Redington Limited (REDIND)

CMP: ₹356 | Target ₹ 500 (40%) | Target Period: 12 months | BUY

November 5, 2026

Strong growth across verticals...

About the stock: Redington is one of the world's Top 10 technology distributors (#8 as of June 2026), with a strong leadership position in emerging countries across India, the Middle East and Africa (MEA) with a presence across 40+ markets. Its portfolio spans mobility, consumer electronics, enterprise infrastructure, cloud, cybersecurity and software solutions reducing dependence on any single technology cycle. The company has 73,000+ channel partners, ~450 brands, 168 warehouses and 71 sales offices across 40 markets through 33 in-country operations.

Q2FY27 performance: Redington's strong revenue growth of 47.7% YoY, 23.0% QoQ at ₹42,947 crore was broad-based. TSG grew 91% YoY, while MSG, ESG and SSG grew by ~40% YoY. Geography-wise, SISA grew 66% and RoW grew 27%. EBITDA grew to ₹839 crore (+42.5% YoY, +18.5% QoQ), while EBITDA margin declined 7 bps YoY and QoQ to 1.95%, mainly due to product mix i.e. large deals in TSG segment. PAT stood at ₹581 crore (+49.7% YoY, 19.5% QoQ).

Investment Rationale:

- **Multiple growth drivers to support sustained growth:** TSG (20% of revenue) grew 91% YoY, driven by the structural CPU-to-GPU transition, with higher configurations driving ASPs up to ~4x. Large deals worth ₹3,800 crore, largely from Neo Cloud data centers supported growth, while TSG excluding these deals grew 33%. Management sees a ~₹1.5 lakh crore Neo Cloud opportunity in India over the next four years. MSG (34%) benefited from premiumisation, new launches and price increases. Apple, a key contributor to Redington's revenue (~30% of revenue), could also support revenue in Q4 due to the planned launch of the base version of iPhone 18, while premium demand remains supported by new features and EMI financing. ESG (~30%) was driven by higher ASPs and commercial PC demand, while SSG (~15%) saw strong cloud and cybersecurity growth and is expected to remain the 2nd largest growth driver in H2 after TSG.
- **Working capital and Arena losses remain transitory; focus on margins:** Working capital remained controlled at 35 days despite strong growth, although inventory was slightly elevated due to channel stocking ahead of price increases and Middle East supply-chain disruptions. Gross margin came at 4.76%, while excluding large deals it stood at 5.13%. Large data center deals typically operate at lower margins, with management prioritizing ROCE (threshold 18%) while selecting such opportunities. Arena remained a drag, reporting a ₹115 crore loss in Q2FY27, but Redington has exited the Lira and high-interest working capital businesses and appointed a new management team. The turnaround though remains dependent on market conditions in Turkey.

Rating and Target Price:

Redington is delivering stronger growth across segments and is well-placed to benefit from premiumization, higher realization and data center investment trend. Although EBITDA margin is mediocre at 1.9-2.0%, the company earns healthy return ratios of ~20%. Working capital management remains key monitorable. Maintain BUY rating on the stock with target price of ₹500, 16x P/E on FY28E EPS.

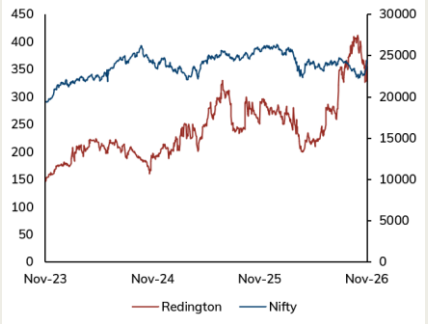
Particulars

Particular	Amount
Market Cap (₹ Crore)	27,858
Q2FY27 Debt (₹ Crore)	6364
Q2FY27 Cash (₹ Crore)	1131
EV (₹ Crore)	33,091
52 Week H/L (₹)	420/191
Equity Capital (₹ Crore)	156
Face Value	2

Shareholding pattern

Particulars	Dec-25	Mar-26	Jun-26	Sep-26
FII	61.9	61.5	62.0	63.5
DII	17.2	17.1	16.3	16.0
Government	0.1	0.1	0.1	0.1
Public	20.7	21.3	21.6	20.5

Price Chart



Key risks

(i) Working capital risks driven by geopolitical, product-mix shifts or such other factors.

(ii) Competitive pressures from global/domestic distributor.

(iii) Channel partner credit risk.

Research Analyst

Jaymin Trivedi
jaymin.trivedi@icicisecurities.com

Kirankumar Choudhary
kiran.choudhary@icicisecurities.com

Saksham Mathur
saksham.mathur@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	79377	89346	99334	119162	15.5	156673	188369	25.7
EBITDA	2119	1877	2029	2229	9.0	3041	3789	30.4
EBITDA margin (%)	2.7	2.1	2.0	1.9		1.9	2.0	
Net Profit (Adjusted)	1393	1219	1340	1565	6.0	2191	2432	24.6
Diluted/Adjusted EPS (₹)	17.8	15.6	17.1	20.0		28.0	29.0	
P/E(x)	20.0	22.8	20.8	17.8		12.7	12.3	
EV/EBITDA (x)	13.8	15.5	14.4	13.3		10.7	8.8	
RoCE (%)	19.4	17.8	16.7	16.5		17.6	19.8	
RoE (%)	20.1	16.1	15.4	15.4		20.3	19.7	

Source: Company, ICICI Direct Research

Q2FY27 & H1FY27 Earnings call highlights

- **Business performance**
  - Consolidated revenue grew 48% YoY to ₹42,947 crore, while PAT (excluding exceptional items) increased 50% YoY to ₹581 crore. For H1FY27, Revenue increased 41% YoY to ₹77,869 crore, while PAT (excluding exceptional items) grew 61% YoY to ₹1,067 crore.
  - **Excluding Arena:** Q2 revenue growth stood at 54%, while PAT increased 55% to ₹657 crore.
  - **Geography Wise:** India distribution business grew 67% YoY, while the rest of the world, excluding Arena, reported 38% growth. GCC and Levant markets (excluding UAE and Saudi Arabia) grew 121%, followed by UAE at 39% and Africa at 35%. Despite geopolitical disruptions, the Middle East delivered 41% growth. Management expects India, GCC and Africa to remain key growth drivers during H2 FY27, while recovery in UAE and Saudi Arabia will depend on geopolitical developments.
- **Segment Wise performance**
  - **MSG – Mobility Solutions Group:** Mobility revenue grew 40% YoY and contributed 34% to consolidated revenue, supported by premiumisation, new product launches and selective price increases. Growth in the rest of the world stood at 34%, excluding Arena. Regarding Apple, management indicated that the staggered launch of new products, including the base model in Q4 FY27, could support a recovery in volumes during the quarter. However, higher prices across product categories could act as a demand dampener.
  - **ESG – Endpoint Solutions Group:** Revenue grew 38% YoY, contributing 30% to consolidated revenue, primarily driven by higher ASPs and a sequential improvement in commercial PC volumes. The segment recorded its highest-ever quarterly revenue. Management highlighted that AI-capable PCs account for over 40% of commercial PC adoption, compared with approximately 10% in the consumer segment. Smartphone and PC prices have increased by around 30–50%, while consumer PC volumes are witnessing a decline. Commercial PC volumes remain relatively resilient, growing in the range of 0–7%. However, management remains cautious about demand elasticity as sustained price increases could eventually impact unit consumption.
  - **TSG – Technology Solutions Group:** Revenue grew 91% YoY, contributing 20% to consolidated revenue, driven by strong demand for AI servers, GPUs, storage and networking solutions. Large deals exceeded ₹3,800 crore, contributing approximately 9% to consolidated revenue, with a significant portion coming from data-centre projects. Excluding these large deals, TSG still registered 33% growth, indicating healthy underlying momentum. Management highlighted that the ongoing transition from CPU-based to GPU-based infrastructure is structural, with GPU configurations commanding nearly 4x higher ASPs. Almost all large data-centre deals during the quarter were from NeoCloud players.
  - **SSG – Software Solutions Group:** Revenue grew 39% YoY and contributed 15% to consolidated revenue, with all sub-business units reporting growth. Cloud and cybersecurity witnessed strong momentum, while professional services also recorded healthy growth, supported by enterprise and SMB customer wins. Management highlighted that SSG gross margins were above 6%, with profitability higher than the company's overall average. The company continues to expand its cloud and cybersecurity offerings through Cloud Cox 2.0, Track My Cloud and Reonix, with the objective of

increasing customer stickiness and moving towards higher value solutioning and services.

- **Other Details**
  - **Data Centre Opportunity:** Management highlighted a significant opportunity from India's NeoCloud data-centre expansion, with capacity expected to increase from approximately 1.5 GW to 7 GW and subsequently 12 GW. The company estimates a potential distribution opportunity of approximately ₹1.5 lakh crore over the next four years. Redington intends to participate through hardware sourcing, server, storage, networking, cooling and power solutions, along with ecosystem integration and professional services. While margins on large deals are lower than the normal business run-rate of 4.5–5%, management remains disciplined on ROCE. The funded capital requirement for these deals is almost nil, with the company primarily utilising non-funded banking facilities.
  - **Operating expenses** increased 40% YoY, lower than the 48% revenue growth, indicating operating leverage. Management indicated a sustainable quarterly operating expense range of ₹950–1,000 crore. Q2 expenses were impacted by higher receivable provisioning, investments in enterprise solutions and technology capabilities, and increased insurance costs due to geopolitical disruptions in the Middle East. Receivable provisioning stood at approximately ₹213 crore, including ₹67 crore in SISA and ₹135 crore in Arena, while inventory provisioning was not material. Excluding large deals, gross margins stood at approximately 5.13%, broadly similar to the corresponding period last year.
  - **Arena Outlook:** Arena revenue declined 37% YoY, while Redington's share of losses stood at ₹115 crore during the quarter. This included underlying business losses, transition-related losses associated with exiting the Turkish Lira business and an exceptional impairment of intangible assets amounting to ₹40 crore. The company has exited the BDF contract and resized its Turkey operations, with a new management team in place. The focus remains on restructuring, rationalising the portfolio and developing Turkey-specific dollar-denominated growth avenue. However, management refrained from providing a specific turnaround timeline given continuing uncertainty in the Turkish market.
  - **Working capital and funding:** Working capital stood at 35 days, at the lower end of management's guidance of 35-40 days. Management clarified that higher working capital consumption is attributable to strong business growth, larger deal execution and elevated inventory due to channel stocking.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY	Q1FY27	QoQ (%)	Comments
Revenue	**42,947**	**29,076**	**48%**	**34,923**	**23%**	Growth was broad-based, with TSG growing 91% YoY, while MSG, ESG and SSG grew by nearly ~40% YoY
Other Income	54.6	42.8	28%	43.2	27%	
Total Income	43,002	29,118	48%	34,966	23%	
Gross profit	2,046	1,452	41%	1,670	22%	
Gross margin %	**4.76%**	**4.99%**	**-23 bps**	**4.78%**	**-2 bps**	Gross Margin excluding large deals ~5.13%
Operating Expenses	41,605	28,112	48%	33,740	23%	
Employee Expenses	503.3	374.8	34%	474.8	6%	
Total Expenses	**42,108**	**28,487**	**48%**	**34,215**	**23%**	
EBITDA	**839.0**	**588.9**	**42%**	**707.8**	**19%**	
EBIDTA %	**1.95%**	**2.03%**	**-7 bps**	**2.03%**	**-7 bps**	Slight drop due to change in product mix
Depreciation	61.4	55.5	11%	50.7	21%	
Finance cost	128.1	116.4	10%	89.3	43%	
PBT	**704.1**	**459.8**	**53%**	**610.9**	**15%**	
Tax	201.3	109.6	84%	157.4	28%	
Adjusted PAT	**581**	**388**	**50%**	**486**	**20%**	Healthy PAT Growth

Source: Company, ICICI Direct Research

Exhibit 2: Company Specific Abbreviations

Abbreviation	Full Form	Products/Services
TSG	Technology Solutions Group	Networking, Server & Storage, Power & Collab
MSG	Mobility Solutions Group	Smart Phones & Feature Phones
ESG	End Point Solutions Group	Consumer & Commercial PCs, Print & Supplies
SSG	Software Solutions Group	Cloud and Professional Services, Software Licensing & Subscription, Enterprise Security Solutions
SISA	Singapore, India, and South Asia	
RoW	Rest of World	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**99,334**	**119,162**	**156,486**	**188,180**
% Growth	11.2	20.0	31.3	20.3
Other income	228	185	187	189
Total Revenue	**99,562**	**119,347**	**156,673**	**188,369**
Employee Expenses	1,423	1,611	2,081	2,503
Other expenses	95,882	115,322	151,364	181,889
Total Operating Expenditure	97,305	116,933	153,445	184,391
Operating Profit (EBITDA)	**2,029**	**2,229**	**3,041**	**3,789**
% Growth	8.1	9.9	36.4	24.6
Interest	330	359	527	701
PBDT	1,927	2,056	2,700	3,277
Depreciation	218	206	229	256
PBT before Exceptional Items	1,709	1,849	2,471	3,021
Exceptional items	626	-152	-80	-
Total Tax	514	413	478	755
Reported PAT	1,821	1,284	1,913	2,266
Adj. PAT post MI & exceptional	**1,340**	**1,565**	**2,191**	**2,432**
% Growth	9.9	16.8	39.9	11.0
Adj. EPS	**17.1**	**20.0**	**28.0**	**31.1**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,821	1,284	1,913	2,266
Depreciation	218	206	229	256
Interest	330	359	527	701
Cash Flow before WC changes	2,368	1,849	2,669	3,223
(Inc)/dec in Current Assets	-3,300	-6,401	-10,675	-6,868
Changes in creditors	1,523	4,648	5,876	3,914
Other current liabilities	477	183	750	723
Inc/(dec) in CL and Provisions	2,000	4,830	6,627	4,636
Net CF from Operating activities	**1,068**	**278**	**-1,379**	**991**
(Purchase)/Sale of Fixed Assets	**-223**	**-122**	**-122**	**-263**
Others	-119	-34	-58	-54
Net CF from Investing activities	**-342**	**-155**	**-179**	**-318**
Dividend	-532	-469	-645	-730
Others	-434	86	2,421	-366
Net CF from Financing Activities	**-965**	**-383**	**1,776**	**-1,096**
Net Cash flow	-239	-260	218	-422
Opening Cash/Cash Equivalent	1,621	1,381	1,122	1,339
Closing Cash/ Cash Equivalent	**1,381**	**1,122**	**1,339**	**917**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	156	156	156	156
Reserve and Surplus	8,565	10,004	10,648	12,184
Total Shareholders funds	8,721	10,161	10,804	12,340
Minority Interest	476	263	500	666
Total Debt	2,809	2,842	6,178	6,347
Other liabilities	156	66	103	165
Total Liabilities	**12,161**	**13,332**	**17,586**	**19,519**
Gross Block	810	905	1,025	1,225
Acc: Depreciation	338	408	593	801
Net Block	472	497	433	424
Capital WIP	11	67	24	40
Total Fixed Assets	483	564	457	464
Non Current Assets	796	527	585	640
Inventory	6,287	8,171	12,213	13,788
Debtors	17,332	21,583	27,854	32,932
Other Current Assets	1,227	1,493	1,854	2,070
Cash	1,381	1,122	1,339	917
Total Current Assets	26,227	32,368	43,261	49,706
Current Liabilities	15,345	20,127	26,717	31,291
Net Current Assets (Ex Cash)	12,264	13,362	17,883	19,332
Total Assets	**12,161**	**13,332**	**17,586**	**19,519**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	17.1	20.0	28.0	31.1
Cash per Share	17.7	14.3	17.1	11.7
BV	111.6	130.0	138.2	157.9
Dividend per share	6.8	6.0	8.3	9.3
Operating Ratios (%)				
EBITDA Margin	2.0	1.9	1.9	2.0
PAT Margin	1.3	1.3	1.4	1.2
Return Ratios (%)				
RoE	15.4	15.4	20.3	19.7
RoCE	16.7	16.5	17.6	19.8
Valuation Ratios (x)				
EV / EBITDA	14.4	13.3	10.7	8.8
P/E	20.8	17.8	12.7	12.3
Market Cap / Sales	0.3	0.2	0.2	0.1
Price to Book Value	3.2	2.7	2.6	2.3
Working Capital Management Ratios				
Inventory Days	23.0	25.0	28.5	26.7
Debtors Days	63.5	66.0	64.9	63.8
Creditors Days	49.1	55.2	55.7	53.9
Solvency Ratios				
Debt / Equity	0.3	0.3	0.6	0.5
Current Ratio	1.7	1.6	1.6	1.5
Quick Ratio	1.2	1.2	1.1	1.1

Source: Company, ICICI Direct Research

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Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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