

Redington India Ltd

Recommendation	BUY
CMP	Rs.79
Target Price	Rs.109
Sector	Logistics & Distribution

Stock Details

BSE Code	532805
NSE Code	REDINGTON
Bloomberg Code	REDI
Market Cap (Rs cr)	3188
Free Float (%)	78.91
52- wk HI/Lo (Rs)	102/66.5
Avg. volume BSE (Quarterly)	59,643
Face Value (Rs)	2.0
Dividend (FY 11)	55%
Shares o/s (Cr)	39.85

Relative Performance	1Mth	3Mth	1Yr
Redington	14.4%	-13.4%	17.9%
Sensex	8.5%	0.8%	10.0%



Shareholding Pattern 31-Dec-11

Promoters Holding	21.09%
Institutional (Incl. FII)	45.97%
Corporate Bodies	3.79%
Public & others	29.15%

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Year	Net Sales (Rs in Crs)	Growth %	EBITDA (Rs in Crs)	Margin %	PAT (Rs in Crs)	Margin %	EPS	PE (x)	EV/EBITDA
FY 10A	13,758	8.6%	358	2.60%	184	1.3%	4.7	17.1	10.5
FY 11A	17,459	26.9%	461	2.64%	226	1.3%	5.7	14.0	9.3
FY 12E	23,123	32.4%	630	2.72%	290	1.3%	7.2	11.0	7.4
FY 13E	25,873	11.9%	701	2.71%	362	1.4%	9.0	8.8	6.7

Numbers in line with expectations. Overseas business saw good demand while India Business plays slowcoach.

Revenues grew 5.6% QoQ and 25% YoY at Rs.5738 crores. India Business de-grows 9% QoQ and Overseas business grows 20.6% QoQ. EBITDA margins expanded 16 bps QoQ to 2.68%. Tax rate reduced to 23.4% during the quarter against 28% in the previous quarter.

India Business shows sluggishness, while overseas sales revive

India business grew 16.6% YoY, de-grew 9% QoQ at Rs.2520 crores mainly on the back of lower demand in the e-governance and the corporate segments which the company says is an aberration and sales would pick up in the current quarter. Blackberry and Apple product sales continued to show good growth during the quarter.

Overseas business grew 20.6% QoQ, 32.5% YoY at Rs.3233 crores on the back of good growth seen in the Middle East and African geographies. Arena sales continue to lag while Nokia sales remain stable. The company expects some more quarters for the Arena business to report better numbers.

Interest burden to ease

Interest costs were higher at Rs.37.8 crores during the quarter on the back of increase in the interest's rates in India and addition of interests costs of Arena and NBFC businesses. We expect this cost to go down in the coming quarters.

Going Forward

Q4FY12 is a seasonally better quarter for the company due to higher demand of the IT Products by the Government and the Corporate segments to avail Tax benefits. The company is confident of maintaining 30%+ YoY growth in the Overseas business and 25% YoY growth in consolidated revenues going forward.

Valuation & Recommendation

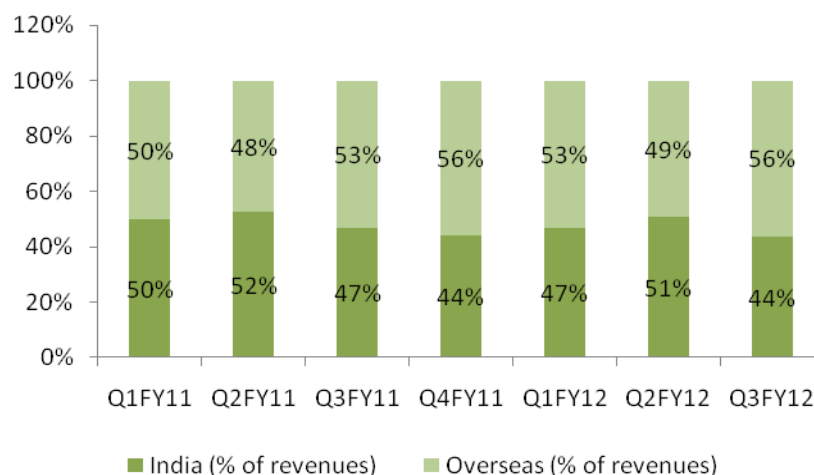
We are revising our numbers upwards for FY12E and FY13E factoring good growth the company showed in the current quarter. We have revised Revenues and PAT by 7.4% and 1.3% respectively for FY12E and by 4.3% and -0.5% respectively for FY13E.

We had recommended BUY on the stock in the event update dated 22nd Dec 2011. Since then the stock has moved up 13%. We continue to have a positive outlook on the company and maintain a BUY view for the stock. At CMP, the stock is trading at 8.8x its FY13E earnings and we have a target price of Rs.109 for the stock.

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Q3 FY12 Result Analysis (in Rs Crs.)	Q3FY12	Q2FY12	Q-o-Q	Q3FY11	Y-o-Y
Net Sales/Income from operations	5729.7	5434.0	5.4%	4594.2	24.7%
Other Operating income	8.2	1.7	372.8%	1.6	414.5%
Total Income	5737.9	5435.7	5.6%	4595.7	24.9%
(Inc)/Dec in stock	164.8	(75.8)	(317.4%)	(149.0)	(211%)
Purchases	5,251.9	5,210.8	0.8%	4,508.6	16.5%
Employee costs	70.8	69.8	1.5%	53.7	32.0%
Other Expenditure	96.3	93.9	2.5%	69.4	38.8%
Total Expenditure	5583.9	5298.7	5.4%	4482.6	24.6%
EBITDA	154.0	137.0	12.4%	113.2	36.1%
Margins	2.7%	2.5%	17 bps	2%	22 bps
Depreciation	7.7	8.1	(4%)	7.0	10.0%
Other Income	1.0	1.6	(39.1%)	1.8	(48%)
Interest	37.8	35.6	6.3%	25.6	47.6%
PBT	109.5	94.9	15.3%	82.4	32.9%
Margins	1.9%	1.7%	16 bps	1.8%	12 bps
Tax	25.6	26.7	(3.9%)	20.4	25.4%
PAT	83.87	68.3	22.8%	62.0	35.3%
Minority Interest	16.0	7.0	129.1%	9.3	73.4%
PAT after Minority Interest	67.83	61.3	10.7%	52.7	28.6%
Basic EPS	1.7	1.5	10.6%	1.3	27.8%

Source: Company data, Nirmal Bang Research



India Business in the current quarter saw sluggishness due to lower orders from the Government and Corporate clients. However overseas business saw good growth on the back of good demand in the Middle East and African region.

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Valuation & Recommendation

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We had recommended BUY on the stock in the event update dated 22nd dec 2011. Since then the stock has moved up 14%. We continue to have a positive outlook on the company and maintain a BUY view for the stock. At CMP, the stock is trading at 8.8x its FY13E earnings and we have a target price of Rs.109 for the stock.

Revision in estimates	FY12E	FY13E	FY12E	FY13E	
	Revenues		PAT		
Current	23123.3	25872.7	Current	290.4	361.8
Earlier	21532.6	24807.6	Earlier	286.7	359.9
Variation %	7.4%	4.3%	Variation %	1.3%	0.5%

Redington India Ltd

Financials

Profitability (Rs. In Cr)	FY10A	FY11A	FY12E	FY13E
Net Sales	13757.8	17458.5	23123.3	25872.7
% change	8.6%	26.9%	32.4%	11.9%
EBITDA	358	461	630	701
EBITDA growth (%)	16.2%	29.0%	26.6%	15.5%
Depn	23	25	29	32
Op. Income	335	437	601	669
Interest expense	66	96	150	168
PBT	276	351	455	505
Tax	64	86	113	124
PAT before minority	212	265	342	381
Minority Interest	28	39	52	19
PAT for shareholders	184	226	290.4	361.8
Shares o/s (No. in Cr.)	39.8	39.8	39.8	39.8
EPS	4.7	5.7	7.2	9.0
Cash EPS	10.4	12.6	16.1	19.8
Quarterly (Rs. In Cr)	Mar.11	June.11	Sept.11	Dec.11
Total Income	5455	5202	5436	5738
EBITDA	161	138	137	154
Depn	6	7	8	8
Op Income	155	131	129	146
Interest expense	35	33	36	38
Other Income	4	1	2	1
PBT	123	98	95	109
Tax	32	26	27	26
Minority Interest	15	11	7	16
PAT	76	62	61	68
Diluted EPS (Rs.)	1.9	1.5	1.5	1.7
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%	1.4%
ROE (%)	17.7%	20.0%	20.6%	20.3%
Valuation Ratio	FY10A	FY11A	FY12E	FY13E
Price Earnings (x)	17.0	14.0	11.0	8.8
Price / Book Value (x)	2.9	2.7	1.9	1.6
EV / Sales	0.3	0.2	0.2	0.2
EV / EBITDA	10.5	9.3	7.4	6.7

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	27.0	29.9	41.0	48.6
Cash per share	4.6	12.1	13.5	17.3
Dividend per share	0.43	0.44	0.44	0.44

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