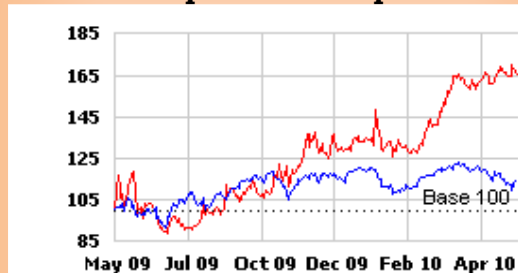


C.M.P:
Rs. 376.00

Target Price:
Rs. 435.00

May 29, 2010

1 Year Comparative Graph

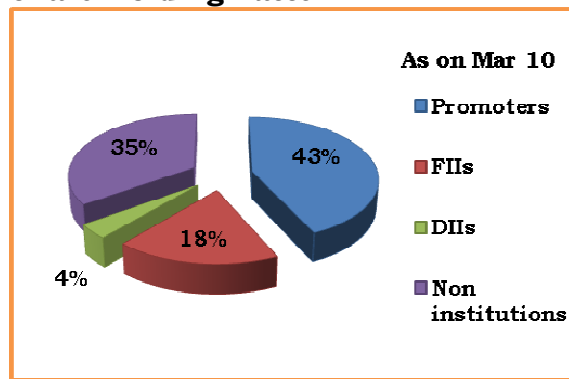


REDINGTON INDIA **BSE SENSEX**

Stock Data

Sector	IT
Face Value (Rs.)	10.00
52 wk. High/Low (Rs.)	403.00/200.00
Volume (2 wk. Avg.)	5626
BSE Code	532805
Market Cap (Rs.mn.)	29568.64

Share Holding Pattern



V.S.R. Sastry
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Dr. V.V.L.N. Sastry Ph.D.
Chief Research Officer
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SYNOPSIS

- The company has successfully transformed itself from a pure IT products distribution firm with traditional cash and carry model to a leading integrated supply chain solution provider that includes non IT products and involves the management of inventory of greater than 7200 SKU's (stocking units) while transacting business with over 16,000 channel partners.
- The company is the second largest distributor of IT products in India and the largest in the Middle East and Africa.
- Western Digital (WD) has appointed the Redington (India) as a National Distributor to sell their entire range of internal and external hard disk drives in the Indian market.
- Redington (India) has been appointed by Autodesk as a distributor of their design software solutions through a network of Autodesk Value Added Resellers (VAR) across the country.
- Redington India to make further investment of upto USD 29 million in the equity share capital of Easyaccess Financial Services (EFSL), a wholly owned subsidiary of the company.
- Redington (India) has been appointed as a distributor to market LG mobiles in Tamil nadu.
- Net Sales and PAT of the company are expected to grow at a CAGR of 10% & 16% over FY09 to FY12E.

Financials (Rs.mn.)

	FY10	FY11E	FY12E
Net Sales	137711.5	151482.6	169660.6
EBIDTA	3657.30	4021.05	4501.92
PAT	2120.30	2339.13	2633.69
EPS (Rs.)	23.44	25.87	29.23
P/E (x)	16.04	14.53	12.86

Peer Group Comparison

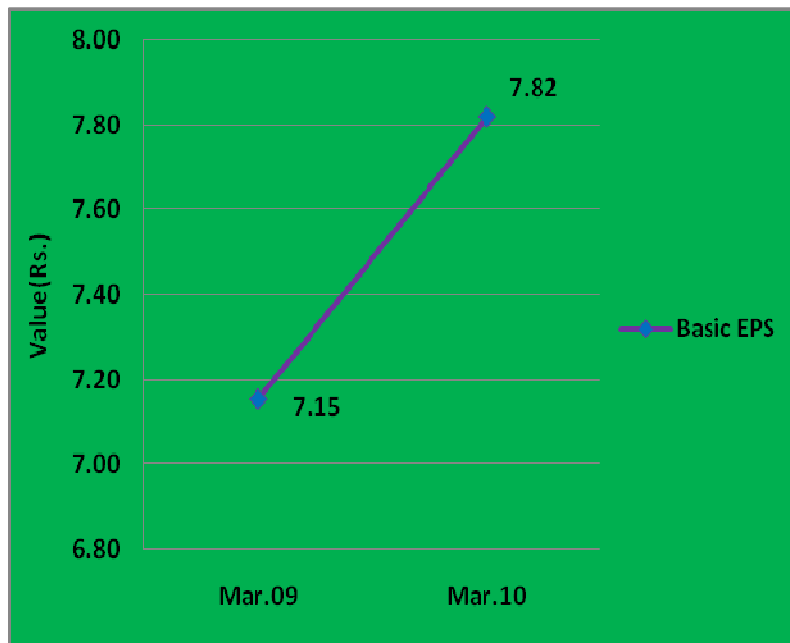
Name of the company	CMP (As on May 29, 2010)	Market Cap. (Rs. Mn.)	EPS (Rs.)	P/E (x)	P/BV (x)	Dividend (%)
REDINGTON INDIA	376.00	29,568.64	23.44	16.04	2.75	50.00
ROLTA INDIA	163.25	26,312.20	22.62	7.22	1.62	30.00
POLARIS	175.40	17,357.80	13.2	13.29	2.10	55.00
NIIT TECHNOLOGIES	184.45	10,843.40	16.17	11.41	2.74	65.00

Investment Highlights

• Q4 FY10 Results Update

Redington India has reported consolidated net profit of Rs 614.90 million for the quarter ended on Mar.31, 2010 as against 557.10 million in the same quarter last year, an increase of 10.38%. It has reported net sales of Rs 38625.80 million for the quarter ended on Mar.31, 2010 as against Rs 33602.40 million in the same quarter last year, a rise of 14.95%. Total income grew by 14.96% to Rs 38642.00 million from Rs 33614.00 million in the same quarter last year. During the quarter, it reported earnings of Rs 7.82 a share.

Quarterly Results - Consolidated (Rs in mn)			
As at	Mar - 09	Mar - 10	%Change
Net Sales	33602.40	38625.80	14.95
Net Profit	557.10	614.90	10.38
Basic EPS	7.15	7.82	9.29



- **FY10 Performance**

The company has posted a consolidated net profit of Rs 1843.40 million for the year ended March 31, 2010 as compared to Rs 1596.60 million for the year ended March 31, 2009, registering a growth of 15%. Total Income has increased from Rs 126,831.40 million for the year ended March 31, 2009 to Rs 137,786.50 million for the year ended March 31, 2010, registering a growth of 9%.

The board of directors of the company has recommended a dividend of Rs 5.00 (i.e.50%) per equity share of face value of Rs 10 each, subject to requisite approvals, for the financial year ended Mar. 31, 2010.

The Board of Directors approved the sub-division of equity shares of Rs. 10/- each of the equity shares of the Company into the face value of Rs. 2/- each subject to the approval of the members at the ensuing Annual General Meeting.

- **Allotment of Shares**

Redington (India) Ltd has considered and approved the allotment of 59,745 (Fifty Nine Thousand Seven Hundred and Forty Five Only) equity shares of Rs. 10/- each pursuant to exercise of options granted under Employee Stock Option Plan, 2008.

- **Sells the entire range of Hard Disk Drives of Western Digital in India**

Western Digital (WD) has appointed the Redington (India) as a National Distributor to sell their entire range of internal and external hard disk drives in the Indian market. WD is one of the storage industry's pioneers and their hard disk drives are reliable for high performance security.

The partnership with the new global vendor will enable the Company to leverage WD's solutions and offerings to diversify its portfolio of products for the channel community and cater to the growing storage demand.

- **Distribution pact with Autodesk**

Chennai based Redington (India) has been appointed by Autodesk as a distributor of their design software solutions through a network of Autodesk Value Added Resellers (VAR) across the country. This partnership with Autodesk will enable the company to leverage Autodesk's software and solutions offerings to diversify the company's portfolio of products for the channel community and cater to the engineering, manufacturing, construction and geospatial domains.

Redington (India) engages in the business of vendor-authorized end-to-end supply chain management of information technology (IT) hardware and software products.

- **Redington to market LG mobiles in Tamil nadu**

Redington (India) has been appointed as a distributor of mobile phones for Tamil Nadu market by LG. Under this engagement, the company plans to do billing through new City Distributors (CD) to be appointed across Tamil Nadu. It is optimistic to achieve revenues of around Rs 150-180 crore through this initiative in the current financial year.

Further, Redington believes that this new sign-up will give a boost to its mission to add new brands in the non-IT space in India.

- **Approves fund raising up to USD 29 mn**

The board of directors of Redington India has approved further investment of upto USD 29 million in the equity share capital of Easyaccess Financial Services (EFSL), a wholly owned subsidiary of the company. EFSL has grown its book size to over Rs 3.9 billion in less than 2 years of its start of operations and continue to grow at an aggressive pace.

Anticipating additional fund requirement in EFSL to capture the increased volume of business and to meet the capitalization requirement in EFSL as prescribed under the Foreign Direct Investment (FDI) Guidelines, REDIL is making this further investment.

Company Profile

Redington (India) incorporated in 1961, started its Indian operations in 1993. The company has successfully transformed itself from a pure IT products distribution firm with traditional cash and carry model to a leading integrated supply chain solution provider that includes non IT products and involves the management of inventory of greater than 7200 SKU's (stocking units) while transacting business with over 16,000 channel partners. Redington India Ltd has successfully positioned itself as a focused distribution player with a significant reach across India, Middle East and Africa.

Redington through all its subsidiaries distributes products from over 40 leading manufacturers, services over 12000 channel partners in India and 2800+ channel partners in Middle East and Africa. The company is the second largest distributor of IT products in India and the largest in the Middle East and Africa.

The Company's higher than industry average growth in the price sensitive Indian market and difficult to penetrate Middle East and African markets showcases its capabilities as a leading distributor in the geographies present.

Partners

The company still continues to enjoy excellent business relationship with its suppliers like Acer, APC, Apple, Canon, Cisco, Computer Associates, EMC, Epson, Gigabyte, HCL Infosystems, Hewlett Packard, Hitachi, IBM, Intel, Kodak, Lenovo, Linksys, Microsoft, Nokia, Samsung, Seagate, Systemax, TVS Electronics, Viewsonic, Western Digital, Whirlpool, Wipro, 3COM etc.

Subsidiaries

The company operates subsidiaries namely Nook Holdings, Redington (India) Investments, Cadensworth (India), Redington Gulf FZE, Dubai, Cadensworth FZE, Dubai, Redington Gulf & Co. LLC, Oman, Redington Nigeria, Redington Egypt, Redington Kenya, Redington Middle East LLC, Redington Qatar WLL, Redington Arabia, Redington Africa Distribution FZE, Redington Bahrain SPC, Redington Distribution Pte, Singapore, Redington Bangladesh, Redington Qatar Distribution WLL, Qatar and Easyaccess Financial Services, India.

New Development

Redington India has collaborated with Research in Motion (RIM) to establish a national retail distribution channels for their BlackBerry handsets. As part of the retail distribution agreement with Redington India, BlackBerry smart phones and service plans for supported carriers will initially be available in retail and modern trade outlets across nine cities.

Financial Results

12 months ended Profit & Loss A/C (Consolidated)

Value(Rs. in million)	FY09	FY10	FY11E	FY12E
Description	12m	12m	12m	12m
Net Sales	126798.20	137711.50	151482.65	169660.57
Other Income	33.20	75.00	82.50	90.75
Total Income	126831.40	137786.50	151565.15	169751.32
Expenditure	-123535.60	-134129.20	-147544.10	-165249.39
Operating Profit	3295.80	3657.30	4021.05	4501.92
Interest	-978.20	-663.80	-730.18	-803.20
Gross Profit	2317.60	2993.50	3290.87	3698.73
Depreciation	-127.40	-234.30	-253.04	-278.35
Profit before Tax	2190.20	2759.20	3037.82	3420.38
Tax	-499.80	-638.90	-698.70	-786.69
Profit after Tax	1690.40	2120.30	2339.13	2633.69
Minority Interest	-93.80	-276.90	-304.59	-335.05
Net Profit	1596.60	1843.40	2034.54	2298.64
Equity Capital	778.70	786.40	786.40	786.40
Reserves	9243.30	9970.90	12310.03	14943.72
Face Value (Rs)	10.00	10.00	10.00	10.00
Total No. of Shares	77.87	78.64	78.64	78.64
EPS (Rs)	20.50	23.44	25.87	29.23

Quarterly ended Profit & Loss A/C (Consolidated)

Value(Rs. in million)	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10E
Description	3m	3m	3m	3m
Net Sales	34462.60	35382.30	38625.80	37080.77
Other Income	4.80	10.50	16.20	18.63
Total Income	34467.40	35392.80	38642.00	37099.40
Expenditure	-33671.80	-34526.90	-37396.50	-36190.83
Operating Profit	795.60	865.90	1245.50	908.57
Interest	-152.30	-162.90	-184.70	-192.09
Gross Profit	643.30	703.00	1060.80	716.48
Depreciation	-40.60	-38.10	-123.40	-41.91
Profit before Tax	602.70	664.90	937.40	674.57
Tax	-130.20	-148.20	-240.60	-155.15
Profit after Tax	472.50	516.70	696.80	519.42
Minority Interest	-64.10	-70.10	-81.90	-85.18
Net Profit	408.40	446.60	614.90	434.24
Equity Capital	785.30	785.80	786.40	786.40
Face Value (Rs)	10.00	10.00	10.00	10.00
Total No. of Shares	78.53	78.58	78.64	78.64
EPS (Rs)	5.20	5.68	7.82	5.52

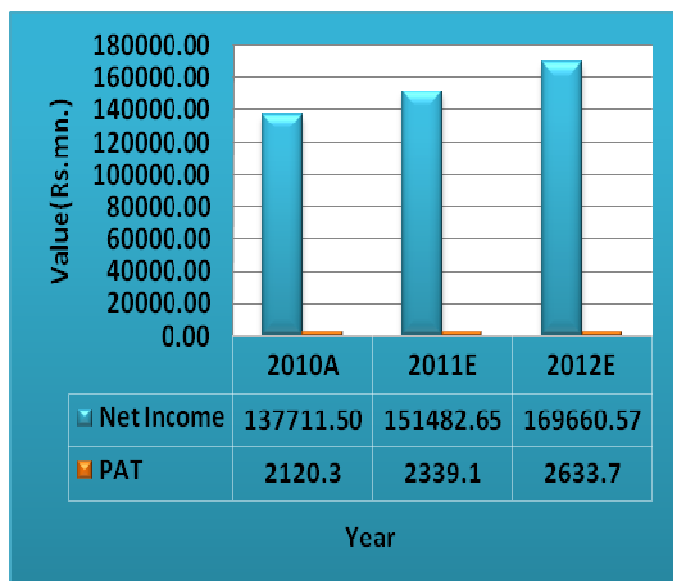
Key Ratios

Particulars	2009(A)	2010(A)	2011(E)	2012(E)
EBITDA Margin (%)	2.60%	2.66%	2.65%	2.65%
PAT Margin (%)	1.33%	1.54%	1.54%	1.55%
P/E (x)	18.34	16.04	14.53	12.86
ROE (%)	16.87%	19.71%	17.86%	16.74%
ROCE (%)	15.96%	16.24%	15.74%	15.27%
EV/EBITDA (x)	8.88	8.08	7.35	6.57
Debt Equity Ratio (x)	0.98	0.96	0.83	0.76
Book value (Rs)	128.70	136.79	166.54	200.03
P/BV (x)	2.92	2.75	2.26	1.88

A-Actual E-Expected

Charts

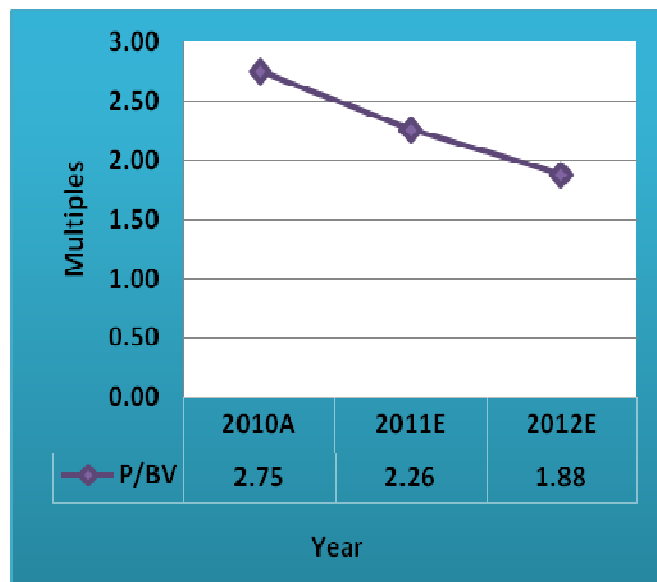
1. Net Sales & PAT



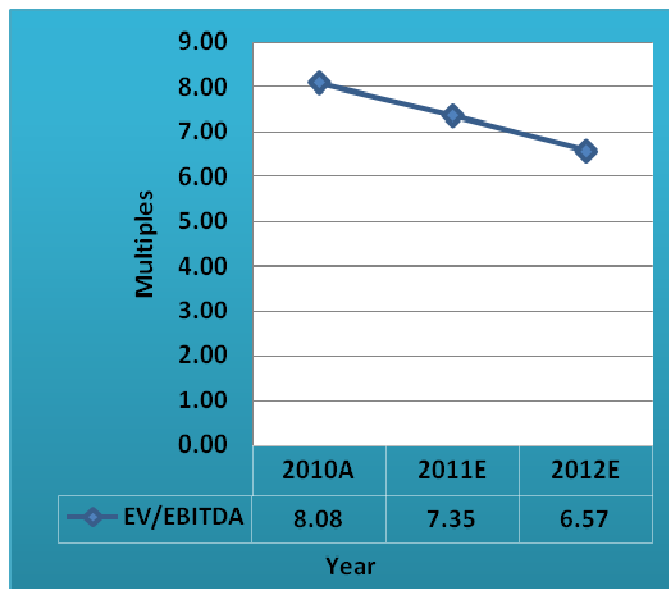
2. P/E Ratio



3. P/BV



4. EV/EBITDA



Valuation

- At the market price of Rs.376.00, the stock trades at 14.53x and 12.86x for the earnings of FY11E and FY12E respectively.
- Price to Book Value of the stock is expected to be at 2.26x and 1.88x respectively for FY11E and FY12E.
- Earning per share (EPS) of the company for the earnings of FY11E and FY12E is seen at Rs.25.87 and Rs.29.23 respectively for equity share of Rs.10.00 each.
- Net Sales of the company is expected to grow at a CAGR of 10% over FY09 to FY12E.
- Redington India has collaborated with Research in Motion (RIM) to establish a national retail distribution channels for their BlackBerry handsets.
- Western Digital (WD) has appointed the Redington (India) as a National Distributor to sell their entire range of internal and external hard disk drives in the Indian market.
- Redington (India) has been appointed as a distributor to market LG mobiles in Tamil nadu.

- The Company's higher than industry average growth in the price sensitive Indian market and difficult to penetrate Middle East and African markets showcases its capabilities as a leading distributor in the geographies present.
- We recommend 'BUY' in this particular scrip with a target price of Rs.435.00 for Medium to Long term investment.

Industry Overview

Sector structure/Market size

The Indian information technology (IT) industry has played a key role in putting India on the global map. Thanks to the success of the IT industry, India is now a power to reckon with. According to the Department of Information Technology (DIT), the overall Indian software and services industry revenue is estimated to have grown from US\$ 10.2 billion in 2001-02 to reach US\$ 58.7 billion in 2008-09—translating to a CAGR of about 26.9 per cent. The industry grew at 12.9 per cent in 2008-09.

According to DIT, exports continue to dominate the revenues earned by the Indian software and services industry. The export intensity (the share of IT-ITeS exports to total IT-ITeS revenue) of Indian software and services industry has grown from 74.5 per cent in 2001-02 to 78.9 per cent in 2008-09. Total software and services exports are estimated to have grown from US\$ 7.6 billion to US\$ 46.3 billion in 2008-09, a CAGR of 28.6 per cent.

The National Association of Software and Service Companies (NASSCOM) is the apex body for software services in India. As per its 'Strategic Review 2010' published in February 2010, the India IT-BPO industry is estimated to aggregate revenues of US\$ 73.1 billion in FY 2010, with the IT software and services industry accounting for US\$ 63.7 billion of revenue.

Moreover, according to a study by Springboard Research published in February 2010, the Indian information technology (IT) market is expected to grow at around 15.5 per cent in 2010, on the back of growing investor confidence and favorable initiatives taken by the government.

The data centre services market in the country, is forecast to grow at a compound annual growth rate (CAGR) of 22.7 per cent between 2009 and 2011, to touch close to US\$ 2.2 billion by the end of 2011, according to research firm IDC India's report published in March 2010. The IDC India report stated that the overall India data centre services market in 2009 was estimated at US\$ 1.39 billion.

At present, there are 60 million Internet users in the country. According to the Manufacturer's Association of IT (MAIT), the number of active Internet entities rose to 8.6 million by March 2009 from 7.2 million units in March 2008.

Between October-December 2009, total PC sales including desktops, notebooks and netbooks were 2 million registering a growth of 42 per cent over the same period in 2008. MAIT estimates overall PC sales to cross 7.3 million units in 2009-10 registering a growth of 7 per cent over 6.79 million units sold in 2008-09.

Outsourcing

India is a preferred destination for companies looking to offshore their IT and back-office functions. It also retains its low-cost advantage and is a financially attractive location when viewed in combination with the business environment it offers and the availability of skilled people.

Some big deals in the outsourcing space include:

- HCL Technologies entered into a five-year deal with media conglomerate News Corp for managing its data centres and IT across British newspapers in December 2009. The deal is pegged to be in the range of US\$ 200-US\$ 250 million, according to industry experts.
- In January 2010, HCL Technologies also received a contract worth US\$ 50 million from UK-based defence equipment maker Meggitt for providing engineering services.
- Moreover, in December 2009, Walmart selected three IT vendors in India — Infosys Technologies, Cognizant Technology Solutions and UST Global — for multi-year contracts worth over US\$ 600 million.
- Tata Consultancy Services (TCS), the country's largest software exporter by revenue, was awarded a contract in March 2010 to administer the UK's National Employee Savings Trust (NEST) scheme's administered services under a 10-year deal, worth around US\$ 879.5 million.
- Further in March 2010, Mahindra Satyam, signed a four-year offshore contract with KMD, a Denmark-based information technology company, for US\$ 48 million.
- In April 2010, software exporter Patni Computer Systems won a five-year IT and back-office contract potentially worth around US\$ 200 million from US-based health insurance provider Universal American.

Domestic Markets

Though the IT-BPO sector is export driven, the domestic market is also significant. The revenue from the domestic software and services market is estimated to have grown from US\$ 2.6 billion in 2001-02 to US\$ 12.4 billion in 2008-09 a CAGR of about 22.2 per cent, according to the Department of Information Technology.

According to NASSCOM's Strategic Review 2010, the domestic IT-BPO revenues are expected to grow at almost 8.5 per cent to reach US\$ 42.3 billion in FY 2010.

Moreover, according to market intelligence firm IDC India's 'Domestic ICT Market top 10 Predictions 2010' report released in January 2010, the combined India domestic IT-ITeS market will grow 15 per cent in 2010 to achieve revenues of US\$ 26.4 billion compared to US\$ 23 billion in 2009.

The market for enterprise networking equipment in India is estimated to grow from US\$ 1 billion in 2008 to US\$ 1.7 billion by 2012, recording a compounded annual growth rate (CAGR) of 15 per cent during this period, according to a study by Springboard Research titled 'Epicenter of Growth-Indian Enterprise Networking Equipment Market Report' released in December 2009.

Investments

In 2008-09, the computer software and hardware sector attracted FDI worth US\$ 1.7 billion. During April to January 2009-10, it has received FDI to the tune of US\$ 678 million. The cumulative FDI received between April 2000 and January 2010 is US\$ 9.6 billion, according to the Department of Industrial Policy and Promotion.

- The total investments of EMC Corporation, a leading global player of information infrastructure solutions, in India will touch US\$ 2 billion (over US\$ 2.01 billion) by 2014.
- Russian information technology security software provider, Kaspersky Lab, will be investing US\$ 2 million in its India operations at Hyderabad during the next financial year.

Government Initiatives

- The government set up the National Taskforce on Information Technology and Software Development with the objective of framing a long term National IT Policy for the country.
- Enactment of the Information Technology Act, which provides a legal framework to facilitate electronic commerce and electronic transactions.
- Setting up of Software Technology Parks of India (STPIs) in 1991 for promotion of software exports from the country. There are currently 51 STPI centres where apart from exemption from customs duty available for capital goods there are also exemptions from service tax, excise duty, and rebate for payment of Central Sales Tax. But the most important incentive available is 100 per cent exemption from Income Tax of export profits, which has been extended till 31st March 2011.
- Government is also setting up Information Technology Investment Regions (ITIRs). These regions would be endowed with excellent infrastructure and

would reap the benefits of co-siting, networking and greater efficiency through use of common infrastructure and support services.

Moreover, according to NASSCOM government IT spend was US\$ 3.2 billion in 2009 and is expected to reach US\$ 5.4 billion by 2011. Further according to NASSCOM there is US\$ 9 billion business opportunity in e-governance.

Road Ahead

The Indian information technology sector continues to be one of the sunshine sectors of the Indian economy showing rapid growth and promise.

According to a report prepared by McKinsey for NASSCOM called 'Perspective 2020: Transform Business, Transform India' released in May 2009, the exports component of the Indian industry is expected to reach US\$ 175 billion in revenue by 2020. The domestic component will contribute US\$ 50 billion in revenue by 2020. Together, the export and domestic markets are likely to bring in US\$ 225 billion in revenue, as new opportunities emerge in areas such as public sector and healthcare and as geographies including Brazil, Russia, China and Japan opt for greater outsourcing.

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