IPO REVIEW

Mehul Telecom IPO

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- The company is in the business of retailing multi-brand mobiles, and other electronic products.
- It generates average over 97% per year revenues from mobile sale.
- The company posted growth in its top and bottom lines for the reported periods.
- Inflated profits from FY25 onwards appears to be the window dressing for fetching fancy valuations for the IPO.
- The company operates in a highly competitive and fragmented segment.
- Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About the Company

Mehul Telecom Ltd. (MTL) is in the business of operating a multi-brand mobile retail chain offering smartphones and Other electronic products and accessories through a hybrid “COCO” (Company Owned, Company Operated) and “FOFO” (Franchisee Owned, Franchisee Operated) retail model. Its retail portfolio comprises products from leading smart phone and phone accessory manufacturers viz., MI, Samsung, Vivo, Oppo, Realme, Nokia, OnePlus, Redmi, Nothing, Tecno, Intel, Infinix, Xiaomi and other popular Brands.

In addition to handsets, the company retails connected lifestyle products and peripherals such as Air Conditioners, Refrigerators, Washing Machines, Televisions, wearables, audio devices, and power solutions like speakers, smartwatch, ear phones, head phones, tablets, mobile covers, phone chargers, screen guards, power banks, phone warranty plans, fire sticks, car holder clamps, pen drive etc. of various brands. MTL’s stores support omnichannel checkout including UPI, mobile wallets, and integrated POS terminals. It operates under the brand name “Mehul Telecom”. As on the date of Red Herring Prospectus, it operates from total 80 stores across the state of Gujarat out of which 6 are COCO stores and 74 are FOFO stores.

The Company derives its revenue from a single business segment, namely the sale of mobile phones, other electronic products, and mobile accessories, operated through both COCO and FOFO business models. Average 97% revenue per year is generated from sale of mobile phones. As of March 31, 2026, it had 27 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 2829600 equity shares of Rs. 10 each to mobilize Rs. 27.73 cr. at the upper cap. The company has announced a price band of Rs. 96.00 - Rs. 98.00 per share of Rs. 10 each. The minimum application to be made is for 2400 shares

and in multiples of 1200 shares thereon, thereafter. The issue opens for subscription on April 17, 2026 and will close on April 21, 2026. The shares will be listed on BSE SME. The IPO constitute 27.07% of the post-IPO paid-up capital of the company. From the net proceeds of the fresh equity issue, it will utilize Rs. 22.95 cr. for working capital, and the rest for general corporate purposes. There is a mistake in dilution percentage data for the issue which is factually 27.07%, but 3rd page of Offer Document and IPO price band ad shows 27.70%.

The IPO is solely lead managed by Cumulative Capital Pvt. Ltd., and KFin Technologies Ltd. is the registrar to the issue. Nikunj Stock Brokers Ltd. is the market maker.

After issuing initial equity capital at par value, it issued further equity shares in the price range of Rs. 94.00 – Rs. 6000.00 per share between April 2024, and January 2025 2025. It has also issued bonus shares in the ratio of 63 for 1 in December 2024. The average cost of acquisition of shares by the promoters is Rs. 0.16, Rs. 18.57 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 7.62 cr. will stand enhanced to Rs. 10.45 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 102.43 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted (proforma consolidated) total income/ net profit, of Rs. 80.27 cr. / Rs. 0.51) cr. (FY23), Rs. 107.37 cr. / Rs. 2.19 cr. (FY24), Rs. 121.02 cr. / Rs. 6.04 cr. (FY25). For 9M of FY26 ended on December 31, 2025, it earned a net profit of Rs. 7.07 cr. on a total income of Rs. 152.02 cr. The company marked quantum jump in its bottom lines from FY25 onward, that not only raise eyebrows, but also concern over its sustainability going forward. Surge in net profit appears inflated data to pave the way for fancy valuation of the IPO.

For the last three fiscals, the company has reported an average EPS of Rs. 5.43 and an average RoNW of 47.80%. The issue is priced at a P/BV of 3.09 based on its NAV of Rs. 31.72 per share as of December 31, 2025, but its post-IPO NAV data is missing from offer documents.

If we attribute FY26 annualized inflated super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 10.86, and based on FY25 earnings, the P/E stands at 16.96. The issue appears fully priced based on its recent bumper inflated earnings.

The company has posted PAT Margins of 0.64% (FY23), 2.05% (FY24), 5.00% (FY25), 4.65% (9M-FY26), and RoCE margins of 30.05%, 42.43%, 47.16%, 34.80%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends since incorporation. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Fonebox Retail, Jay Jalaram Techno, Bhatia Communications as its listed peers. They are currently trading at a P/E of 13.0, 15.8, and 20.6 (as of April 10, 2026). However, they are not truly comparable on an apple-to-apple basis. This compare is nothing but an eyewash.

Merchant Banker's Track Record

This is the 6th mandate from Cumulative Capital in the last three fiscals (including the ongoing one). Out of the last 5 listings, all listed with premium ranging from 4.35% to 37.50% on the date of listing.

Conclusion / Investment Strategy

MTL is in the business of retailing multi-brand mobiles, and other electronic products. It generates average over 97% per year revenues from mobile sale. The company posted growth in its top and bottom lines for the reported periods. Inflated profits from FY25 onwards appears to be the window dressing for fetching fancy valuations for the IPO. The company operates in a highly competitive and fragmented segment. Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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