

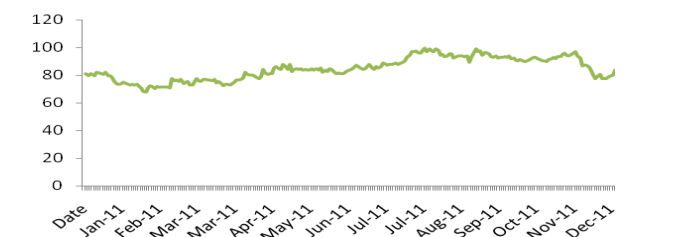
Event Update
Redington India Ltd

| | |
|-------------------------|---|
| Recommendation | BUY |
| CMP (22/12/2011) | Rs. 70 |
| Target | Rs.100 |
| Sector | Commodity Trading & Distribution |

Stock Details

| | |
|-----------------------------|-----------|
| BSE Code | 532805 |
| NSE Code | REDINGTON |
| Bloomberg Code | REDI |
| Market Cap (Rs. cr) | 3070 |
| Free Float (%) | 78.91 |
| 52- wk HI/Lo | 102/66.5 |
| Avg. volume BSE (Quarterly) | 52,341 |
| Face Value (Rs) | 2 |
| Dividend (FY11) | 55% |
| Shares o/s (Crs) | 79.6 |

| Relative Performance | 1Mth | 3Mth | 1Yr |
|----------------------|--------|--------|--------|
| Redington | -10.2% | -16.4% | -4.9% |
| Sensex | -6.1% | -9.2% | -22.7% |


Shareholding Pattern (%) 15/12/2011

| | |
|---------------------------|-------|
| Promoters Holding | 21.09 |
| Institutional (Incl. FII) | 46.22 |
| Corporate Bodies | 3.78 |
| Public & others | 28.91 |

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Proposal to Purchase Shares of subsidiary Redington International Holdings (RIHL) from a private equity investor Investcorp (IVC) by a wholly owned subsidiary of the Company Redington International Mauritius Ltd (RIML) for a consideration of \$ 113 mn. This would be funded by raising foreign debt of Rs. 450 crores and the remaining through internal accruals.

- In Nov 2008, IVC had bought 25.97% stake in RIHL for \$ 65 mn valuing it at \$ 239 mn. This was at valuations of 2.94 x P/BV and 15.8 x P/E. The current buyback of this stake by RIML at \$113mn was valued at 1.78x P/BV and 15.8x P/E.
- As per the agreement, in the 4th year after stake sale to IVC, Redington International Holding Ltd (RIHL) was supposed to be listed but due to the uncertain environment, the IPO plan got cancelled and now the stake purchase by Redington International Mauritius Ltd (RIML) will take place.
- After this, RIML will have 95.96% stake in RIHL and the balance would be with employees which the management may later buy from them and swap it with Redington (India) which is expected to take place in mid next year.
- Debt at the end of Sept 2011 is Rs 1350 (~Rs 700 India debt and Rs.650 overseas) and at the end of March 2012 it is expected to be Rs 1800 crs net of cash. Cash at the end of Sept 2011 is ~Rs 530 crs.
- The company is planning to raise a debt of Rs.450 crores overseas and the rest would be funded internally through cash.
- Management also plans to increase its stake in Arena, however due to the prevailing market conditions, they are timing out the buy-out.

Valuation & Recommendations

Rupee has depreciated almost by 7% during the current quarter and this would impact Redington India's India business which accounts for almost 48% to the revenues. However, we believe the company would pass this raise in import costs to the consumers mitigating the impact. However, some pressure in margins could be expected in the Q3FY12 and thus have reduced the earnings estimates for FY12E by 3% to Rs.7.2.

We believe increase in stake in the holding company would be EPS accretive in 2013E for the company and profits would be higher by 9% from our earlier estimates at Rs.360 crores in FY13E. We continue to have a positive outlook on the company and recommend a BUY for the stock. At CMP, the stock is trading at 9.7x its FY12E earnings and looks attractive.

| Year | Net Sales | Growth % | EBITDA | Margin % | PAT | Margin | EPS | PE | EV/S |
|----------|-----------|----------|--------|----------|-----|--------|-----|------|------|
| FY 2010A | 13,758 | 8.6% | 366 | 2.66% | 184 | 1.3% | 4.7 | 15.0 | 0.4 |
| FY 2011A | 17,459 | 26.9% | 472 | 2.70% | 226 | 1.3% | 5.7 | 12.3 | 0.4 |
| FY 2012E | 21,533 | 23.3% | 597 | 2.77% | 287 | 1.3% | 7.2 | 9.7 | 0.3 |
| FY 2013E | 24,807 | 15.2% | 690 | 2.78% | 360 | 1.5% | 9.0 | 7.7 | 0.3 |

| Profitability (Rs. In Cr) | FY10A | FY11A | FY12E | FY13E |
|-----------------------------|--------------|--------------|--------------|--------------|
| Net Sales | 13778 | 17478 | 21533 | 24807 |
| % change | 8.8% | 26.9% | 23.2% | 15.2% |
| EBITDA | 366 | 472 | 597 | 690 |
| EBITDA growth (%) | 16.2% | 29.0% | 26.6% | 15.5% |
| Depn | 23 | 25 | 29 | 40 |
| Op. Income | 342 | 447 | 568 | 650 |
| Interest expense | 66 | 96 | 125 | 152 |
| PBT | 276 | 351 | 448 | 502 |
| Tax | 64 | 86 | 110 | 123 |
| PAT before minority | 212 | 265 | 338 | 379 |
| Minority Interest | 28 | 39 | 51 | 19 |
| PAT for shareholders | 184 | 226 | 287 | 360 |
| Shares o/s (No. in Cr.) | 79.6 | 79.6 | 79.6 | 79.6 |
| EPS | 4.7 | 5.7 | 7.2 | 9.0 |
| Cash EPS | 5.2 | 6.3 | 7.9 | 10.1 |

| Quarterly (Rs. In Cr) | Dec.10 | Mar.11 | June.11 | Sept.11 |
|-----------------------|-------------|-------------|-------------|-------------|
| Total Income | 4596 | 5455 | 5202 | 5436 |
| EBITDA | 113 | 161 | 138 | 137 |
| Depn | 7 | 6 | 7 | 8 |
| Op Income | 106 | 155 | 131 | 129 |
| Interest expense | 26 | 35 | 33 | 36 |
| Other Income | 2 | 4 | 1 | 2 |
| PBT | 82 | 123 | 98 | 95 |
| Tax | 20 | 32 | 26 | 27 |
| Minority Interest | 9 | 15 | 11 | 7 |
| PAT | 53 | 76 | 62 | 61 |
| Diluted EPS (Rs.) | 1.3 | 1.9 | 1.5 | 1.5 |

| Performance Ratio | FY10A | FY11E | FY12E | FY13E |
|-------------------|-------|-------|-------|-------|
| PAT growth (%) | 15.5% | 22.6% | 26.8% | 25.6% |
| EBITDA margin (%) | 2.66% | 2.70% | 2.77% | 2.78% |
| PAT margin (%) | 1.3% | 1.3% | 1.3% | 1.5% |
| ROE (%) | 17.7% | 20.0% | 20.3% | 20.2% |

| Valuation Ratio | FY10A | FY11A | FY12E | FY13E |
|------------------------|-------|-------|-------|-------|
| Price Earnings (x) | 15.0 | 12.3 | 9.7 | 7.7 |
| Price / Book Value (x) | 5.2 | 4.7 | 3.4 | 2.9 |
| EV / Sales | 0.4 | 0.4 | 0.3 | 0.3 |
| EV / EBITDA | 16.9 | 14.2 | 11.9 | 10.3 |

Source: Company Data, Nirmal Bang

| Financial Health (Rs. In Cr) | FY10A | FY11A | FY12E | FY13E |
|------------------------------|-------------|-------------|-------------|-------------|
| Share Capital | 79 | 79 | 79 | 79 |
| Reserves & Surplus | 997 | 1110 | 1553 | 1856 |
| Minority Interest | 240 | 341 | 104 | 124 |
| Net Worth | 1316 | 1531 | 1737 | 2059 |
| Total Loans | 1149 | 1590 | 2060 | 2230 |
| Total Liabilities | 2465 | 3121 | 3797 | 4289 |
| Net Fixed Assets | 97 | 148 | 169 | 189 |
| Deferred Tax Assets | 3 | 6 | 8 | 10 |
| Inventories | 983 | 1583 | 1954 | 2122 |
| Sundry Debtors | 1816 | 2548 | 3127 | 3602 |
| Cash & Bank | 583 | 481 | 539 | 691 |
| Loans & Advances | 152 | 236 | 323 | 347 |
| CA L&A | 3534 | 4848 | 5943 | 6762 |
| CL & P | 1169 | 1882 | 2323 | 2672 |
| Working Capital | 2364 | 2967 | 3620 | 4091 |
| Total Assets | 2465 | 3121 | 3797 | 4289 |

| Cash Flow (Rs. In Cr) | FY10A | FY11A | FY12E | FY13E |
|---------------------------|------------|-------------|-------------|------------|
| Net Income | 276 | 351 | 448 | 502 |
| Change in WC | -284 | -451 | -669 | -337 |
| Other Adjustment | 20 | 29 | 46 | 71 |
| CF from Operating | 11 | -71 | -175 | 235 |
| Capex | -35 | -56 | -50 | -60 |
| Other Investment | -19 | -180 | -122 | -34 |
| CF from Investing | -53 | -236 | -172 | -94 |
| Dividend Paid | -37 | -46 | -74 | -93 |
| Share Capital | 0 | 0 | 0 | 0 |
| Borrowings and Interest | 109 | 240 | 370 | 74 |
| CF from Financing | 84 | 195 | 296 | -19 |
| Net Chg. in Cash | 42 | -109 | -46 | 113 |
| Eff of exch diff on trans | -101 | -7 | 104 | 40 |
| Cash at begin (incl dep) | 641 | 597 | 481 | 539 |
| Cash at end | 583 | 481 | 539 | 691 |

| Per Share Data | FY10A | FY11E | FY12E | FY13E |
|--------------------|-------|-------|-------|-------|
| EPS | 4.7 | 5.7 | 7.2 | 9.0 |
| BV per share | 13.5 | 14.9 | 20.5 | 24.3 |
| Cash per share | 2.3 | 6.0 | 6.8 | 8.7 |
| Dividend per share | 0.43 | 0.44 | 0.44 | 0.44 |

NOTE

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