Sector Update

Channel checks: Key insights from ICT vendors

Supply chain shock, limited near-term impact

We engaged with ICT vendors and channel partners to assess the ground-level demand–supply dynamics across PCs, mobiles, and components. Retailer feedback indicates an acute RAM shortage, with prices up ~3x YoY (majority of it coming in Q3) as supply has shifted toward large data centre customers. While distributors have passed on higher prices, end customers are cutting order volumes leading to inventory build-up at channel partners. Storage and CPU supply tightness is also emerging. PC prices are up ~10% QoQ. Elevated PC and memory prices should support margins for Rashi (50%+ PC revenue; 10%+ RAM and storage), while Redington is unlikely to see any negative impact given adequate inventory levels.

- **Sharp price hikes impacting volumes:** Prices of key PC and server components, particularly storage and memory, have surged with RAM prices surging 2-3x over the past few months. While distributors have largely been able to pass these higher prices to their channel partners, volumes have declined materially due to affordability constraints. While impact maybe lower in Q3 (soft quarter volume-wise for distributors), we could see some negative impact in Q4 unless the supply issue is resolved. There is no new capacity expected for RAMs in CY26, which indicates that the issue could persist for a couple of quarters.
- **Enterprise, SME and government demand weak; disruption likely to persist** - Enterprise customers are delaying procurement decisions, while SMEs remain cautious due to limited visibility on how long elevated prices will sustain. Even where higher costs are passed through order sizes are being reduced impacting throughput and sales velocity. Government demand has also softened with several GeM orders from recent months either delayed or sent back for budget reallocation. Overall, channel partners expect these conditions to persist at least until March, with improvement dependent on OEM allocation decisions and data centre demand normalization.
- **Outlook -** Given peripherals account for ~45–50% of Rashi's revenues, the company should benefit from component price hikes, with higher ASPs supporting margins in H2. Rising PC prices also aid Rashi and Redington (PC contribution: 50–55% and 20–25%, respectively), as we have not seen volume pressure in Q3. The AI PC trend remains muted despite 20–25% YoY price declines. If component prices continue to rise, PC prices could increase 20%+ over CY26, potentially impacting volumes across distributors. We remain constructive on the medium-term refresh cycle, with no structural margin risk, though near-term volumes may remain uneven. We will continue to monitor inventory levels, pricing trends, and OEM supply allocation.
- **Valuation, view & risks:** Rashi Peripherals - we are factoring 12.2%/21.5%/14.9% CAGR in Revenue/EBITDA/PAT over FY25-28E; Redington our estimates are at 14.0%/18.6%/22.1% CAGR in Revenue/EBITDA/PAT over FY25-FY28E. We feel Peripherals (as play on refresh / AI PC cycle) will work for Rashi while cloud and software segment will lead the growth for Redington. **Key risks:** Prolonged period of elevated RAM prices, slower than expected demand from enterprise segment.

Redington

Target Price (Rs)	**370**
CMP (Rs)	270
Upside (%)	37%

Rashi Peripherals

Target Price (Rs)	**505**
CMP (Rs)	345
Upside (%)	46%

Source: ACE Equity, Bloomberg, MNCL Research

Price Performance (%)

	1M	6M	12M
REDI:IN	*-7.6.0%*	*-7.3%*	*30.8%*
RP TECH:IN	*3.8%*	*13.1%*	*-18.9%*
NIFTY	*-0.9%*	*3.8%*	*6.0%*

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Company	Revenue (Rs mn)			EBITDA			PAT (%)			P/E(x)			EV/EBITDA(x)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Redington Ltd	9,93,336	11,50,908	13,04,894	20,533	23,407	29,935	18,004	15,251	20,231	11.70	13.8	10.4	10.3	9.0	7.0
Rashi Peripherals Ltd	1,37,727	1,42,923	1,64,013	3,253	4,167	4,789	2,097	2,283	2,532	11.0	9.4	8.2	9.8	8.0	7.3

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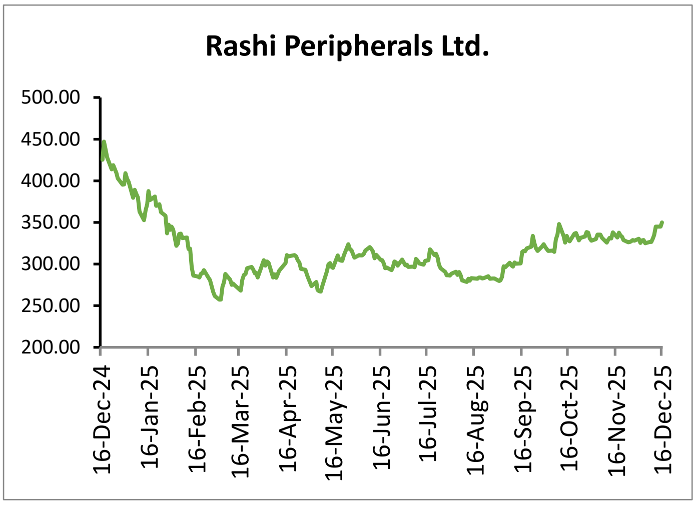
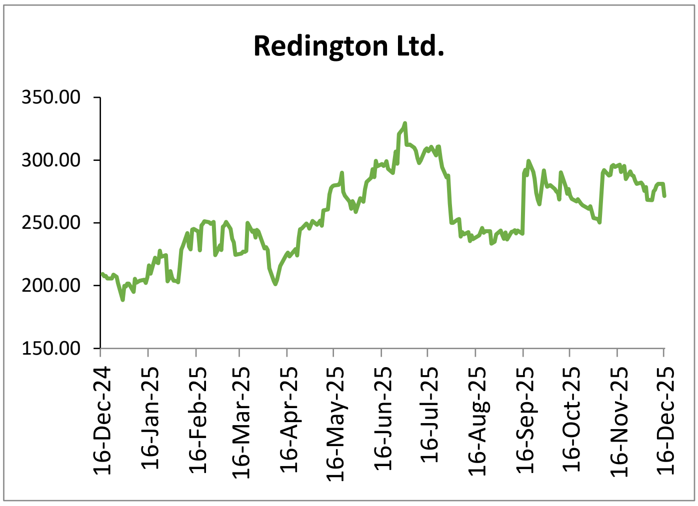
Price chart





Source: Ace equity