

Price: 228

Recommendation: Buy

Industry: Trading & Distributors

Sector: Services

Report Date: 03-Apr-2025

Redington is focused on growth through cloud and AI, leveraging global trends and innovation. Key initiatives include DigiGlass and robotic process automation, aiming for global scalability. The company is expanding its ESG strategy and exploring new markets, such as Tier 2 and Tier 3 cities in India. Redington is investing in software portfolios with subscription models, ensuring sustainable growth. While promising, clarity on long-term vision and agility in tech trends is needed.

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	12.8	Sales Growth	14.4 %	Sales Growth	5.73 %
PEG Ratio	0.27	PAT Growth	-2.8 %	Sales Growth QYoY	17.93 %
EV/EBITDA	10.0	EPS Growth	28.99 %	PAT Growth	-25.4 %
P/B	4.61	Dividend Yield	2.72	PAT Growth QYoY	199.35 %
Capital Allocation		Holdings		Leverage	
RoE	30.9 %	Promoter	0.00 %	Debt/Equity	0.16
RoA	10.1 %	FII	58.5 %	Debt	627 Cr
RoCE	28.9 %	DII	18.6 %	Market Cap	17852 Cr
RoIC	28.0 %	Public	22.8 %	Enterprise value	18271 Cr
		No of Shares	78.2 Cr	Cash Equivalents	208 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Redington outlined several new initiatives and business strategies aimed at sustaining and accelerating growth. The company emphasized its focus on driving business growth in cloud and AI, leveraging trends in various geographies, and continuing to innovate. They highlighted the success of their business model innovations, such as DigiGlass, a security operations center, and a robotic process automation product developed in Turkey. These innovations are seen as potential future value creators, with the company aiming to scale these models globally. Redington is also committed to operational efficiencies within its core business to maintain profitability, despite the plateauing of smartphones and PCs. The company is keen on expanding its ESG strategy, ensuring it aligns with business objectives rather than just compliance.

Redington's diversification schemes include expanding its cloud and AI offerings, with a focus on creating a cloud center of excellence and professional services delivery arm. The company is also exploring new markets and verticals, such as Tier 2 and Tier 3 cities in India, and sectors like pharma, auto, and chemicals. In the Middle East and Africa, Redington is capitalizing on the digital transformation and urbanization trends, positioning itself as a leading distributor in these regions. The company is also investing in software and solution vendor portfolios, with a focus on recurring and subscription revenue models. This approach is expected to drive sustainable growth and profitability, even in fluctuating markets like Turkey.

Looking ahead, Redington is optimistic about its growth and scaling prospects. The company aims to build a sustainable multinational presence, with a focus on emerging markets and a strong emphasis on ESG. Redington's strategy includes maintaining its leadership position in key markets, while also exploring inorganic growth opportunities that align with its core business. The company is committed to a digital-first approach, investing in platforms and technologies that enhance customer experience and operational efficiency. Redington's leadership is confident in navigating market fluctuations, leveraging its experience and expertise to drive future success.

While Redington's strategies are promising, there are areas for improvement. The company could benefit from further clarity on its long-term vision, particularly in terms of specific growth targets and market positioning. Additionally, while the focus on cloud and AI is commendable, Redington should ensure it remains agile and responsive to rapidly changing technology trends. Strengthening its governance and compliance frameworks will also be crucial as the company expands its global footprint. Overall, Redington's strategic initiatives and diversification efforts position it well for future growth, but continued focus on innovation and market adaptation will be key to sustaining its competitive edge.

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	8182.50	51.15	9.97%	-83.97%	-65.75%	-82.71%	-93.48%
Honasa Consumer	7698.67	113.01		12.71%	4.36%	244.64%	-25.35%
Vishal Mega Mart	50387.74	111.19	8.41%	28.72%	19.53%	152.64%	27.93%
Aegis Logistics	28418.72	49.13	15.13%	-2.48%	-8.88%	-1.36%	-4.52%
Adani Enterp.	278371.04	72.91	9.73%	1.06%	-8.79%	-96.64%	-96.89%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with a significant year-over-year growth, indicating robust sales performance. The quarterly growth also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding its customer base.
Profit & Loss	Despite a healthy operating profit, the net profit shows a slight decline year-over-year, which may indicate increased costs or other financial pressures. However, the quarterly profit figures suggest a recovery, highlighting potential operational improvements.
Profitability Matrix	The company maintains a modest operating profit margin, with a slightly higher EBITDA margin. The net profit margin is stable, reflecting efficient cost management. The EPS growth is notable, indicating improved earnings performance per share.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued, with a moderate P/E ratio and a low PEG ratio, indicating potential undervaluation. The EV/EBITDA ratio is within a typical range, supporting a balanced market valuation.
Growth (YoY)	Year-over-year growth shows a mixed picture, with strong sales and EPS growth but a decline in PAT. This suggests revenue growth is not fully translating into profit, possibly due to increased expenses or investment in growth initiatives.
Growth (QoQ)	Quarterly growth figures are promising, with significant sales and PAT growth compared to the previous quarter. This indicates effective short-term strategies and potential recovery from any previous downturns, enhancing investor confidence.
Capital Allocation	The company demonstrates strong capital efficiency, with high returns on equity, assets, and capital employed. This indicates effective use of resources to generate profits, supporting sustainable growth and shareholder value.
Holdings	The ownership structure is diverse, with significant foreign institutional investment, indicating strong international confidence. The absence of promoter holdings suggests a professional management approach, potentially enhancing governance.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and low financial risk. The manageable debt levels and substantial market capitalization suggest a strong financial position, supporting future growth initiatives.

Analyst viewpoint: Redington has demonstrated robust growth across its key financial metrics, showcasing strong sales and impressive quarter-over-quarter (QoQ) growth figures. Their strategic focus on cloud and AI innovations via initiatives like DigiGlass and robotic process automation is expected to provide a competitive edge and drive future value creation. This growth strategy is bolstered by prudent capital allocation, high returns on equity, and a notable increase in quarterly profits. Redington's resilience is further highlighted by its efficient cost management and a stable net profit margin, which indicate well-managed operational efficiencies despite external economic pressures. In addition, the company benefits from a solid valuation proposition, with a balanced P/E ratio and low PEG ratio, pointing towards potential undervaluation in the current market.

Additionally, Redington's diversification into emerging markets and sectors, particularly within the Middle East and Africa, reflects its ability to capture growth opportunities amid digital transformation trends. With substantial foreign institutional investment and low leverage, the company's financial strength supports its expansion plans and innovation-driven strategy. However, a potential area for cautious vigilance could be the need for enhanced clarity in long-term strategic vision and future market positioning. Despite this, the overall momentum and strategic direction position Redington favorably for growth in the short to mid-term, cementing our bullish outlook.

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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