

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	6,000
Offer for Sale	-
<b>Total</b>	<b>6,000</b>
<b>Post issue mkt cap (Rs. bn)*</b>	<b>20.5</b>
<b>Lot size</b>	<b>48</b>

\*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
<b>Total</b>	<b>100%</b>
Indicative Offer Timeline	
	Indicative Date
Bid/Offer Opening Date	07-02-2024
Bid/Offer Closing Date	09-02-2024
Finalization of the Basis of Allotment	12-02-2024
Initiation of refunds	13-02-2024
Credit of shares	13-02-2024
Listing Date	14-02-2024
Use of Proceeds	
Debt payment (Rs. 3,260mn)	
Working capital requirements (Rs. 2,200mn)	
General Information	
<b>Manager:</b> JM Financial, ICICI Securities	
<b>Registrar:</b> Link Intime India Pvt Ltd	

## Leading ICT products distributor with pan-India presence...

### Company Overview

- ⇒ Rashi Peripherals Ltd are among the leading national distribution partners for global technology brands in India for information and communications technology (“ICT”) products.
- ⇒ Company was incorporated in 1989 and has more than 34 years of experience in distribution of ICT products in India.
- ⇒ Company commenced its operations with manufacturing of peripherals and with liberalization in 1991, company transitioned its business to distribution of ICT products.
- ⇒ Company primarily operates in two business verticals:
  - ◆ Personal Computing, Enterprise, and Cloud Solutions (“PES”) under this vertical they distribute personal computing devices, enterprise solutions, embedded designs/ products and cloud computing.
  - ◆ Lifestyle and IT essentials (“LIT”) which includes the distribution of products such as graphic cards, CPUs and motherboards, storage devices, keyboard, mice, web cameras, monitors, wearables, casting devices, fitness trackers and gaming accessories, UPS and invertors, and networking and mobility devices.
- ⇒ Company’s pan-India distribution network comprises 50 branches that operate for sales and as service centers and 63 warehouses. Through its distribution network the company covers 680 locations.
- ⇒ Company has sold 10,508 types of ICT products or stock keeping units (SKU’s).
- ⇒ As of September 30, 2023, company is a national distribution partner for 52 global technology brands. This includes ASUS, Dell, HP India, Lenovo, Logitech, NVIDIA, Intel Americas and many more.
- ⇒ Company distributes its products primarily through general trade, modern trade, and ecommerce.
- ⇒ Company also works with global technology to offer market intelligence, channel engagement strategies, competitive benchmarking and assist in formulation of entry strategies into India for global technology brands that currently do not have or have limited presence in the country.

### Valuation and Outlook:

On post-issue basis, the IPO is priced at 13.5x FY24E annualized EPS which is in-line with the valuation of the competitor that is Redington. Rashi Peripherals is a leading distributor for global technology brands, with distribution of 52 brands under its name. Company has 10k SKU’s and has significant market share in various ICT products. Its Revenue/EBITDA has grown at a CAGR of 26%/10% over FY21-23. Additionally the ICT industry is expected have double digit growth on account of increasing usage of technology, increasing digital penetration in Tier-2, Tier-3 cities and support from government. Overall the company has good financial track record and robust distribution network. Govt’s push towards digitization and favorable industry factors makes this IPO an attractive proposition. We thus give a SUSCRIBE rating for the issue.

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## Rashi Peripherals Ltd

### Key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	H1FY23	H1FY24
Revenue	59,250	93,134	94,543	50,239	54,685
EBITDA	2,085	2,967	2,529	1,280	1,609
EBITDA margin	3.5%	3.2%	2.7%	2.5%	2.9%
PAT	1,304	1,821	1,233	706	762
PAT margin	2.2%	2.0%	1.3%	1.4%	1.4%
ROCE	23%	19%	13%	7%	7%

### Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	89.7%	63.4%
Public	10.3%	36.6%
Total	100.0%	100.0%

\* At upper price band

### Key Risks:

**Vendor concentration:** Company derives a huge part of its revenue from its top 8 customers. For H1FY24, it was 82.39% of the total revenue from operations. So any delay or failure on part of such global technology brands to supply products may materially and adversely affect their business, profitability and reputation.

**Contractual risk:** Company's contracts with global technology brands are typically without any commitment to a specific volume of business or future work. Its business is dependent on the decisions and actions of the global technology brands they serve, and there exist a number of factors relating to the global technology brands they serve that are outside their control that might result in the termination of a contract or the loss of a global technology brand. In the past, the company has experienced one instance where their distribution agreement with a global technology brand which contributed a significant portion of their revenues in FY18 was terminated during the period without cause.

**Negative Cash flows:** Company has had negative cash flow in the past due high working capital requirements. Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact their ability to operate their business and implement their growth plans.

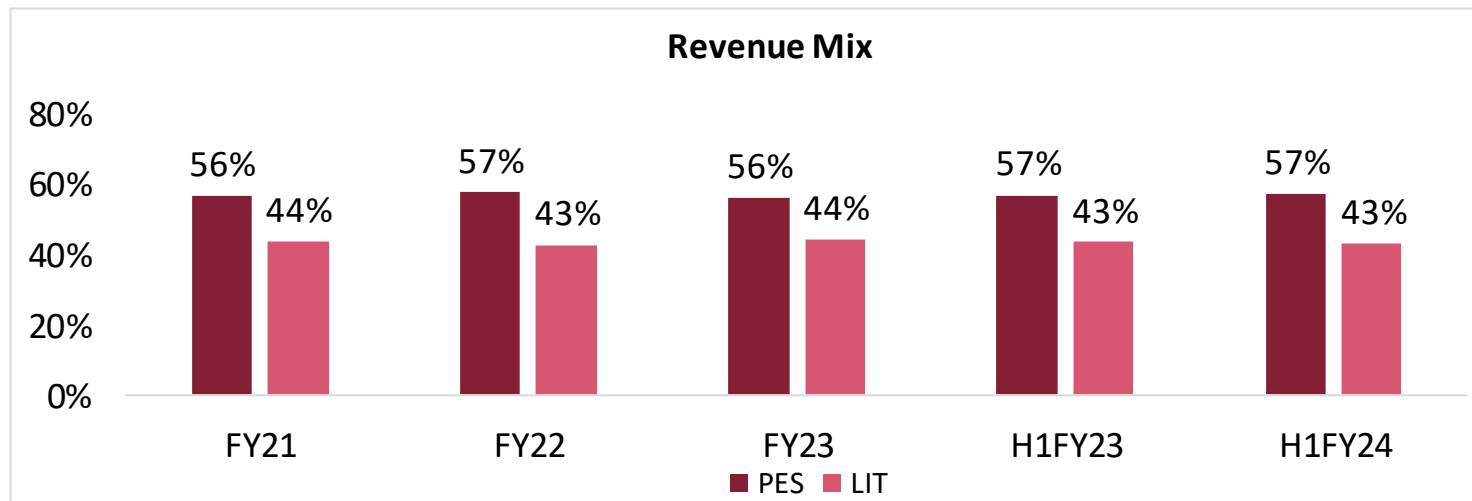
**Credit Risk:** Company extends credit to their Channel Partners and other customers for a significant portion of their sales to them. Resellers have a credit period of 30 to 60 days after the date of invoice, to make payment. In H1FY24, 93% of the sales were done on credit. If the company is unable to receive the payments this will significant affect the cash flow the company.

## Rashi Peripherals Ltd

### Key performance Indicators

Particulars	FY21	FY22	FY23	H1FY23	H1FY24
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 (in mn)	23	28	34	17	19
Others	8,090	7,110	7,611	5,360	4,710

Verticals / Sub-Segments	Market share of the company
<b>PES</b>	
-Laptops	10%
-Desktops	10%
-Routers	33%
-Switches	10%
<b>LIT</b>	
-CPUs	45%
-Motherboard	25%
-Graphic	47%
-Hard Drives	29%
-Pen Drives	42%
-Keyboards	21%
-Monitors	27%
-UPS	13%



# Rashi Peripherals Ltd

## Industry overview

### ICT industry Overview

- The ICT sector significantly contributes the country's GDP, ICT sector includes value arising from Information Technology enabled Business Process Outsourcing (ITeBPO), e-commerce, domestic electronics manufacturing, digital payments, digital communication services (including telecom), etc.
- India's ICT Industry size is expected to reach Rs. 1,087 bn (approximately \$136 bn) by 2025P.
- India's IT Spends includes the IT spends on the products (hardware, software) and services. In 2022, all sub-segments 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

Major Indicators	India	China	United States	Singapore	Japan
Internet Users (Mn)	846 (63%)	1,050 (70%)	311.3 (93%)	5.81 (97%)	118.3 (94%)
Mobile internet Users as a share of Total Internet Users	77%	93%	90%	93%	92%
Mobile Internet Users (Mn)	821 (97%)	1,039.5 (99%)	287.5 (84%)	5.1 (89%)	116.4 (80%)
Cost per GB (USD)	0.17	0.52	5.62	0.61	3.85
Online Shoppers (Mn)	185	710	263	3.3	NA

Segments	2020	2021	2022	2025(P)	CAGR (2022-25)
Communications and IT Services	2,950	3,160	3,377	3,841	4%
Datacentre Systems	190	210	265	307	5%
Devices (PC, Mobile and Accessories)	3,100	3,400	3,634	5,410	14%
Enterprise Software	590	700	947	1,312	11%
Total	6,830	7,470	8,223	10,870	10%

# Rashi Peripherals Ltd

## Industry overview

### Personal Computing 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 (\$12.36 bn) in 2022, growing at 9% from 2015-20 and is expected to grow at a stable CAGR of 14% from 2022-25 with market size of Rs. 1,473 bn (\$18.41 bn) by 2025.
- Market size of PCs including laptops, desktops and assembled PCs is Rs. 730 bn (USD 9.13 bn) in 2022 and is expected to grow to Rs. 1,130 bn (USD 14.13 bn) by 2025.

	2015	2020	2021	2022	2025	CAGR (2021-25P)
PCs (including Desktops, Assembled Desktops, Laptops)	444	680	727	730	1,131	12%
Tablets	91	76	97	110	123	6%
<b>Accessories</b>						
Printer	13	15	15	17	19	5%
Storage	8	29	43	51	80	17%
Supplies	15	47	70	81	120	14%
Total	571	847	952	989	1473	11.50%

# Rashi Peripherals Ltd

## Company's Presence in the value chain



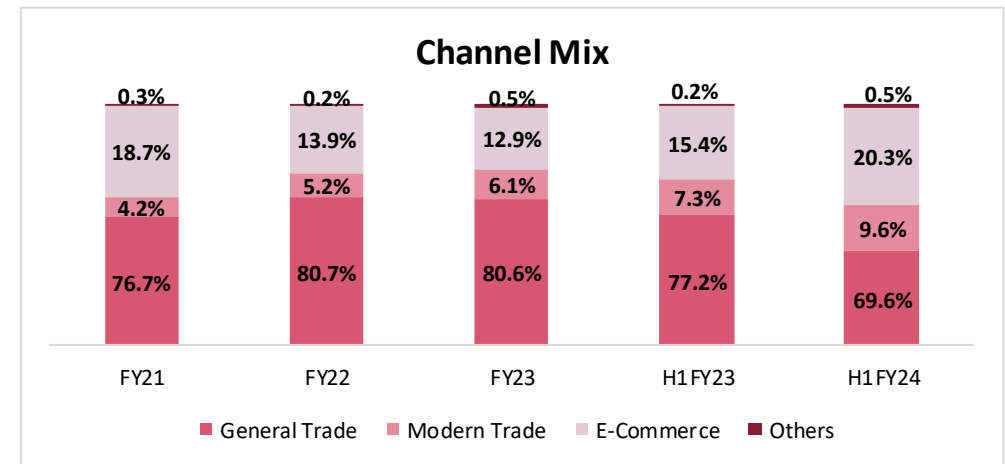
# Rashi Peripherals Ltd

## Strengths

### ⇒ Pan-India and multi-channel distribution footprint backed by dedicated in-house infrastructure

- Company operates branches in 50 cities that operate as sales and service centers and warehouses, covering 680 locations in 28 States and Union Territories in India through an ecosystem of 8,407 customers, as of September 30, 2023.
- Company maintains a multi-channel mix to avoid risks associated with dependence on any single channel. Its channel mix primarily comprises General Trade, Modern Trade and E-commerce channels. Their multi-channel mix also allows them to serve a diverse customer base.

Particulars	FY21	FY22	FY23	H1FY23	H1FY24
Total customers	8,834	9,401	9,996	8,663	8,407
% of revenue from operations from Repeat Customers*	89.1%	90.5%	91.7%	97.0%	99.3%



### ⇒ Long-term relationships with customers

- Company maintains long-term relationships with several marquee global technology brands from whom they procure ICT products that they supply to their customers.
- Company also provide advertisements on behalf of global technology brands in technology and consumer media publications and regularly participate in media events.

Length of agreements with its customers								
Brands	ASUS	Logitech	Lenovo	HP India	Dell	NVIDIA	Western Digital	Intel
No of Years	25	12	13	12	8	7	8	9

## Rashi Peripherals Ltd

### Strategies

#### ⇒ **Increase wallet share with global technology brands**

- As part of the strategy, company intends to leverage their existing distribution capabilities, offerings and experience to increase wallet share from existing global technology brands. With their multiple warehouses present across India, they can stock additional inventory and also facilitate faster delivery of the products
- Company also intends to increase their geographic penetration of existing global technology brands into different states and in particular focus on tier II and tier III cities

#### ⇒ **Diversify product and solutions offerings and focus on emerging digitization trends**

- Company aims to establish a presence across the entire IT value chain as an end-to-end technology solutions provider in addition to targeting emerging product areas.
- Company also plan to target emerging IT product segments in their developmental stages and establish product experience allowing us to keep the broad product line current with emerging trends.

#### ⇒ **Grow portfolio of global technology brands**

- Going forward, company intends to continue to leverage their distribution network, sales and marketing initiatives and their industry standing to establish relationships with new global technology brands and local brands to expand their vendor base, thereby growing the portfolio of products that they distribute.
- Company also intends to foray into the software distribution segment.



## Rashi Peripherals Ltd

### Peers

Company	P/Ex	FY23 Revenue	FY23 Operating profit	FY23 Operating Margin	FY23 D/Ex
Redington^	13.5	7,93,770	22,030	2.8%	0.46
Rashi Peripherals*	13.5	94,543	2,529	2.7%	1.53

^Bloomberg FY24 estimates

\*based on FY24 EPS annualized

## INDSEC Rating Distribution

**BUY :** Expected total return of over 15% within the next 12-18 months.

**HOLD :** Expected total return between 0% to 15% within the next 12-18 months.

**SELL :** Expected total return is negative within the next 12-18 months.

**NEUTRAL:** No investment opinion, stock under review.

**Note:** Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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### DISCLOSURE

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