

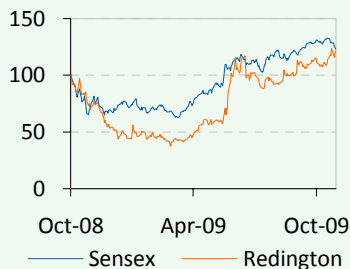


Redington (India) Ltd

 Relative to sector: **Outperformer**

 Analyst: **Priya Rohira**
 Email: priya@enam.com
 Tel: 9122 6754 7611

Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 78 mn
Market cap	: Rs 22.0 bn
52 week high/low	: Rs 297/ Rs 80
Avg. daily vol. (6mth)	: 164,200 shares
Bloomberg code	: REDI IB
Reuters code	: REDI.BO

Shareholding (%) Sep-09 QoQ chg

Promoters	: 43.2	(0.0)
FIs	: 14.4	(0.8)
MFs / UTI	: 3.5	3.3
Banks / FIs	: 0.0	0.0
Others	: 39.0	(2.4)

Financial summary

Y/E Mar	Sales (Rs mn)	EBITDA (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2008	108,701	2,459	1361	-	17.5	33.8	-	20.2	18.2	-	3.5
2009	126,683	3,147	1597	-	20.5	17.3	13.7	16.3	17.0	8.9	4.0
2010E	136,898	3,504	1840	23.3	23.6	15.2	11.9	14.8	18.6	6.6	4.7
2011E	156,117	4,155	2178	29.3	28.0	18.4	10.0	16.5	24.6	5.5	5.6

Source: *Consensus broker estimates, Company, ENAM estimates

INDIA TURNS POSITIVE; ESTIMATES UPGRADED

Positive YoY growth in the Indian operations and 38% YoY increase in PAT before minority interest are key highlights of Redington's Q2FY10 results. We raise our FY10E and FY11E EPS by 5.5% and 6.8% respectively. Redington declared Q2FY10 consolidated revenue of Rs 34.4 bn (↑ 5.3% YoY & 17.7% QoQ), EBITDA of Rs 739 mn (↑ 5.1% YoY & 4.6% QoQ), and PAT of Rs 408 mn (↑ 19.3% YoY & 9.3% QoQ).

Key highlights:

- **Revenue:** Indian revs recorded positive YoY growth albeit at ~1.1% YoY. Overseas revs grew ~10% YoY in INR terms. New signings (products / vendors) led the growth.
- **EBITDA:** Higher % share of high-end products in India led growth.
- **PAT:** Reported PAT up ~19% YoY. Before minority interest, PAT growth has been impressive at 38% YoY.
- **NBFC:** Book size of Rs 3,900 mn at end-Q2FY10 with ~3x leverage. Composition of external business continues to see an uptrend.
- **Working Capital:** Working capital days not changed significantly.

Indian revenue surprise in Q2FY10 as highlighted in Q1FY10 result update:

Q2FY10 saw good traction in domestic operations from Govt, Education and Retail/ Individual segment. Corporate spending is expected to see an uptick in H2FY10. While we are currently factoring in revival in the domestic demand in FY10E (vs ~7% YoY growth forecast by MAIT; Redington would grow higher than the industry), we may be conservative in our estimates. This topline surprise would be complemented by steady margins as the sales mix improves from the high-end segment.

Additional triggers and ratings: Additional triggers include (1) Materializing of inorganic initiatives in H2FY10 that are expected to be EPS accretive and (2) Traction in Third Party Logistics Services (not factored in our estimates). We retain our sector **Outperformer** rating with increase in target price to Rs 336 (vs Rs 315 earlier).

Results update

(Rs mn)	Quarter ended					12 months ended		
	Sep-09	Sep-08	% Chg	Jun-09	% Chg	Mar-10E	Mar-09	% Chg
Net Sales	34,411	32,676	5.3	29,241	17.7	136,898	126,683	8.1
EBIDTA	739	704	5.1	707	4.6	3,504	3,147	11.3
Other income	56	44	28.9	44	29.2	171	149	15.0
PBIDT	796	747	6.5	750	6.0	3,675	3,296	11.5
Depreciation	41	31	29.3	32	26.1	172	127	35.1
Interest	152	263	(42.1)	164	(7.1)	564	978	(42.3)
PBT	603	453	33.0	554	8.8	2,939	2,190	34.2
Tax	130	111	17.6	120	8.6	676	500	35.2
Minority Interest	64	0	-	61	5.4	423	94	351.3
Adjusted PAT	408	342	19.3	373	9.3	1,840	1,597	15.2
EBIDTA margins (%)	2.1	2.2	(0.5) bps	2.4	(26.8) bps	2.6	2.5	7.5 bps
PBIDT margins (%)	2.3	2.3	2.5 bps	2.6	(25.4) bps	2.7	2.6	8.3 bps
EPS (Rs.)	5.2	4.4	19.3	4.8	9.3	23.6	20.5	15.2

Source: Company, ENAM Research

Segmental Breakup

(Rs mn)	Quarter ended			YoY chg (%)	QoQ Chg (%)
	Q2FY10	Q2FY09	Q1FY10		
Revenues					
India	16,801	16,613	13,539	1.1%	24.1%
Overseas	17,847	16,174	15,795	10.3%	13.0%
Total	34,648	32,786	29,334	5.7%	18.1%
Less: Inter-segment Revenues	185	75	50		
Net sales from operations	34,463	32,711	29,284	5.4%	17.7%
PBIT					
India	459	450	427	2.0%	7.3%
Overseas	297	268	291	10.8%	2.0%
Total	755	717	718	5.3%	5.1%
Less: Interest	152	263	164	-	-
PBT from operations	603	454	554	32.7%	8.8%
PBIT Margins					
India	2.73%	2.71%	3.16%		
Overseas	1.66%	1.65%	1.84%		
PBIT Margin	2.19%	2.19%	2.45%		
PBT Margin	1.75%	1.39%	1.89%		

Source: Company, ENAM Research

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