

BoAt – IMAGINE MARKETING LIMITED

Synopsis

Imagine Marketing, parent company of BoAt, has filed its preliminary papers with SEBI to raise Rs 2,000 crore via an initial public offering (IPO). The public issue consists of a fresh issue of equity shares, aggregating up to Rs 900 crore and an offer for sale aggregating up to Rs 1,100 crore. BoAt co-founders Aman Gupta and Sameer Mehta will dilute their stakes worth Rs 150 crores while Warburg Pincus (South Lake Investment Ltd) will also sell shares worth Rs 800 crore. BoAt is a profitable company with a revenue growth upward of 100% YoY. It has built a strong Brand Value in the Indian as well as international markets. The company is backed by strong investors such as Warburg Pincus (South Lake Investment Ltd) Fireside Ventures & Qualcomm Ventures.

About Imagine Marketing Ltd

Imagine Marketing is one of the largest Indian digital-first brands in terms of revenue from operations for the FY21. The company offers a wide-ranging, high-quality and aspirational lifestyle-focused consumer product at accessible price points. The company was founded in 2013 and later in 2014 its flagship brand “boAt” was launched.

The products offering is across a variety of price points and customer segments across multiple product categories, including

1. Audio (wired headphones and earphones, wireless headphones and earphones (neckbands), true wireless stereo (“TWS”), Bluetooth speakers and home theatre systems and sound bars),
2. Wearables (smartwatches),
3. Gaming accessories (wired and wireless headsets, mouse and keyboards),
4. Personal care appliances (trimmers and grooming kits) and
5. Mobile accessories (chargers, cables, power banks and other accessories)

Moreover, in terms of volume, the company commands a market share of 48% and 23%, in both wireless hearables and smartwatch segments, respectively, which has consistently increased over time, and it had a market share of 30% and 13% by value, in the branded wireless hearables and smartwatch markets, respectively.

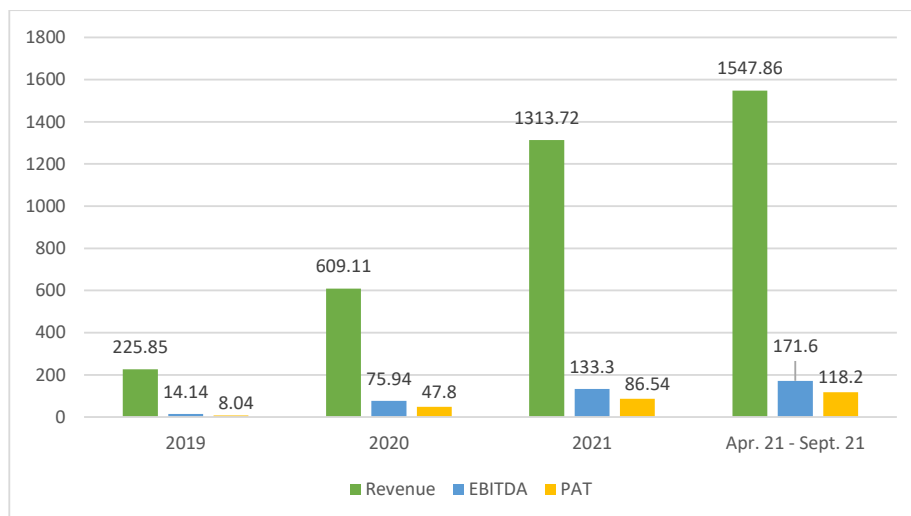
The company benefits from collaborations and relationships with industry participants such as Qualcomm Bharat FIH Ltd, Google, Dolby International AB, Dolby Laboratories Licensing Corporation, Airoha Technology Corp. and Realtek Semiconductor Corp and integrate components and technology developed by them in its products, thereby enabling to offer wide-ranging, high quality and aspirational lifestyle-focused consumer products at accessible price points.

The company has a diverse set of manufacturers and product developers across China, Vietnam and India and have entered into exclusive agreements with a number of them to manufacture products using design specifications and standards established by the company.

Imagine Marketing Ltd Financial Status

Profit and Loss

Particulars (in Rs. Crores)



**Source: DRHP of BoAt – Imagine Marketing Ltd

Particulars (in Rs. Crores)	FY 19	FY 20	FY 21	Six months period ending 30th September 2021
Revenue	225.85	609.11	1313.72	1547.86
EBITDA	14.14	75.94	133.3	171.6
PAT	8.04	47.8	86.54	118.2
EPS	0.79	4.42	7.97	11.71

**Upward of 100% YoY growth in revenue, consistent high growth in EBITDA & PAT.

Particulars (in Rs. Crores)	FY 19	FY 20	FY 21
Total Assets	83.93	190.5	678.43
Share Capital	0.05	0.05	0.05
Total Borrowings	26.74	48.81	41.53

**Significantly low debt in the company verses Total Assets

Key Points

Strengths:

- 1. Brand Strength:** One of the largest Indian digital-first brands with leading market positions across multiple fast-growing product categories. The flagship brand “boAt” is a consumer brand with strong market positioning and a clear value proposition
- 2. Reach and accessibility:** The digital-first approach has enabled the company to rapidly penetrate its target markets. India’s large and fast-growing e-commerce ecosystem and its enabling infrastructure allows digital-first brands to instantly cater to over 90% pin codes across India (Source: RedSeer Report) Additionally, the digital-first approach enables us to reach a wider audience and gain better access to potential consumers through access to data, which is more readily available in an online distribution environment, helping us identify trends and product white spaces.
- 3. Agility and rapid pace of innovation to deliver a compelling value proposition:** Digital-first brands are better positioned to track customer journey and transactional behaviour than offline-first legacy brands. (Source: RedSeer Report). We believe that this allows the company to better understand consumer behaviour and derive sharp insights which helps better predict and understand shifts in preferences for their products.
- 4. Width of offering:** The digital-first approach provides the company with the ability to launch new products and SKUs at a lower cost and at greater speed as compared to traditional offline channels (Source: RedSeer Report). As a result, this approach allows the company to offer a wide assortment of products as well as build depth across several sub-categories, thereby addressing various nuanced consumer needs. It launched 40, 70, 77, 45 new SKUs in the financial years ended March 2019, 2020, 2021- and six-months period ended September 2021 respectively.

Risks:

1. Maintaining and enhancing the reputation of the ‘boAt’ brand is critical to the future success and competitiveness of the company
2. Failure in successfully identifying and responding to changing customer preferences and market developments in a cost-effective and timely manner
3. Failure to compete successfully against existing or new competitors, which may reduce the demand for the products and services which may lead to reduced prices
4. Relies on a number of third-party contract manufacturers and component suppliers for production of the products
5. Subject to risks associated with overseas procurement, such as geographical concentration and foreign currency exchange risks,
6. Heavily reliant on its relationships with certain online marketplaces and offline distributors, hence any disruptions could adversely affect the business

**Source: DRHP of BoAt – Imagine Marketing Ltd