

Company Overview

Established in 1989 and having over 34 years of experience, Rashi Peripherals Ltd. is a leading national distribution partner for global technology brands in India for information and communication technology (ICT) products. Initially, the company started as a manufacturer of peripherals but due to the liberalization of the economy in 1991, the company transitioned into distribution of ICT products of global technology brands in India. The company primarily operates in two business verticals, namely (i) Personal Computing, Enterprise, and Cloud Solutions (PES) and (ii) Lifestyle and IT Essentials (LIT). Under PES, the company is primarily engaged in the distribution of personal computing devices, enterprise solutions, embedded products, and cloud computing. The LIT business caters to the distribution of products such as graphic cards, central processing units ("CPUs") and motherboards, storage and memory devices, lifestyle peripherals and accessories that include keyboards, mice, web cameras, monitors, wearables, casting devices, fitness trackers, gaming accessories, power equipment such as UPS and invertors, and networking and mobility devices. Over the years, the company has continuously expanded its operations and as of six months ended September 2023, the company distributed 311.89 million units of ICT products. The company also expanded its distribution network and currently has one of the largest ICT product distribution networks in India. 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. Over the years, the company has consistently added new global technology brands to its portfolio and worked with them to distribute products across categories. The company has had business relationships for more than eight years with several global technology brands including Asus Global Pte Limited, Dell International Services India Private Limited, HP India Sales Private Limited, Lenovo India Private Limited, Logitech Asia Pacific Limited, NVIDIA Corporation and many more.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Prepayment or scheduled re-payment of all or a portion of certain outstanding borrowings availed by the company;
- ⇒ Funding working capital requirements of the company; and
- ⇒ General corporate purposes.

Investment Rationale

Leading and fastest-growing Indian distribution partner for information and communications technology products

The company distributes a range of ICT products manufactured by global technology brands such as personal computing, mobility, enterprise, embedded solutions, components, lifestyle, storage and memory devices, UPS, and accessories,. The company also distributes cloud computing solutions. The wide variety of products that the company distributes has helped them to achieve economies of scale and provide channel partners with a single sourcing point. The company is among the leading technology-integrated national distribution partners for global technology brands in India for ICT products in terms of revenues in fiscal 2023. The company is also one of the fastest-growing national distribution partners for global technology brands in India in terms of revenue growth between fiscal 2021 and fiscal 2023. The company is also a major player catering to Indian consumer demand for product categories like processors, graphic cards, and internal storage. As an important link in the technology value chain, the company creates sales and profitable opportunities for global technology brands and channel partners through its customized marketing programs, just-in-time logistics solutions, pre-sales and post-sales technical support, product planning, and distribution solutions.

Long-term relationships with marquee global technology brands supported by a committed engagement strategy with customers

Global technology brands undertake continuous research and development and introduce new products from time to time. These global technology brands also have extensive supply chain capabilities which ensures the availability of their products. These factors result in greater brand recall for such global technology brands which facilitates the sale of their products. The company maintains long-term relationships with such marquee global technology brands from whom it procures ICT products

Issue Details

Offer Period	07 th Feb 2024 - 09 th Feb 2024
Price Band	Rs. 295 to Rs. 311
Bid Lot	48
Listing	BSE & NSE
Issue Size (no. of shares in mn)	19.29
Issue Size (Rs. in bn)	6.00
Face Value (Rs.)	5

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	JM Financial Ltd., ICICI Securities Ltd.
Registrar	Link Intime India Pvt Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters	57.54	40.70
Promoter group	32.11	22.70
Public	10.35	36.60
Total	100.00	100.00

(Assuming issue subscribed at higher band)

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revenue of the company. The company also provides advertisements on behalf of global technology brands in technology and consumer media publications.

Valuation

With the increasing penetration of internet connectivity across geographies of rural and urban India, the number of smartphones, social media users, and online shoppers in India is on the rise. The IT penetration in non-metro cities in India has increased due to the penetration of smartphones and government-enabled village knowledge centres, leading to increased awareness which in turn is driving demand for ICT products. The non-metro cities and other rural geographies are becoming centers of consumption for ICT products like personal computers, smartphones, internet devices, and networking devices, and hence, there is a requirement for ICT distributors and resellers having a pan-India presence. The ICT sector significantly contributes to the country's GDP. Due to such emerging demand, India's ICT industry size is expected to reach Rs. 1,087 billion (approximately USD 136 billion) by 2025, growing at a CAGR of 10%. Various key factors for the growth of PC and components business include the booming gaming industry in India, increasing data volumes, efficient supply chain solutions, and the central government's PLI schemes. Due to such factors, the demand for international hardware and software products is likely to rise. Therefore, Rashi Peripherals Ltd. emerges as one of the partners to bridge the gap for such emerging demand in India, given its diverse marquee suppliers and long-grown customer base. Hence, we expect the company to benefit from such a demand scenario in the long term. **On the financial performance front, the company's Revenue/EBITDA grew at a CAGR of 26.3%/10.1% during the FY2021-23 period. The company's net profit dropped to Rs. 1,233 million in FY23 from Rs. 1,364 million in FY21. On the upper price band, the issue is valued at a P/E of 10.5x based on FY2023 earnings which we feel is fairly valued compared to its peers. Given a highly competitive environment and thin margins of the business, we recommend investors to "Subscribe" to the issue for listing gains.**

Key Risks

- ⇒ The company could be subject to product liability claims which may have a material adverse impact on the company.
- ⇒ Increasing competition in the information and communications technology products distribution industry may create certain pressures that may affect the business, result of operations, cash flows and financial condition of the company.
- ⇒ The company has significant credit exposure to its channel partners and other customers. Any negative trends in their business could cause significant credit loss and negatively impact the company's cash flow and liquidity position.



Rashi Peripherals Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	59,250	93,134	94,543	54,685
Total Revenue	59,250	93,134	94,543	54,685
Expenses				
Purchase of Stock in trade	56,476	94,243	92,081	58,291
Changes in inventory	(684)	(6,268)	(2,941)	(6,629)
Employee benefit expenses	787	1,143	1,360	735
Other expenses	585	1,049	1,513	679
Total Operating Expenses	57,165	90,167	92,013	53,076
EBITDA	2,085	2,967	2,529	1,609
Depreciation and Amortization expenses	75	117	167	91
Other income	67	85	147	48
EBIT	2,077	2,935	2,509	1,566
Finance costs	289	537	863	540
PBT	1,789	2,398	1,646	1,026
Current tax	441	634	448	279
Deferred Tax charge/ (credit)	(14)	(55)	(36)	26
Short / (Excess) provision of earlier years	(3)	(5)	-	1
Total tax	425	573	413	306
PAT	1,364	1,825	1,233	720
Diluted EPS	31.2	43.6	29.5	18.2

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash flow from operating activities	(1,098)	(3,152)	(1,146)	(2,857)
Cash flow from investing activities	(10)	(64)	(38)	(24)
Cash flow from financing activities	1,344	3,375	1,078	2,720
Net increase/(decrease) in cash and cash equivalents	237	159	(105)	(160)
Cash and cash equivalents at the beginning of the period	50	289	452	346
Cash and cash equivalents at the end of the period	289	452	346	185

Source: RHP, BP Equities Research



Rashi Peripherals Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	10	209	209	209
Other Equity	3,933	5,543	6,793	7,519
Non-controlling interest	27	32	(19)	(68)
Total Equity	3,970	5,783	6,983	7,660
Non-Current Liabilities				
Financial Liabilities				
(i) Long term Borrowings	651	608	324	245
(ii) Lease liabilities	5	21	116	100
Contract Liabilities	6	12	10	39
Provisions	8	26	11	13
Deferred tax liabilities (net)	114	99	68	53
Current Liabilities				
Financial Liabilities				
(i) Short Term Borrowings	4,239	8,210	10,333	13,707
(ii) Lease liabilities	4	17	48	46
(iii) Trade Payable				
Due to micro and small enterprise	3	3	3	3
Due to other than micro and small enterprise	6,636	11,281	9,558	18,311
(iv) Other financial liabilities	56	206	220	200
Current tax liabilities (net)	95	4	7	6
Provisions	24	29	20	9
Contract Liabilities	55	97	110	88
Other current liabilities	78	305	174	107
Total Current Liabilities	11,190	20,152	20,474	32,477
Total liabilities	11,974	20,918	21,003	32,926
Total Equity and Liabilities	15,944	26,702	27,986	40,586
Assets				
Non-Current Assets				
Property, plant and equipment	521	580	540	564
Capital work in Progress	32	1	40	-
Goodwill	41	41	41	34
Right of Use assets	9	36	159	138
Intangible assets	51	44	27	23
Deferred tax assets (net)	17	44	59	21
Financial Assets				
(i) Investments	0	73	56	41
(ii) Loans				
(iii) Other financial assets	221	280	97	127
Non Current tax assets (net)	-	23	104	101
Other non current assets	79	64	132	159
Total Non current assets	972	1,186	1,254	1,206
Current Assets				
Inventories	5,725	11,993	14,934	21,563
Financial Assets				
Investments				
(i) Trade Receivables	7,924	11,521	8,716	13,775
(ii) Cash and cash equivalents	289	452	346	185
(iii) Loans and Advances	60	21	-	-
(iv) Balance other than bank	0	0	0	0
(v) Other financial assets	3	1	52	21
Other current assets	971	1,527	2,684	3,835
Total Current Assets	14,972	25,515	26,732	39,380
Total Assets	15,944	26,702	27,986	40,586

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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