Investment memo – Rashi Peripherals Date:06/01/2026

Mcap (Rs bn)	25	Shares O/S (mn)	66
Promoter shareholding	64%	Price (Rs)	380
Pre-tax ROCE	13%	Trailing P/E	12.5

Investment summary

We like Rashi Peripherals (RP) as:

1) We see RP growing its sales and PAT at ~15% CAGR in the next 3 years led by:
    a. ICT (Information and Comm. Tech) market growth in the range of 10-12% CAGR. We believe RP can grow faster (1.5X market growth) led by market share gains –
        - RP's exposure to non-metro cities is higher (40% versus 20% of large peers). These cities are growing faster.
        - Decentralised organization structure allows RP to be more nimble and hence deliver faster TATs to channel partners.
        - RPs market share on enterprise side of the market is very low (mid-single digits) versus ~30-40% on the consumer side, indicating substantial growth potential.
    b. Data center deals could add a substantial number. We hope the mgmt. is – a) able to create a solution based selling approach rather than plain simple box-pushing and b) is able to manage risk and maintain ROCEs.
    c. Over the long term (beyond 2-3 years) there is potential to add adjacencies (higher ROCE businesses) like: a) value-added software sales, and b) distribution of parts going into PCBs. This could add 2-3% to organic growth of 12-15% in the later years depending on execution rigor. In our view, the mgmt. is enterprising and hungry and hence capable of delivering good execution.
2) ICT hardware distribution is a low value-added business. However, they are very important partners for OEs as they provide – a) pan-India market and supply chain access on variable cost basis, b) market development through training of FOS at the retail end and c) pre-sales solutioning for enterprise deals. In our view, low value-added nature is discounted in valuations (~12.5 trailing P/E). We like RP from a long-term perspective, as –
    a. There is consistent growth (~15% CAGR).
    b. Potential for expansion of P/E multiple from 12.5X to ~16X in line with the larger peers as investors gain confidence on superior execution capabilities of the mgmt.
    c. Long term possibility of gradual improvement in ROCEs with addition of higher value added adjacencies.

In our view, the company can deliver 2-3X returns in the next 3 years led by: a) 15% CAGR growth in earnings and b) expansion of P/E multiple from 12.5 to ~16X.

Company profile

- RP started as a small shop selling ICT products, in 1989, in Nehru Place (New Delhi), by Mr. Suresh Kumar Pansari and Mr. Krishna Kumar Choudhary. It is now being led by the second generation of promoters, Mr. Kapal Pansari (MD - joined the company in 2004) and Mr. Keshav Choudhary (Whole Time Director - leading the enterprise vertical).
- Day-to-day operations of the company are managed by Mr. Rajesh Goenka. Mr. Goenka worked as Divisional Head at RP from 2001-2006. He moved on to NVIDIA where he worked

Principal Officer
Jasdeep Walia
Mobile: +91 9819066213
Email: Jasdeep.walia@clockvinecapital.com

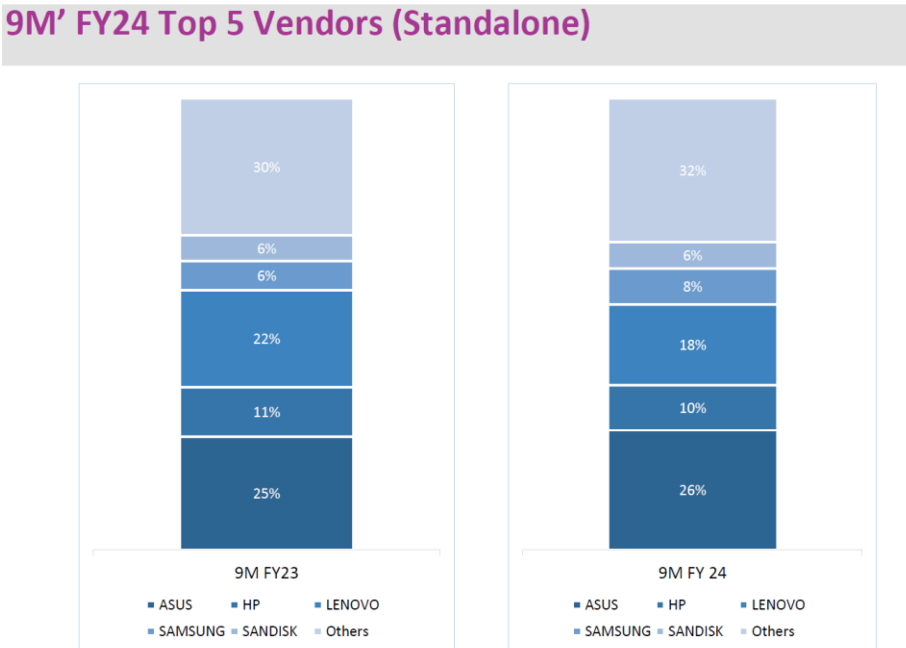
as Country Head – India, from 2006-2008. He came back to RP in 2008 and rose through the ranks to become CEO of the company in 2022.

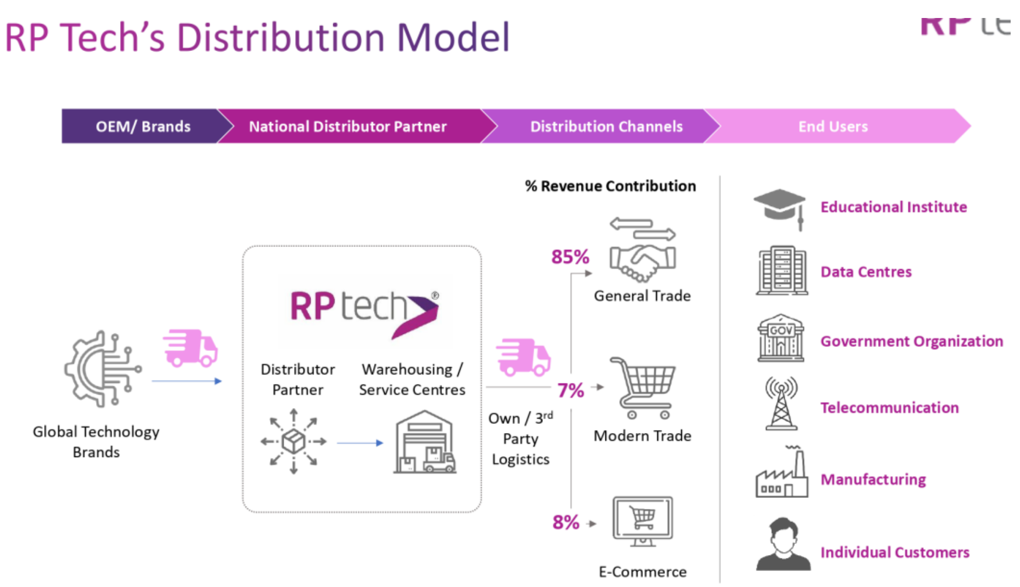
- RP started its business by participating in product segments (peripherals like mouse, motherboard, memory etc) which are low value and hence maybe not focus areas for the large national distributors. Over time it has built a substantial market share (more than leading companies) in these components which has given it much superior distribution reach (into tier2/3/4 towns) versus even market leaders like Redington, Ingram etc.
    - The company derives 40% of its sales from non-metro (non top-8 cities) cities versus Its large peers like Redington at ~20%.
    - 55% of the business is PCs and laptops.

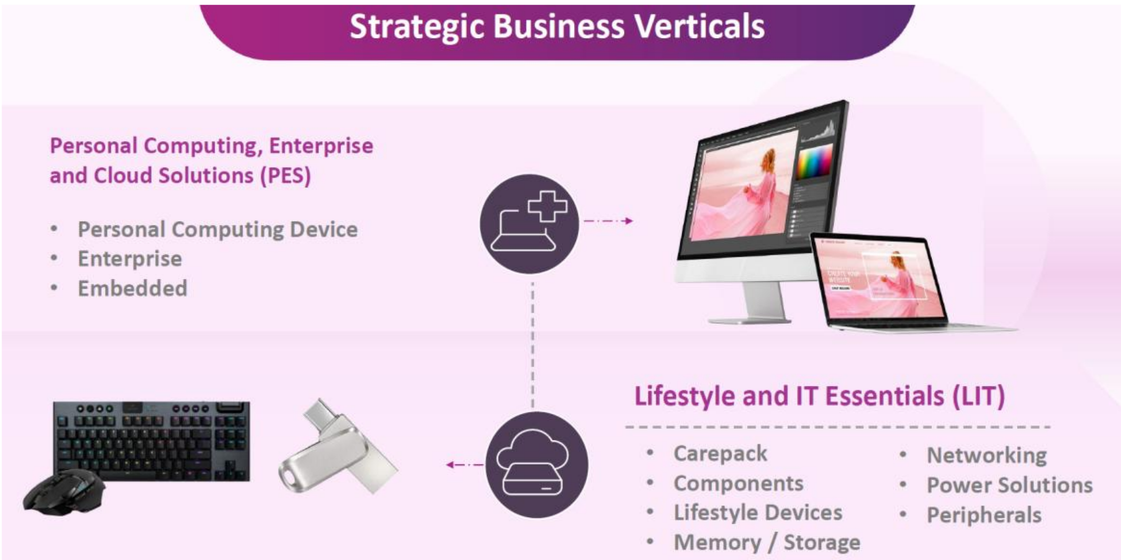
Rashi's market share in peripherals and components is significant; driving competitive advantage
Segment-wise market share of RP, FY23, (%)

Category	Key products	Key players	RP's share	Others
Components				
	CPU	Intel, AMD	45	55
	Motherboard	Asus, GIGABYTE, MSI	25	75
	Graphic Cards	Nvidia, ASUS, Zotac	47	53
	Hard Drives	Seagate, WD	29	71
Peripherals & Accessories				
	Pen Drives	Sandisk, HP, Adata, Sony, Strontium, Seagate	42	58
	Keyboard & Mouse	Logitech, Dell, Microsoft, HP, Lenovo	21	79
	Monitors	AOC, Samsung, Sony, Lenovo, Dell	27	73
	UPS	ABC, Microtek	13	87
Personal Computing				
	Laptops	HP, Dell, Lenovo, Apple, Asus, KOC	10	90
	Desktops	HP, Lenovo, Dell, Acer, Asus	10	90
Networking				
	Routers	TP-link, D-Link, Tenda, i-Ball, MI, ASUS, Mercusys	33	67
	Switches	CISCO, Netgear, Tenda, D-Link, TP-Link	10	90
Enterprise solution				
	Servers	Dell, HP, Lenovo, Supermicro, Asus, Gigabyte	1	99

OE-wise break up of sales of RP







Short summary of financials, March fiscal year-ends (Rs mn)

Profit and loss account	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Sales	44,129	39,869	39,345	59,250	93,134	94,543	1,10,946	1,37,727
--PES	8,428	12,202	19,272	33,461	53,530	52,922	60,600	83,600
--LIT	35,701	27,667	20,073	25,790	39,604	41,620	50,347	54,120
Gross profit	2,007	1,864	2,321	3,458	5,159	5,402	5,930	7,272
Gross margin (%)	4.5	4.7	5.9	5.8	5.5	5.7	5.3	5.3
EBITDA	686	634	939	2,152	3,053	2,676	3,072	3,609
EBITDA (%)	1.6	1.6	2.4	3.5	3.2	2.7	2.6	2.2
PAT	360	289	382	1,364	1,826	1,234	1,438	2,097
Working capital days	33	40	44	43	38	51	51	52
Return ratios (%)								
ROE	21.6	14.8	14.6	34.4	31.6	17.7	9.3	12.0
ROCE (pre-tax)	12.5	10.6	13.8	23.1	19.9	14.1	12.8	12.9

- The company was earlier there in the mobile phone business as well, however, it decided to exit the business in FY19 as its balance sheet did not have the size to enable the company to participate in a meaningful manner in this business –
    - Total mobile phone sales in India are to the tune of Rs2,500-3,000 bn. Hence, to participate in a meaningful manner (sales of atleast Rs30 bn), the company required working capital to the extent of ~Rs3 bn, for which there was no room in the balance sheet at that time.
    - Mobile business used to contribute ~39% (~Rs16 bn) of sales in FY18 which went to zero in FY20 and hence, when we look at the rest of the business it has grown much faster versus competition.
- The company IPOed in Feb-24 with a primary issue of Rs6 bn (share price of Rs311) with the primary objective of shoring up working capital so as to be able to continue driving growth in the business.
    - Before the IPO, in Jan-24, the company issued 3.2 mn shares to Volrado Partners (ENAM Group) at a price of Rs311.
    - At the same time, the company issued 1.6 mn shares to Ms Madhuri Madhusudan Kela, on preferential basis, at a price of Rs311.

<u>Nature of the business</u>

- RP Tech is a simple distribution business. However, we feel that in ICT hardware distribution, the distributor adds much more value to an OE versus other consumer products (FMCG, consumer appliances etc). In our view, that is the reason that all large global ICT distributors are listed in US, which implies that investors think that they are adding economic value at scale (returns are more than cost of capital) and hence can create sustainable value over time. From OE point of view, RP tech provides the following value proposition –
    - Access to pan-India distribution at variable cost. In our view, this is the biggest value proposition of an ICT distributor for a brand. Had it not been for ICT distributors accessing distribution for an OE brand would be a very costly affair considering that the cost of entire supply chain infra would be born by one brand only. It would be an almost impossible cost to bear given that most OEs make very low EBITDA margins (Lenovo's EBITDA margin is in the range of 5-6%) in their business.
    - ICT distributors also provide working capital to the channel and take care of risk of receivables, on behalf of OEs.
    - ICT distributors provide training and pre-sales solutioning to channel partners. The nature of ICT products is such that –
        - There are very frequent changes or upgradations to the product which need to be explained to the sales staff so that they can guide the end customers appropriately.
        - Also, there are multiple SKUs of a product which fit the use case and hence it is important that the sales staff is aware of all the features and is able to guide the customer as to which SKU would be the most suitable. For example – a camera ranges from Rs500 to Rs1 lakh and hence the end-customer needs to be explained which SKU will satisfy his use case.
        - In case of enterprise (SMEs included) buying multiple products, sales staff needs to do a bit of solutioning (which RP provides) so as to be able to present an end-to-end deal to the client.
    - ICT distributors organize pan-India marketing events to promoter OE brands amongst channel partners and system integrators. For example, RP carries out an annual

marketing event which encompasses – a) 50 city roadshow, b) 300+ product demos and c) numerous training sessions.

  - For all the value ICT distributors provide to OEs, they charge a very reasonable price which is reflected in pretax ROCE of (15-18%) which they make and hence in our view there is limited value proposition for an OE to go direct or create its own distribution. Given that entire headache of supply chain and working capital is managed by ICT distributors, OEs can focus on product development in an environment of increasingly fast-moving technology cycles.
  - From customer (distributor, retailer) point of view RP provides the following value proposition –
    - Working capital
    - Training on new products
    - Multiple brands, multiple SKUs.
    - Post sales servicing and warranty support. There are 180 people working in service centers (attached with branches) run by RP.
    - Pre-sales solutioning for large deals.
  - Criticality of an ICT distributor for a brand is amply clear from the fact that Apple, the biggest global brand in mobile phones in the world, also (like other brands) services the Indian market through leading ICT distributors only versus creating its own distribution. One must also consider the fact that Apple possibly makes the highest margins in the mobile business, globally, and hence is the best placed to create its own distribution (if at all). The fact that Apple also services India through leading distributors (Redington and Ingram) implies that ICT distributors are very critical and hard to replace or substitute by OEs.
- There is no customer (distributor, dealer etc) loyalty in this business. Customers opt for whichever national distributor (ND) is willing to offer the lowest price. If the price offered is the same, customers opt for NDs which offer fastest TAT.
- In our view, ICT hardware distribution business is much superior versus distribution business in FMCG, Pharma, etc, as –
  - In most of the consumer products, distribution is only about logistics and working capital. Distributors don't play any role in demand generation as the brands directly advertise to get mindshare of customers. In Pharma, for example, all brands have a field force of medical reps who generate prescriptions from doctors.
  - Hence, in case of most of the consumer products, distribution is an extremely low value-added business; there is no scope for external investors to participate, as ROCE is poor, and the business is impossible to scale.
  - Most of the consumer products (FMCG, Pharma etc) have very high margins for brands to run exclusive distribution networks despite the higher cost versus shared distribution.
  - In ICT hardware distribution, distributor actually helps in demand generation through training of the retail sales staff and pre-solutioning for larger deals. Also, managing credit and inventory is more complicated (versus other consumer goods) in ICT distribution as – a) credit limits are larger, b) sales velocity is lower, c) there is problem of inventory obsolescence, and d) credit risk is higher as lot of sales are directed towards MSMEs.
- Indian ICT industry is projected to grow at 10-12% CAGR in the next few years; volume growth should be ~8% CAGR.

ICT market data from the DRHP

Category (Rs bn)	CY2020	CY2021	CY2022	CY2026(E)	CARG (22-26E)
Personal computer					
PC'S (including Desktops, Assembled Desktops, Laptops)	680	727	730	1,300	16
Tablets	76	97	110	130	4
Accessories					
Printers	15	15	17	19	3
Storage devices	29	43	51	92	16
Supplies	47	70	81	135	14
Total	**847**	**952**	**989**	**1,676**	**14**
Mobile Phones and Accessories					
Mobile Phones	1,909	2,053	2,372	3,115	7
Mobile phone Accessories	165	188	218	350	13
Wearables	23	30	105	235	22
Hearables	158	188	253	655	27
Total	**2,255**	**2,459**	**2,948**	**4,355**	**10**
Cloud Services including server	**349**	**608**	**753**	**1,306**	**15**
Grand Total	**3,451**	**4,019**	**4,690**	**7,337**	**12**

- There is an ongoing churn in terms of channel mix. General trade is losing out to Modern Trade and E-comm. This could have implications on terms of trade for ICT distributors in the long term as buyers consolidate, like – a) large buyers like E-comm companies or Modern Trade could go direct, b) they could ask for better terms. As per our conversation with RP's mgmt., as of now, it is deriving base level ROCEs across all channels. Also, our reading of reports on global distributors does not suggest that this risk has played out in developed market despite a much higher penetration of modern retail and e-comm.

Retail channel split of IT and mobile accessories market in India (%)

	Laptops & Desktops			IT Accessories			Mobile & Accessories		
	CY 2015	CY 2021	CY 2022	CY 2015	CY 2021	CY 2022	CY 2015	CY 2021	CY 2022
General Trade	85%	70%	63%	80%	70%	70%	80%	50%	29%
Modern Trade	10%	12%	15%	15%	10%	10%	12%	20%	18%
e-Commerce	5%	18%	22%	5%	20%	20%	8%	30%	53%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

- **RP's competitive positioning is stronger than what may one interpret from reported numbers.**

Redington, Ingram, Savex and RP are the leading distributors in India. Our channel checks indicate that broadly all the large players are well-run, with the exception of INGRAM which seems to be faltering on the growth front. Few insights –

- In our view, competitive positioning of RP versus other larger peers is much stronger than what one would deduce from looking at overall sales numbers –
  - Excluding mobile (35% of sales) and software (RP does not participate in these), FY25 sales of Redington (India only) are ~ Rs 260 bn versus Rs 137 bn of RP; the difference is not as much as what may seem from reported numbers.
  - As is clear in the above exhibit (under the company profile section), RP's market share in some of the PC components and peripherals is in the range of 20-40%, which gives it credible competitive positioning (superior distribution reach) in the market. Our channel checks with some OEs indicate that they value RPs superior reach in tier-2/3 towns and hence RP's name is

always in the consideration list when an OE is looking to appoint distribution partners.

    - Redington does ~Rs60 bn business in software sales and solutioning. RP's software practice is in its infancy. We see this as a major missing piece in the business as software re-selling and solutioning is a higher ROCE business. Also, FCF profile of the business is much better versus hardware distribution.
    - On the enterprise side, market share of RP is miniscule, as of FY25. In our view, this is not much of a handicap and RP would be able to scale up its market share in the coming years (more on this in later sections).
- On an overall basis, Rashi and Savex seem to be growing sales at a faster pace versus competition. Savex had acquired Inflow Solutions in 2021 which is into software sales and solutioning and hence, growth in consolidated sales is very high. Excluding Inflow, Savex has grown sales at a CAGR of 17% in FY18-24, inline with leading companies. Further observations –
    - As mentioned above, RP exited from mobile phone business in FY18&19 and hence let go of ~Rs16 bn of sales (FY18). Excluding this, RP's growth is much faster than the industry.
    - In this industry, it is not entirely appropriate to benchmark companies on sales growth given that – a) it is possible to buy sales by giving discounts in large deals, b) large enterprise deals (Rs15 bn deal was executed by RP in FY25) can skew these comparisons.
    - Better benchmark is growth in PAT on which also, RP comes out strong versus competition, however, its base of PAT was low in FY18. On this point, if one excludes the acquisition (Inflow Tech) from Savex's numbers, growth in PAT is very low versus all other companies.
- Working capital days for both Redington and Ingram are lower versus Rashi. Reasons-
    - Both Redington and Ingram have substantial business (~35% of India sales) from mobiles which have very high inventory turns (though ROCE would be the same as any other ICT product). Hence, inventory days of both these companies appear lower than RP.
    - Redington (possibly Ingram also) has been doing factoring of receivables (RP would start from FY26) which reduces their reported debtor days.
- RP's ROCE appears to the lowest amongst all the large companies –
    - RP has negligible contribution from software versus all other companies.
    - RP's FY25 (and prior years also) has no factoring of receivables.

Rashi compares well across parameters versus competition

Sales (Rs million)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	CAGR (%)
Rashi	44,129	39,869	39,344	59,250	93,134	94,543	1,10,947	1,37,727	17.7
Redington (Consol)	4,16,026	4,65,362	5,14,652	5,69,459	6,26,440	7,93,768	8,93,457	9,93,337	13.2
edington (India) (1)	1,48,440	1,68,512	1,86,325	2,27,200	2,70,189	3,53,410	4,12,276	4,89,020	18.6
Mobile (SISA) (2)	29,688	32,017	48,445	68,160	54,038	88,353	1,31,780	1,65,390	27.8
Redington (India) ex of mobile	1,18,752	1,36,495	1,37,881	1,59,040	2,16,151	2,65,058	2,80,496	3,23,630	15.4
Ingram	2,05,735	2,17,165	2,29,665	2,66,877	3,11,757	3,47,275	4,02,063	4,30,740	11.1
avex (3)	1,05,286	1,16,950	1,53,463	2,11,283	2,35,562	3,17,925	3,21,792		20.5
--Inflow Tech				24,251	25,852	41,439	49,212		
Savex (ex Inflows)	1,05,286	1,16,950	1,53,463	1,87,032	2,09,710	2,76,486	2,72,580		17.2

Note:

(1) We have assumed that Redington Standalone numbers are representation of India business.

(2) We have assumed that mobile sales in SISA (Singapore, India, South Asia) are mostly pertaining to India only.

(3) For Savex CAGR is from FY18-24; ;for the rest it is for FY18-25.

Gross margin for various ICT distributors, consol, March fiscal year-ends (%)

Gross margin (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Rashi	4.5	4.7	5.9	5.8	5.5	5.7	5.3	5.3
Redington (Consol)	5.8	5.9	5.5	5.5	6.0	6.0	5.7	5.3
Ingram	3.7	4.3	5.0	4.3	4.2	4.4	3.3	3.8
Savex	4.9	6.3	5.0	5.3	6.4	7.9	8.8	

EBITDA margin, consol, March fiscal year-ends (%)

Ebitda incl OI(Rs million)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	CAGR (%)
Rashi	686	634	939	2,152	3,053	2,676	3,072	3,609	26.8
Redington	8,849	10,292	11,411	14,874	19,264	24,911	25,930	25,829	16.5
Ingram	3,644	4,489	7,829	8,007	9,384	11,143	8,261	8,112	12.1
Savex	3,261	3,321	3,862	5,060	8,545	11,936	8,982		18.4
Ebitda margin (incl OI) (%)	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**Average**
Rashi	1.6	1.6	2.4	3.6	3.3	2.8	2.8	2.6	2.6
Redington	2.1	2.2	2.2	2.6	3.1	3.1	2.9	2.6	2.6
Ingram	1.8	2.1	3.4	3.0	3.0	3.2	2.1	1.9	2.6
Savex	3.1	2.8	2.5	2.4	3.6	3.8	2.8		3.0

Note:

(1) We have included other income to calculate margins as most of the items under this head (interest for late payments, forex related) are related to operations.

PAT, consol, March fiscal year-ends

PAT (Rs million)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	CAGR (%)
Rashi	360	289	382	1,364	1,826	1,234	1,438	2,097	28.6
Redington	4,844	4,845	5,339	7,885	13,149	14,394	12,386	18,206	20.8
Ingram	2,120	2,651	5,160	5,511	6,539	7,943	5,222	4,919	12.8
Savex	1,818	1,630	2,085	3,125	5,351	6,784	3,598		12.1
--Inflows				753	964	1,616	1,597		
Savex (ex Inflows)	1,818	1,630	2,085	2,372	4,387	5,168	2,001		1.6
PAT margin (%)	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**Average**
Rashi	0.8	0.7	1.0	2.3	2.0	1.3	1.3	1.5	1.4
Redington	1.2	1.0	1.0	1.4	2.1	1.8	1.4	1.8	1.5
Ingram	1.1	1.3	2.4	2.2	2.2	2.4	1.3	1.2	1.7
Savex	1.8	1.5	1.4	1.6	2.4	2.3	1.2		1.8

Comparison of working capital days, consol, March fiscal year-ends

Inventory days	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Rashi	31	34	41	35	35	52	55	51
Redington	28	27	27	21	21	26	28	24
Ingram	31	28	27	26	28	30	30	31
Savex	22	27	24	17	25	28	33	

Debtor days	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Rashi	33	43	43	49	38	39	37	42
Redington	49	48	47	44	45	48	53	57
Ingram	51	48	50	52	53	55	61	66
Savex	31	38	32	28	39	52	62	

Payable days	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Rashi	31	37	39	41	35	40	40	40
Redington	39	38	40	42	43	44	51	49
Ingram	48	46	42	42	47	49	52	56
Savex	6	11	9	8	17	24	25	

NWC days	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Rashi	33	40	45	43	38	51	51	52
Redington	39	37	34	24	23	30	30	33
Ingram	34	30	35	36	35	36	38	41
Savex	48	54	47	38	47	56	70	

Comparison of ROCE, consol, March fiscal year-ends (%)

ROCE (Pre tax)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Average
Rashi	13	11	15	23	20	14	13	13	15.3
Redington	17	19	14	25	28	23	23	21	21.2
Redington without factoring			14	24	27	20	18	18	20.2
Ingram	14	16	22	20	20	20	12	12	16.9
Savex	17	18	15	18	20	19	12		17.0

Comparison of write-offs (%), consol, March fiscal year-ends

Redington	FY21	FY22	FY23	FY24	FY25
Inventory write off as % of total inv	1.6	1.2	2.3	1.3	0.2
Receivable write off as % of total debtors	0.6	0.8	0.6	0.2	0.2
Rashi	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Inventory write off as % of total				0.1	0.1
Receivable write off as % of total	0.2	0.3	0.2	0.2	0.1

- In our view, optimized use of balance sheet, will lead to a pre-tax ROCE of ~16% in case of RP. There can be some bit of further optimization possible through factoring of receivables which could take the pre-tax ROCE up by 1% to 2%. However, in our view, beyond a point, factoring is more cosmetic and hence not useful as –
    - Cost of factoring (8.5% versus 7.5% of working capital loan) is higher than the cost of working capital loan and hence even though more factoring would lead to higher ROCE, it is dilutive to earnings and hence purely cosmetic. Hence, factoring should be done only till the extent the cost is equal or lower versus working capital loans.
- In our view, since the business is simple and major companies have been around since a long time, all companies have established strict financial parameters to run the business –
    - The business is optimized to the T in terms of margins and hence by following full discipline pre-tax ROCE of ~16-18% is possible. All the large companies in this sector have a razor-sharp eye on ROCE and margins as there is no scope for adventures.
    - All companies understand the risk in large enterprise deals and hence are careful in evaluating economics of large deals. Even on the ex-large deals business, all companies have evolved processes to reduce the risk of defaults to a negligible level.
        - In case of RP, with the exception of enterprise deals, almost (>90%) of the receivables are insured and hence in the ex-enterprise business, there is almost no risk of bad receivables.
        - As per our understanding, credit limits of channel partners are fixed based on the risk insurance company is willing to underwrite after looking at their financials.
        - RP charges interest (part of other income) from its channel partners for each day of delay in payment.
- In developed markets, ICT business is slowly getting dis-intermediated on account of significant hardware spending moving to the cloud as -
    - Hyperscalers deal directly with OEs.
    - Move to cloud reduces the need for on-premise servers and other connected products.
    - Some of the other large clients (non hyperscaler) are also dealing directly with OEs.

  We don’t see this as a big risk as of now, in India as the trend is very slow and gradual.

Investment Rationale

- We see RP growing at ~15% (sales and PAT) for the next 2-3 years. Growth might eventually slow down to 10-12% CAGR in line with industry in case the company is not able to introduce new revenue drivers in the coming years. In our view, Rashi will gain market share. Reasons –
  - Decentralized organization structure enables RP to be more agile versus competition. RP operates a different organization structure in which lot of decision making happens at the local branch level. RP has made each (21 of them) of its main branches (state headquarters) a separate profit center. Variable compensation (which is a high % of salary) of branch head and other sales staff is linked to profits of the branch. This structure incentivizes the branch staff to drive sales aggressively (with an eye on ROCE and hence risk, as the incentive is based on PAT). Depending on the PAT achieved, branch managers can earn more than the CEO also.
    - There are credit limits allocated to each branch manager which can be used as per his discretion.
    - RP also keeps inventory at each of its branch offices; there are warehouses attached, which allows it to service local demand faster for bulk of higher sales velocity products.
    - At higher (for example top mgmt. at the head office) levels of management, variable incentive as part of overall compensation is much lower encouraging the top mgmt. to keep a sharp eye on risk.

    RP's larger peers operate a centralized organization in which decision making is more at head office, rather than the branch. Branch is operated as a cost center rather than a profit center. Also, variable incentives (as % of salary) are much lower at the branch level.
    - Inventory is also managed in hub and spoke model leading to higher turn around times for servicing demand in some cases.
    - Decision making is slower. For example - In case of exceptions like, temporary requirement of higher credit limit for a partner etc, layers of approvals are much higher versus RP.

    Having made this point, in our view, phenomena of larger peers following a more centralized structure is a function of higher complexity in their business as these organisations run multi country operations and over time would have evolved to this organization structure which could be the best option for such an operation. RP's business is India specific and hence easier to manage with a de-centralised structure and when the business rises in complexity in the long term, maybe RP would also have to move to a similar structure to manage risk.
  - RP will gain market share in the enterprise business. RPs share in the enterprise business is in mid-single digits (~Rs15-20 bn sales in FY25). Earlier, given the size of the organization it did not have enough heft to be able to participate or be invited to participate in enterprise deals but now that is not a problem any more and hence RP has started participating in enterprise deals. Focus of the organization is to target deals in the range of Rs50-100 Cr and be less aggressive in larger deals in which there is head on competition with larger players. RP gets access to these deals by virtue of its superior reach in tier 2-3 towns.

        - As per the mgmt. data center demand has just taken off in India and would remain on a strong growth trajectory in the coming 3-5 years, creating opportunities for large deals.
        - RP is one of the oldest distributors of NVIDIA in India (NVIDIA also distributes through INGRAM) and hence would be one of the beneficiaries of the rising AI data center demand in India.
        - RP has also signed up as one (total 4) of the partners for Dell Enterprise business. This would give RP strong play in the data center linked demand in India. As per the mgmt., Dell does ~US$3 bn business in India out of which 60% is done through distributors and hence depending on how RP executes on the ground, potential to scale up is large. In this business, RP will partner with Dell and design end to end solution for data center projects. As per our understanding, this business would start contributing meaningfully (~Rs2 bn) from 3Q25 onwards; order book is very strong as of now (~Rs 8 bn).
        - RP has built its pre-sales solutioning (~80 members) and business development team whose job is the liase with end-customers to build solutions to meet their requirements and hence is well-prepared for scale up in this segment of the business.
    - Historically, in all the businesses with no intellectual property related entry barriers, companies run by Indian promoters have gained market share from subsidiaries of global companies. Examples abound across industries – credit cards, consumer banking, Mutual Funds, Wealth Management, Indian Branded Pharma, etc etc. In our view, given higher layers of management and hence slower decision making, over long periods of time, foreign owned firm lose out (in non-IP related businesses only) to more nimble companies run by Indian promoters. Hence, in our view, in this business also, there is possibility that RP and other well-run Indian promoter driven companies would gain share in the long term.

- IPO has given a phillip to the balance sheet; positive impact should play out over the coming years. Rashi raised a total of ~Rs7.5 in the IPO (including pre-IPO allotment). This has had the following positive impact –
    - Credit rating has moved up one notch (to AA- for long term and A1+ short term). With this cost of working capital (to 7.2% from 8.5%) for RP has moved in line with market leaders. Given that ICT distribution business is all about providing working capital finance to the channel, higher cost of financing versus leaders, was a significant handicap in the business which got removed.
    - The company is well-funded to grow at ~20% CAGR in the next five years without raising additional equity. The company has ~Rs18 bn of net worth as of Sep25. Assuming -

      a) PAT growth at a healthy 12-15% CAGR for the next 5 years. It would add Rs15 bn to networth,

      b) 1 :1 D/E. Capital employed can potentially increase to Rs66 bn in 5 years from ~Rs28 bn as of Sep-25, and,

      c) Capital deployed to sales ratio of ~5X.

      Implies that, theoretically, RP is funded to reach sales of Rs330 bn (~Rs140 bn in FY25) in the next 5-6 years (CAGR of 15-20%) without raising additional capital.
    - Higher confidence on the balance sheet has given RP the ability to participate more actively on the enterprise side of the business.

- We expect sales and PAT to grow at a CAGR of ~15% in FY26-29. We expect pre-tax ROCE to trend towards ~16%, in the next 2 years (from ~13% as of FY25).
    - Given that the company would be increasing its mix of enterprise business GM and possibly PBT margins as well could trend lower as GM of the enterprise business at 3-4%, is lower than 6-7% of rest of the business.
        - At the ROCE level, we expect the company to maintain consistent levels (pre-tax ROCE at ~16%). Enterprise deals come at a lower margin but also involve lower working capital and hence at the ROCE level, they are at the same level as the base business.
    - Short-term improvement in ROCE could also come through factoring (without recourse) of receivables.
        - As per our understanding, cost of factoring is ~8.5% which is higher than the cost of working capital at 7.3% and hence it does not make sense to factor receivables which can be comfortably financed by working capital.
        - RP runs a cash credit account to the extent of ~15-20% of receivables. Cost of this facility is ~8.5% and hence this can be easily substituted by factoring without diluting earnings. Hence, we expect that over time RP should be able to factor 15-20% of its receivables which could improve pre-tax ROCE by 1-2% in the coming years.
            - Cash credit account is short-term loan facility from a bank that lets businesses draw funds up to a pre-approved limit to manage working capital and day-to-day expenses, acting like a revolving line of credit where interest is charged only on the amount used, not the full limit.

- Our channel checks indicate a very well-managed business.
    - Business is run very efficiently with strict controls on risk.
    - Top mgmt. is enterprising in identifying new opportunities for growth.
    - Sales team has more hunger versus other companies.

- The company has seeded higher value-added businesses which could structurally improve ROCE in the long term (maybe beyond our investment horizon of 2-3 years). These are -
    - The company has taken initial steps in structuring the software reselling/solutioning business. If the company is able to deliver well in this business, overall margins and ROCE would start trending upwards, gradually. FCF profile of the business would also improve given lower working capital requirement of the software business. One can look at financials of Ivalue Solutions (pre-tax ROCE is >20%; FCF is positive given higher margins and lower working capital requirement) to get an idea of the capital efficiency parameters of the software business. RP has been evaluating acquisitions to grow this segment of business; one such transaction fell through in March-25. In our view, RP should be able to acquire a company and achieve a decent scale in this business in the coming 3-5 years. As per our understanding, size of the transaction could be in the range of Rs2-5 bn.
        - In our view, it is critical for the company to close this gap in its product/service offering as not only is the ROCE and FCF profile of software business much better than hardware, also, in the long term, growth in software market is going to be much faster. In the global IT market, spending on software is growing at almost double (13% versus 7%) the rate of growth in the hardware market.

- The company has seeded another business related to embedded systems (PCBs with software embedded) –
  - The company designs PCB as per use case of the customer. It gets prototype approved from the customer. When the PCB goes for mass production to another vendor, RP gets business from distribution of parts (which have gone into the PCB, like processors, chips etc). To spearhead the designing part, RP has created an embedded systems lab in Bengaluru.
  - Potential in this business is large versus ~Rs1 bn of sales done by the company in FY25. As per the mgmt., as of now, there is US$2 bn of market which already exists in India. In our view, this is either being catered to directly by OEMs or through global distributors like Arrow and Avnet.
  - RP wants to create a similar distribution business as Arrow and Avnet (listed in US) in the long term. It has already signed up 24 OEs (Elmos, NVIDIA, Nidec, Qualcom, Micron etc) in this space.
  - In the long term (5 years or more) this could become a substantial business for RP. PCBA (assembled PCB) market is growing very fast in India given PLI linked production incentives offered by the govt. to boost electronics manufacturing in India.
  - As per our understanding, Arrow and Avnet also trade at 10X (P/E) multiple in US market; a level similar to hardware distributors like Synnex.
- Growth in reported numbers should start from 2HFY26 – RP's reported numbers for 1HFY26 look subdued both on reported sales and profits front. Reported sales and PAT were up -8.4% and 3.2%, yoy, respectively. However, excluding one-offs – a) Rs15 bn of sales on account of Yotta deal (discussed in detail under the risk section), and, b) Rs72mn of ESOP cost, growth in sales and PAT was 16% and 9.7%, yoy, respectively. In our view, given that RP is a recent listing and hence it may not enjoy high credibility (which comes with a good performance track record over 2-3 years of listed history) in the street, and hence, investors would not have liked this story of "there is growth but after adjustments". In our view, in 2HFY26, with the exception of ESOP cost (Rs200 mn per year for FY26 and FY27 and small expense in FY28; some part would be off-set by reduction in promoter salary), there should be no one-off items and hence growth in reported numbers should start getting better (>15% yoy), which would be appreciated by the street.

<u>Perspective on valuation and potential returns</u>

We expect the stock to give 2-3X returns in the next 3 years – a) EPS will compound at ~15% CAGR and b) we see scope for P/E multiple to move from 12.5 X (trailing) as of now to ~16X (in line with Redington). We expect multiple expansion as -

- We expect RP to grow at a similar or a better rate than the leading companies. Redington quotes at a multiple of 16X (TTM basis). Hence, we expect multiples to converge.
- Redington runs a complex operation with presence in over 40 countries which makes it complicated for investors to take a long term view on earnings as there is volatility in earnings as one or the other country's operations might be going through a bad patch every couple of years. On the other hand, RP is a simple domestic business and hence it is easier for investors to take a call on long term growth. In our view, simplicity of the idea and possibly lower volatility of the business would also lead to convergence of multiples.
- Depending on execution (next 3-5 years) in the higher ROCE business of software reselling and solutioning, investors might get more sanguine about the future ROCE/FCF profile of the business.

- As per our understanding, global ICT hardware distributors like (TD Synnex which is the largest) are valued at ~12X trailing EPS and ~10X one year forward EPS. This is for a business (Synnex) which –
    - Projected to grow at mid-single digits for the next 2-3 years.
    - ~80% or more revenue is from Americas and Europe, both of which are mature markets.
    - Synnex has lost market share (~220 bps) from 2022-24.
    - ~20% of the gross billing comes from software, a more value added business.

  In our view, Indian ICT distributors will be able to sustain their higher valuation (Redington trades at ~16X trailing EPS) given higher growth and simpler operations.

Risks

- Enterprise deals can drive growth but also bring one-off risks in case not properly managed –

    - Enterprise deals are large and hence the company can't insure receivables. Hence, in case there is default the whole risk needs to be borne by the company.

    - In lot of large enterprise deals it is the OE which is driving the deal and hence even if there is a delay in payment from the end customer, OE usually compensates in a back-to-back manner, though this arrangement might not be written in the contract and hence not legally enforceable. However, even in a back-to-back arrangement, there might not be exact matching of cash flows, which could lead to a scenario where the company has to take a hit first and then compensation comes with a gap, which could lead to high volatility in quarterly numbers and investors might not like it.

    - Enterprise deals provide an easy (surest way of getting the deal is to reduce price) opportunity for all distributors to shore up their growth numbers and hence, they could be heavily competed and result in margin pressures.

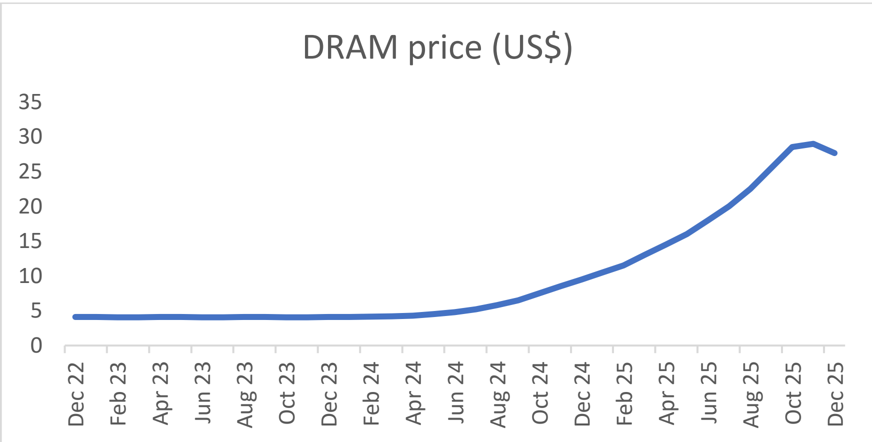
  There is a recent case in point for RP. RP got the deal for Yotta AI GPU data centre (promoted by Hiranandani Group), in 1HFY25. The deal was large (~Rs1500 Cr) and prestigious (first NVIDIA data centre in the country). RP got the deal on account of its association with ASUS (largest OE for RP as % of sales) which was the OE driving this deal and also because of the fact that RP was the only distributor which had ready team of engineers/technicians who were NVIDIA certified. Once the data centre was commissioned there were delays in payments as the lendor (SBI) refused to disburse the loan given lower than expected utilisation levels (data center). As a consequence, both receivable and payables days got stretched for RP for a couple of quarters before the final payment was made. As per our understanding, RP has not faced any losses on account of this deal as it had back-to-back arrangement with the OE but nevertheless, in our view, this could have left a bad taste for investors.

  We hope given that RP has gone through this experience, it has brought in robust processes to evaluate enterprise deals from risk return perspective and hence, in future such deals would happen in a much more smooth manner and are not dilutive to company level ROCE.

- Taking market share from established leaders could be an abrasive process and involve a hit on margins and ROCEs. As mentioned above, from an end customer (distributor, dealer etc) point of view there are no loyalties in this business with any particular distributor. Whoever offers a lower price (faster turnaround is second parameter) would usually walk away with the deal. Hence, there is risk that in case market leaders start reacting to loss in market share, it would lead to lower margins (and ROCEs) for RP diluting the impact of higher growth on earnings.

- DRAM prices have increased significantly, which would lead to volatility in the P&L in the coming quarters. DRAM prices have increased 6x (from Jan-Dec25) in the last couple of months as available DRAM capacity has been diverted towards AI GPU data centers. As per our understanding, for 8 GB ram (standard for a laptop), increase in price is to the extent of Rs10k and hence most of the OEs would be continuously increasing prices month-on-month atleast for the next few months. This creates the following problem in the coming quarters –
    a. Prices of laptops, desktops etc have already started going up every month. In such a scenario, the channel tends to overstock leading to higher than usual growth in sales till the time prices are going up. Additionally, RP is the largest distributor of DRAM in the country and hence there is possibility of inventory gains which may push EBITDA margin higher (maybe couple of basis points) than its usual range.
    b. While in the coming quarters, this trend would make the numbers look good. However, when the prices start coming down, exactly the reverse would happen – there would be inventory losses, channel would de-stock pushing growth rates lower than usual for couple of quarters.
    c. Also, there is a risk that such high inflation in prices of computing equipment could depress demand and hence lead to lower than usual volume growth in the business.
    d. Inflation in prices is beneficial for RP as it makes margins on the value of sales and hence this high inflation would lead to stronger than usual growth in the coming quarters and vice-versa when prices start deflating.

Trend in price of DRAM (2 GB)



- One of the promoter's sons runs a company called PV Lumens which is also a hardware distributor. As per our understanding, PV Lumens is into distribution of mutual exclusive products (non-ICT) like –
    e. Data center racks.
    f. Testing and measuring equipments.
    g. Equipment related to power supply and thermal management.
    h. Safety, security related equipments.

  In our view, it would have been ideal in case both the businesses were done through RP only. However, we don't see any issue in the current structure as well as in our view proper processes are being followed but other investors might not look at it in a similar manner. Related party transactions between PV Lumens and RP are very very small in the overall context and hence inconsequential.

Financial summary of PV Lumens, March fiscal year-ends (Rs mn)

Profit and loss account	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Sales	627	932	1,179	2,598	4,365	5,196	2,908
Gross profit	86	119	136	257	409	548	294
Ebitda	29	46	74	175	291	362	224
PAT	8	16	32	99	151	176	86
Balance sheet							
Total Equity	0	0	67	-44	471	611	340
Debt (Long + Short)	175	73	194	300	380	679	306
Trade payables	106	200	184	413	742	692	155
Total sources of funds	**289**	**426**	**460**	**712**	**1,648**	**2,050**	**838**
Total non-current assets	0	1	1	1	1	1	334
Inventories	80	195	141	184	495	429	31
Debtors	153	162	241	413	974	1,408	193
Total assets	**289**	**426**	**460**	**712**	**1,648**	**2,050**	**838**
Margins (%)							
Gross margin	13.7	12.7	11.5	9.9	9.4	10.5	10.1
Ebitda margin	4.6	5.0	6.3	6.8	6.7	7.0	7.7
Working capital							
Inventory days	47	76	44	26	41	30	4
Debtor days	89	63	75	58	81	99	24
Payable days	62	78	57	58	62	49	20
NWC	74	61	61	26	61	80	9
Return ratios (%)							
ROE			48		32	29	25
ROCE	16	62	28	68	34	28	34

- We don't see significant forex volatility based risk in the business.
  - RP imports 40% of its total goods procured; rest of the goods are procured with payments in Rs from local warehouses of OEs.
  - RP has payable days of ~40 and inventory days of ~50. So, there is automatic hedge available. Also, RP is easily able to increase prices to pass on forex impact as it is a BtoB transaction.
  - 20-40% of forex exposure is hedged depending on view on forex market. Forex impact (loss) is captured under other expenses.
  - Forex losses can induce volatility in reported EBITDA numbers. For example – on large deals, in case there is forex loss, it is compensated (since these are back-to-back deals) by the OE and the compensation is part of other income while forex loss is reflected under other expenses. Hence, reported EBITDA margins may appear to be subdued. In our view, correct way to look at RPs EBITDA margins is by adding other income to operating EBITDA and then calculating margins. In our view, given that there is no cash in the balance sheet of the company, other income primarily includes income streams which are operational in nature.

Financial summary of RP Tech, consolidated, March fiscal year-ends (Rs mn)

Profit and loss account	2018	2019	2020	2021	2022	2023	2024	2025
Sales	44,129	39,869	39,345	59,250	93,134	94,543	1,10,946	1,37,727
EBITDA	686	634	939	2,152	3,053	2,676	3,072	3,609
EBITDA (%)	1.6	1.6	2.4	3.5	3.2	2.7	2.6	2.2
Other income	44	54	77	67	85	147	144	606
Depreciation	25	23	75	75	117	167	189	172
EBIT	661	611	863	2,011	2,851	2,363	2,740	2,831
PBT	543	443	511	1,789	2,399	1,646	1,916	2,688
PAT	360	289	382	1,364	1,826	1,234	1,438	2,097
EPS	362	291	10	31	44	30	31	32
Balance sheet								
Equity	1,670	1,958	2,627	3,970	5,783	6,981	15,507	17,440
Debt	3,636	3,791	3,609	5,023	8,976	10,863	6,964	9,118
Other non-current liabilities	15	13	105	312	658	579	688	672
Total sources of funds	**5,321**	**5,763**	**6,342**	**9,305**	**15,417**	**18,422**	**23,159**	**27,230**
Fixed assets	163	150	595	521	580	540	525	492
Other non curent assets	283	289	209	972	1,186	1,254	1,140	877
Working capital	4,290	4,579	4,565	7,010	12,230	14,089	17,062	22,540
Other current assets	573	741	923	512	1,069	2,195	2,982	3,105
Cash and investments	12	3	50	289	352	346	1,450	216
Total uses of funds	**5,321**	**5,763**	**6,342**	**9,305**	**15,417**	**18,422**	**23,159**	**27,230**
Cash flow statement								
Cash from operations (incl interest and w/o working capital				2,123	3,110	2,575	3,129	3,031
Cash used in working capital				-2,691	-5,220	-1,858	-2,974	-5,478
Capex				-60	-123	-113	-71	-79
FCF				-628	-2,232	604	84	-2,526
Return ratios (%)								
ROE	21.6	14.8	14.6	34.4	31.6	17.7	9.3	12.0
ROCE (pre-tax)	12.5	10.6	13.8	23.1	19.9	14.1	12.8	12.9

Disclaimer and Disclosure

- We (Clockvine Capital Advisors Private Limited) are a SEBI Registered Portfolio Manager having registration number – INP000008473.

- No penalties / directions have been issued by SEBI under the SEBI Act or Regulations made there under against the Company or its Directors.

- The portfolio manager, it employee(s) and their dependents, or its associates have holdings or financial interest in the subject company.

- **General Disclaimers**: This Research Report (hereinafter called 'Report') is prepared and distributed for information purposes only. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through the Company nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security(ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers.

  No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by the Company to be reliable. Company or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of the Company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

- The Company or its employee have not:
  - received any compensation from the company which is subject matter of recommendation/research;
  - managed or co-managed the public offering of any company;
  - received any compensation for investment banking or merchant banking or brokerage services from the subject company;
  - received any compensation for products or services from the subject company;
  - received any compensation or other benefits from the Subject Company or 3rd party in connection
  - served as an officer, director or employee of the subject company;
  - been engaged in market making activity of the subject company.

- Also, the subject company was not a client of the Company during twelve months preceding the date of report.

- There are no actual or potential conflicts of interest arising from any connection to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of Portfolio Management services. Such conflict of interest will be disclosed to the client as and when they arise.

- Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

- **Risks**: Investment in securities market are subject to market risks. Read all the related documents carefully before investing. There are no assurances or guarantees that the objectives of any of trading / investment in securities will be achieved. The trades/ investments referred to herein may not be suitable to all categories of traders/investors. The names of securities mentioned herein do not in any manner indicate their prospects or returns. The value of securities referred to herein may be adversely affected by the performance or otherwise of the respective issuer companies, changes in the market conditions, micro and macro factors and forces affecting capital markets like interest rate risk, credit risk, liquidity risk and reinvestment risk. Derivative products may also be affected by various risks including but not limited to counter party risk, market risk, valuation risk, liquidity risk and other risks. Besides the price of the underlying asset, volatility, tenor and interest rates may affect the pricing of derivatives.

- For a comprehensive understanding of the disclosure, we recommend a thorough review of the disclosure document available on our website https://clockvinecapital.com/.

Clockvine Capital Advisors Private Limited (CIN: U67190MH2022PTC386703)
SEBI Registered Portfolio Manager Registration No. INP000008473
(Type of Registration- Non-Individual, Validity of Registration- 13.12.2023 to Perpetual)
Registered Address: B-1802, 18th Floor, 11 Lodha Gardenia, Wadala Truck Terminal Road, New Cuffe Parade Mumbai, Maharashtra - 400037
Principal Officer: Mr. Jasdeep Walia
Contact No: +91 9819066213, Email: Jasdeep.Walia@clockvinecapital.com
Compliance Officer: Ms. Bhawna Lakhotia, Email: bhawna.lakhotia@gmail.com

SEBI office address - **SEBI Head Office (HO)**
Address: Plot No.C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051, Maharashtra
Tel. Board: +91-22-26449000 / 40459000