

IMAGINE MARKETING LIMITED

Company Data

Market Cap (₹ in Cr)	7648
Industry	Consumer Durables
Net Worth (₹ in Cr)	602
EPS as on 31st Mar 23	5.09
Last Traded Price	755
Book Value per share	59.42
P/S	3.53x

About Company:

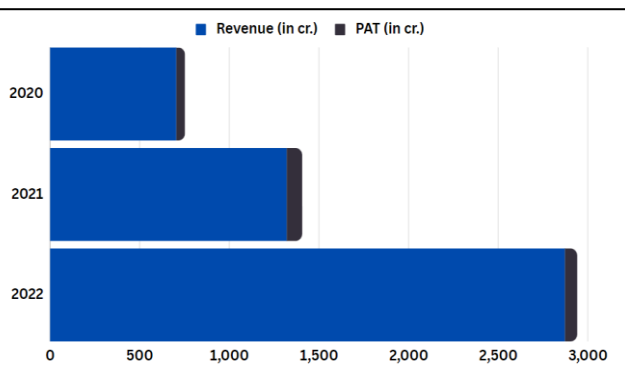
Globally #5 and India's #1 TWS and electronic wearable brand, BOAT is a major supplier and manufacturer of consumer electronics. Have a tempting selection of lifestyle-focused consumer goods that are diverse, of high quality, and aspirational at affordable prices under multiple brands. The items presented across an assortment of price tags and client sections across various item classifications, incorporate:

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 keyboard),
4. Personal Care Appliances (trimmer and grooming kit) and
5. Mobile Accessories

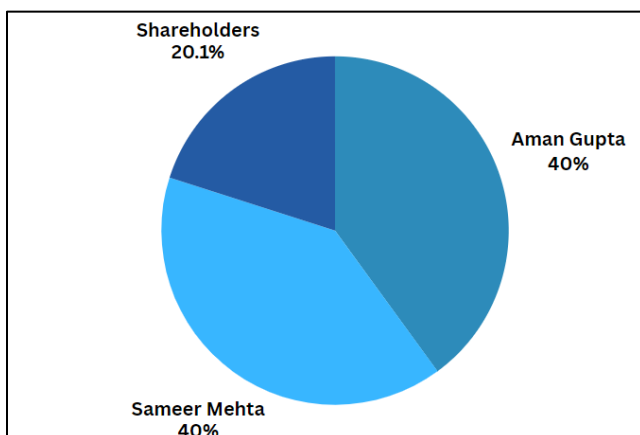
The organization sells its items under the Boat, RedGear, TAGG, Nonconformist, and Oppose brand names. The organization additionally sells its items on the web. In the past, the company has partnered with companies like Google, Qualcomm Bharat FIH Ltd., Dolby International AB, Dolby Laboratories Licensing Corporation, and Realtek Semiconductor Corp. to incorporate their components and technology into its products. This has allowed the company to offer a wide range of high-quality, lifestyle-focused consumer products that are also aspirational.

Key Updates:

- Imagine Marketing Ltd, raised Rs.493cr. from its existing shareholder i.e. an affiliate of Warburg Pincus and a new investor Malabar Investments.
- After withdrawing its IPO in the past, the company is likely to reconsider its IPO plans in the next 12-18 months.
- Under the "Make in India" strategy, the company targeted to produce 60lakh units of Boat branded products locally in H1FY23.
- ICEA recently signed a MoU with Boat as an industry partner for the centre of excellence based on Li-ion products (post cell).
- Acquired KaHa Pte, a technology focused platform for wearables through patented AI and ML capabilities which will help capture all aspects including vitals, fitness, social and mental health along with providing lifestyle features.
- THX Ltd. and Boat entered strategic partnership to deliver quality mobile audio entertainment.
- Developed a next generation smartwatch with KaHa Technologies to offer primary, preventive and customized healthcare data.



Shareholding Pattern



Industry Overview:

The India Smart Wearables market is expected to register a CAGR of 23.91% over the forecast period (2022 - 2027). Increased consumer awareness of the need to adopt energy-efficient products, changing lifestyles, rising incomes, and improved living standards drive consumers to spend more on utilities, fostering market expansion. Furthermore, the market has chances for growth due to technical developments, increased availability of low-cost, high-quality products, and other factors.

According to the most recent data from the International Data Corporation's (IDC) India Monthly Wearable Device Tracker, the wearable market in India reached 100 million units at the end of 2022, representing strong YoY growth of 46.9%. From October to December of this year, 25.2 million units were shipped, representing an increase of 16.5 percent year-over-year. After high shipments in the first half of 4QCY22, demand experienced a cyclical decline in the second half. The earwear class stayed level, while smartwatches became by 73.6% YoY in 4QCY22.

The second half of the year (Jul-Dec), representing over 60% of the yearly shipments, saw a few new item dispatches in front of the celebration season joined with offers/limits across channels. From 17.9% in 2021 to 30.7% in 2022, smartwatches grew in market share.

In 2022, shipments of smartwatches – both basic and advanced – amounted to 30.7 million, representing a YoY growth of 151.3%. The ASPs for smartwatches are still decreasing, currently standing at US \$42.5, down from US \$61.2 a year earlier. With a 95.5% market share in 2022, basic smartwatches will continue to dominate with annual growth of 158%. Wristbands declined for one more year with -73.2% YoY, with shipments dropping to half a million.

The earwear market, which has the lowest ASP in the world at US \$19.8, accounts for 68.7% of the wearables market overall in 2022 and saw shipment growth of 28% year-over-year. Within earwear, Truly Wireless (TWS) dominates with a 55.3% share growing by 87.1% YoY, tethered grew by meagre 1.9%, while over-the-ear declined by more than 50% in 2022.

Products:

Founded in 2016, Imagine Marketing Ltd. started out with headphones and now has its presence across categories such as smartwatches through acquisition of TAGG, gaming accessories through the acquisition of RedGear and men's personal care accessories through its sub brand Misfit.

The company also acquired Singapore based KaHa Pte in January 2022 to enhance the design, electronic firmware and algorithm development for its wearables category.

The company offers products under the below categories:

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 keyboard),
4. Personal Care Appliances (trimmer and grooming kit) and
5. Mobile Accessories (charger, car accessories, cables, powerbank)

The company also recently developed a next generation smartwatch with KaHa Technologies to offer primary, preventive and customized healthcare data. The wearables can consistently track health data which will provide insights into one's health, through AI based algorithm using data that is vastly different from conventional data that are collected in the hospitals.

Management:

Name	Title
Sameer Mehta	CEO & MD
Vivek Gambhir	Chairman
Aman Gupta	Chief Marketing Officer
Ankur Sharma	Chief Financial Officer
Mukesh Ranga	Company Secretary

Financials:

P&L Statement

Year	MAR-2020	MAR-2021	MAR-2022
Net Sales	700.44	1,313.80	2,872.90
Other Income	3.69	6.57	13.54
Total Income	704.13	1,320.38	2,886.44
Total Expenditure	628.73	1,187.08	2,743.32
EBITDA	75.40	133.30	143.12
Depreciation	0.32	3.20	9.07
EBIT	75.08	130.10	134.05
Interest	8.52	11.88	34.60
PBT	66.56	118.22	99.45
Tax	17.71	31.68	30.75
PAT	48.86	86.54	68.70

Cash Flow Statement

Year	MAR-2020	MAR-2021	MAR-2022
Cash Flow from Operations	0.82	-142.10	-368.70
Cash Flow from Investing	-7.15	-6.66	-611.35
Cash Flow from Financing	13.63	286.96	894.36

Balance Sheet

Year	MAR-2020	MAR-2021	MAR-2022
Shareholders Funds:			
Equity Paid up	0.06	9.35	20.47
Reserves and Surplus	87.08	454.81	581.47
Minority Interest	-	-	-
Net Worth	87.13	464.17	601.94
Non-Current Liabilities			
Long Term Borrowings	-	-	-
Long Term provisions	0.08	0.20	1.47
Deferred Tax Liabilities	-	-	16.69
Other long-term liabilities	-	-	-
Current Liabilities:			
Short Term Borrowings	22.20	41.53	921.13
Sundry Creditors/Trade Payables	28.80	120.58	218.75
Other Current Liabilities	21.68	31.09	120.67
Provisions	27.17	20.85	105.24
Total (Non-Current Liabilities + Current Liabilities)	99.92	214.26	1,383.95
Total Liabilities	187.06	678.43	1,985.89
Non-Current Assets			
Tangible Assets	0.90	11.48	16.29
Intangible Assets	-	4.89	290.43
Capital Work in Progress	-	-	14.50
Non-Current Investments	6.73	2.45	32.00
Deferred Tax Assets	1.72	2.61	3.35
Long Term Loans and Advances	2.41	-	-
Other Non-Current assets	-	0.00	9.05
Total Non-Current Assets	11.76	21.43	365.61
Current Assets			
Sundry Debtors/Trade Receivables	55.28	75.48	323.12
Inventories	80.79	308.82	553.86
Cash and Bank Balance	8.57	148.89	217.96
Other Current Assets	0.18	123.74	524.62
Loans & Advances	30.48	0.06	0.72
Total Current Assets	175.29	657.00	1,620.27
Total Assets	187.06	678.43	1,985.89

Key Ratio:

Year	MAR-2020	MAR-2021	MAR-2022
Current Ratio	1.76	3.18	1.23
ROCE (%)	86.09	25.73	8.80
RONW (%)	56.07	18.64	11.41
EBITDA Margin (%)	10.71	10.10	4.96
PAT Margin (%)	6.94	6.55	2.38
Acid Ratio	0.95	1.68	0.81

Growth Levers:

- Imagine Marketing (boAt) maintains the lead, but its share dropped to 23.9% in 4Q22 declining by 34.3% YoY. More than 3/4th of its shipments in the earwear segment are for TWS, as it continued to lead with a 32.8% share in 4Q22. Annual shipments grew by 9.3% YoY, at 29.3 million in 2022. Imagine Marketing is planning to increase its presence in the smartwatch category in 2023, which accounted for 19.7% of its overall shipments in 2022. [\[1\]](#)
- Boat has developed a next generation smartwatch with Singapore based KaHa technologies to offer primary preventive and customized healthcare data. The wearables can consistently track health data which will provide insights into one's health, through AI based algorithm using data that is vastly different from conventional data that are collected in the hospitals. The flagship algorithm covers stress and HRV monitoring, night respiratory rate measurement, auto activity detection, sleep and energy score determination and many more. [\[2\]](#)
- Under the "Make in India" strategy, the company targeted to manufacture 60lakh units of Boat branded products locally in H1FY23. [\[3\]](#)
- The company has plans to enter new geographies. Boat launched its products in Nepal in Fedraury 2022 and leveraged its partnership with online marketplaces to foray into the new markets. The company had plans to also foray into new markets which include UAE and Southeast Asia. [\[4\]](#)
- Imagine Marketing Limited raised Rs.493cr. from South Lake Investment, an affiliate of Warburg Pincus LLC and Malabar Investment Managers Pvt. Ltd. The company secured the growth capital as private placement through preference shares. The transaction values the firm at \$1.4bn. [\[5\]](#)
- After withdrawing its IPO in the past, the company raised Rs.493cr from PE and is likely to reconsider its IPO plans in the next 12-18 months. [\[6\]](#)

Outlook & Valuation

In CY22, Imagine Marketing Ltd. maintained its position as a market leader in the wearables category with 29.3% market share. Under the smartwatch segment the company stood at 3rd position in terms of no. of shipments with a market share of 18.8%.

Under its primary product segment which is TWS, the company continue to maintain its position as a market leader with a market share of 38.5%. The company continued to maintained its strong foothold in this segment and with the launch of new earphones in the same segment this year, it looks forward to hold its position as a market leader.

In the Smartwatch category, the company has plans to capture an even bigger market share with its recent developments. The company developed a next generation smartwatch with KaHa Technologies to offer primary preventive and customised healthcare data. The flagship algorithm developed for this product covers stress and HRV monitoring, night respiratory rate measurement, auto activity detection, sleep and energy score determination and many more.

As part of its expansion plan and in order to grow its reach the company has plan to foray into new geographies which include Southeast Asia and UAE.

Recently, the company raised Rs.493cr. from Southlake Investment and Malabar Investment Managers Pvt. Ltd. The company secured the growth capital at a valuation of \$1.4bn (Rs.11,520cr).

The company is available at a P/S multiple of 3.53x. Considering the future growth prospects of the company and the present financials, the company is available at a reasonable valuation.

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