



## A) Fonebox Retail Limited IPO Overview

Fonebox Retail Limited, a leader in the multi-brand retail sector, specialises in the sale of smartphones and consumer durable electronics. With a diverse product portfolio, the company caters to a broad customer base, offering products from renowned brands such as Vivo, Apple, Samsung, TCL, Haier, and more.

## B) Overview of the Indian Telecom Industry

### 1. Market Size and Growth:

India boasts the world's second-largest telecommunications market with a subscriber base of 1,173.89 million as of June 2023. The sector has experienced consistent growth, contributing significantly to the Gross Domestic Product (GDP). The liberal policies of the Government of India, combined with strong consumer demand, have fueled this rapid expansion.

### 2. Key Statistics:

- **Total telecom subscribers:** 1,173.89 million (June 2023)
- **Tele-density:** 84.43% (June 2023)
- **Gross revenue (FY23):** Rs. 3.1 lakh crore (US\$ 37.33 billion)
- **Wireless data usage growth:** Over 7 folds from Q1, FY18 to Q1, FY22

### 3. Opportunities and Initiatives:

- **5G Launch:** Prime Minister Narendra Modi launched 5G services on October 1, 2022.
- **5G Subscriptions:** Predicted to reach 350 million by 2026, constituting 27% of all mobile subscriptions.
- **Export of Mobile Phones:** Valued at US\$ 10.84 billion (FY23), contributing to India's global presence.
- **Skilled Workforce:** By 2025, India will need around 22 million skilled workers in 5G-centric technologies.
- **Policy Support:** The Union Cabinet approved a Rs. 12,195 crore (US\$ 1.65 billion) production-linked incentive (PLI) scheme.

### 4. Investments and Development:

- **Budget Allocation (2023-24):** Rs. 97,579.05 crore (US\$ 11.92 billion) allocated to the Department of Telecommunications.
- **FDI Inflow:** US\$ 39.27 billion in the telecom sector (April 2000-June 2023).

- **Major Developments:** Continuous investment and development, including partnerships and acquisitions in the sector.

#### 5. Government Initiatives:

- **PLI Scheme:** Production-linked incentive scheme to boost telecom and networking product manufacturing.
- **BharatNet:** Allocated US\$ 611.1 million (Rs. 5,000 crore) in the budget for network development.
- **5G Innovation Group:** Department of Telecommunications leading the development of 6G technology.
- **FDI Cap Increase:** FDI cap in the telecom sector raised to 100% from 74% in October 2021.

#### C) Fonebox Retail Limited IPO Detailed Analysis

Fonebox Retail Limited, a leader in the multi-brand retail sector, specialises in the sale of smartphones and consumer durable electronics. With a diverse product portfolio, the company caters to a broad customer base, offering products from renowned brands such as Vivo, Apple, Samsung, TCL, Haier, and more.

#### D) Fonebox Retail Limited IPO Details:

Open Date:	Jan 25 2024
Close Date:	Jan 30 2024
Total Shares:	2,910,000
Face Value:	₹ 10 Per Equity Share
Issue Size:	20.37 Cr.
Lot Size:	2000 Shares
Issue Price:	₹ 66 - 70 Per Equity Share
Listing At:	NSE Emerge
Listing Date:	Feb 02 2024

#### E) IPO Objective

The Issue Proceeds from the Fresh Issue will be utilised towards the following objects:

1. Company going to raise ₹20.37 Cr
2. To Meet Working Capital Requirements
3. General corporate purposes
4. To meet Public Issue Expenses

## **F) Promoters**

The company's promoters include Mr. Manishbhai Girishbhai Patel, Mr. Jigar Lallubhai Desai, Mr. Parth Lallubhai Desai, Mr. Jigneshkumar Dashrathlal Parekh, and Mr. Amitkumar Gopalbhai Patel. These individuals contribute to the strategic direction and growth of Fonebox Retail Limited.

## **G) Product Portfolio**

### **1. Mobile Handsets/Smartphones and allied accessories:**

- Smart mobile phones of all major brands operational in India like Vivo, Oppo, Apple, Samsung, Redmi, Nokia, Narzo, Realme, One Plus, ITEL, Mi, Lava, Motorola, LG and Micromax to name a few.
- Tablets of all major brands operational in India like Apple, Samsung, Lenovo to name a few.
- Mobile Accessories for smart mobile phones and tablets like Screen Guard, Memory Card, Mobile Charger, Mobile Covers, Bluetooth earplugs, speakers, power banks etc.

### **2. Consumer Durable Home Appliances:**

- Here they offer a variety of consumer durable appliances of multiple brands. We primarily deal in LED Televisions, Coolers, Air Conditioners, Laptops and its accessories.

## **H) Business Operations**

The core of Fonebox Retail Limited's operations lies in the multi-brand retail sector, focusing on the sale of smartphones and consumer durable electronics. The company's strategic approach ensures a comprehensive product range, covering mobile handsets, accessories, laptops, smart TVs, air conditioners, and various other home appliances.

## **I) Store Portfolio**

Fonebox Retail Limited operates under multiple brand names, including "Fonebox," "Fonebook," and "My Mobile." As of January 5, 2024, the company runs a total of 143 stores across the state of Gujarat. The bifurcation includes 39 Company Owned and Company Operated (COCO Model) stores and 104 Franchise Owned and Company Operated (FOCO Model) stores. The geographical presence spans more than 20 cities in Gujarat.

## **J) Understanding COCO and FOCO Models:**

**COCO Model (Company Owned and Company Operated):** Under this model, the company directly owns and operates stores. It is responsible for all aspects of the operation, including staffing, management, maintenance, and overall business strategy.

**FOCO Model (Franchise Owned and Company Operated):** In the FOCO Model, franchise owners operate stores under the company's brand names. Fonebox Retail Limited earns a percentage of the total turnover achieved by respective franchises. This model allows for a wider market presence and revenue-sharing with franchise partners.

## **K) Revenue Streams**

The company derives its revenue from two major business verticals. Firstly, through the COCO Model, where they directly own and operate 39 stores, providing a comprehensive retail experience. Secondly, through the FOCO Model, involving 104 franchise-owned stores, where the company earns 1% of the total turnover achieved by respective franchises. This revenue-sharing model enhances market presence and fosters collaboration with franchise partners.

## **L) Credit/EMI Facilities**

Fonebox Retail Limited provides credit/EMI facilities to customers for purchasing their products. The company has established tie-ups with major credit houses like Bajaj Finance, HDB Financial Service, HDFC Bank, and IDFC First Bank. This initiative facilitates customer purchases and contributes to the overall business growth.

## **M) Geographic and Store Bifurcation**

As of January 5, 2024, the company operates 143 stores across Gujarat. The bifurcation includes 39 COCO Model stores and 104 FOCO Model stores. The strategic geographic spread encompasses more than 20 cities, strengthening the company's market presence.

## **N) Competitive Strength:**

### **1. Experienced Promoters and Management Team:**

- The management team, boasting over 30 years of collective industry experience, has been pivotal in driving operational and financial growth.
- Promoters, including Mr. Amitkumar Gopalbhai Patel, Mr. Jigneshkumar Dashrathlal Parekh, Mr. Manishbhai Girishbhai Patel, Mr. Jigar Lallubhai Desai, and Mr. Parth Lallubhai Desai, provide leadership and vision, overseeing day-to-day operations.

### **2. Widespread Distribution Network:**

- They operate 143 stores across Gujarat for the sale of mobile handsets, accessories, and consumer durable home appliances.
- Of these, 39 stores are company-owned retail outlets, and 104 operate under the franchise-owned and company-operated retail model ("FOCO Model") in over 20 cities.

### **3. Wide Range of Products:**

- Engaged in multi-brand retail, they sell smartphones and accessories from various manufacturers such as Vivo, Apple, Samsung, and others.
- They also retail consumer durable electronics, including laptops, washing machines, smart TVs, and more, from brands like TCL, Haier, Lloyd, and Daikin.

### **4. Strategic Location and Facilities:**

- Retail stores strategically located in high-traffic areas with product displays for customer trials.
- Positioned in areas of high foot traffic to attract customers throughout the week, enhancing the overall shopping experience.

## **O) Business Strategy**

### **1. Improve Sales:**

- Plan to enhance sales by expanding retail stores into Tier 2 and Tier 3 towns.
- Aim to increase market size and footprint across all states in Western India.
- Focus on cost reduction over time, especially post-GST era, anticipating a shift from unorganised to organised players in the consumer electronics retail industry.

### **2. Leverage Market Skills and Relationships:**

- Prioritise customer-oriented business, maintaining strong relationships with customers.
- Continuous emphasis on leveraging marketing skills and relationships to enhance customer satisfaction.
- Effective follow-ups with customers to address concerns and ensure product satisfaction.

### **3. Increase Brand Visibility:**

- In a highly competitive market, the company aims to increase brand recall.
- Propose to expand the number of channel partners/dealers to broaden reach and enhance brand visibility.
- Greater brand visibility expected to ensure brand retention and expand market reach.

### **4. Maintain Edge Over Competitors:**

- Intend to enhance scale in existing products and introduce new ones across high-end and mid-segments.
- Broad product range provides a competitive edge.
- Ongoing commitment to adding newer products to the portfolio to maintain a competitive edge in the market.

## **P) Risk Factors for the Company**

**1. Legal Proceedings:** The company is currently involved in outstanding legal proceedings, and any adverse decision in these cases may significantly impact business operations, results of operations, and overall financial condition.

**2. High Volume-Low Margin Business:** The business operates in a high volume-low margin industry, exposing it to potential challenges in maintaining profitability due to slim profit margins.

**3. Dependence on Few Suppliers:** The company relies on a limited number of suppliers for the purchase of products, and the loss of any significant supplier may disrupt business operations.

**4. Regional Dependency:** The company's revenues are highly dependent on operations in the geographical region of the state of Gujarat. Adverse developments in this region could negatively impact business, financial condition, and results of operations.

**5. Seasonal and Cyclical Volatility:** The business faces seasonal and cyclical volatility, leading to fluctuations in product sales and potentially resulting in higher closing inventory positions.

**6. Competition from Organized and Unorganized Players:** Intense competition exists in the business domain, with challenges posed by both organised and unorganised players that may adversely affect business operations and financial condition.

## **Q) Business Process**

### **Process Flow:**

**1. Receipt of Samples from Manufacturers:** The initial phase involves receiving sample devices from various manufacturers, initiating the market research process.

**2. Studying Market Demand:** Following the receipt of samples, a thorough analysis of market demand is conducted, considering factors like design trends and technological shifts.

**3. Purchase of Devices from Distributor/Stockist:** Based on the projected demand, the company procures devices by placing orders with manufacturers, distributors, or stockists.

**4. Supply to Retail Shops/Franchisee Shops:** The purchased devices are then supplied to both company-owned and franchise stores, fulfilling the demand at these retail points.

**5. Customers:** The end customers, having access to the devices through the retail shops, make the final purchase based on their preferences and requirements.

## **R) SWOT Analysis**

### **Strengths:**

**1. Experienced Promoters:** The company benefits from a management team with extensive industry experience, contributing to strategic decision-making and operational efficiency.

**2. Wide Spread Distribution Channel:** The widespread distribution network, consisting of 143 stores across Gujarat, provides extensive geographical coverage, enhancing market accessibility.

**3. Brand Awareness:** The company has established brand awareness, fostering customer recognition and trust in the market.

#### **Weaknesses:**

**1. Dependency on Manufacturers and Suppliers:** Reliance on manufacturers and suppliers for the procurement of devices poses a vulnerability to potential supply chain disruptions.

**2. Lack of Firm Arrangements of Finance:** Insufficient firm arrangements of finance may limit the company's ability to capitalise on growth opportunities or navigate financial challenges effectively.

#### **Opportunities:**

**1. Expanding New Geographical Markets:** The opportunity to expand into new geographical markets presents the potential for increased market share and revenue growth.

**2. Opportunities of Digital Sale through Owned Website:** Leveraging the digital landscape, the company can explore online sales through its website, tapping into the growing trend of e-commerce.

**3. Covering New Product Range:** Introducing new product ranges allows the company to diversify its offerings, catering to evolving consumer demands and preferences.

#### **Threats:**

**1. Competition from Unorganised Small Players:** Intense competition from unorganised small players in the market may impact market share and pose challenges in maintaining a competitive edge.

**2. Competition from Digital Sales Giants:** The rise of digital sales giants poses a threat, emphasising the need for effective strategies to compete in the online retail landscape.

**3. Change in Government Policies:** Changes in government policies, particularly those related to the retail and electronics industry, may introduce uncertainties and impact business operations.

### **S) Competition Overview**

In the consumer electronics retail sector, Fonebox Retail Limited faces competition from both organised and unorganised players with varying strengths in financial position, market share, product ranges, and resources. Key factors such as branding and marketing play a pivotal role in the industry, where larger players often enjoy a competitive advantage.

#### T) Store Category Wise Revenue bifurcation

(Amount in ₹ Lakhs)

Particulars	For the Period/Year ended							
	September 30, 2023		March 31, 2023		March 31, 2022		March 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue from Owned Stores	6182.96	44.24	11,512.42	58.79	5,916.84	65.09	0.52	5.19
Revenue from Franchise operating under FOCO Model	7792.88	55.76	8,070.17	41.21	3,173.89	34.91	9.41	94.81
<b>Total Revenue</b>	<b>13975.84</b>	<b>100.00</b>	<b>19,582.60</b>	<b>100.00</b>	<b>9,090.74</b>	<b>100.00</b>	<b>9.92</b>	<b>100.00</b>

#### U) Product Wise Revenue bifurcation

(Amount in ₹ Lakhs)

Particulars	For the Period/Year ended							
	September 30, 2023		March 31, 2023		March 31, 2022		March 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue from Mobile and other mobile accessories	13534.12	96.84	19,258.99	98.35	9,025.53	99.28	9.92	100.00
Revenue from Other electrical gadgets and equipment	441.72	3.16	323.60	1.65	65.21	0.72	-	0%
<b>Total Revenue</b>	<b>13975.84</b>	<b>100.00</b>	<b>19,582.60</b>	<b>100.00</b>	<b>9,090.74</b>	<b>100.00</b>	<b>9.92</b>	<b>100.00</b>

#### V) Financials (All particulars in lakhs)



Particulars ( In Lakhs )	2021	2022	2023	6M-FY24
Revenue from Operations	10	9,091	19,583	13,976
Other Income	0	2	43	47
<b>Total Revenue</b>	<b>10</b>	<b>9,092</b>	<b>19,626</b>	<b>14,023</b>
Purchase of Stock-in-trade	25	9,309	18,907	13,121
Changes in inventories	-16	-1,036	-1,238	-526
Employees Benefit Expenses	0	173	324	168
Other Expenses	3	561	1,243	974
<b>EBITDA</b>	<b>-2</b>	<b>85</b>	<b>390</b>	<b>286</b>
Depreciation & Amortisation	0.01	31	69	40
Finance cost	0	35	101	31
<b>EBIT</b>	<b>-2</b>	<b>54</b>	<b>321</b>	<b>247</b>
OPM (%)	-23.08%	0.94%	1.99%	2.04%
<b>PBT</b>	<b>-2</b>	<b>19</b>	<b>220</b>	<b>216</b>
Tax	0.06	6	60	61
<b>PAT</b>	<b>-2</b>	<b>13</b>	<b>160</b>	<b>155</b>
NPM (%)	-23.79%	0.14%	0.81%	1.11%
No.of Shares	102.60	102.60	102.60	102.60
EPS	-0.02	0.12	1.55	1.51

**W) Peers Analysis (All the data is as per FY23)**

Name of the Company	Revenue (In Crore)	PAT (In Crore)	EPS ( in Rs)	P/E	CMP	Mcap (In Crore)
Fonebox Retail limited	196	2	1.55	44.9	70	72
Jay Jalaram Technologies Limited	249	3	2.26	203.0	448	498
Bhatia Communications & Retail (India) Limited	313	8	0.68	24.6	22.3	279

**X) After annualizing 2023-24, representing 6M FY24 data:**

*Particulars ( In Cr )*

**Revenue: ₹27.95**

**PAT: ₹3.1**

**EPS:** 3.03

**P/E:** 23.10

**Market Cap:** ₹71.82

**Review:** Company works in a very low margin business and operates only in Gujarat where already 2 listed players are working, giving Fonebox a strong competition.