

GNG Electronics – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
23 July 2025	25 July 2025	₹225-237	Subscribe

Investment Summary

GNG Electronics is a leading Indian player in the refurbished IT devices segment, offering integrated global services across sourcing, repair, and resale. The company reported revenue of ₹1,411 Cr and net profit of ₹69 Cr in FY25, with a 3-year average RoNW of 30.7% and is expecting an increase in EPS by FY26 to Rs 10.56 from the current EPS of Rs 7.09, reflecting strong capital efficiency and consistent profitability. As of March 2025, it has refurbished over 5.9 lakh devices and grown its customer base to 4,154, indicating increasing operational scale and demand traction. The IPO, priced at ₹225–237, includes a fresh issue of ₹400 Cr and an OFS of ₹60.4 Cr, valuing the company at **~39× FY25 P/E**—fully priced, yet supported by its dominant position in a fast-growing circular economy vertical. With rising demand for affordable tech, a scalable refurbishing model, and robust industry tailwinds, GNG offers a compelling medium-term play on India's digital inclusion and sustainable electronics consumption.

Company Overview

GNG Electronics Limited (GEL), operating under the brand "Electronics Bazaar", was **originally incorporated as "GNG Electronics Private Limited" on October 19, 2006**, under the provisions of the Companies Act, 1956. The company later transitioned from a private limited company to a public limited company, with its name officially changing to "GNG Electronics Limited" on **November 2024**. The promoters of GEL are Sharad Khandelwal, Vidhi Sharad Khandelwal, Kay Kay Overseas Corporation, and Amiable Electronics Private Limited. Sharad Khandelwal, the founder and Managing Director, boasts **29 years of experience** in the information and communication technology (ICT) industry and holds a strong background as a member of the Institute of Chartered Accountants of India. Under his leadership, the company has grown to become the **numero uno** Indian player for **refurbished IT devices** and provides related services globally. GEL is recognized as India's largest refurbisher of laptops and desktops and among the largest refurbishers of ICT Devices overall, globally and in India, by value, as of March 31, 2025.

Business Model

GEL's business model encompasses a **comprehensive full refurbishment value chain**, from sourcing to refurbishment, sales, and after-sales services, including providing warranties. This process ensures that refurbished ICT Devices, such as **laptops, desktops, tablets, servers, premium smartphones, mobile workstations, and accessories**, are functionally and aesthetically similar to new ones. A key value proposition is offering these devices at significantly reduced prices – laptops at approximately one-third the price of new ones, and other devices at 35-50% of new device prices. The company pioneered and maintains **industry-leading warranty terms, typically ranging from 1 to 3 years**, which builds comfort and trust with customers.

The company serves a **diverse customer base**, including budget-conscious MSMEs, startups, large corporates, education institutions, and retail consumers such as working professionals and students. As of March 31, 2025, GEL had expanded its customer base to **4,154 customers** and had refurbished **590,787 devices**. Its operational footprint is extensive, with products sold in **38 countries** across North America, South America, Asia, Asia-Pacific, Europe, Africa, and the Middle East. GEL operates **five refurbishing facilities** located in India (Navi Mumbai), USA (Dallas), and UAE (Sharjah), cumulatively spanning 58,127.82 sq. ft. These facilities boast advanced capabilities, including motherboard repairs and specialized LCD repairs.

GEL emphasizes **sustainability** through its repair-over-replacement approach, which significantly reduces the carbon footprint. It is an **EPR (Extended Producer Responsibility) certified** company by the Central Pollution Control Board (CPCB) and holds Responsible Recycling Version 3 (**R2V3**) **certification**. The company's strong procurement network includes partnerships with OEMs like **Lenovo and HP**, who are also certified refurbishment partners, enabling buyback programs that facilitate the sale of new devices while providing a consistent supply of used IT assets.

Financial Performance

- **Revenue CAGR ~ (FY23–FY25): 46.3%**, driven by global expansion (especially USA & EU) and growth in leasing income. Revenue grew from ₹1138 Cr in FY24 to ₹1411 Cr in FY25.
- **EBITDA growth** from ₹50.4 Cr (FY23) → ₹85 Cr (FY24) → ₹126.1 Cr (FY25), while margins are at ~8.94% in FY25.
- **PAT trajectory:** ₹32.4 Cr (FY23) → ₹52.3 Cr (FY24) → ₹69.33 Cr (FY25) with a 4.89% margin.
- **Return metrics:** ROCE ~17.31% and ROE ~30.40% in FY25, reflecting high capital efficiency.
- **Strong balance sheet:** Net worth ₹226 Cr, moderate debt (D/E 1.92×), net cash from operating activities ₹24.5Cr
- **Key ratios:** Basic EPS ₹7.09 in FY25, NAV per share ₹23.31.

Financial Snapshot

Metric	INR CR		
	FY23	FY24	FY25
Revenue from Operations	659.54	1,138.14	1,411.11
EBITDA	50.04	84.90	126.14
EBITDA Margin	7.59%	7.46%	8.94%
Profit After Tax (PAT)	32.43	52.30	69.03
PAT Margin	4.92%	4.60%	4.89%
Return on Equity (ROE)	28.97%	31.96%	30.40%
Return on Capital Employed (ROCE)	17.91%	16.72%	17.31%
Debt-to-Equity Ratio	1.02×	1.23×	1.92×
Operating Cash Flow	97.46	97.46	24.52
Basic EPS (₹)	3.33	5.37	7.09

Investment Rationale

1. Market Leadership with Global Footprint

GNG is India's top refurbished IT device company with sales in 38 countries and refurbishing hubs in India, USA, and UAE—giving it access to 70% of global GDP and strong competitive positioning.

2. Robust Integrated Value Chain and Strategic OEM Partnerships

The company controls the full refurbishment value chain and partners with top OEMs like HP and Lenovo, ensuring consistent inventory, better pricing, and high product quality. This integration ensures quality control, operational efficiency, and a consistent supply of inventory.

3. Strong Financial Growth

Revenue grew at a 46.3% CAGR (FY23–FY25) while PAT rose from ₹32.4 Cr to ₹69 Cr, reflecting consistent top- and bottom-line expansion and profitable scaling. His consistent financial trajectory underscores the company's ability to scale profitably.

4. High Returns on Capital

With ROE of 30.4% and ROCE of 17.3% in FY25, GNG demonstrates strong capital efficiency and return potential, supported by an average RoNW of 30.68% over 3 years. These figures reflect the company's capability to generate substantial returns relative to its invested capital.

5. Sustainability-Driven Model & Experienced Leadership

GNG supports global ESG goals by reducing e-waste through device reuse and is led by seasoned professionals with deep ICT industry experience. This aligns with increasing global demand for sustainable solutions.

6. Focused Debt Reduction Strategy

Though FY25 debt-to-equity stood at 1.92, A significant portion of the fresh equity issue from the IPO (₹320 Cr) from is earmarked for loan repayment—positioning the company for a healthier balance sheet and future growth.

Key Risk Factors

1. High Dependency on Laptop Sales

GNG Electronics relies heavily on laptop sales, which made up 75.59% of operational revenue in FY25. This high product concentration exposes the company to market volatility, technological shifts, or changing consumer preferences in the laptop segment. Any decline in demand could significantly impact its revenue and profitability.

2. Volatile Debt Levels and Leverage

As of FY25, GNG's total borrowings stood at ₹4,343.57 million, with a debt-to-equity ratio of 1.92, up from 1.02 in FY23. Its debt servicing coverage remains low at 0.25x, suggesting limited earnings capacity to meet debt obligations. Although ₹3,200 million from the IPO is allocated to repay loans, current leverage constrains financial flexibility and raises credit risk.

3. Foreign Revenue Dependency and Currency Exposure

With 75.53% of FY25 revenue from international markets, GNG is exposed to foreign exchange fluctuations and varying regulatory environments. While the company recorded a small forex gain in FY25, it lacks a formal hedging policy, relying instead on natural hedges. This exposes its profits to currency volatility and geopolitical risks across 38 countries.

4. Customer Concentration Risk

GNG's top 10 customers contributed 46.59% of revenue in FY25, indicating a high reliance on a limited client base. Losing a major customer or reduced order volumes could severely affect its sales and bargaining power. This concentration may limit pricing flexibility and create volatility in revenue streams if client preferences shift.

5. Supplier Dependence and Supply Chain Risk

The company's top 10 suppliers accounted for 57.04% of inventory costs in FY25, with some being related parties. Dependence on a few key vendors poses operational risks if supply disruptions, quality issues, or delays occur. External factors like natural disasters or geopolitical events could further impact inventory availability and delivery timelines.

6. Working Capital Intensity and Cash Flow Volatility

GNG operates a working capital-intensive model, with working capital rising to ₹2,610.57 million in FY25. Its reliance on short-term loans to bridge inventory purchases and sales collections has strained operating cash flows—dropping from ₹974.57 million in FY24 to ₹245.25 million in FY25. Any tightening in credit availability may hamper liquidity.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	GNG Electronics Ltd
IPO Structure	Fresh Issue of ₹400 crore + Offer for Sale of 25.5 lakh shares (₹60.44 Cr)
Issue Size	Approx. ₹460.44 crore (at upper price band)
Price Band	₹225 – ₹237 per share
Face Value	₹5 per share
Post-Issue Market Cap	Approx. ₹1,800.46 crore – ₹1,896.80 crore
IPO Opening Date	Wednesday, 23 July 2025
IPO Closing Date	Friday, 25 July 2025
Listing	NSE SME Platform
Promoter Holding (Pre/Post)	Pre-IPO: 67.5% → post-IPO: 49.72%
Book Running Lead Managers	Motilal Oswal Investment Advisors Limited, IIFL Capital Securities Ltd, JM Financial Ltd
Use of Proceeds	₹320 Cr for debt repayment; balance for working capital and general purposes

Valuation and Outlook

At the upper end of the IPO price band (₹237 per share), GNG Electronics is valued at a post-issue market capitalization of approximately ₹1,896.8 crore. Based on FY25 earnings (EPS of ₹7.09), the stock is offered at a **Price-to-Earnings (P/E) ratio of ~39x**, which appears **fully priced** relative to its modest EBITDA margins (~9%) and capital-intensive business model. However, the company's strong return metrics (ROE ~30.4%), robust revenue CAGR of 46.3% (FY23–FY25), and improving profitability support the valuation to some extent. Looking ahead, if the company successfully executes its post-IPO plans—particularly around debt reduction and operational scaling—**EPS is expected to grow by 49% to ₹10.56**, bringing the forward P/E ratio down to approximately **25.96x**. This indicates potential for valuation re-rating over the medium term. Given GNG's leadership in the refurbished IT segment, expanding global presence, and alignment with sustainability trends, the current valuation appears reasonable for investors with a **medium-term investment horizon**, while near-term upside may still be moderated by margin pressures and concentration risks.

Recommendation

We assign a **SUBSCRIBE rating** to GNG Electronics Ltd. for the **medium term**, while maintaining a vigilant approach to **monitoring the company's post-IPO performance and key operational developments**, which will serve as critical triggers for any potential **re-rating or de-rating** of the company.

GNG is India's leading player in the refurbished IT device segment, with an established global footprint across 38 countries, strategic OEM partnerships (HP, Lenovo), and end-to-end control over the refurbishment value chain. The company delivered a robust 46.3% revenue CAGR over FY23–FY25, with FY25 revenue at ₹1,411 crore and PAT at ₹69 crore, reflecting growing scale and operational maturity. ROE stood at an impressive 30.4%, significantly above industry averages, and is backed by strong asset efficiency and a growing leasing business.

At the upper band of ₹237, the IPO values GNG at 39x FY25 P/E, which appears fully priced on trailing earnings but becomes compelling when factoring in forward estimates—EPS is projected to grow 49% to ₹10.56, bringing the forward P/E down to ~25.96x, supported by margin expansion and debt repayment post-IPO (₹320 crore earmarked for this). The company does carry risk from high customer and product concentration (laptops ~75% of revenue), elevated working capital requirements, and substantial leverage (FY25 D/E at 1.92x), but management's strategic use of IPO proceeds and sustained demand for sustainable IT solutions position it well for medium-term growth. Overall, GNG offers a unique, scalable play on the rising global demand for refurbished electronics and circular economy themes, with healthy return ratios and operational levers to support profitability. Investors seeking differentiated exposure to the IT hardware and sustainability space may consider subscribing to this IPO with a medium-term perspective.

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