

08th February 2024

Rashi Peripherals – SUBSCRIBE

Investment Thesis

Rashi Peripherals Ltd. (Rashi Peripherals) is coming out with an initial public offering (IPO) on February 07, 2024. The issue comprises of fresh issue of 19,292,604 equity shares worth Rs.6,000mn at highest price band. Objective of the issue is to prepayment or scheduled re-payment of all or part of debt, funding working capital requirements and for general corporate purposes.

Rashi Peripherals is a leading national distribution partners for 52 global technology brands in India and sold 10,508 types of information and communications technology (ICT) as of September 30, 2023. It has developed a diversified portfolio across product categories, pricing segments such as entry, mid and premium segments, and enduse segments such as home, gaming, small office & home office, small medium businesses and enterprise. It has one of the most comprehensive products & solutions portfolio ranges from small value products like storage devices to high-end and complex equipment required to build super computers and servers. Rashi Peripherals undertake distribution through strategic inventory planning and based on market intelligence.

Rashi Peripherals command significant market share in India in product categories such as processors (45%), graphics cards (47%), pen drives (42%), hard drives (29%), keyboards and mice (21%), monitors (27%), UPS (13%), laptops (10%), desktops (10%), routers (33%), and switches (10%) in FY23. Being a national distribution partner of a leading motherboard and graphic cards brand, Rashi Peripherals has contributed to ~47% share to the graphic cards demand and ~25% to the motherboard demand in India by volume in FY23.

With the diversification of Rashi Peripherals' product portfolio, its customers are able to expand their business and client base. With introduction of new technology or products, its customers are able to offer increasing number of products that they source from it and broaden their operations. This helps in creating a growing ecosystem for products and services in India and in encouraging customer stickiness as Rashi Peripherals is able to offer new products and solutions.

Financials

- During the past 4 years, revenue of Rashi Peripherals grew at a CAGR of 24.1% while PAT grew at CAGR of 44.2% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	H1FY24
Revenue	59,251	93,134	94,543	54,685
EBITDA	2,102	3,013	2,562	1,609
EBITDA Margin(%)	3.5%	3.2%	2.7%	2.9%
PAT	1,364	1,825	1,233	720
EPS (Rs.) #	20.7	27.7	18.7	10.9
P/E (x) *#	15.0	11.2	16.6	
RoE (%) #	18.0%	24.1%	16.3%	

* At highest price band # Post listing

IPO Details

Issue Open Date	07 February 2024
Issue Close Date	09 February 2024
Price Band (Rs.)	Rs. 295 – Rs. 311
Issue Size*	Rs. 6,000 Mn
Issue Size (Shares)	19,292,604
Market Lot	48 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 5/-

* At highest price band

Key Details

Fresh Issue*	Rs. 6,000 Mn
Issue Type	Book Building
Book Running Lead Manager	JM Financial and ICICI Securities
Issue structure	QIB: 20% Non Institutional: 15% Retail: 35% Anchor Investors: 30%
Credit of Shares to Demat Account	13 February 2024
Issue Listing Date	14 February 2024

* At highest price band

Key Business Highlights

- Rashi Peripherals is a leading national distribution partners for global technology brands in India for information and communications technology (ICT) products. It has two business verticals:
 - Personal computing, enterprise and cloud solutions (PES): This includes personal computing devices, enterprise solutions, embedded designs/products and cloud computing.
 - Lifestyle and IT essentials (LIT): This includes the distribution of products such as graphics cards, CPUs and motherboards, storage and memory devices. It also has lifestyle peripherals and accessories such as keyboards, mice, webcams, monitors, wearables, casting devices, fitness trackers and gaming accessories as well as power devices such as UPS and inverters.
- Rashi Peripherals is the national distributor for 52 global technology brands and as of September 30, 2023, it has 50 branches, and 63 warehouses across India, with 8657 distributors across 680 locations in 28 States and UT in India.
- Rashi Peripherals' clients include ASUS Global, Dell, HP, Lenovo, Logitech, NVIDIA, Intel, Schneider, Eaton Power, LG Electronics, and Toshiba, among others.

Valuation

- Rashi Peripherals command a certain wallet share of global technology brands and has a potential to grow its wallet share. It intends to leverage its existing distribution capabilities, relationships with vendors, offerings and experience to increase wallet share from existing global technology brands. It also intends to increase its geographic penetration of existing global technology brands into different states, especially focus on tier-II and tier-III cities through focused marketing activities and introducing additional programs.
- Rashi Peripherals plans to expand and diversify its existing product offerings to include edge processors for artificial intelligence, DRAM, flash memory for storage, automotive integrated circuits and Internet-of-Things modules such as 4G, 5G and GPS. It plans 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. It also intended to add printing and scanning solutions and associated software and endpoint security.
- With leading national distribution partners for 52 global technology brands in India, command significant market share in India, customers are able to offer increasing number of products, intend to increase wallet share from existing global technology brands and expand and diversify its existing product offerings, we are recommending **SUBSCRIBE** rating to the IPO of Rashi Peripherals Ltd. (Rashi Peripherals) for medium to long term perspective.

Risk & Concern

- Increasing competition in ICT products distribution industry may create certain pressures and may impact margins and future growth outlook of Rashi Peripherals.
- Rashi Peripherals has significant credit exposure to its channel partners and other customers, any negative business trend may cause significant credit loss and impact cash flow.
- Any contracts or distribution agreements entered by Rashi Peripherals terminates, it may have negative impact on future growth of the company.

Graphs & Charts

Figure 1: Net Sales Trend

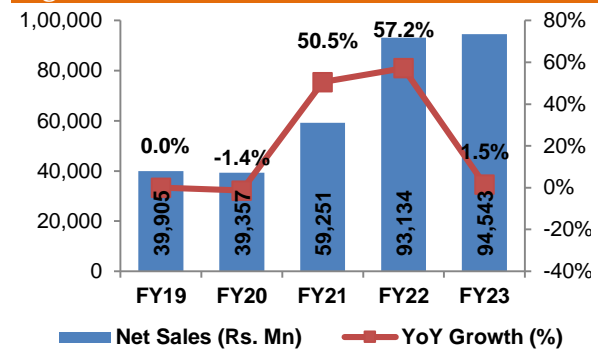


Figure 2: EBITDA & EBITDA Margin Trend

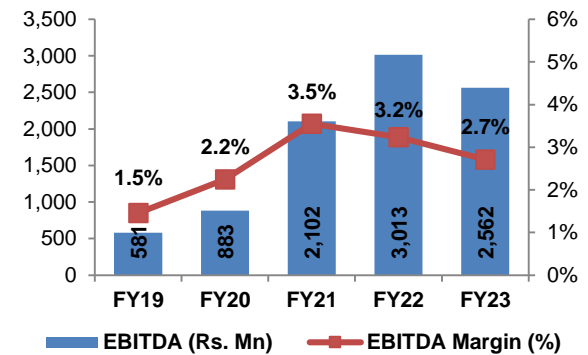


Figure 3: PAT & PAT Margins

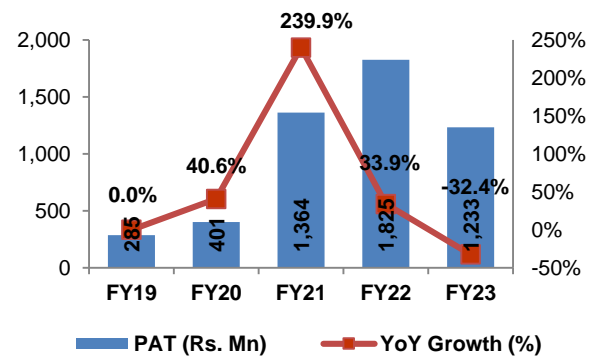
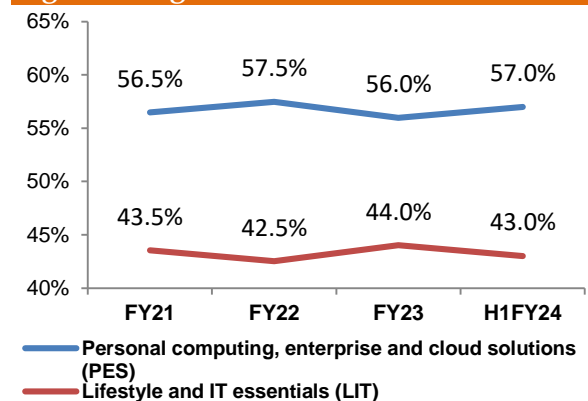


Figure 4: Segment-wise Revenue Trend



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