

Rashi Peripherals Limited

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Rashi Peripherals Limited is among 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 FY 2023, boasting partnerships with over 52 global technology brands and offering over 10,000 products. Their impressive reach extends across 680 cities with over 8,400 satisfied customers.

Rashi Peripherals thrives on its diverse distribution strategy, operating two distinct yet synergistic business verticals:

1. The first, Personal Computing, Enterprise & Cloud Solutions (PES), caters to both individual consumers and corporate giants.
2. On the other hand, the Lifestyle & IT Essentials (LIT) vertical focuses on distributing the building blocks of daily tech life and crucial IT support elements.

Repeat customer rate hits 91.8% (FY23), up from previous years. Distribution mix (FY23) stood at 70% General Trade, 20% Ecommerce, 9-10% Modern Trade. Future perspective is to maintain General Trade, grow Ecommerce (15-20%), and expand Modern Trade (10-15%).

Rashi Peripherals exhibits promising financial performance with rising revenues and fluctuating profitability across the past three years:

- FY21: Total income reached INR 59,317cr with a net profit of INR 1,364 cr.
- FY22: Revenue surged to INR 93,219cr, while net profit rose to INR 1,825cr
- FY23: Revenue remained stable at INR 94,689 cr, but net profit dipped to INR 1,233 cr.

Rashi Peripherals caters to a diverse range of clients across the technology spectrum, including major players like ASUS, Dell, HP, Lenovo, Logitech, NVIDIA, Intel, LG, and Toshiba among others.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	5,925	210	136	3.5	2.3	67.6	205.7	33.1	23.7	4.6	0.2	5.0
FY22	9,313	301	182	3.2	2.0	94.3	299.7	31.7	20.5	3.3	0.2	4.8
FY23	9,454	256	123	2.7	1.3	63.9	361.8	17.6	13.8	4.9	0.2	6.4

Industry	INFORMATION & COMMUNICATION TECHNOLOGY
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Issue Details	
Listing	BSE & NSE
Open Date	7 th Feb 2024
Close Date	9 th Feb 2024
Price Band	INR 295-311
Face Value	INR 5.0
Market Lot	48 Shares
Minimum Lot	1 Lot

Issue Structure	
Offer for Sale	0%
Fresh Issue	100%
Issue Size (Amt)	INR 600cr
Issue Size (Shares)	1,92,92,604
QIB Share (%)	50%
Non-Inst Share (%)	15%
Retail Share (%)	35%
Pre issue sh (nos)	4,66,07,061
Post issue sh (nos)	6,58,99,665
Post issue M Cap	INR 2049.47cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	57.54	40.70
Promoter-Group	32.11	22.71
Public	10.35	36.60
TOTAL	100	100

OFFER DETAILS AND VALUATION SUMMARY

Prior to their Initial Public Offering (IPO), Rashi Peripherals successfully completed a pre-IPO placement by offering 4,823,151 equity shares to private investors. Each share was priced at Rs. 311, raising a total of Rs. 150 Crore for the company.

The size of fresh issue is INR600cr, and the objects of this issue are stated as under:

- **The net proceeds of the issue will be utilized to**
 - **Repayment of Debt - Rs326 crores**
 - **Working capital - Rs220 crores and**
 - **General corporate purposes**

- **The company plans to fund the stated objectives using three sources:**
 - **Net proceeds from the IPO.**
 - **Proceeds from the pre-IPO placement.**
 - **Internal accruals (company's own earned funds).**

- **However, if there's a shortfall in available funds or an increase in needed funds, the company might consider:**
 - **Using more internal accruals.**
 - **Seeking additional debt funding from existing or new lenders.**

- **Globally, the Electronics and ICT products market is expected to grow at a CAGR of 14% between 2020 and 2025 and is projected to cross approximately USD 350 billion in sales by 2025. Growth in demand for storage devices, laptops, accessories, networking devices and artificial intelligence machines are expected to drive the demand for ICT products in India going forw**

GROWTH STRATEGIES

- **Tech Adoption: Increase wallet share with global technology brands for existing portfolio.**

The company currently holds a portion of the market share for global technology brands and aims to expand this share. Their strategy involves utilizing existing distribution capabilities, leveraging relationships, and using multiple warehouses across India for stocking inventory and facilitating quick product delivery. They plan to enhance services, including pre-sales, marketing, supply, technical, and post-sales support, to strengthen vendor preference. Geographic expansion into different states, particularly in tier II and tier III cities, is a key focus.

- **E-Governance: Government initiatives promoting digitalization and online services.**

Digital India, a flagship program by the Government of India, aims to transform the country into a digitally empowered society and knowledge economy. In 2022, the information technology industry in India witnessed expenditures of over \$109.6 billion, and projections indicate that the country is expected to spend more than \$112 billion on IT by 2024. The IT-BPM sector has significantly contributed to boosting the country's GDP, contributing approximately 7.4%.

- **Data Efficiency: Use technology and digital tools to improve upselling, cross-selling, and operational efficiency.**

The company plans to introduce additional services, utilizing their technological infrastructure and digital ecosystem, to provide greater value to global technology brands and Channel Partners. This includes offering specialized products for AI machines and high-performance gaming. The implementation of SAP CRM aims to enhance upselling and cross-selling opportunities. Leveraging in-house logistics and real-time inventory tracking, the company intends to meet diverse customer needs and forecast demand efficiently.

- **Supply Chain Efficiency: Optimized logistics and distribution methods.**

The company has a nationwide distribution network across General Trade, Modern Trade, and E-Commerce channels. Their growth strategy includes additional channel engagement, training

programs, and CRM implementation. They plan to enter new markets, especially in tier I, tier II, and non-metro cities, capitalizing on the increasing digitalization trend. International operations, initiated in Singapore in 2019, show steady growth, and the company aims to expand further to increase its global distribution outreach and Channel Partner connectivity.

- **PLI Scheme: Government incentives boosting domestic manufacturing and production.**

The Indian Government's Production-linked Incentive (PLI) scheme aims to boost domestic manufacturing in the IT hardware value chain, covering laptops, tablets, all-in-one PCs, and servers, with an allocated financial outlay of INR 1220cr over five years. India's appeal as an investment destination has grown due to low-cost skilled labor, an improved business environment, and initiatives like the National Policy on Electronics (NPE) and Make-in-India. Stable governance, the China plus one strategy, and the creation of National Manufacturing Zones (NMZ) and Electronics Manufacturing Clusters (EMC) position India as a global hub for electronic manufacturing.

- **EPR & E-Waste Management: Regulations promoting sustainability and responsible waste management.**

As the focus on Extended Producer Responsibility (EPR) and the environmental impact of e-waste increases, governments and social bodies advocate for brands to take responsibility for their products after their end-of-life, promoting pollution reduction. The company has an agreement with an authorized e-waste recycler in India, where the recycler establishes collection points for e-waste. Customers can dispose of their end-of-life electronics at these collection points at the company's branches.

KEY RISKS AND CONCERNS

- ZNet Technologies Private Limited, a subsidiary of Rashi Peripherals has unfortunately experienced financial losses in the past three fiscal years and the most recent six-month periods ending September 30, 2022 and 2023.
- Rashi Peripherals rely heavily on a few major technology brands for their products. In the past 3 fiscal years and the last 2 six-month periods, 82-83% of revenue came from distributing products from just 8 top brands.
- The success of Rashi Peripherals heavily relies on maintaining strong relationships with channel partners and customers. Any deterioration in these relationships, or changes in their contractual terms, could significantly and negatively impact business operations.
- Negative cash flow in the past and present could deteriorate the ability to grow and stay in business.
- The distribution process and branch/warehouse security rely heavily on external partners. They utilize third-party transportation providers to deliver products and security services to ensure the safety of facilities and personnel.

ISSUE STRUCTURE

The size of fresh issue is INR 600cr and the price band for the issue is in the range of INR 295-311 and the bid lot is 48 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NII	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 311

Source: Company Reports

RASHI PERIPHERALS LTD. FINANCIAL SUMMARY AND ANALYSIS

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	5,925.0	9,313.4	9,454.3	Adjusted EPS (INR)	67.6	94.3	63.9
<i>YoY Growth (%)</i>	<i>50.5</i>	<i>57.2</i>	<i>1.5</i>	Adjusted Cash EPS (INR)	71.4	100.4	72.5
Raw Material Cost	5,579.2	8,797.5	8,914.0	Adjusted BVPS (INR)	205.7	299.7	361.8
<i>RM Cost to Sales (%)</i>	<i>94.2</i>	<i>94.5</i>	<i>94.3</i>	Adjusted CFO per share (INR)	(56.9)	(163.3)	(59.4)
Employee Cost	78.7	114.3	136.0	CFO Yield (%)	(18.3)	(52.5)	(19.1)
<i>Employee Cost to Sales (%)</i>	<i>1.3</i>	<i>1.2</i>	<i>1.4</i>	Adjusted FCF per share (INR)	(47.5)	(146.7)	(30.4)
Other Expenses	56.9	100.4	148.0	FCF Yield (%)	(15.3)	(47.2)	(9.8)
<i>Other Exp to Sales (%)</i>	<i>1.0</i>	<i>1.1</i>	<i>1.6</i>	Solvency Ratio (X)			
EBITDA	210.2	301.3	256.2	Total Debt to Equity	1.2	1.5	1.5
<i>Margin (%)</i>	<i>3.5</i>	<i>3.2</i>	<i>2.7</i>	Net Debt to Equity	1.2	1.4	1.5
<i>YoY Growth (%)</i>	<i>138.0</i>	<i>43.3</i>	<i>(15.0)</i>	Net Debt to EBITDA	2.2	2.8	4.0
Depreciation & Amortization	7.5	11.7	16.7	Return Ratios (%)			
EBIT	202.7	289.6	239.5	Return on Equity	33.1	31.7	17.6
<i>Margin (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>2.5</i>	Return on Capital Employed	17.5	15.1	10.2
<i>YoY Growth (%)</i>	<i>140.4</i>	<i>42.9</i>	<i>(17.3)</i>	Return on Invested Capital	23.7	20.5	13.8
Other Income	6.7	8.5	14.7	Working Capital Ratios			
Bill discounting & other charges	30.5	58.2	89.5	Payable Days (Nos)	41	44	37
Fin Charges Coverage (X)	6.6	5.0	2.7	Inventory Days (Nos)	35	47	58
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	49	45	34
PBT	178.9	239.8	164.6	Net Working Capital Days (Nos)	43	48	54
<i>Margin (%)</i>	<i>3.0</i>	<i>2.6</i>	<i>1.7</i>	Net Working Capital to Sales (%)	11.8	13.1	14.9
<i>YoY Growth (%)</i>	<i>230.2</i>	<i>34.1</i>	<i>(31.4)</i>	Valuation (X)			
Tax Expense	42.5	57.3	41.3	P/E	4.6	3.3	4.9
<i>Tax Rate (%)</i>	<i>23.8</i>	<i>23.9</i>	<i>25.1</i>	P/BV	1.5	1.0	0.9
PAT	136.4	182.5	123.3	EV/EBITDA	5.0	4.8	6.4
<i>Margin (%)</i>	<i>2.3</i>	<i>2.0</i>	<i>1.3</i>	EV/Sales	0.2	0.2	0.2
<i>YoY Growth (%)</i>	<i>239.9</i>	<i>33.9</i>	<i>(32.4)</i>	Cash Flow Statement			
Min Int/Sh of Assoc	(6.0)	(0.4)	(0.1)	PBT	178.9	239.8	164.6
Net Profit	130.4	182.1	123.3	Adjustments	(8.1)	24.3	(52.0)
<i>Margin (%)</i>	<i>2.2</i>	<i>2.0</i>	<i>1.3</i>	Change in Working Capital	(238.1)	(522.0)	(185.8)
<i>YoY Growth (%)</i>	<i>217.1</i>	<i>39.7</i>	<i>(32.3)</i>	Less: Tax Paid	(42.5)	(57.3)	(41.3)
Balance Sheet				Cash Flow from Operations	(109.8)	(315.2)	(114.6)
Share Capital	1.0	20.9	20.9	Net Capital Expenditure	(5.2)	(12.2)	(11.2)
Total Reserves	396.0	557.4	677.4	Change in Investments	4.2	5.8	7.4
Shareholders Fund	397.0	578.3	698.3	Cash Flow from Investing	(1.0)	(6.4)	(3.8)
Long Term Borrowings	65.1	60.8	32.4	Change in Borrowings	165.0	395.8	197.5
Deferred Tax Assets / Liabilities	9.7	5.5	1.0	Less: Finance Cost	(30.5)	(58.2)	(89.5)
Other Long Term Liabilities	1.2	3.4	12.6	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.8	2.6	1.1	Dividend Paid	0.0	(0.1)	(0.1)
Total Liabilities	473.7	650.5	745.3	Cash flow from Financing	134.4	337.5	107.8
Net Block	62.3	70.1	76.7	Net Cash Flow	23.7	15.9	(10.5)
Capital Work in Progress	3.2	0.1	4.0	Forex Effect	0.3	0.4	(0.0)
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	5.0	28.9	45.2
Non Current Investments	0.0	7.3	5.6	Closing Balance of Cash	29.0	45.2	34.6
Long Term Loans & Advances	16.3	21.0	24.2				
Other Non Current Assets	13.7	15.7	9.1				
Net Current Assets	378.3	536.3	625.8				
Total Assets	473.7	650.5	745.3				

Source: Ventura Research & Company reports

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