

Price: 249

Recommendation: Buy

Industry: Trading & Distributors

Sector: Services

Report Date: 05-May-2025

Redington Limited is a global IT distributor ranked seventh worldwide, aiming for the top five. With a 15% revenue CAGR over 17 years, it excels in cloud, AI-led solutions, and subscription-based models. Operating in key markets like India, UAE, and Saudi Arabia, Redington drives growth through diversification, ESG initiatives, and innovation, ensuring stability and sustainable success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	46271 Cr	Operating Profit(Year)	1081 Cr	Operating Profit Margin	2.34 %
Previous Year	35341 Cr	Operating Profit(Quarter)	298 Cr	EBITDA Margin	3.20 %
Current Quarter	13095 Cr	PAT (Year)	1040 Cr	Net Profit Margin	2.52 %
Previous Quarter	12385 Cr	PAT (Quarter)	461 Cr	EPS	17.8
Revenue (QYoY)	11104 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	13.9	Sales Growth	14.4 %	Sales Growth	5.73 %
PEG Ratio	0.29	PAT Growth	-2.8 %	Sales Growth QYoY	17.93 %
EV/EBITDA	10.9	EPS Growth	28.99 %	PAT Growth	-25.4 %
P/B	4.99	Dividend Yield	2.45	PAT Growth QYoY	199.35 %
Capital Allocation		Holdings		Leverage	
RoE	30.9 %	Promoter	0.00 %	Debt/Equity	0.16
RoA	10.1 %	FII	60.6 %	Debt	627 Cr
RoCE	28.9 %	DII	17.9 %	Market Cap	19454 Cr
RoIC	28.0 %	Public	21.5 %	Enterprise value	19874 Cr
		No of Shares	78.2 Cr	Cash Equivalents	208 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Redington Limited's Analyst & Investor Meet 2025 showcased its robust strategies, emphasizing sustainable growth, diversification, and operational excellence. The company highlighted its core business strengths, including its position as the seventh-largest IT distributor globally, with aspirations to enter the top five. Key initiatives include expanding into emerging markets like ASEAN, South Africa, and Central Asia, leveraging its adaptive capacity to navigate volatile environments. Redington's focus on cloud and software subscription businesses is evident, with plans to scale these segments from 9% to 30% of revenue in the next few years. Investments in platforms like CloudQuarks, partner academies, and professional services delivery arms aim to enhance digital-first capabilities and drive growth in cloud and AI-led solutions.

The company's diversification strategy is centered on adjacencies, such as AI-enabled devices, professional displays, and hyper-converged solutions. Redington is also exploring opportunities in recycling and component markets, driven by trends like Make in India and AI GPU demand. Its innovative initiatives, including DigiGlass (managed security services) and robotic process automation solutions, reflect its commitment to enhancing operational efficiency and creating future value. The divestment of PayNet, a fintech startup, for \$94 million underscores Redington's ability to incubate and scale ventures successfully, with proceeds allocated to debt repayment and strengthening core operations.

Future growth perspectives are rooted in leveraging emerging market dynamics, scaling software and cloud businesses, and expanding professional services. Redington plans to capitalize on trends like premiumization, AI adoption, and subscription-based models, while maintaining its leadership in key geographies like India, UAE, and Saudi Arabia. The company's disciplined approach to risk management, including forex hedging and inventory provisioning, ensures stability in challenging markets. Its focus on localization, talent development, and ESG initiatives further strengthens its position as a socially sensitive and well-governed enterprise.

Redington's ability to balance profitable growth with operational efficiency is evident in its 15% revenue CAGR over 17 years, supported by a strong balance sheet and consistent dividend payouts. The leadership team's alignment with shareholder interests, coupled with its innovative strategies, positions the company for sustained success. While challenges like evolving technology trends and geopolitical risks remain, Redington's adaptive capacity, diversified portfolio, and commitment to scaling new business models provide a solid foundation for future growth.

REDINGTON Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
MMTC	8497.50	53.22	9.97%	-83.97%	-65.75%	-82.71%	-93.48%
Honasa Consumer	8145.83	119.57		12.71%	4.36%	244.64%	-25.35%
Lloyds Enterpris	6510.71	94.87	4.56%	-24.69%	-10.45%	-11.92%	-67.49%
Adani Enterp.	283922.77	61.65	10.30%	18.02%	-7.59%	1675.36%	88.79%
Aegis Logistics	27778.18	48.05	15.13%	-2.48%	-8.88%	-1.36%	-4.52%

Aspect	Commentary
Revenue	Redington's revenue grew 14.4% YoY and 5.73% QoQ, driven by diversification and cloud-based solutions. Quarterly revenue of Rs.13,095 Cr reflects consistent growth, supported by expansion into emerging markets and premiumization trends.
Profit & Loss	PAT declined 2.8% YoY but surged 199.35% QYoY, indicating recovery from prior quarters. Annual PAT of Rs.1,040 Cr and EPS growth of 28.99% highlight operational efficiency despite quarterly volatility.
Profitability Matrix	Operating profit margin of 2.34% and EBITDA margin of 3.20% reflect stable profitability. Net profit margin of 2.52% underscores effective cost management, while EPS of 17.8 signals shareholder value creation.
Valuation Matrix	Trailing P/E of 13.9 and PEG ratio of 0.29 suggest attractive valuation relative to growth. EV/EBITDA of 10.9 and P/B of 4.99 indicate efficient capital utilization, while a dividend yield of 2.45% enhances investor returns.
Growth (YoY)	Sales growth of 14.4% YoY demonstrates robust demand across key markets. EPS growth of 28.99% highlights profitability improvements, though PAT declined 2.8%, reflecting challenges in cost or margin pressures.
Growth (QoQ)	QoQ sales growth of 5.73% and QYoY growth of 17.93% indicate strong momentum. PAT growth of -25.4% QoQ contrasts with QYoY PAT growth of 199.35%, signaling recovery from prior quarters.
Capital Allocation	RoE of 30.9% and RoCE of 28.9% reflect efficient capital deployment. Cash equivalents of Rs.208 Cr and debt/equity of 0.16 highlight financial stability, while proceeds from divestments strengthen operations.
Holdings	FII holdings at 60.6% and DII at 17.9% indicate strong institutional confidence. Public ownership of 21.5% ensures balanced shareholder representation, while promoter holdings remain at 0%.
Leverage	Debt/equity ratio of 0.16 and total debt of Rs.627 Cr reflect low leverage, ensuring financial flexibility. Enterprise value of Rs.19,874 Cr and market cap of Rs.19,454 Cr underscore strong market positioning.

Analyst viewpoint: Redington Limited demonstrates strong growth potential in the short to mid-term, supported by its diversified business model and strategic focus on cloud and AI-led solutions. The company reported a robust 14.4% YoY revenue growth and 5.73% QoQ growth, driven by expansion into emerging markets and premiumization trends. Its quarterly revenue of Rs. 13,095 Cr reflects consistent demand across key geographies, while EPS growth of 28.99% underscores operational efficiency and shareholder value creation. Valuation metrics such as a trailing P/E of 13.9 and PEG ratio of 0.29 suggest attractive pricing relative to growth prospects, further bolstered by a dividend yield of 2.45%. Redington's disciplined capital allocation, with RoE at 30.9% and RoCE at 28.9%, highlights its ability to balance profitability with financial stability, supported by low leverage and cash equivalents of Rs. 208 Cr. The company's innovative initiatives, including CloudQuarks and DigiGlass, position it well to capitalize on emerging trends in cloud, AI, and subscription-based models.

While Redington's PAT declined 2.8% YoY, the significant QYoY PAT growth of 199.35% signals recovery from prior quarters, reflecting its adaptive capacity in volatile environments. The company's strategic divestment of PayNet for \$94 million further strengthens its balance sheet and core operations, showcasing its ability to incubate and scale ventures successfully. Peer comparison highlights Redington's competitive edge, with superior QoQ sales growth and efficient capital utilization relative to industry players. However, evolving technology trends and geopolitical risks could pose challenges, requiring continued vigilance. Overall, Redington's diversified portfolio, innovative strategies, and strong financial metrics make it a compelling buy recommendation for investors seeking growth in the IT distribution sector.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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