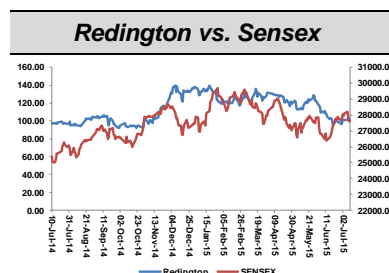


Target Price ₹169
CMP ₹101
FY17E PE 7.2x

Index Details	
Sensex	28,182
Nifty	8,529
BSE 100	8,728
Industry	Comm. Trading

Scrip Details	
Mkt Cap (₹cr)	4,095
BVPS (₹)	59.4
O/s Shares (Cr)	39.9
Av Vol (Lacs)	0.5
52 Week H/L	147/87
Div Yield (%)	1.9
FVPS (₹)	2.0

Shareholding Pattern	
Shareholders	%
Promoters	13.3
DII's	25.2
FII's	27.2
Public	34.3
Total	100.0


Key Financials (₹ in Cr)

Y/E Mar	Net Sales	EBITDA	PAT	EPS (Rs)	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2014	27,944.9	661.1	336.6	8.4	4%	19.7	28.5	12.1	8.0
2015	31,554.9	700.0	386.5	9.7	15%	16.7	27.0	10.5	7.6
2016E	36,010.5	828.3	461.5	11.5	19%	16.3	26.5	8.8	6.4
2017E	41,631.9	990.6	564.0	14.1	22%	16.8	26.6	7.2	5.3

Redington (India) Ltd. (Redington), which commenced operations in 1993 as a single product distributor has now evolved into an integrated supply chain solutions provider. As of 2015, it is the second largest distributor of IT and non-IT products in India. It has a diversified product portfolio across 170+ brands in different categories, with a strong distribution network spread across India, South Asia, Middle East, Africa & Turkey supported with adequate warehousing facilities.

We are positive on the company's prospects given that:

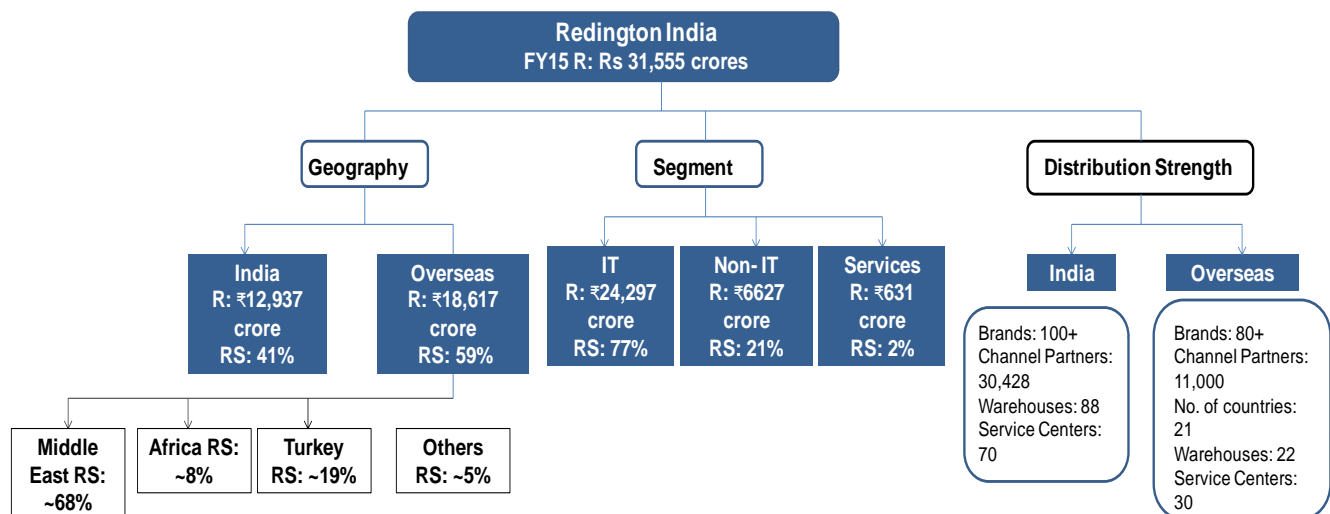
- The demand for PCs and Laptops is likely to stabilize after declining in the past couple of years on the back of its inherent utility for content creation and revival in IT spending. Also, Redington has long-standing relationships with leading IT vendors world-wide. Given the wide range of offerings, we expect its IT distribution revenues to grow at a two year CAGR of 10% to ~₹30,000 crores in FY17.
- The demand for smart phones is expected to grow at a robust pace. With other high growth product categories such as consumer durables and digital printing press space in its kitty, we expect non-IT distribution revenues to clock a 30% CAGR and reach ~₹11,000 crores by FY17.
- The roll-out of GST and the E-commerce boom are potential triggers which can quickly scale up Redington's newly launched logistics vertical.

Revenues are expected to grow at a CAGR of 15% to ₹41,632 crore by FY17. We expect PAT to grow at a 3 year CAGR of 21% to ₹564 crore by FY17. We initiate coverage on Redington as a BUY with a Price Objective of ₹169, representing a potential upside of 66% over a period of 18 months. At the CMP of ₹101, the stock is trading at 7.1x its forward earnings for FY17EPS. We have valued Redington by assigning a PE of 12x to FY17E EPS of ₹14.1.

➤ Company Background

Redington is a leading distributor of IT and non-IT products in India and Middle East. It has progressively evolved from a single-product distribution company to an integrated supply chains solution provider with capabilities across distribution, logistics and after sales services. It services 100+ brands in India with channel strength of 30,000+ partners and 88 warehouses. In the Middle East, Turkey and Africa (META) region it services 80+ brands with channel strength of 11,000 partners with 22 warehouses. Geography wise, Redington derives 59% of revenues from the overseas region, while 77% of the total revenues are from the distribution of IT products.

Redington Business Snapshot



Source: Redington, Ventura Research, R: Revenues, RS: Revenue Share

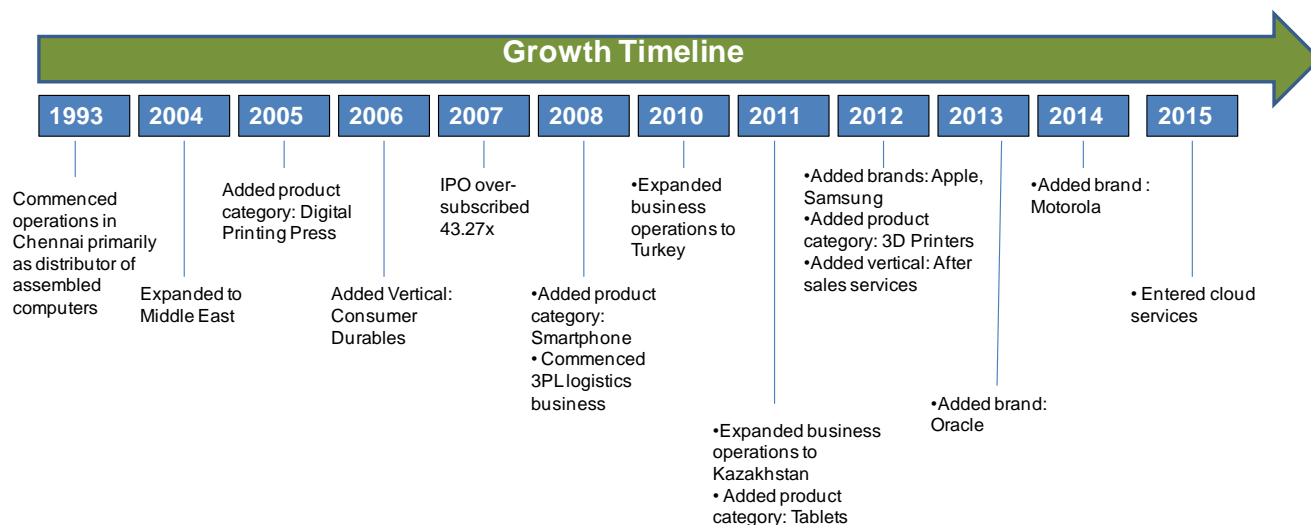
❖ Key Investment Highlights

➤ Leading distributor of IT and non-IT products

Redington's revenues have grown at a 5 year CAGR of 18% to ₹31,555 crore driven by consistent expansion in scope of operations through product and brand additions and expansion to new geographies. We understand that it will continue to tap new verticals, product categories and geographies to fuel growth. We expect Redington to clock a 2 year revenue CAGR of 15% to ₹41,524 crore in FY17 driven by:

- 10% CAGR in the IT distribution segment on the back of steady demand for laptops
- 29% CAGR in the non-IT distribution segment driven by the rapidly increasing demand for smart phones

Redington Growth Timeline



Source: Ventura Research

In India, the IT distribution space is dominated by Ingram Micro and Redington, which together account for ~70% of the total industry. The remaining players are relatively small in size and lack pan-India distribution network. In Middle East too, Redington Gulf FZE, the wholly owned subsidiary of Redington, is the largest player in the IT distribution space.

2nd largest IT distributor in India...

Revenues (in Rs crs)	FY12	FY13	FY14
Ingram Micro	10547	12024	14128
Redington	10938	11746	13657
Savex Computers	2957	4681	5678
Compuage Infocom	1598	1961	2275
Rashi Peripherals	1502	1792	2197

Source: DQ Week

...and the largest in Middle East

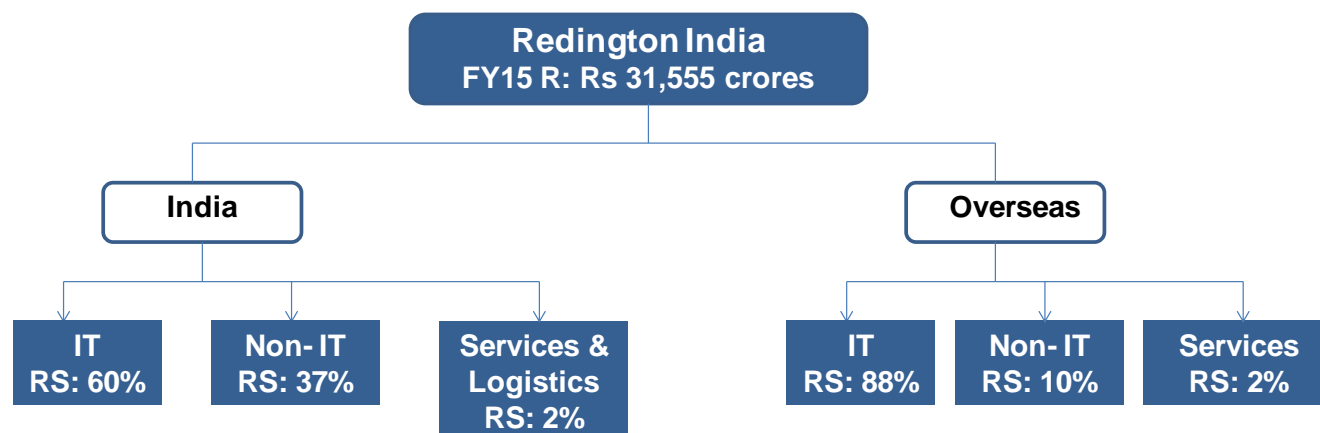
Revenues \$mn	FY13	FY14
Redington Gulf FZE	2320	2620
BDL Group	770	903
Metra Computer FZCO	723	830
Global Distribution FZE	464	608
Logicom Group Middle East	510	575

Source: Channel Middle East

➤ IT distribution space to grow at a steady rate

Redington's IT distribution segment includes PCs (both desktop and mobile), peripherals, networking products, packaged software, storage products and high-end servers, with PCs and peripherals accounting for 35-40% of total IT distribution revenues. IT distribution revenues account for ~60% of total distribution revenues in India and ~ 90% of total distribution revenues overseas.

Redington: Vertical + Geography business Break-down



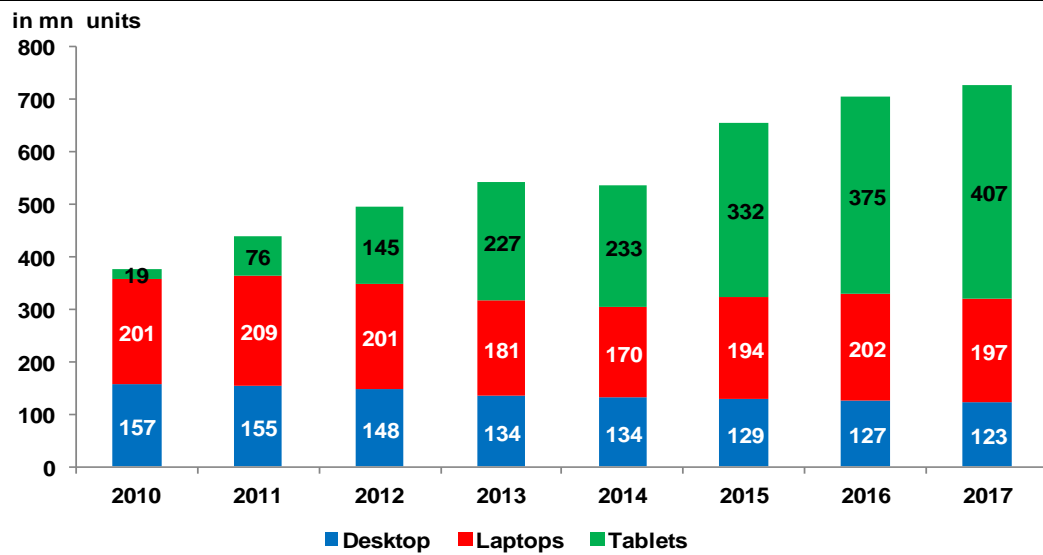
Source: Redington, Ventura Research

We expect Redington's IT revenues to grow at a 2 year CAGR of 10% to ₹29,667 crore by FY17. Factors driving the growth are:

- i) While, global shipments of PCs and laptops are on a decline due to the growth spurt in tablets, it does not pose a significant threat to Redington's IT distribution revenues. Desktop and Laptops are the primary mediums of

content creation and will continue to be in demand by corporate and government. With the anticipated pick-up in economic recovery, higher corporate investments and government spending, we expect the demand for laptops and PCs to remain steady, if not increase further.

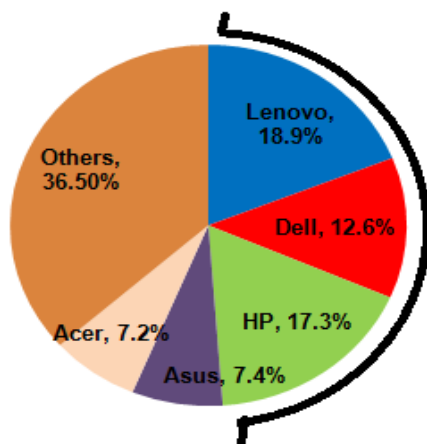
Global shipments of desktop and laptop sales to remain steady going forward



Source: Statista

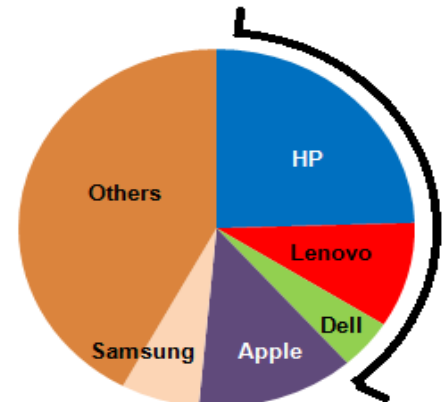
ii) Redington has tie-ups and long standing relationships with major IT vendors. Given its dominant market share, both in India and overseas, and its strong distribution network, Redington is well poised to cater to the existing demand in this segment.

Q1CY15 Market share of Global PC Vendors



Source: IDC Worldwide Quarterly PC Tracker

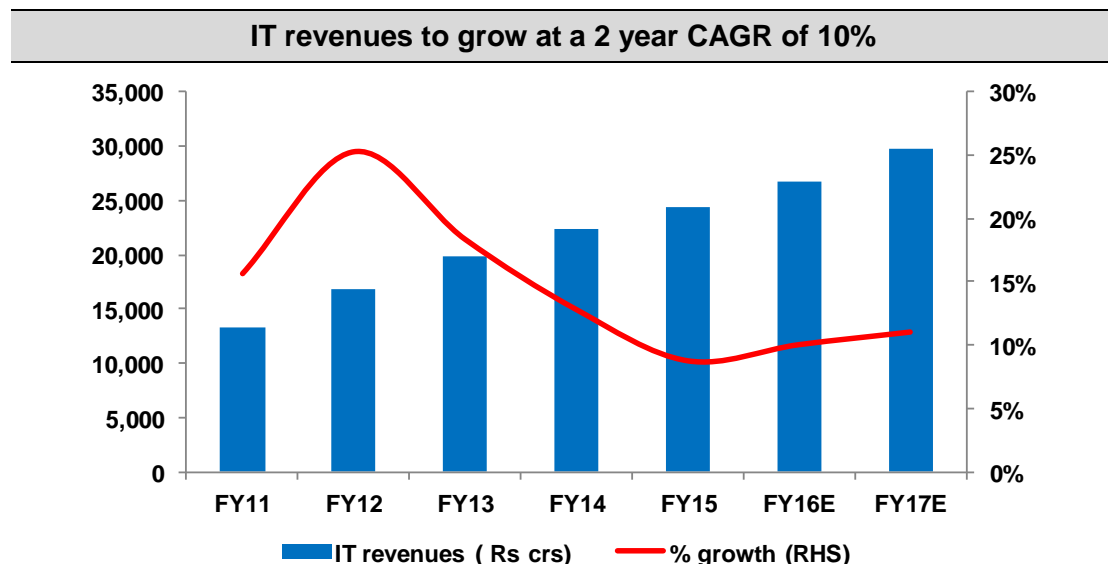
They are also Redington's top vendors



Source: Redington, Ventura Research

- iii) Within the IT distribution space, there are two kinds of services provided by Redington:
- a) Volume based distribution: These require minimal customer interaction due to the fixed configurations; gross margins of 4-5%
 - b) Value Added services: Services customized as per client's specifications; for example high end storage systems; gross margins of 9-10%

Volume based distribution accounts for 60% of the total India revenues and ~90% of overseas IT distribution revenues. We understand that the management is taking efforts to enhance the contribution of value added services going forward. According to Gartner Worldwide -- IT Spending Forecast, dollar value IT spending worldwide is expected to grow at ~2.7% in the coming years after a dip of 5.5% in 2015. With a diversified range of service offerings along with tie-ups with the largest IT vendors, Redington's IT distribution revenues are expected to grow at a steady rate.

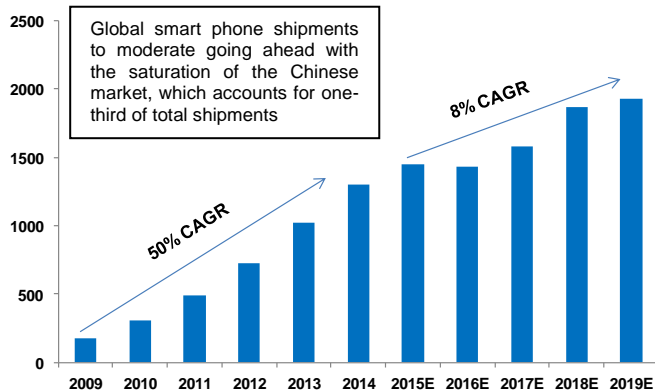


Source: Ventura Research

➤ Non-IT distribution to propel overall growth

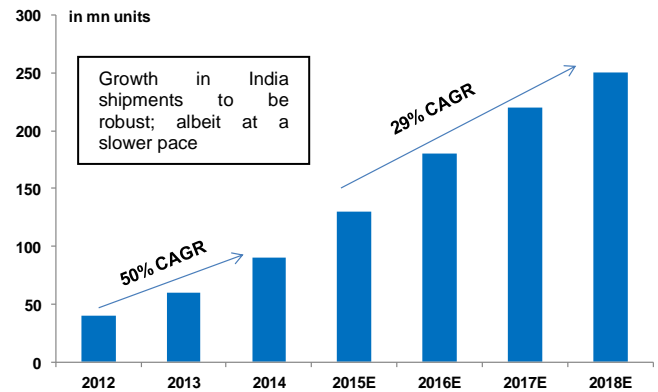
Redington diversified into the distribution of non-IT products in 2005 by adding digital printers in its product portfolio. Currently, the non-IT distribution segment constitutes ~ 37% of the total revenues in India and around 10% of the total revenues overseas. Under this segment, the company distributes telecom devices, consumer durables, digital printing press, tablets and gaming consoles, with smart-phones contributing to ~90% of the total non-IT distribution revenues on a consolidated basis.

Global shipments of smart phones to moderate...



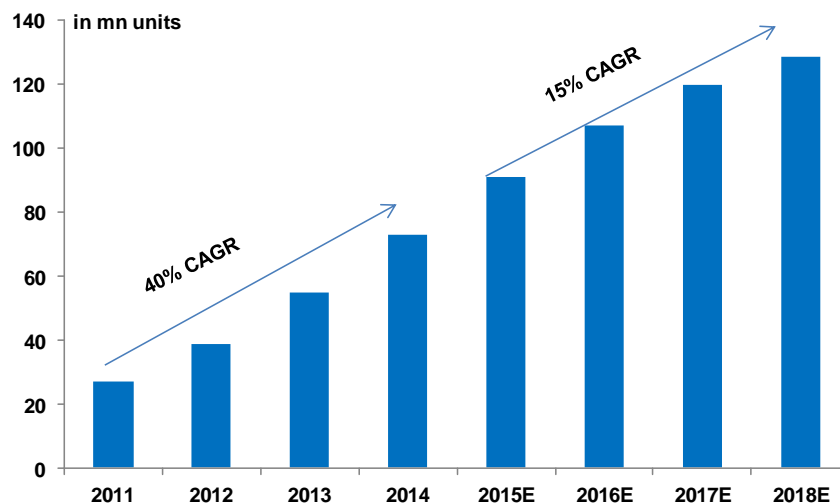
Source: Statista

however, India shipments to grow at robust pace...



Source: Statista

Similarly, smart phone shipments in Middle East and Africa to grow at a steady pace



Source: Statista

Hence, while the growth in global smart phone shipments are expected to moderate in the coming years, Redington's key markets – India and MEA (Middle East and Africa) are expected to witness healthy growth.

Apple Inc accounts for ~13% of the total FY15 revenues, and ~25% of India's revenues. Till the last year, Ingram Micro and Redington were the exclusive distributors of Apple's products in India. However, in January 2015, Apple added a third distributor, BrightStar, for exclusive distribution of iPhones in North India. The

introduction of a third distributor softened Redington's Apple's account Q4FY15 revenues to some extent. As a result of which, Redington's Q4FY15 India revenues declined 3% YoY in Q4FY15. We understand that Apple's iPhone distribution revenues may see an impact of 10-15% on a full year basis. Eventually, in some years, all the three distributors are expected to co-exist with similar market shares. We believe, Apple is unlikely to add a fourth distributor in the immediate term as:

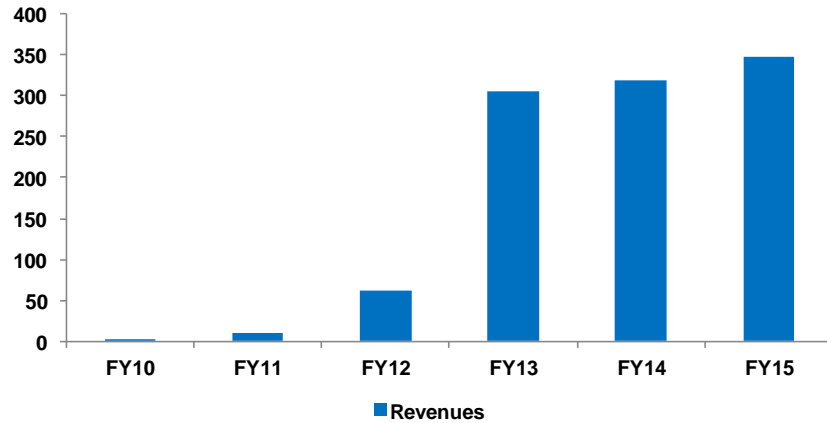
- i) Reach of the existing distributors can cater to pan-India requirement
- ii) The IT distribution space in India is dominated by two-three large players, which is a win-win situation for both the vendor and the distributor. Apple, as a vendor, would want to deal with limited distributors in order to cut its operational costs.

While Redington's revenues from its Apple account have increased at a CAGR of 100%+ from FY12-15, we have built in a moderate growth of 30% CAGR from FY15-17 given that: i) a new distributor has been added by Apple and ii) the account has achieved sizeable revenues – FY15 YoY growth stood at 37%. However, it is important to note that Apple is aggressively eyeing the India market for growth. It plans to double its smart phone shipments to 2 mn units in the next couple of years. Hence, Redington will continue to benefit as Apple captures a larger share of the market, which remains an upside potential to our revenue estimates.

Apart from smart phones, the other major product categories that Redington distributes under this segment are consumer durables and digital printing press.

- i) Consumer Durables: Redington incorporated Nook Micro Distribution Ltd, a wholly owned subsidiary, to foray into the distribution of consumer durables (~60% of the business). It is currently present only in the South and plans to expand its footprint in the western region. Major vendors in this segment include LG, Lenovo, Dell, Panasonic, Voltas, Whirlpool and Acer, among others. The segment has grown at a rapid pace – from revenues of ₹0.06 crore in FY10 to ₹347 crores in FY15. However, it continues to be marginally loss making on account of high freight costs. We understand that management is taking steps to streamline the operations to improve profitability.

Nook Micro Distribution – Revenues and Revenue growth trend

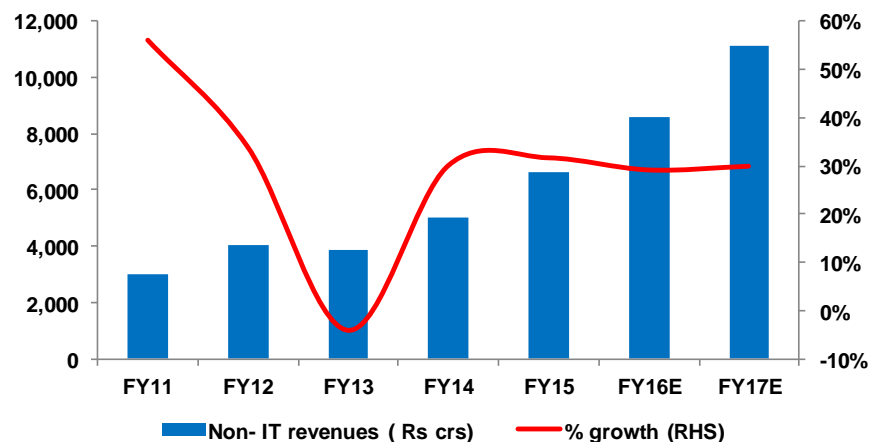


Source: Redington, Ventura Research

ii) Digital Printing Press: Redington is the sole pan India distributor of HP's Indigo Digital printing press. It earns revenues through sales of the high end printing machines along with annuity revenues based on a click charge rate – i.e. a fixed sum on number of printout copies taken.

Overall, we expect non-IT revenues (India+ Overseas) to increase at a 2 year CAGR of 30% to ₹11,132 crores by FY17 driven by robust growth expected in smart-phone shipments. Addition of product categories or geographies in this segment, as in the past, is a potential upside. The revenue contribution of the non-IT distribution segment increased from 18% in FY11 to 21% in FY15 driven by moderation in demand for laptops and PCs and higher demand for smart phones and tablets. We expect the revenue contribution of the non-IT segment to increase to 27% in FY17.

Non-IT revenues to grow at a robust pace



Source: Ventura Research

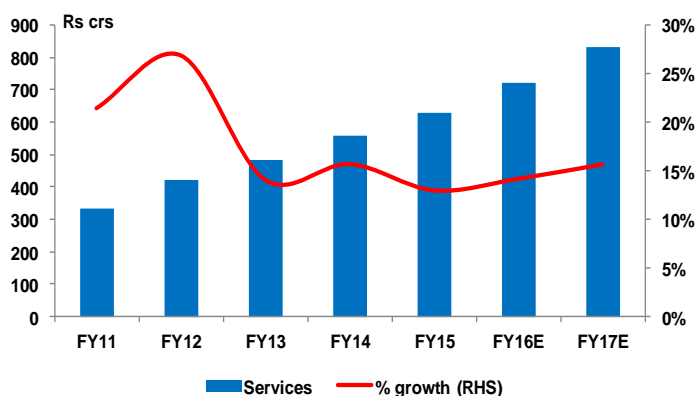
➤ After Sales services to grow at a steady pace

Redington entered the after sales services space, viz. Ensure Support Services, as a natural support vertical to its distribution business. The services segment accounts for ~2% each of the India and overseas revenues. It has 100+ owned service centres and 239 extended service centres. Redington not only provides service offerings for its existing vendor base, but also to other clients given its comprehensive support offerings, which include:

- Call centres, bench and on-site support, business specific CRM and SCM support, and other service needs
- Warranty for IT and Telecom products, Annual Maintenance Contracts, Infrastructure Management Services and Enterprise Product Support.

The services segment has grown at a 5 year CAGR of 18% to ₹631 crore in FY15. We expect the company to clock a similar growth in future and touch revenues of ₹833 crore in FY17. The segment will continue to contribute 2% of overall revenues.

Services revenues to grow at a healthy pace



Source: Ventura Research

➤ Logistics vertical provides a huge upside trigger

The distribution business warrants a number of warehouses at different locations. Redington has leased out warehouses at short distances in order to cater to octroi and non-octroi area demand and minimize double taxation on inter-state transit. In 2012, Redington hived off its logistics and warehousing facilities into a 100% subsidiary, ProConnect Supply Chain Solutions Ltd, in order to leverage its existing network of warehouses for additional business. Apart from its existing network of 79

warehouses in India, the company also has built Automated Distribution Centres (ADCs) which act as a central warehouse (capacity of around 10 warehouses put together). Apart from warehousing, the company also provides 3rd Party Logistics services.

Details of ADCs

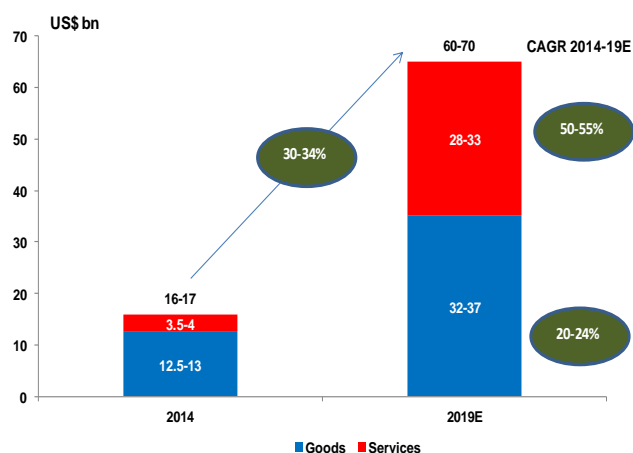
Location	Status	Investment (in Rs crs)
Chennai	Operational since July 2009	27
Kolkata	Operational since Feb 2014	40-50
New Delhi	To turn operational by end FY16	40-50
Mumbai	In Process of land acquisition	

Source: Redington, Ventura Research

Potential triggers:

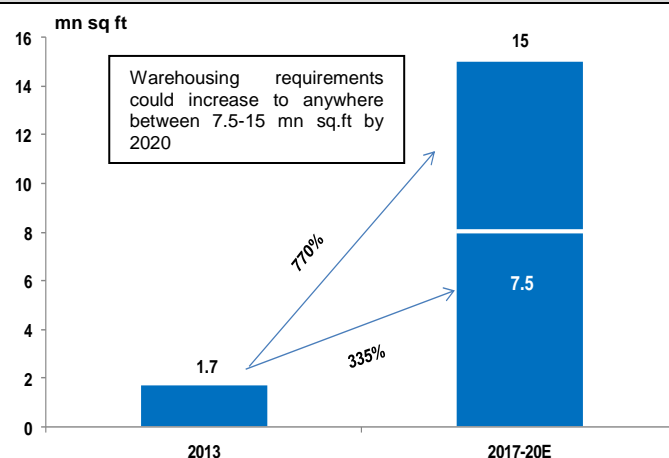
- i) **GST:** Post the introduction of GST, the company plans to expand its ADCs network beyond the metros. Currently, Redington derives a third of its logistics revenues from external parties. The roll out of GST will be a huge positive trigger as it will ensure integrated and uniform taxation across states which will propel the demand for centralized warehouses such as Redington's ADCs. In the post GST period, the company plans to consolidate its 79 warehouse considerably supported with a higher network of ADCs.
- ii) **E-Commerce:** E-Commerce, in India, is growing at a phenomenal pace subsequently translating to an increased demand for back-end warehousing and logistics, especially for large centralized warehouses.

India E-Commerce to reach \$60-70 bn by 2019



Source: BCG Retail 2020 report

Warehousing requirements to support e-comm

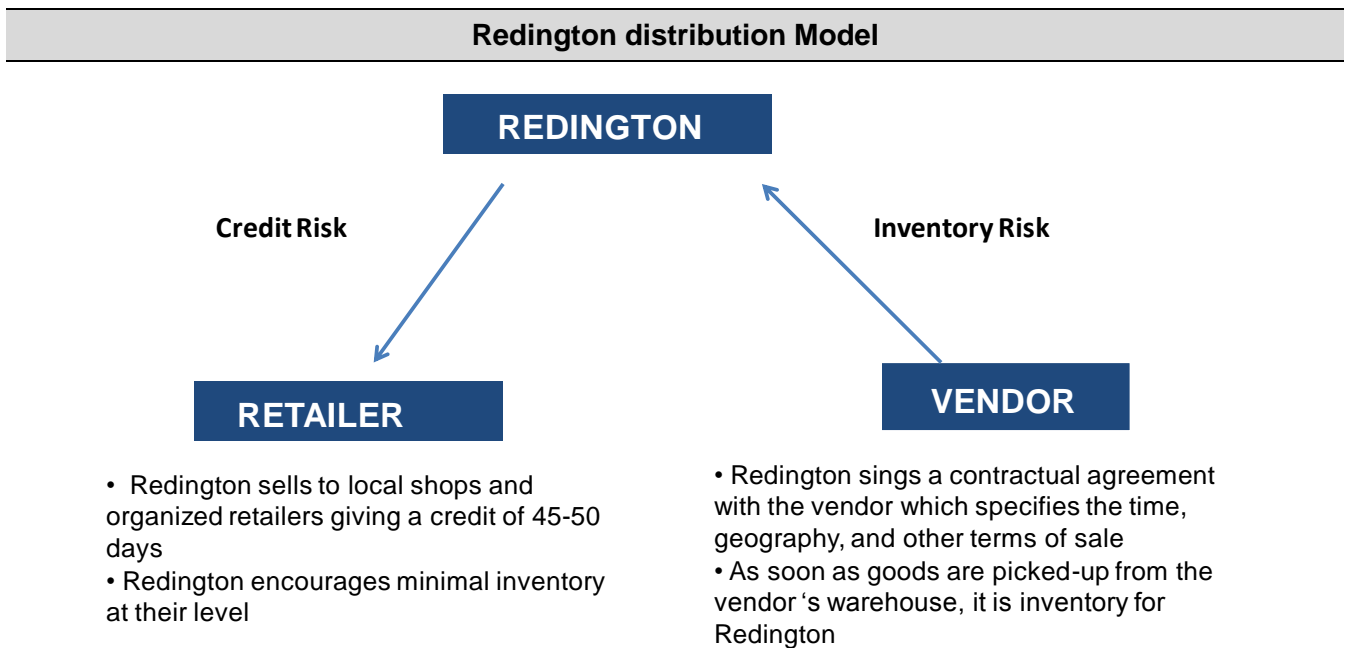


Source: BCG Retail 2020 report

While ProConnect reported revenues of ₹77 crs in FY15, or ~0.25% of total consolidated revenues, this segment has huge potential to scale up. The roll-out of GST and the E-commerce boom are the key triggers to unlock this potential, which has not been factored in our projections.

➤ **Management has successfully mitigated business risks**

Redington's distribution model results in two risks arising to the company: Inventory Risk and Credit Risk.

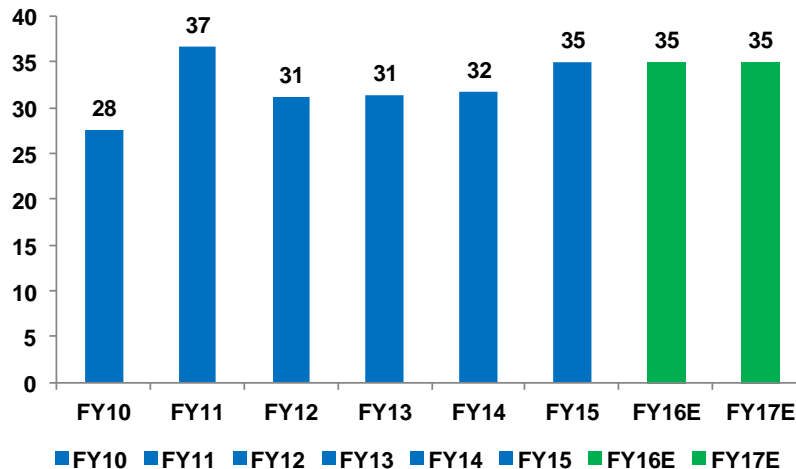


Source: Redington, Ventura Research

Inventory Risk mitigated by vendor support: Redington assumes inventory on its books as soon as it is picked up from the vendor's warehouse. Over the past five years, Redington's inventory days have averaged at 33 days with the range being 31-37 days. It has consistently been able to maintain its inventory days at around a month on the back of:

- i) Market knowledge and experience of decades
- ii) Vendor's assistance in managing inventory risk

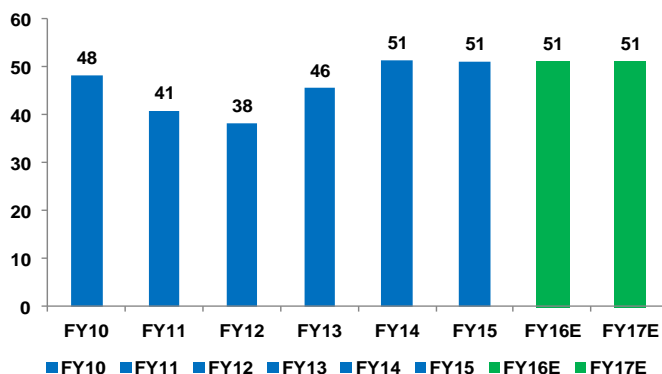
Inventory days stable at ~28-35 days



Source: Ventura Research

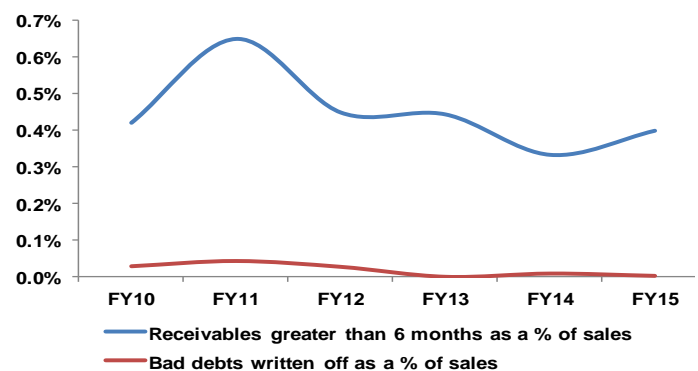
Credit Risk mitigated by strict receivables management: Redington has in place a dedicated team to monitor collection of receivables on a pan India basis. Its receivables management is efficient as validated by the fact that receivables more than 6 months are just 2% of the total receivables (0.33% of FY14 sales), of which 83% are considered good. In the past five years, bad debts written off have never exceeded 0.04% of revenues while provisions for doubtful debts have been 0.1% of revenues on an average.

Receivable days ~45-50 days



Source: Ventura Research

Low instance of bad debts

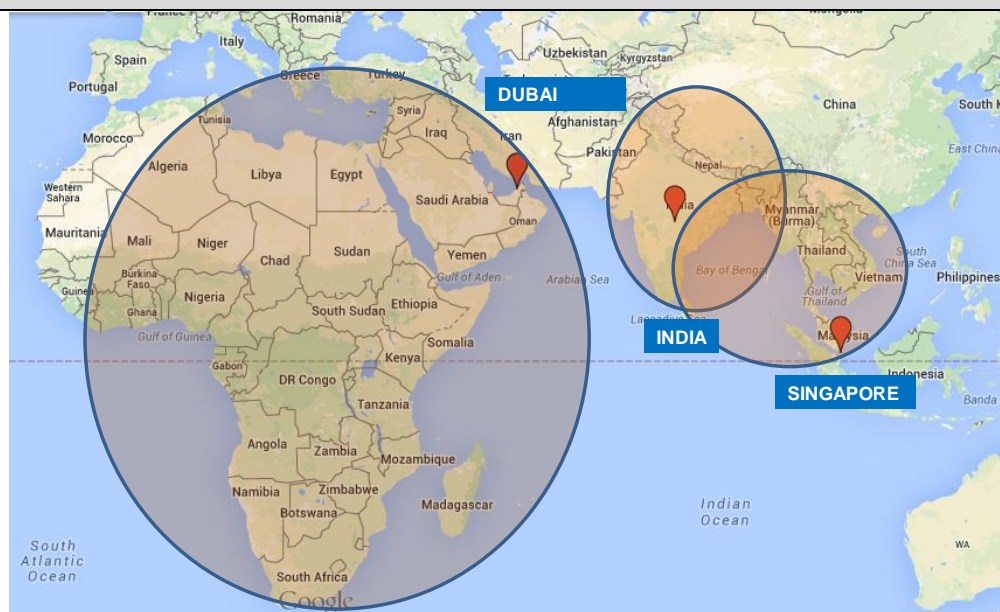


Source: Redington, Ventura Research

Also, the working capital intensity is much higher in the IT distribution segment as:

- Value added services in the IT space have a high lead time since they have to be designed as per client specifications.
- The IT distribution segment, which constitutes ~90% of the total overseas revenues, has high inventory requirements. The company has two major distribution hubs for the overseas market – Dubai and Singapore. Dubai caters to Turkey and other market regions in Africa, while Singapore caters to Nepal, Bhutan, Bangladesh, Sri Lanka and other adjoining regions. With end-markets spread across large distances, the working capital requirements for the overseas business are high.

Three major distribution hubs and the markets they cater to



Source: Redington, Ventura Research

Higher proportion of non-IT distribution revenues and increasing overseas contribution has resulted in working capital requirements remaining range bound. Redington enjoys a credit period of around 38-40 days, leading to a cash conversion cycle of around 45 days. Prudent working capital management has helped the company mitigate key business risk to a large extent and post positive operating cash flows since the past four years.

❖ Key Monitorables

- **Political turmoil in key overseas markets:** Middle East and Turkey together account for a ~85-90% of Redington's overseas revenues. In the recent times, the MEA and Turkey region has been plagued with Islamic extremism, falling crude oil prices and the subsequent economic growth worries, volatile currencies, high interest rates along with geo-political tensions and terrorists attacks. If any of these challenges sustain for a prolonged period, it may impact Redington's business adversely.
- **Government inaction in India:** While the BJP government has initiated a number of growth-oriented reforms to revive the investment cycle and boost the economy, we are yet to witness a visible pick-up in consumer spending. Implementation delays could further slow down the economic recovery.
- **Inventory and Receivables risk:** In the entire distribution supply chain, Redington bears the inventory and the receivables risk. Redington relies on vendor support to mitigate inventory risk and on its internal staff for the on-time collection of receivables. Financial turmoil of large vendors may adversely impact Redington's ability to mitigate the inventory risk.
- **Higher competition:** Introduction of an additional distributor for large accounts could eat into the business pie of Redington. A case in point is Apple roping in Brightstar for distribution of iPhones exclusively in North India, which dampened Redington's Q4FY15 revenues to a certain extent.

❖ Financial Performance

Redington's Q4FY15 revenues grew marginally by 1.1% YoY to ₹8205 crores. While, India revenues declined by 3% on a YoY basis, the overseas business saw a growth of 4% YoY. The dip in India revenues is largely on account of the introduction of an additional distributor by Apple. Redington clocked an EBITDA margin of 2.6%, an improvement of 20 bps on a YoY basis. The improvement was led by lower contribution of revenues from Apple's iPhone distribution, where margins are relatively lower. Q4FY15 PAT grew 8.5% YoY to Rs 122.6 crore; while PAT margin remained flat at 1.5%. Q4FY14 numbers include the financials of Redington's now demerged NBFC subsidiary, EasyAccess Financial Services Ltd; hence, the numbers are not strictly comparable. While, in revenue terms EasyAccess's contribution in Q4 is miniscule. Adjusting for the profits of Easy Access and the CSR spend of ₹5 crores, the like-to-like growth in Q4FY15 net profits is 14.9% YoY.

Quarterly Financial Performance (₹ in crore)				
Particulars	Q4FY15	Q4FY14	FY15	FY14
Net Sales	8205.1	8117.8	31554.9	27935.1
<i>YoY Growth</i>	<i>1.1%</i>		<i>13%</i>	
Total Expenditure	7989.0	7924.6	30860.8	27255.0
EBITDA	216.1	193.2	694.1	680.1
<i>Margin %</i>	<i>2.6%</i>	<i>2.4%</i>	<i>2.2%</i>	<i>2.4%</i>
Depreciation	12.2	10.2	42.6	38.5
EBIT (Excl. OI)	204.0	183.0	651.5	641.6
Other Income	13.4	21.0	67.8	64.1
EBIT	217.4	204.1	719.3	705.7
<i>Margin %</i>	<i>2.6%</i>	<i>2.5%</i>	<i>2.3%</i>	<i>2.5%</i>
Finance Costs	40.8	42.0	158.6	211.5
Exceptional Income	-5.2	-9.1	-5.2	-9.1
PBT	171.3	153.0	555.5	485.1
<i>Margin %</i>	<i>2.1%</i>	<i>1.9%</i>	<i>1.8%</i>	<i>1.7%</i>
Tax Expense	49.0	35.5	145.1	127.2
PAT	122.3	117.5	410.4	357.9
<i>Margin %</i>	<i>1.5%</i>	<i>1.4%</i>	<i>1.3%</i>	<i>1.3%</i>
Minority Interest	0.31	-4.45	-23.84	-21.29
Share of Profit	0	0.00	-0.05	0.00
Adj PAT	122.6	113.1	386.5	336.6

Source: Redington, Ventura Research

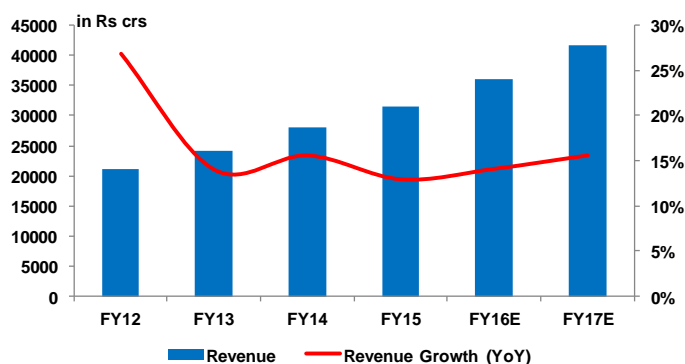
❖ Financial Outlook

We expect Redington's revenues to increase at a 2 year CAGR of 15% to ₹41,632 crores in FY17 driven by:

- 10% CAGR in IT distribution revenues which is likely to touch ₹29,667 crore by FY17 led by relatively stable demand of PCs and Laptops and steady IT spending.
- 30% CAGR in non-IT distribution revenues which is likely to touch ₹11,132 crores driven by robust growth expected in smart phones and consumer durables categories and addition of such high growth consumer products
- 15% CAGR in the after sales services segment which is expected to touch ₹833 crore in FY17.

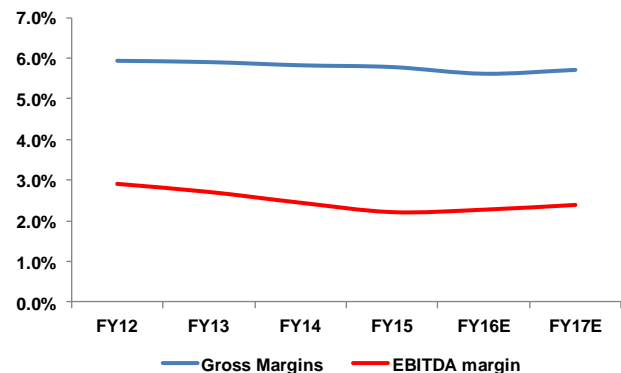
We expect Redington's gross margins and EBITDA margins to remain range bound at 5.6%-5.8% and 2.2%-2.4% respectively. Since Redington is primarily a distributor, its business works on fixed margin contracts with the vendors, leaving little scope for margin expansion. However, higher revenue contribution from value added services in the IT distribution segment could boost margins, albeit with higher working capital requirements. We do not expect any marked shift in the contribution of value added services in the next two years. We expect Redington's PAT to increase at a 2 year CAGR of 20.8% to ₹563.9 crore by FY17, PAT margin to remain range bound at 1.2%-1.4% and the company to clock an EPS of ₹14.11 in FY17.

Revenue and Revenue Growth



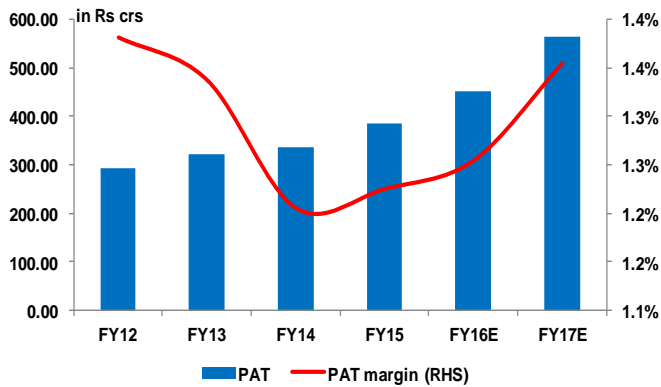
Source: Ventura Research

Gross and EBITDA margin trend



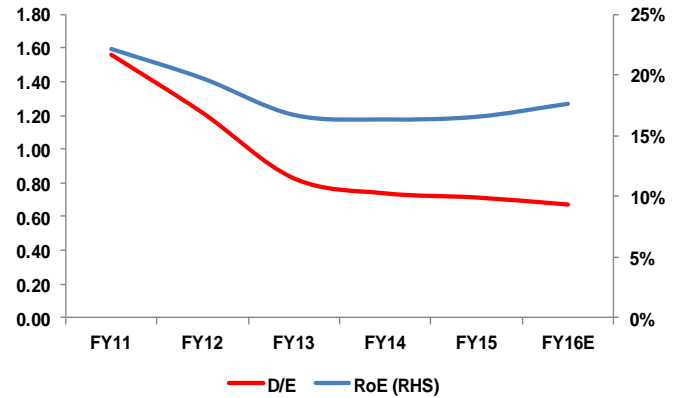
Source: Ventura Research

PAT and PAT margin trend



Source: Ventura Research

RoE stable; D/E declining



Source: Ventura Research

Redington – Peer Comparison

In Rs Cr Indian Peers	Sales	EBITDA	PAT	EBITDA Mgn	PAT Mgn	EPS	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
REDINGTON (India) -- Y/E Mar										
2014	27944.9	661.1	336.6	2.4%	1.2%	8.4	19.7	12.1	2.0	8.0
2015	31554.9	700.0	386.5	2.2%	1.2%	9.7	16.7	10.5	1.7	7.6
2016E	36010.5	828.3	461.5	2.3%	1.3%	11.5	16.3	8.8	1.5	6.4
2017E	41631.9	990.6	564.0	2.4%	1.4%	14.1	16.8	7.2	1.3	5.3
HCL INFOSYSTEMS -- Y/E June										
2013	9246.6	-54.7	-80.0	-0.6%	-0.9%	-3.6	-4.3	-10.6	0.5	-22.5
2014	7858.9	-88.1	-228.9	-1.1%	-2.9%	-8.1	-11.0	-4.7	0.5	-14.0
2015E	6055.2	-78.7	-197.1	-1.3%	-3.3%	-8.8	-13.6	-4.3	0.7	-15.6
2016E	6968.1	104.5	19.9	1.5%	0.3%	0.9	1.6	42.6	0.7	11.8
Global Peers (in USD mn)										
INGRAM MICRO										
2014	46487.0	633.3	408.6	1.4%	0.9%	2.6	6.6	11.7	1.0	8.0
2015E	46609.0	846.5	447.1	1.8%	1.0%	2.8	9.9	8.9	0.8	5.6
2016E	48450.0	963.2	529.0	2.0%	1.1%	3.3	9.5	7.5	0.7	4.9
2017E	50299.0	1002.0	538.0	2.0%	1.1%	3.4	9.1	7.2	0.6	4.8
SYNNEX TECHNOLOGY										
2014	13840.0	400.2	242.3	2.9%	1.8%	6.2	11.6	13.6	1.7	9.1
2015E	13487.0	476.7	250.9	3.5%	1.9%	6.2	14.3	11.7	1.6	7.2
2016E	14167.0	524.8	279.7	3.7%	2.0%	7.0	14.1	10.5	1.4	6.5
2017E	14800.0	526.3	296.7	3.6%	2.0%	7.5	13.3	9.7	1.2	6.5
TECH DATA CORP										
2014	26849.0	341.2	163.5	1.3%	0.6%	4.3	8.1	10.4	1.0	6.3
2015	27671.0	336.4	190.8	1.2%	0.7%	5.0	8.6	12.9	1.1	5.8
2016E	25166.0	329.7	178.0	1.3%	0.7%	4.8	8.3	11.6	1.0	5.4
2017E	26072.0	358.8	193.2	1.4%	0.7%	5.3	8.0	10.5	0.9	5.0

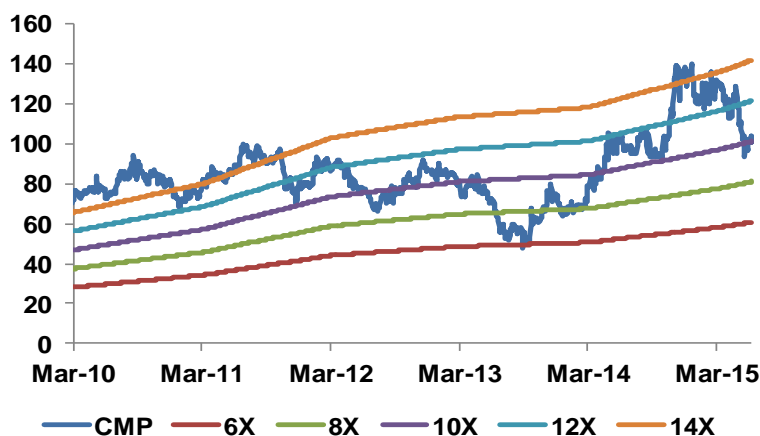
Source: Ventura Research

Valuation

We initiate coverage on Redington as a BUY with a price objective of ₹169 representing a potential upside of 66% over a period of 18 months. We have used the price multiple approach to value Redington and have assigned a PE of 12x on FY17 EPS of ₹14.1 to arrive at a target price. The assigned PE of 12x is 20% higher than Redington's 6 year median multiple of 10x. We believe that the premium to historical median multiple is justified given:

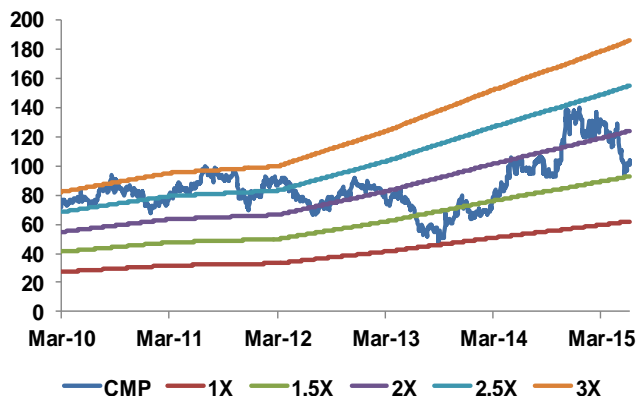
- i) Redington's dominant position in the distribution space with end-to-end capabilities
- ii) Uptick anticipated in consumer spending
- iii) Presence of high growth product categories of top brands
- iv) Scalability potential of the logistics vertical

Redington has traded at a median PE of 10x historically

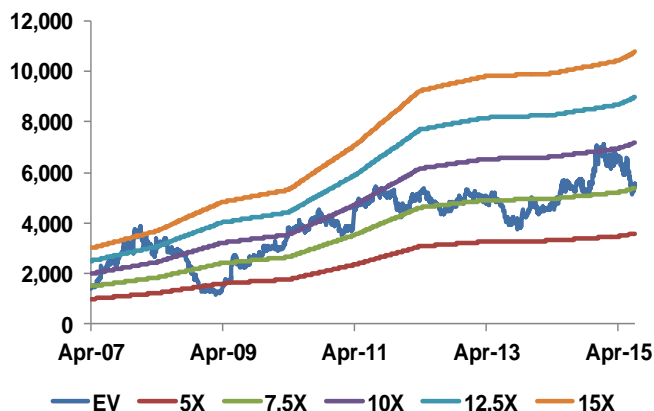


Source: Ventura Research

Redington's P/B trend



Redington's EV/EBITDA trend



Financials and Projections

Y/E Mar, Fig in Rs Cr	FY 2014	FY 2015	FY 2016E	FY 2017E
Profit & Loss Statement				
Net Sales	27945	31555	36011	41632
% Chg.	15.6	12.9	14.1	15.6
Total Expenditure	27284	30855	35182	40641
% Chg.	16.0	13.1	14.0	15.5
EBITDA	661.1	700.0	828.3	990.6
EBITDA Margin %	2.4	2.2	2.3	2.4
Other Income	83.1	80.1	77.0	88.5
Exceptional items	-9.1	0.0	0.0	0.0
PBDIT	735.1	780.0	905.3	1079.1
Depreciation	38.5	42.6	48.7	55.5
Interest	211.5	182.0	194.5	214.5
PBT	485.1	555.5	662.2	809.2
Tax Provisions	127.2	145.1	172.2	210.4
Reported PAT	357.9	410.4	490.0	598.8
Minority Interest	-21.3	-23.8	-28.5	-34.8
Share of profit from associates	0	0	0	0
PAT	336.6	386.5	461.5	564.0
PAT Margin (%)	1.2	1.2	1.3	1.4
RM as a % of Sales	94.1	94.2	94.4	94.3
Balance Sheet				
Share Capital	79.9	79.9	80.0	80.0
Reserves & Surplus	1941.4	2294.2	2667.6	3138.4
Minority Interest	186.4	206.0	234.5	269.3
Long-Term Provisions	37.1	49.4	50.9	60.1
Long-Term Borrowings	210.3	101.1	201.1	301.1
Other Long-Term Liabilities	-9.0	-2.7	0.0	0.0
Total Liabilities	2446	2728	3234	3849
Gross Block	404.3	454.4	512.4	584.0
Less: Acc. Depreciation	218.9	261.5	310.2	365.7
Net Block	185.4	192.9	202.2	218.3
Capital Work in Progress	22.8	20.0	20.0	20.0
Goodwill on Consolidation	74	74	74	74
Non-Current Investments	0.0	0.0	0.0	0.0
Net Current Assets	2068	2375	2829	3408
Other Non-Current Assets	96.0	63.7	110.4	129.6
Total Assets	2446	2728	3234	3849
Per Share Data (Rs)				
EPS	8.4	9.7	11.5	14.1
Cash EPS	9.4	10.7	12.8	15.5
DPS	0.9	1.9	1.9	2.0
Book Value	50.6	59.4	68.7	80.5
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	0.8	0.7	0.7	0.7
Current Ratio (x)	1.4	1.4	1.5	1.5
ROE (%)	19.7	16.7	16.3	16.8
ROCE (%)	28.5	27.0	26.5	26.6
Dividend Yield (%)	0.9	1.9	1.9	2.0
Valuation Ratio (x)				
P/E (x)	12.1	10.5	8.8	7.2
P/BV (x)	2.0	1.7	1.5	1.3
EV/Sales (x)	0.2	0.2	0.1	0.1
EV/EBITDA (x)	8.0	7.6	6.4	5.3
Efficiency Ratio (x)				
Inventory (days)	32	35	35	35
Debtors (days)	51	51	51	51
Creditors (days)	38	40	40	40
Cash Flow statement				
Profit Before Tax	485.1	555.5	662.2	809.2
Depreciation & Amortisation	38.5	42.6	48.7	55.5
Working Capital Changes	-326.0	-412.6	-539.6	-658.1
Direct Taxes Paid and Others	43.7	71.4	4.2	-0.7
Operating Cash Flow	241.3	256.8	175.4	205.8
Capital Expenditure	0.0	0.0	-58.0	-71.6
Dividend Received	0.0	2.0	2.0	2.0
Others	19.1	-264.4	-196.2	-236.5
Cash Flow from Investing	260.4	-5.5	-76.7	-100.2
Inc/(Dec) in Loan Fund	0.0	200.0	200.0	200.0
Others	-322.0	-251.0	-48.2	-49.4
Interest Paid	-200.9	-173.8	-192.5	-212.5
Cash Flow from Financing	-522.9	-224.8	-40.6	-61.8
Net Change in Cash	-21.2	58.9	58.1	43.8
Opening Cash Balance	493.3	472.1	531.4	589.4
Closing Cash Balance	472.1	531.4	589.4	633.2

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