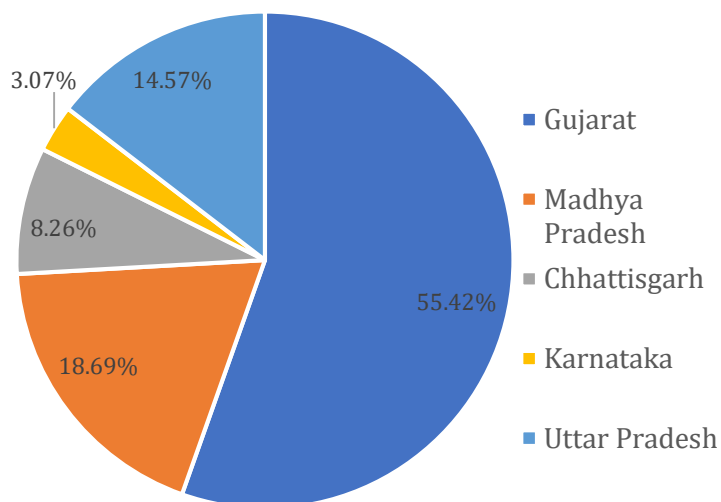
During FY 2014-15 the company secured distribution rights for brands such as Sony LED TVs and Mobiles and other mobile brands. Over subsequent years, the company diversified into new product lines in Mobile like Nokia, Micro Max, Intex, Gionee, Karbonn Mobiles etc. In the FY 2015-16, the company obtained rights for Jio products in the West Region Trade Partner for Gujarat.

In FY 2016, Apple granted their distribution rights for Vapi region. Currently, the company operates as the exclusive distributor of Apple products across significant territories, including Madhya Pradesh & Chhattisgarh, select cities in Uttar Pradesh, and major urban centers in Gujarat. In FY 2023-24, the company secured the distribution rights for 'Nothing' in Gujarat.

In FY 2020-21, during COVID-19 pandemic, the company ventured into the manufacturing and distribution of N95 surgical masks as well. However, as on date company is not dealing in Surgical mask.

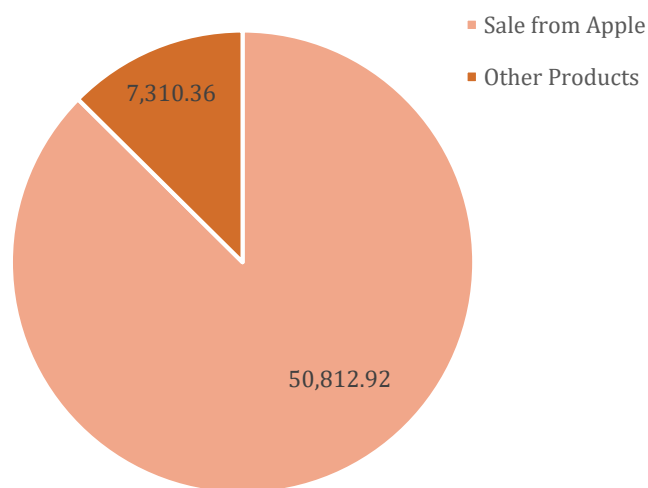
The below chart shows the revenue earned by the Company across various domestic states:

Revenue Bifurcation Geography-Wise (Sep-24)



The below chart shows revenue from sale of Apple products:

Revenue generated from Apple products (Sep-24)



Revenue Bifurcation product-wise:

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Mobile Phone	25,676.12	87.92%	59,964.25	94.06%	1,01,447.79	95.80%	55,844.50	96.08%
Tablet	779.32	2.67%	1,190.56	1.87%	1,710.25	1.62%	997.23	1.72%
Smart Watch	726.51	2.49%	1,043.46	1.64%	1,071.13	1.01%	460.44	0.79%
Audio Devices	769.27	2.63%	644.55	1.01%	1.36	0.001%	4.74	0.01%
Accessories	1,018.35	3.49%	487.28	0.76%	1,568.28	1.48%	798.39	1.37%
Home Appliances	128.27	0.44%	420.72	0.66%	42.65	0.04%	-	0.00%
N95 Mask & other medical items	106.18	0.36%	-	0.00%	-	0.00%	-	0.00%
Apple Care Plan	-	0.00%	-	0.00%	50.46	0.05%	17.97	0.03%
Total	29,204.02	100%	63,750.82	100%	1,05,891.92	100%	58,123.27	100%

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, price and product range.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is high with the suppliers.

Business Strategies -

- The company intends to become a direct partner from a major regional distributor in the long-run.
- The company intends to focus on other upcoming and growing brands like “Nothing” and become their sole distributors.

Risk Factors -

The company is highly dependent on top 10 suppliers constituting 94.34%, 88.90%, 96.16% and 96.14% in FY22, FY23, FY24 and Sep-24 respectively.

The company is highly dependent on Apple products for the revenue generation.

The company has 9 cases against it for criminal and tax matters amounting to Rs. .13.53 lakhs.

The promoters have 6 cases against them for criminal matters amounting to Rs 63.26 lakhs.

The company had negative cash flow from operations in FY22 and FY24.

PEER ANALYSIS -

Particulars	HP Telecom India Limited			Bhatia Communications & Retail (India) Limited			Jay Jalaram Technologies Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.73%	1.00%	0.81%	2.10%	2.46%	2.78%	0.61%	1.06%	0.75%
EBITDA Margin	1.67%	1.95%	1.74%	3.80%	4.30%	4.44%	1.82%	1.99%	1.76%
RoCE	31.37%	60.35%	62.92%	15.42%	21.29%	20.62%	9.41%	7.44%	11.97%
ROE	13.79%	30.97%	29.56%	11.42%	15.56%	17.45%	9.09%	10.63%	14.79%
EPS (INR)	2.69	7.26	13.48	0.42	0.68	0.92	3.14	2.55	4.37
P/E	40.15	14.88	8.01	57.74	25.03	22.62	-	71.73	72.29

- The company is not comparable on an apple-to-apple basis as the peers mentioned are majorly retailers and wholesale distributors and they have their own stores through which they operate whereas the company is solely a distributor.
- The market cap of the company is less compared to its peers.
- The PE ratio of the company is better than its peers.

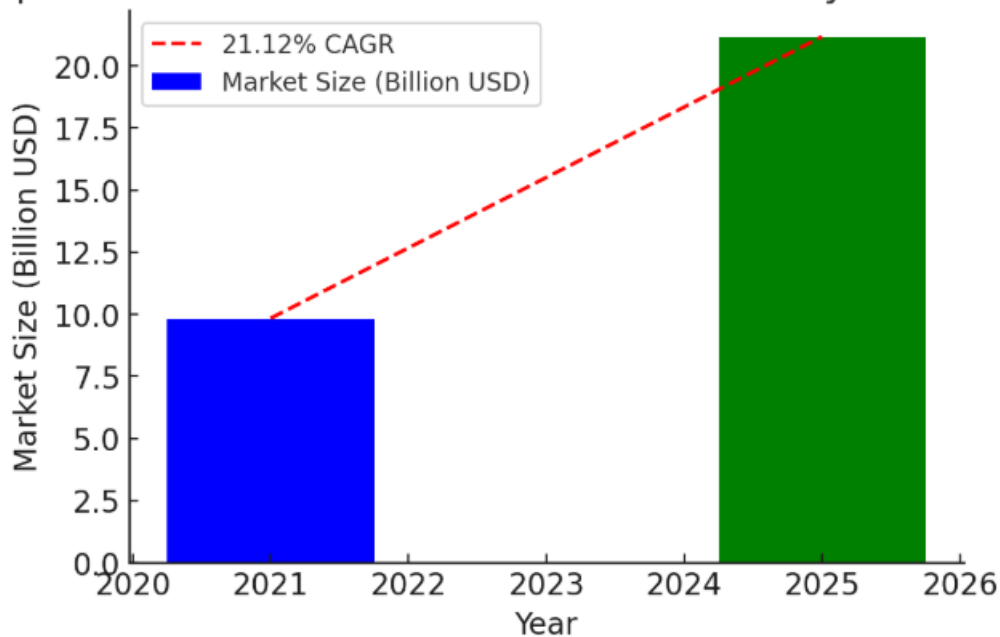
INDUSTRY OVERVIEW -

Indian Consumer Durables Industry –

The demand for a wide range of consumer durable goods is growing as a result of the ongoing increase in disposable income and technological innovation in India. In FY23 (April-November), electronics exports grew by 13.8%, the highest in the last 6 years. With robust growth, India aims to achieve electronics manufacturing worth US\$ 300 billion in electronics exports of US\$ 120 billion by FY26.

By 2025, India's Consumer Electronics and Appliances Industry is predicted to be the fifth-largest in the world. The Indian Appliances and Consumer Electronics (ACE) market is predicted to nearly double in the next 3 years, reaching approximately US\$ 17.93 billion (Rs. 1.48 lakh crore) by 2025. The Indian appliances and consumer electronics industry stood at US\$ 9.84 billion in 2021 and is expected to more than double to reach Rs. 1.48 lakh crore (US\$ 21.18 billion) by 2025. Electronics hardware production in the country stood at US\$ 87 billion in 2022. India's consumer electronics and home appliances market is set to grow by US\$ 2.3 billion between 2022 and 2027, registering a CAGR of 1.31%.

Indian Appliances & Consumer Electronics Industry Growth (2021-2025)



In the financial year (FY) 2022–23, India's exports of mobile phones doubled from US\$ 5.45 billion (Rs. 45,000 crore) in 2021-22 to a whopping (US\$ 11.12 billion) Rs. 90,000 crores. India is the 2nd largest mobile manufacturer in the world.

The White Goods market is estimated to cross US\$ 21 billion by 2025 expanding at a CAGR of 11%. Domestic manufacturing contributes nearly US\$ 4.6 billion on average to this industry.

Air Conditioner Market in India to increase to US\$ 9.8 billion by FY26 from US\$ 3.8 billion in FY21 at a CAGR of 20.8%.

Policy Support

- 100% FDI allowed in the electronics hardware-manufacturing.
- In March 2022, the government approved 14 companies under the production-linked incentive (PLI) scheme for IT hardware. Over the next four years, these companies are expected to fuel total production of Rs. 1,60,000 cr (US\$ 19.23 billion).
- In March 2023, Samsung invested in setting up smart manufacturing capabilities at its mobile phone plant in Noida.

Key Management -

Key Management Persons Name -	Vijay Lalsingh Yadav
Age	47
Designation and No. of years of experience	Promoter and Managing Director, 13+ years of experience in Telecom Industry
Qualification	Bachelor's degree of arts
Responsibility	Engaged in the day-to-day business of the Company
Other Directorships	HV Connecting Infra (India) Private Limited, HVC Finance Private Limited, HSL Corporation LLP etc.

Key Management Persons Name -	Seemabahen Vijay Yadav
Age	26
Designation and No. of years of experience	Promoter and Whole-Time Director, 13+ years of experience in Telecom Industry
Qualification	Bachelor's degree of arts
Responsibility	Engaged in the online business initiatives, operational oversight, team co-ordination and project management of the Company
Other Directorships	HV Connecting Infra (India) Private Limited, HVC Finance Private Limited and Pinak. Tech Private Limited

bachelor's degree of arts

Key Management Persons Name -	Bharatlal Lalsingh Singh
Age	44
Designation	Promoter and Non-Executive Director, 10+ years of experience in mobile distribution
Qualification	Senior Secondary School
Responsibility	Oversees operational efficiency, quality assurance, UP supply chain and logistics of the Company
Other Directorships	HV Connecting Infra (India) Private Limited

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Chirag Jitendra Sheth and Dinesh Ram Nath Yadav are Non-Executive Independent Directors of the Company. They have an average experience of 17 years and have education qualification in their respective fields.
- Hemant Jethwa (CFO) has completed M. Com and has 10+ years of experience.
- Barkha Jain (CS) has 5+ years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	29,204.04	63,750.83	1,05,891.92	58,123.28
Other Income	51.37	96.35	2,085.41	1,295.86
Total Income	29,255.41	63,847.18	1,07,977.33	59,419.14
Expenses				
Purchases of stock-in-trade	28,684.25	63,118.80	1,15,147.64	55,001.71
Change in Inventories of Stock In Trade	-340.69	-1,016.47	-9,797.69	2,975.29
Employee Benefit Expenses	229.83	238.46	387.39	248.42
Finance Cost	252.55	487.01	786.93	298.69
Depreciation and Amortization Expense	3.35	5.24	7.64	5.68
Other expenses	151.81	166.98	284.80	186.84
Total Expenses	28,981.10	63,000.02	1,06,816.71	58,716.63
EBITDA	488.46	1,243.06	1,839.42	952.36
EBITDA Margin	1.67%	1.95%	1.74%	1.64%
Profit/(Loss) before exceptional items and tax	274.31	847.16	1,160.62	702.51
Extraordinary Items	9.62	-	-	-
Profit/(Loss) before tax	283.93	847.16	1,160.62	702.51
Tax Expense				
Current tax	70.89	212.22	300.83	179.26
Deferred Tax	-0.10	-0.29	-0.71	-0.62
Total Tax	70.79	211.93	300.12	178.64
Profit/(Loss) for the year	213.14	635.23	860.50	523.87
Net Profit Margin	0.73%	1.00%	0.81%	0.90%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	583.03	583.03	874.55	874.55
Reserves and surplus	963.13	1,467.94	2,036.92	2,560.78
Total Equity	1,546.16	2,050.97	2,911.47	3,435.33
Total Non-current liabilities	495.94	561.06	439.98	378.09
CURRENT LIABILITIES				
Short-term Borrowings	2,449.71	5,929.01	10,015.32	10,514.32
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	467.43	1,093.34	14,323.62	11,591.09
Other Current Liabilities	70.21	66.81	594.54	172.95
Short-term provisions	72.79	215.22	302.58	182.88
Total Current liabilities	3,060.14	7,304.38	25,236.06	22,461.24
Total Liabilities	3,060.14	7,304.38	25,236.06	22,461.24
Total Equity and Liabilities	4,606.30	9,355.35	28,147.53	25,896.57
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	244.54	125.56	166.73	169.91
Intangible Assets	-	-	-	2.52
Non-Current Investments	359.95	944.51	944.51	944.51
Deferred tax assets (net)	1.23	1.52	2.23	2.84

Particulars	FY 22	FY 23	FY 24	Sep-24
Other Non- current Assets	1.82	1.82	0.70	1.15
Total Non-Current assets	607.54	1,073.41	1,114.17	1,120.93
CURRENT ASSETS				
Inventories	1,220.61	2,237.08	12,034.77	9,059.48
Trade Receivables	2,308.45	2,327.84	5,402.40	3,706.32
Cash & Cash equivalents	389.40	3,615.47	4,347.58	5,158.22
Short term loans and advances	13.61	11.55	8.10	5.48
Other Current Assets	66.70	90.00	5,240.51	6,846.15
Total Current assets	3,998.77	8,281.94	27,033.36	24,775.65
Total Assets	4,606.31	9,355.35	28,147.53	25,896.58

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-462.89	725.30	-2,565.32	616.49
Net Cash Flow from Investing Activities	-186.99	-545.61	-9.82	-11.38
Net Cash Flow from Financing Activities	-182.22	3,046.38	3,307.25	205.53

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	2.69	7.26	13.48	8.79	EV/EBITDA	7.38	3.51	4.66	3.13
BV per share	26.52	35.18	33.29	33.23	Market Cap / Sales	0.22	0.10	0.09	0.11
Operating Ratios					P/E	40.15	14.88	8.01	12.28
EBITDA Margins	1.67%	1.95%	1.74%	1.73%	Price to Book Value	4.07	3.07	3.24	3.25
PAT Margins	0.73%	1.00%	0.81%	0.90%	Solvency Ratios				
Inventory days	15.30	12.84	41.60	24.57	Debt / Equity	1.58	2.89	3.44	2.66
Debtor days	28.93	13.36	18.67	18.16	Current Ratio	1.31	1.13	1.07	1.07
Creditor days	5.96	6.34	45.53	24.10	Quick Ratio	0.91	0.83	0.59	0.59
Return Ratios					Asset Turnover	6.34	6.81	3.76	4.13
RoCE	31.37%	60.35%	62.92%	50.58%	Interest Coverage Ratio	1.92	2.54	2.33	3.35
RoE	13.79%	30.97%	29.56%	26.46%					

*Annualized

INTERPRETATION –

- The top line has increased over the years. It increased by 118.29% in FY23. The increase was due to increase in demand for Apple products. Then it increased by 66.10% in FY24 which was due to increase in products sold.
- The net profit also increased over the years. It increased by 198.03% in FY23 and increased by 35.46% in FY24. The increase in FY23 was because the % of expenses remained same relative to revenue in FY22 and FY23.
- The EBITDA calculated does not include scheme and discount received by the company as rebate mentioned in other income (we have considered it to be a part of operating income as it is recurring because of the nature of its business).
- The PAT and EBITDA margin remained slightly inconsistent over the years. It saw a slight decrease in FY24 as the % of purchase increased relative to revenue from FY23 to FY24.
- The DE ratio has remained high in FY23 and FY24.
- There is negative cash flow from operations for FY22 and FY24.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Interactive Financial Services Limited**.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Interactive Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Malpani Pipes And Fittings Limited	25.92	90.00	Feb 04, 2025	68.15
2.	SPP Polymer Limited	24.49	59.00	Sep 17, 2024	24.85
3.	Kizi Apparels Limited	5.58	21.00	Aug 06, 2024	17.00
4.	Kataria Industries Limited	54.58	96.00	July 24, 2024	120.25
5.	Winy Immigration and Education Services Limited	9.13	140.00	June 27, 2024	278.35
6.	DCG Cables & Wires Limited	49.99	100.00	April 16, 2024	346.00
7.	Teerth Gopicon Limited	44.40	111.00	April 16, 2024	75.25
8.	SRM Contractors Limited	130.20	210.00	April 03, 2024	340.00
9.	Kalahridhaan Trendz Limited	22.49	45.00	Feb 23, 2024	17.15
10.	Vrundavan Plantation Limited	15.29	108.00	Nov 06, 2023	56.00

The company has handled 21 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 18th Feb 2025.

As per the offer document, the above-mentioned mandates Malpani Pipes and Fittings, DCG Cables & Wires and Vrundavan Plantation have opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

HP Telecom India Limited has been in the industry since 2011 and has good experience in the industry.

The P/E on a post-IPO annualized basis is around 12.28 times which makes it fairly priced.

The company's management is decent and the promoters have decent experience in the industry.

The company's top line and bottom line has increased over the years. There was a sudden increase in bottom line in FY23 as the % of purchases of stock remained the same relative to revenue in FY23 and FY24 while, the revenue increased significantly in FY23. The profitability margins have remained slightly inconsistent and saw a slight dip in FY24 as the purchases increased during that year. Also, the company experienced negative cash flow from operations for FY22 and FY24. Furthermore, the high DE ratio for FY23 and FY24 raises slight concerns.

The company operates in a highly fragmented and competitive landscape and they have presence in only regional level in few states. Also, the company is significantly dependent on Apple products for their revenue generation and has high concentration for suppliers.

Thus, investors can **AVOID** this IPO.

Disclaimer

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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