



ENAM Securities
India Research

CMP: Rs 84
Target Price: Rs 108
Potential Upside: 29%
Absolute Rating: BUY

Redington (India) Ltd

Relative to sector: **Outperformer**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 397 mn
Market cap : Rs 33.2 bn
52 week high/low : Rs 99/ Rs 67
Avg. daily vol. (6mth) : 334,200 shares
Bloomberg code : REDI IB
Reuters code : REDI.BO

Shareholding (%) Mar-11 QoQ chg

Category	Mar-11 (%)	QoQ chg
Promoters	28.9	(0.0)
FIs	31.2	(0.4)
MFs / UTI	3.6	(0.3)
Banks / FIs	0.0	0.0
Others	36.4	0.7

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2010	137,578	1,843	-	4.7	13.5	-	17.7	14.6	-
2011	174,585	2,260	-	5.7	22.6	-	20.0	16.0	-
2012E	212,501	2,763	7.4	7.0	22.3	12.0	21.4	18.6	8.2
2013E	246,023	3,285	9.0	8.3	18.9	10.1	21.9	20.6	7.2

Source: *Consensus broker estimates, Company, ENAM estimates

DELIVERING ON ALL FRONTS; FUTURE SOLID

Q4FY11 marked the second straight quarter of strong all-round growth for Redington– across geographies, verticals and biz segments. Growth in India was strong at 26% YoY. However, we were particularly impressed by the strong traction and market share gains in Int'l revs, esp. in the backdrop of political unrest in North Africa & Middle East. Int'l revs grew 23% YoY (ex-Arena). Redington declared consol. rev of Rs 54.5 bn (↑ 41% YoY & 19% QoQ), EBITDA of Rs 1.6 bn (↑ 32% YoY & 39% QoQ) & PAT of Rs 762 mn (↑ 24% YoY & 45% QoQ) in Q4FY11.

Key highlights:

- **Revenues:** While India grew 26% YoY; overseas rev rose 55% YoY. Even ex. Arena's contribution (~USD 140 mn; Q4 is also a seasonally strong qtr for Arena), growth in overseas rev was strong at 23% YoY.
- **EBITDA:** Growth led by smart phones & networking products in India.
- **PAT performance** was partially impacted by higher int. cost & taxes on account of strong growth in India rev & Arena consolidation.
- **NBFC:** Book size of Rs 6.5 bn at end-Q4FY11 (vs. Rs 5.6 bn at end Q3FY11) with leverage of ~1.5x. External clients at ~65% of sales.

Topline visibility continues to improve: Going forward, we believe the recent new sign-ups with Dell (as its national distributor for the commercial products – Laptops, Desktops, Servers, etc.) & Apple (for iPads) along with demand resurgence in overseas market will improve revenue visibility for FY12E/FY13E. Further, the continued traction in negative working capital biz such as smart phones/ non-IT (~18% rev share in Q4FY11) to have positive impact on margins.

Est./ Valuations: We forecast a CAGR of 19% in topline & 21% in PAT btw FY11-13E after factoring in higher taxes from Arena consolidation. We introduce FY13E EPS at Rs 8.3 and our revised target price is Rs 108 (13x FY13E) on the back of improved revenue visibility and uptrend in ROEs to ~22% in FY13E (vs. ~20% in FY11). Reiterate **BUY**.

Results update

(Rs mn)	Quarter ended					12 months ended		
	Mar-11	Mar-10	% Chg	Dec-10	% Chg	Mar-12E	Mar-11	% Chg
Net Sales	54,496	38,572	41.3	45,942	18.6	212,501	174,585	21.7
EBITDA	1,556	1,176	32.3	1,116	39.4	5,833	4,521	29.0
Other income	88	70	25.9	34	156.1	228	195	16.9
PBIDT	1,643	1,246	31.9	1,150	42.9	6,061	4,716	28.5
Depreciation	62	123	(49.5)	70	(11.1)	273	246	11.2
Interest	347	185	87.7	256	35.5	1,160	961	20.8
PBT	1,234	937	31.7	824	49.8	4,628	3,509	31.9
Tax	320	241	32.8	204	56.4	1,176	862	36.6
Minority Interest	153	82	86.3	93	65.0	688	388	77.5
Adjusted PAT	762	615	23.9	527	44.5	2,763	2,260	22.3
No. of shares (mn)	398	396	-	399	-	396	396	-
EBIDTA margins (%)	2.9	3.0	(19) bps	2.4	43 bps	2.7	2.6	16 bps
PBIDT margins (%)	3.0	3.2	(21) bps	2.5	51 bps	2.9	2.7	15 bps
EPS (Rs.)	1.92	1.55	23.4	1.32	45.1	7.0	5.7	22.3

Source: Company, ENAM Research

Segmental Breakup

(Rs mn)	Quarter ended			YoY Chg (%)	QoQ Chg (%)
	Q4FY11	Q4FY10	Q3FY11		
Revenues					
India	23,995	19,001	21,613	26.3	11.0
Overseas	30,599	19,688	24,403	55.4	25.4
Total	54,594	38,689	46,016	41.1	18.6
Less: Inter-segment Revenues	46	33	59	-	-
Net sales from operations	54,548	38,656	45,957	41.1	18.7
PBIT					
India	958	740	670	29.5	43.0
Overseas	623	382	410	63.1	52.0
Total	1,581	1,122	1,080	40.9	46.4
Less: Interest	347	185	256	-	-
PBT from operations	1,234	937	824	31.7	49.8
PBIT Margins (%)					
India	4.0	3.9	3.1	-	-
Overseas	2.0	1.9	1.7	-	-
PBIT Margin	2.9	2.9	2.4	-	-
PBT Margin	2.3	2.4	1.8	-	-

Source: Company, ENAM Research

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