

Retail Research	IPO Note
Sector: Information and Communication Technology	Price Band (Rs): 295 - 311
7th February 2024	Recommendation: Subscribe for Long Term Horizon

Rashi Peripherals Limited

Company Overview:

Rashi Peripherals Limited is amongst the leading national distribution partners for global technology brands in India for Information and Communications Technology (ICT) products in terms of revenues and distribution network in FY23. The company is also one of the fastest-growing national distribution partners for global technology brands in India in terms of revenue growth between FY21 and FY23. The company differentiates itself by offering end-to-end services such as pre-sale activities, solutions design, technical support, marketing services, credit solutions and warranty management services.

Key Highlights:

1. Business verticals:

Personal Computing, Enterprise and Cloud Solutions (PES): Under this vertical the company distributes personal computing devices, enterprise solutions, embedded designs/ products and cloud computing.

Lifestyle and IT essentials (LIT): This includes the distribution of products such as (a) Components that include graphic cards, central processing units (CPUs) and motherboards, (b) Storage and memory devices, (c) Lifestyle peripherals and accessories that include keyboard, mice, web cameras, monitors, wearables, casting devices, fitness trackers and gaming accessories, (d) Power equipment such as UPS and invertors and (v) networking and mobility devices.

2. Distribution Network and Channels: The company's pan-India distribution network comprises of 50 branches that operate for sales and as service centers and 63 warehouses as of 1HFY24. Through the branches and warehouses, the company is able to cover 680 locations in India, as of 1HFY24. The company distributes products through the following channels: **(a) General Trade:** The company has 8,402 channel partners, which include hybrid resellers, regional distributors, retailers, brand stores, system integrators, OEMs and corporate resellers. **(b) Modern Trade:** Includes large format retail (LFR), multi-format retail (MFR) and small format retail (SFR) chains. **(c) E-Commerce:** Includes certain of India's leading online marketplaces.

3. Global Technology Brands: The company is the national distribution partner for 52 global technology brands since Sep'23. The company's partnership covers various product categories, including personal computing, mobility, enterprise, embedded solutions, components, lifestyle, storage, memory devices, power, and accessories. These brands include ASUS Global, Dell, HP, Lenovo, Logitech, NVIDIA, Intel, Western Digital, Schneider Electric, Eaton, ECS, Belkin, TPV, LG Electronics, Toshiba, Harman International and more.

Valuation: The company is valued at FY23 PE and EV/EBITDA multiple of 16.6x and 12.2x respectively, at the upper price band on post-issue capital. The revenue from operations grew at a CAGR of 26.3% from Rs 5,925.1 cr in FY21 to Rs 9,454.3 cr in FY23 and was Rs 5,468.5 cr in 1HFY24. The company's total borrowings as of 1HFY24 stood at Rs 1,395 cr, Debt/Equity ratio of 1.8x. The company is raising Rs 600 cr through fresh issue, amongst which the company will use the part of the proceeds to reduce debt (Rs 326 cr) and fund working capital requirement. This will significantly reduce the Debt/Equity ratio to 0.8x on post issue capital. We recommend investors to subscribe to the issue for long-term investment horizon.

Issue Details	
Date of Opening	7 th February 2024
Date of Closing	9 th February 2024
Price Band (Rs)	295 - 311
Fresh Issue (Rs cr)	600
Issue Size (Rs cr)	600
No. of shares	2,03,38,983 – 1,92,92,605
Face Value (Rs)	5
Post Issue Market Cap (Rs cr)	1,975 – 2,049
BRLMs	JM Financial Limited, ICICI Securities Limited
Registrar	Link Intime India Private Limited
Bid Lot	48 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Prepayment or scheduled re-payment of all or a portion of certain outstanding borrowings availed by the Company	326
Funding working capital requirements of the Company	220
General corporate purpose	-
Net proceeds	-

[^] To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	4,17,83,490	89.7
Public & Others	48,23,571	10.3
Total	4,66,07,061	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	4,17,83,490	62.4
Public & Others	2,51,62,554	37.6
Total	6,69,46,044	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	4,17,83,490	63.4
Public & Others	2,41,16,176	36.6
Total	6,58,99,666	100.0

Source: RHP, SSL Research

Key Financials

Particulars	FY21	FY22	FY23	1HFY24
Revenue from operation (Rs cr)	5,925	9,313	9,454	5,469
EBITDA (Rs cr)	209	297	253	161
PAT (Rs cr)	130	182	123	76
EBITDA Margin (%)	3.5	3.2	2.7	2.9
PAT Margin (%)	2.2	2.0	1.3	1.4
EPS	31.2	43.6	29.5	18.2
ROE (%)	33.1	31.7	17.6	9.9
ROCE (%)	23.5	20.1	14.2	7.2
Total Debt / Equity (x)	1.2	1.5	1.5	1.8

** Not Annualized*

Source: RHP, SSL Research

Risk Factors

- **Revenue concentration:** The company is dependent on various global technology brands for the products it distributes. In FY21, FY22 and FY23 and for 1HFY23 and 1HFY24, revenues generated from distribution of products of the top eight global technology brands amounted to 83.2%, 82.4%, 82.1%, 82.5% and 82.4% respectively, of the revenue from operations. Any delay or failure on part of such global technology brands to supply products may materially and adversely affect the business, profitability and reputation.
- **Dependent on global technology brands:** The company's business is dependent on global technology brands effectively maintaining, promoting or developing their brands and maintaining standard quality products including launching new information and communications technology products at regular intervals.
- **Relationship with channel partners:** If the company is unable to maintain the relationships with the channel partners or customers or if any of these parties change the terms of their arrangements with the company, the business could be materially and adversely affected.
- **Gross margins:** The company's gross margins are low which magnifies the impact of variation in revenue, operating costs, bad debts and interest expense on the operating results.

Growth Strategy

- Increase wallet share with global technology brands for existing portfolio.
- Diversify product and solutions offerings and focus on emerging digitization trends.
- Grow portfolio of global technology brands.
- Deepen penetration across India and widen channel network.
- Further leverage technology and digital infrastructure to drive enhanced upselling, cross selling and improve efficiencies.

Relationship with the Global Technology Brands/Operational Information

Period	No. of global technology brands	No of global technology brands with relationship over 10 years	% of revenue from operation from global technology brands with relationship of over 10 years
FY21	45	12	80%
FY22	50	12	79%
FY23	53	11	80%
1HFY24	52	11	78%

Source: RHP, SSL Research

Particulars	FY21	FY22	FY23	1HFY23	1HFY24
Warehouses	58	58	65	62	63
Service centres	51	50	50	50	50
General trade	8,827	9,395	9,990	8,657	8,402
Modern trade	4	3	3	3	3
E-commerce	3	3	3	3	2
Global technology brands	45	50	53	48	52
Branches	51	50	50	50	50
Locations	664	678	733	730	680
SKUs	11,883	13,828	14,677	10,195	10,508
Units	2,34,18,825	2,84,02,415	3,43,81,347	1,66,32,871	1,89,67,049
Others	8,090	7,110	7,611	5,360	4,710

Warehouse refers to a Company-operated storage facility where inventory from global technology brands is stored.

Service Centre refers to a place where carry in-warranty services are provided to end-users.

General Trade includes Hybrid Resellers, RDs, stockist partners, retailers, brand stores, SIs, OEMs and corporate resellers.

Modern Trade includes LFR, MFR and SFR.

E-commerce refers to online marketplaces.

Branches refers to an office operated by our Company in a particular city.

Locations refers to cities and towns where we invoice directly.

SKUs refers to number of products.

Units refers to the quantity of products.

Others refers to distribution channels utilized by our Subsidiary, Znet Technologies Private Limited, for provision of its services.

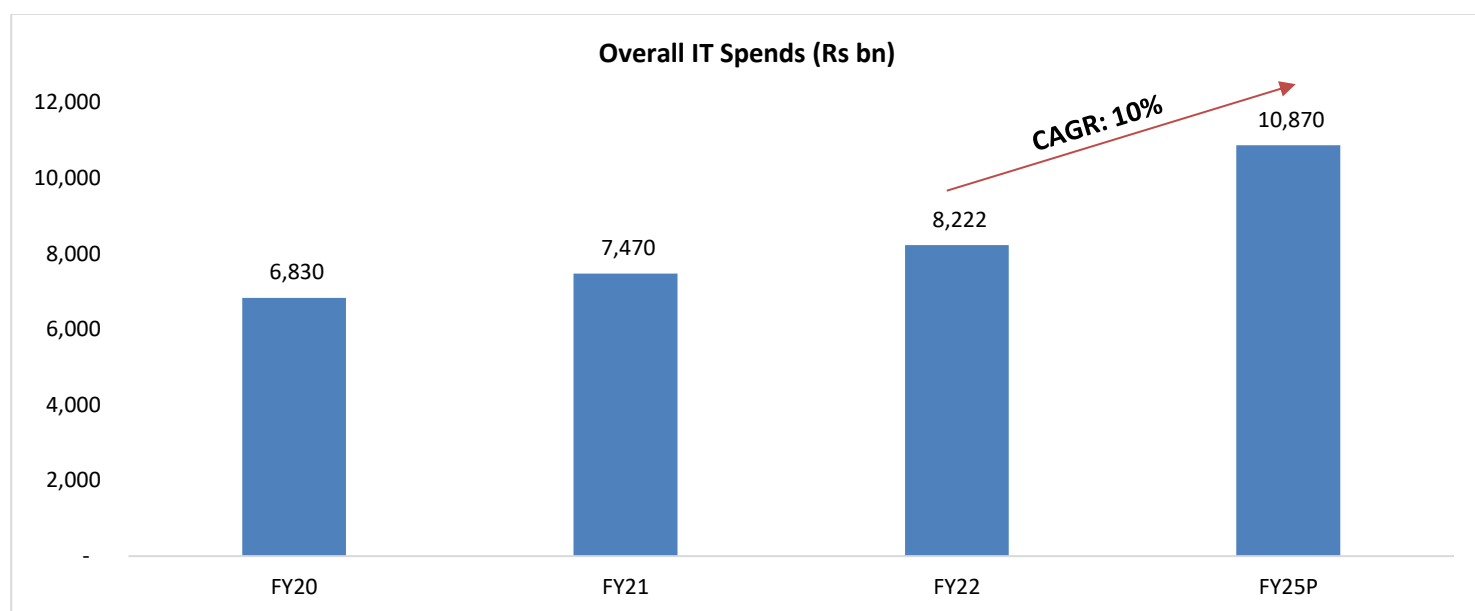
Source: RHP, SSL Research

Industry Overview

India's ICT Industry size is expected to reach Rs 10,870 bn (approximately USD 136 bn) by 2025P

India's IT spends includes the IT spends on the products (hardware, software) and services. In FY22, all subsegments within IT spends have depicted growth, however devices, enterprise software and IT services have grown fastest in last two years owing to the positive impact of the pandemic on technology industry. IT spending is projected to reach a value of Rs 10,870 bn by FY25 growing at a CAGR of 10%.

(Rs bn)	FY20	FY21	FY22	FY25P	CAGR (FY22-FY25)
Communications and IT services	2,950	3,160	3,377	3,841	4%
Datacentre system	190	210	265	307	5%
Devices	3,100	3,400	3,634	5,410	14%
Enterprise software	590	700	947	1,312	11%
Overall IT	6,830	7,470	8,222	10,870	10%



Source: RHP, SSL Research

Size and Growth of Personal Computers and Accessories market in India

The Indian PC market includes desktops, laptops, notebooks and the accessories which includes printers, external storage and other components. The total market size of PCs is estimated at Rs 989 bn (USD 12.4 bn) in FY22, growing at 9% from FY15 - FY20 and is expected to grow at a stable CAGR of 14% from FY22 – FY25 with market size of Rs 1,473 bn (USD 18.4 bn) by FY25. The Indian PC shipments grew from a total of approximately 9 mn units in 2018 to approximately 15.2 mn units in FY22, registering a CAGR of 14% in the same period in terms of volume. Market size of PCs including laptops, desktops and assembled PCs is Rs 730 bn (USD 9.1 bn) in FY22 and is expected to grow to Rs 1,131 bn (USD 14.1 bn) by FY25. In assembled desktops, the market size in FY22 is Rs 201 bn (USD 2.5 bn) and is expected to grow to Rs 282 bn (USD 3.5 bn) by FY25.

(1) Size of Personal Computers in units (Mn)

(in units)	FY18	FY19	FY20	FY21	FY22	FY23P	FY24P	FY25P	CAGR (FY18-FY22)	CAGR (FY22-FY25P)
PCs (including Desktops, Assembled Desktops, Laptops)	9	10	12	15	16.7	17	19	20	16.70%	6.20%

Source: RHP, SSL Research

(2) Size of Personal Computers, Tablet and Accessories (Rs bn)

(Rs bn)	FY15	FY20	FY21	FY22	FY25P	CAGR (FY15-FY20)	CAGR (FY21-FY25P)
PCs (including Dekstops, Assembled Desktops, Laptops)	444	680	727	730	1,131	9%	12%
Tablets	91	76	97	110	123	-4%	6%
Accessories	13	15	15	17	19	3%	5%
Printer	8	29	43	51	80	31%	17%
Storage	15	47	70	81	120	26%	14%
Supplies	571	857	952	989	1,473	8.20%	12%

PCs include laptops, notebooks, desktops (all-in-one) and does not include assembled assembled desktops.

Average price of PC in 2022 is RS 45,000 and in 2025 is Rs 50,000.

Average price of Printer in 2022 is Rs 4,500 and in 2025 is Rs 5,000.

Source: RHP, SSL Research

(3) Break-up of Personal Computers (Rs bn)

(Rs bn)	FY15	FY21	FY22	FY25P	CAGR (FY21-FY25P)
Laptops	266	482	484	785	13%
Desktops (All in one)	22	45	45	64	9%
Assembled Desktops	155	200	201	282	9%
Total	444	727	730	1,131	12%

Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	5,925	9,313	9,454
YoY growth (%)	-	57.2%	1.5%
Cost Of Revenues (incl Stock Adj)	5,579	8,798	8,914
Gross Profit	346	516	540
Gross margins (%)	5.8%	5.5%	5.7%
Employee Cost	79	114	136
Other Operating Expenses	59	105	151
EBITDA	209	297	253
EBITDA margins (%)	3.5%	3.2%	2.7%
Other Income	7	8	15
Net Interest Exp.	29	54	86
Depreciation	8	12	17
Exceptional Items	0	0	0
PBT	179	240	165
Tax	43	57	41
PAT	130	183	123
PAT margin (%)	2.2%	2.0%	1.3%
EPS	31.2	43.6	29.5

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	53	62	70
Capital WIP	3	0	4
Intangible Assets under development	5	4	3
Other Non current Assets	36	53	49
Current Assets			
Current Investment	0	0	0
Inventories	573	1,199	1,493
Trade receivables	792	1,152	872
Cash and Bank Balances	29	45	35
Short-term loans and advances	6	2	0
Other Current Assets	97	153	274
Total Current Assets	1,497	2,552	2,673
Current Liabilities & Provisions			
Trade payables	664	1,128	956
Other current liabilities	28	61	51
Short-term provisions	3	5	7
Total Current Liabilities	695	1,194	1,014
Net Current Assets	802	1,357	1,659
Total Assets	899	1,476	1,785
Liabilities			
Share Capital	1	21	21
Reserves and Surplus	393	554	679
Total Shareholders Funds	394	575	700
Minority Interest	3	3	-2
Total Debt	489	882	1,066
Long Term Provisions	1	3	1
Other Long Term Liabilities	1	3	13
Net Deferred Tax Liability	11	10	7
Total Liabilities	899	1,476	1,785

(Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	-110	-315	-115
Cash flow from Investing Activities	-1	-6	-4
Cash flow from Financing Activities	134	338	108
Free Cash Flow	-116	-327	-126

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	8.2	6.8	4.4
Return on Capital Employed (%)	23.5	20.1	14.2
Return on Equity (%)	33.1	31.7	17.6
Margin Analysis			
Gross Margin (%)	5.8	5.5	5.7
EBITDA Margin (%)	3.5	3.2	2.7
Net Income Margin (%)	2.2	2.0	1.3
Short-Term Liquidity			
Current Ratio (x)	1.3	1.3	1.3
Quick Ratio (x)	0.8	0.7	0.6
Avg. Days Sales Outstanding	49	45	34
Avg. Days Inventory Outstanding	35	47	58
Avg. Days Payables	41	44	37
Fixed asset turnover (x)	111.7	151.1	135.4
Debt-service coverage (x)	0.4	0.3	0.2
Long-Term Solvency			
Total Debt / Equity (x)	1.2	1.5	1.5
Interest Coverage Ratio (x)	7.2	5.5	2.9
Valuation Ratios			
EV/EBITDA (x)	8.4	7.2	9.2
P/E (x)	10.0	7.1	10.5
P/B (x)	3.3	2.3	1.9

Peer Comparison

	Rashi Peripherals Ltd	Redington India Ltd
CMP (Rs)	311.0	208.0
Sales (Rs cr)	9,454.3	79,377.0
EBITDA (Rs cr)	252.9	2,203.0
Net Profit (Rs cr)	123.3	1,439.0
Mkt. Cap (Rs cr)	2,049.5	16,269.0
Enterprise Value (Rs cr)	3,080.6	18,318.0
EBITDA Margin (%)	2.7	2.8
Net Margin (%)	1.3	1.8
PE (x)	16.6	11.3
EV/EBITDA (x)	12.2	8.3
RoE (%)	17.6	21.9
RoCE (%)	14.2	24.9

The data is based on FY23 financial data.

For Rashi Peripherals Limited the Market cap, PE(x), and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 06th February 2024.

Source: RHP, SSL Research

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485 | Research Analyst Registration No INH000000602

SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602

Portfolio Manager: INP000004912 | IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103

Registered & Corporate Office: Marathon Futorex, A Wing, 12th Floor, N. M. Joshi Marg, Lower Parel, Mumbai-400013.

For any information contact us:

022-6854 5555**E-mail: helpdesk@sbicapsec.com | Web: www.sbisecurities.in****DISCLOSURES & DISCLAIMERS:**

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Name	Qualification	Designation
Sudeep Shah	MMS-Finance	DVP- Technical & Derivative Research
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Harsh Vasa	CA	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
Sweta Padhi	MBA (Finance)	Research Analyst - Equity Fundamentals
Uday Chandgothia	B-Tech, MBA (Finance)	Research Associate - Equity Fundamentals
Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Pratik Patni	BSc (Biotech Entire)	Research Analyst- Equity Derivatives
Ghanshyam Gupta	MBA (Finance)	Research Analyst- Currency Derivative
Sagar Peswani	B.Tech (ECE)	Research Associate - Equity Technicals
Kalpesh Mangade	B.Com	MIS Analyst - Retail Research

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