"Rashi Peripherals Ltd. Q3FY24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Rashi Peripherals Limited Q3 FY'24 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you. And over to you, sir.

Aniruddha Joshi: Yes. Thanks, Darwin. On behalf of ICICI Securities, we welcome you all to Q3 FY'24 Results Conference Call of Rashi Peripherals.

We have with us senior management, represented by Mr. Kapal Pansari – Managing Director, Mr. Rajesh Goenka, CEO and Mr. Himanshu Shah, CFO.

Now, I hand over the call to the "Management for Initial Comments on the Quarterly Performance as well as Nine Months FY'24 Results," then we will open the floor for "Question and Answer Session" after the management initial speech. Thanks. And over to you, sir.

Kapal Pansari: Thank you, Aniruddha. Good evening to everyone and thank you for joining in. I am Kapal Pansari – Managing Director of Rashi Peripherals.

Thank you for joining in and it is my pleasure to start our very first Presentation of Rashi Peripherals Limited Q3 2024 Results. We had an overwhelming response two weeks ago with share subscription demand beyond our expectation and we thank everyone for the confidence relayed upon us.

Now, to begin with our call, I would like to start our first Presentation with a brief "Overview":

Rashi Peripherals Limited is one of the leading and the fastest growing national distribution for global brands in India for ICT products, in parlance, we call IT products in the country. What we have created is that in about 33, 34 years of our operations, we have grown at a CAGR of 23% for the last 20-years. During this journey, we have also created one of the largest distribution networks in the country with presence in 50-cities with service center, with warehouse, with sales office and with entire branch operations.

What is different and unique about us is that we are a 360-Degree approach company which does pre-sales, sales, post-sales and warranty solutions, all 360 deg. operations. We work with some of the best global technology brands. To name a few like NVIDIA, Intel, AMD, HP, Lenovo, ASUS, etc.,

And today, we are proud to say that we are a distribution company for more than 52 brands across this segment. Our product portfolio ranges right from Rs.200 of a pen drive up to artificial intelligence machine that cost an average ASP of more than a crore. And we have one-stop-shop for all the needs of the IT hardware products.

Our business is divided into two verticals. One is called Lifestyle and IT Essentials. (LIT) which is our tradition and the base of the organization.

And the second business vertical is Personal Computing, Enterprise & Cloud Solutions, (PES) which is far newer where the growth of the organization comes maximum from.

What is unique also is that with this presence in 50-cities, we cater to more than 680-locations across the country, servicing more than 8,400 customers in this geography.

Our Board of Directors comprises 50% the founding family, Mr. Kishan Choudhary and Keshav Choudhary along with Suresh Pansari and myself, Kapal Pansari. And 50% of the board is comprised of independent directors, Mr. Dandiwala, Mr. Anand Ladsariya, Mr. Drusthi Desai and Mr. Prasad Mamidanna, who have rich experience in the field of law, management accounts and operations.

Our key management personnel, Mr. Rajesh Goenka, who is the CEO, is here with us for more than 20-years in the organization, Himanshu – our Chief Financial Officer, Mr. Navin Agarwal – Vice President (Accounts & Finance), followed by Hinal – our Company Secretary and Compliance Officer, our auditors are Deloitte and Pipara as joint auditors, and we own a credit rating of 'A' with a positive outlook from CRISIL.

I now hand over to Rajesh Goenka, our CEO to take us through the Business Highlights and about the Organization Forward.

Rajesh Goenka: Thank you, Kapal. So, this is Rajesh Goenka – CEO at Rashi Peripherals. I am with the Company for more than now 20-years.

We continue to lead the momentum and not only the leading, but also the fastest growing distribution company in India in the ICT space. And as Kapal mentioned, I think our core success story goes beyond our reach. Currently, we are physically present in 50-cities through which we bill in 680-towns of India. That's the kind of penetration we have. And this is duly supported by our business relationship with 52 top global marquee brands, some of the names, Kapal also mentioned.

And here I also I want to highlight specifically one of our core strengths. Rashi Peripherals has a very unique proposition of more than 10,000 products, starting from a Rs.400 pen drive to an artificial intelligence machine which costs more than a crore rupee. All this is ably supported by our ERP infrastructure. Again, we were the initial companies in the country to implement SAP and right now our entire infrastructure runs on SAP HANA. As a result of this, we have been able to consistently deliver good financial performance in last 34 years of our existence.

Needless to mention here, I want to highlight that our co-founders, Mr. Suresh Pansari and Mr. Kishan Choudhary, they are both Chartered Accountants and they started Rashi Peripherals in last 34 years. So, we get rich inputs from them, especially in view of their chartered accountancy background.

As a result of this, friends, we have been winning awards virtually every month of this year. We won the "Var India's best Value-Added Distributor Award in 2023." Also, I am very happy to share that we recently won the "Samsung Knox Global Award for Asia-Pacific and Europe." And similarly, we won some awards from eBilling, Optoma, Intel and so many other companies.

Coming to the topic of current business, while we just went for IPO on 14th, it is just 15-days, so not too many things to speak, but I would like to summarize in a few points: We have delivered a very good consistent double-digit growth both in three months-to-three months and nine months-to-nine months. Our nine months-to-nine months growth is 12% and Q3-to-Q3 revenue growth is 21%. In the last few months, we have added new brands and verticals namely, Viewsonic and Any Desk, one is more hardware, another is more software and services which we have started recently.

We have added some new product categories like Samsung Gaming Monitors. We are now in Samsung Gaming Monitors distribution, and I am also happy to share with you that we have now started promoting Google Pixel Watch in India, which you can see it available across the country.

Further, as the business grows, we continue to innovate. We continue to expand our infrastructure. Currently, we have all now implemented CRM across west India, which means that all our sales people, more than 150 sales people in West India, they have all the data live on their palm. So, it's a SAP CRM that we have implemented and next few quarters we will keep on expanding to other regions.

CSR and Environment is very core to our heart organization philosophy. So, all our 50 branches are e-waste collection centers. Anyone and everyone can walk in at any of our 50-branch offices and he can give e-waste may not be brought from Rashi or anywhere else, it can be any e-waste. Currently, as we speak, we have already collected some 600 Kgs of e-waste and this drive continues.

So, that is all I wanted to speak on the business side. Over to our CFO.

Himanshu Shah: Hi. Good evening, friends. This is Himanshu Shah – CFO of Rashi Peripherals Limited. I would like to start with the "Financial Highlights of the Quarter December" which we have just declared today.

On a quarter-on-quarter basis as compared to Q3'23, on operating revenue we have grown by 21% and on nine months-to-nine months basis, we have grown by 12%.

On EBITDA and PAT on three months basis quarter-to-quarter, EBITDA has grown by 3.35% and PAT has declined by 11.26%. All of this is impact of the revenue nature of one of our subsidiaries which is quantum wise and significant but the revenue swings there on either side, so the impact is that, otherwise on standalone basis on nine months month consolidated basis PAT has grown by 2.44% as compared to nine months of the corresponding previous period. EBITDA again on nine months-to-nine-month basis has grown by 15.48% and revenue has grown by 12.47% on nine months-to-nine months basis.

Coming back to standalone because that is the major portion of our results:

Operating revenue has gone up by 17% on a quarter-to-quarter basis on a standalone basis and 11.8% on nine months-to-nine months basis. EBITDA and PAT stands growing at 20.26% on a quarter-to-quarter basis and PAT at 13.61%. On a nine months-to-nine months basis on a standalone basis, EBITDA has grown by 15.06% and PAT has grown by 4.75%.

Our dependency on the top-five vendors on standalone basis remains in the range of 68% to 70%, improving in the current nine months by little of 2%.

That is the financial highlights from our side. Now we are open for questions.

Moderator: We will now begin the question-and-answer session. We have the first question from the line of Aejas Lakhani from Unifi Capital Pvt. Ltd. Please go ahead.

Aejas Lakhani: Since this is your maiden call, Kapal, can I request you to please call out the growth drivers that we should expect or anticipate in FY'5?

Kapal S. Pansari: I think what we can only mention right now is that our CAGR for the last 20 years average is 23%, even pre-COVID times also our CAGR has been 20%. So, I think that is a good indication of our aspirational numbers. All we can say is that we have a solid business plan and portfolio to keep on growing.

Aejas Lakhani: Rajesh ji, could you call out, is there any seasonality to the business where 1st Quarter is strong and the rest of the quarters are slightly weak?

Rajesh Goenka: Absolutely. So, I always say that the September quarter and March quarter, there is always a competition between the two because September quarter is an online and consumer quarter and March is a commercial corporate quarter. So, sometimes September quarter is higher, sometimes March quarter is higher, other two quarters are more or less similar, the lowest quarter happens to be October, November, December. So, September quarter and March quarter we see very high peaks.

Aejas Lakhani: From a gross margin perspective, if I look at your 3Q data, the gross margins are quite weak as compared YoY. So, could you just call out what is driving that?

Himanshu Shah: Gross margins, it's a factor depending upon the combination of sales as Rajesh ji mentioned, two verticals, LIT and PES. So, the combination that the PES takes a growth driver seat, there are lesser margins on the PES. However, we ensure that our mix is optimized on an annualized basis and nine months-to-nine months will be a little pre-early to judge the trend for the year.

Aejas Lakhani: Your OPEX cost on nine months basis has come down significantly. So, is this an optimal OPEX cost with the infrastructure that you have built sort of how should we look at what kind of growth is possible

Himanshu Shah: So, overall OPEX cost, the major impact if you see on nine months to nine months basis, there was a FOREX loss impact in the comparable period which has come down significantly because last year the FOREX movement was used and this year currency was little like comparatively very stable So, that is one major impact. However, on the business side or the operational side of the financials are concerned, our ratios are more or less in the operating range, and we keep on driving the economies of volume, getting reflected in the efficiencies of our operations.

Moderator: The next question is from the line of Nilesh Patil from ICICI Securities. Please go ahead.

Nilesh Patil: My first question is on scope for distribution expansion. We send that we have reached to 50 cities and catering to about 680 locations. So, I just wanted to understand what is the scope that we have for further growth into the distribution network because it seems to be the key driver for growth. And also, I presume that the best invest we have kind of a strong contribution coming from, but the Eastern region I presume is likely to have lower contribution. So, what are your thoughts on the same? And similarly, what is this kind of path that we are likely to follow for growth into the non-metro regions? Another thing that I would like to have an answer on is that the share of the third player that is Lenovo seems to have reduced a bit. So, could you please share some thought on the same?

Rajesh Goenka: Nilesh, I will try to answer one-by-one. If I miss a question you can repeat. So, as far as growth is concerned, so Rashi Peripherals again, history is that we generally believe 50% organic and 50% inorganic. So, in the existing businesses, we try to increase our market share. That's our first growth engine. The second growth engine is to add some new products and new brands. I mentioned Viewsonic Any Desk, Samsung Gaming Monitors, that's part of the second strategy. And the third strategy is, can we continue to expand our business beyond the cities? So, right now as we speak, we are at about 680-towns. It's a continuous process. We keep on expanding more city coverage and same more partner coverage. So, currently we have 8,400 partners or customers. So, a mixture of these three has enabled us to sustain our growth momentum and we are very confident to sustain. So, that's the first answer. The second is, as far as the region is concerned, the good thing with Rashi Peripherals is, we are equally balanced in all the four regions of India. First and foremost, I want to clarify to everyone that at Rashi Peripherals, we do not have a regional structure. Every state is a region. So, in Rashi, we have 21 regions. Northeast being the one region. And that's one of the reasons that we are able to do very high level of focus and that's another reason that our penetration in terms of partner coverage product is far higher. But to answer your specific question, even if I do reverse calculation and do between Southeast, Northwest, we are equally balanced in all the four regions proportionate to the business opportunity. Typically East, the business size or the IT demand is roughly about 12% and Rashi business is also around 12%, 13% even in the east. So, we are at par Pan-India depending on the demand and consumption of the IT products and solutions. What was your third question if you can repeat so that I don't -

Nilesh Patil: My question was about the share of Lenovo.

Rajesh Goenka: So, what has happened is post-COVID, all PC brands growth has little bit slowed down, whereas other businesses the growth trajectory is higher. So, relatively, there is a gap, but things are turning around and in the coming quarters you will see that we will be back on track even with Lenovo.

Nilesh Patil: Another question that I had is that you have entered into new products into this quarter. So, just wanted to understand what kind of opportunities these products do have?

Rajesh Goenka: So, this is just the beginning and when it is the beginning, then obviously, the size and scale is very small. But as we progress, we are hoping that the opportunity will be big. But a simple answer for understanding is I mentioned Samsung Gaming Monitors. So, you can understand the gaming industry in India is growing rapidly. Second, I mentioned about Viewsonic, LMD right now on highways and every office and corporate, we see large format displays. Again that demand in India is shooting up. So, we wish to become a substantial player very soon.

Nilesh Patil: My last question is you mentioned about 23% revenue CAGR for the last 20-years. So, is it fair to assume that we will continue to outpace that number going forward for FY'25?

Kapal S. Pansari: So, this is Kapal Pansari. I would like to take this question. If you look at historically, we have grown at 23% CAGR for 20-years. Recently, during the COVID period, the IT demand for work-from-home, learn-from-home zoomed substantially to grow by almost 25% year-over-year. So, in two years, the IT market overall grew from an average of about 10 million units of PCs to about 14.5 to 15 million units of PCs. Obviously, with such high growth and market opening up, there is some balance and correction in the market because these growths are not sustainable for the industry. And therefore, if you look at 2023 numbers of IT industry has degrown by about 20%. Despite the degrowth, if you look at our financials that we have grown during these two periods by about 50%, which is twice the growth of the market, and in a year of degrowth by about 20%, we have maintained our revenues. So, our endeavor is always to outpace the market growth in the organization, point #1. Point #2, in the last six months, we have seen that the uptick and the demand for PC and IT products has picked up momentum and will continue. I think the bad days for the IT industry are over and the refresh cycle for PCs that were bought during the COVID will now start coming back into the market. And therefore, this growth will take some time to catch up to the same trajectory, but that is only market-driven. So, we cannot predict how fast the market will catch up or how slowly will this continue to persist.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: So, this first up, I think the IPO proceeds that we would have got about Rs.326 crores, we were planning to repay the debt. So, have that been repaid and what is the outlook on the interest cost going forward now?

Himanshu Shah: The first answer is we have repaid the Rs.326 crores worth of debt as projected in our object clause and like our entire debt was in the form of working capital limits from banks which were at an interest rate of averaging around 8.25% to 8.5%. So, we'll be saving interest portion on that front.

Deepak Poddar: So, annually we might save about 27, 28 crores, right?

Himanshu Shah: Yes, so after tax will be the impact, little less 25%.

Deepak Poddar: I am talking about the interest cost that. This would have happened somewhere around mid-Feb, right, sir?

Himanshu Shah: Yes, so we have repaid it like later part of the last week.

Deepak Poddar: 20% to 25%?

Himanshu Shah: Yes.

Deepak Poddar: I think in one of the earlier participants you mentioned that whatever CAGR we have seen in last 20 years of 23%, that is the aspiration going forward as well in terms of CAGR, right?

Rajesh Goenka: Yes, but Kapal also explained that two COVID years, there was a very high demand, then post-COVID one year the demand was minus, but we have still doubled our growth as compared to market, and currently the market is in the reviving stage, so for that nine months we are right now at about 12%. So, you can see things are improving.

Deepak Poddar: In terms of the kind of business we are in, in terms of distribution, so what's the margin range that we aspire for or would want to see as a steady state basis irrespective of the product mix or how do we see that?

Himanshu Shah: This industry is of very matured margins and EBITDA level is more relevant for our industry and we expect around 2.5% to 2.7% of EBITDA in a longer run perspective. Shorter run as I mentioned, the GP again is a factor of mix of sales and adding new verticals and all. So, those will give a range of deviation but not that very significant to have an impact on financials either side.

Deepak Poddar: So, on steady state 2.7% would be EBITDA margin we generally look at, right?

Rajesh Goenka: Yes.

Deepak Poddar: But generally the kind of business we are in, it's more of a volume game, right, I mean you we want to increase your brands and kind of scale up your revenue. So, that's how I mean maybe some of your peers in this industry or in this distribution business would have scaled up. So, what are our strategies to kind of scale up our revenue over the next five years? I mean some of the drivers you mentioned were inorganic as well as organic and you want to expand geographically or expand partners. So, just wanted to know in more details these points that you highlighted?

Kapal Pansari: So, thank you, Deepak ji. Our business, as you rightly mentioned, it is a working capital-driven organization. And the way this business works is that in distribution, we rely on our creditors to supply us on credit and they evaluate our books stringently, our performances, etc., to assign a credit limit based on that. The second component, while we buy them goods on credit, we hold inventory across the geographies of 50-locations in 62 to 63 warehouses and then we sell to the customers on credit. Please remember that I mentioned that Rashi Peripherals is a B2B organization, and we have mapped credit facility of all our customers. So, almost 99-plus percentage of our businesses usually happens on credit. This entire cycle translates to a net working capital, cycle of inventory and debtors minus our creditors. Over our 33 years of history, the net worth of the organization was built based on profits flowing back into the organization. There has never been a history to raise capital in any form. Two weeks ago was our first event of capital infusion by way of IPO where our network has almost doubled. Apart from this network that is deployed in the working capital, we use debt prudently to grow the business and to infuse higher growth. While we do this debt, our debt-equity ratio prior to the capital infusion was around 1.5x. And this debt payment enables us to grow our equity base and leverage in the future for growth of the organization. So, Himanshu, what is our working capital cycle for the organization?

Himanshu Shah: Six to seven times in a year, so 54 days.

Kapal Pansari: So, Deepak ji, when I say that 54 days is our working capital cycle, that means on every capital deployed, we are able to rotate that same capital six to seven times in an annual basis. So, with the current capital infusion, you can estimate the potential of the organization that we can grow upon.

Deepak Poddar: Absolutely, absolutely. I mean I think from 600 crores, 326 crores you would have repaid, so 220-230 crores is what you would be infusing around in the working capital and if I multiply by 7 times, so ideally, 1,400, 1,500 crores kind of incremental business that it can generate, right, in a particular annual year?

Himanshu Shah: Reasonably.

Deepak Poddar: But in terms of peers, I mean, do we look upon for someone, I mean is Redington the kind of growth that they have seen we want to also follow the same suit in our division in our segment and would like to reach that kind of scale or this market is a little different and those kind of skills are not possible for us to achieve?

Rajesh Goenka: Rashi Peripherals is more niche into more run rate business; more consumer and commercial business and we are less into enterprise business where large back-to-back deals happen. So, we are not yet there. So, imagining, very, very big revenues could be a long distant dream. But as we are repeating again and again that last 20 years, our CAGR has been 23% and last year we did 9,300 crores of revenue. So, you can estimate the growth momentum that we will have in the coming years.

Deepak Poddar: If I have to see your historical numbers, I see that the 1st Quarter of FY'24 saw a big jump in your EBITDA margins as well as in your profits, bottom line. So, what was the reason for that?

I think what I see is that 3.7% EBITDA margin with Rs.50 crores of PAT if I derive the number from the data you have given?

Himanshu Shah: So, again, it's a factor of sales mix and the operational efficiencies, they're in the volumes if ISP products are sold more and it gives operational efficiency also more.

Kapal Pansari: So, to give you a further perspective about how do you should see our margins is that last year in FY'22-23, our Q1 usually contributes to about 25% of the business followed by Q2, which ranges about 30% to 32% of the business, Q3 is the lowest at about 20% of the business and the remaining obviously in the Q4 number that we achieved. Now, during these periods, Q1 is normally the business as usual, Q2 is dependent heavily on the large format retail and online businesses because of this festive period sales on online is higher where online sales our margins are a few percentage lower. On Q4 basis, which is the second largest or the largest, what Rajesh mentioned that there's a fight between these two quarters, our Q4 is usually the corporate business and the larger businesses due to IT budgets, due to depreciation advantages, there are certain investments on the IT front where these margins get balanced off and our general trade business happens much larger than during that happens in Q2. So, on an annualized basis, these margins average out. So, quarter-to-quarter, there's always a variation of highs and lows.

Deepak Poddar: But the margins can also be so volatile?

Himanshu Shah: Within the quarters, as they compensate each other because it's a running account business. However, on an annualized basis, the volatility is not much because this, as I mentioned, this industry is of very matured margins and the very finely defined associated risks. So, beyond that, if anything comes up, it gets compensated within the system.

Moderator: We have the next question from the line of Chanakya with Markets Chanakya. Please go ahead.

Chanakya: I have a couple of questions. Firstly, you mentioned this FOREX volatility that had caused the OPEX to come down. So, is this an ongoing phenomena and what percentage of the total expenses are in, is it like your total purchase in FOREX and we have to pay in USD, if you can throw some light on that first?

Kapal Pansari: Out of the overall distribution revenue that we have, about 40% of our revenues is dollar-based businesses where we import from the factories where our global technology brands don't have logistics setups in the country. We go through the process of importing, doing custom clearance, complying with various customs and import laws, and they are all on credit. So, 40% of our business has FOREX exposure to the organization, balance 60% is local rupee purchases wherein either they will have factory or the brands have themselves imported in India and through their logistics they invoice to us. So, there we do not have any FOREX exposure. It is the direct import where we have the FOREX exposure. The way it works is that normally we get about 30 to 45 days of credit from these brands, and we hold inventory on an average of about 50 days of inventory on our books. And during this course, our payables are after the due date of the purchases. So, therefore we have the flexibility of repricing it into our equation. So, give you an example, that right now the FOREX is hovering somewhere about 83, our costing is above 83. So, we do repricing of our products. The reason we are able to reprice it because we have B2B, we are not retail, so therefore the market is driven based on an

MOP which is Market Operating Prices and not based on fixed prices. So, we have a tendency and capability to increase our pricing in case the dollar appreciates or depreciates both ways. Now the impact that happens of FOREX is that while we have repriced it, the FOREX expenses come on our P&L statement, whereas our pricing and the impact comes on our operating margins and operating revenues. This is one part of the portion. The second part is, as we reprice our inventory and the due dates are closer to those dates, there is a natural hedge in the organization for the inventories at hand. Apart from this, we do have a hedging policy also, where we hedge anywhere between 20% to 40% of the overall dollar exposures at any given point in time depending on the view of the FOREX movement.

Himanshu Shah: So, just to add to Kapal ji this thing, the FOREX loss which is shown in the other expense is a requirement of Ind AS to be shown there. However, as we mentioned natural hedge is there wherein we recover this loss through the repricing of goods, which gets reflected as revenue not as FOREX income, because there's no cascading impact on the document of that, the repricing is done based on the normal movement of the currency.

Chanakya: First of all, if I have to reiterate, it's 40% of costs I would say is impacted by FOREX and we do have a natural hedging policy or we are able to increase or decrease the prices and they cover it. But, are there more chance where we miss this hedging and it has come into our P&L or it does impact us in past 20-years the history that you have?

Himanshu Shah: No, there are no such instances of that, because as we mentioned earlier also, we implemented SAP in 2005, which gives us visibility online… or all the operations are on SAP. So, we keep close track on these movements and the inventory movements. Secondly, our credit terms with our suppliers and to our customers net of each other in terms of 30 to 45 days and our inventory investment is 50 days. So, there's always inventory in hand wherein which allows us scope to pass it on. And just to avoid any mismatch in the cascading effect, as we mentioned on hygiene, we have 20% of the dollar exposure. So, in the past, there are no such losses suffered on FOREX…no material sufferings.

Chanakya: My next question is relating to seasonality. So, I get the point where you're telling me that the September quarter is a festive quarter in India, Diwali, billion day sale and the March quarter is specifically to the corporates. Now, it's kind of a retail versus corporate, right. So, what are the corporates that we cater to if you don't mind me asking? I am not asking for names, but if you can give me that these are listed big companies or maybe banks who wish to change IT infrastructure or they would wish to buy new laptops for the hiring that has been done, or the perceived hiring, so is it somewhere related to the employment that is created in the economy plus the renewal?

Rajesh Goenka: I want to clarify to all our listeners. First and foremost is that Rashi Peripherals is a B2B company. We do not sell anything direct to an end customer or a corporate. However, our business model is very simple. We have three horizontal lines, customer segments whom we bill and then they in turn build to an end user. So, the first is general trade stores, typically a IT store in Lamington Road or Nehru Place or Richie Street or SP Road in India. So, there are more than about 8,000 small and large stores and offices is what we bill. Second, we bill to the organized modern trade, so with the likes of Croma, Reliance, Vijay Sales, Bajaj, Girias, all this. And third is again since we are a B2B company, we sell to Appareo, we sell to Flipkart and then they in turn sell to the end customer. So, our direct billing to end customer is not there, but it is routed through these three broad customer segments and then there are further classification. But we have a separate enterprise vertical which works with large enterprise, which works with government to create the funnel, to create the BOQ and all that, but ultimately the potential and invoicing is done through a intermittently partner because we are a B2B company.

Chanakya: Just to get the hang of the business model, so you use the term Croma and you name the brand. So, if the Croma sales are increasing in a particular segment, that would directly a lot cheaper, right?

Rajesh Goenka: It will be an advantage, not affect if Croma business increase -

Chanakya: Yes, yes, in a positive way.

Rajesh Goenka: Positively, yes.

Chanakya: So, now I come to the level of debt. What is the optimal level of debt that we foresee in the coming future considering the 20% CAGR that we have achieved in the past and we target in the future?

Himanshu Shah: So, as an internal discipline, the optimal debt for this kind of business where the working capital is in the driving seat, 1:1 is a discipline which we would like to have and aspire for, and that also that gets built up as and when the business increases.

Chanakya: One request. If you could mention a debt-to-equity levels in your investor presentation… a pretty good job for the first time I think.

Kapal Pansari: Yes, so we will add in our investor PPT original, we had 1:1.5 times debt-equity ratio.

Himanshu Shah: With this equity raise, it will come down initially, and as the business increases or the growth happens, optimize structure as I mentioned.

Chanakya: So, we spoke about organic plus inorganic opportunities that the company is targeting. Organic, we do understand that exploring new markets, capturing market share, etc., If you could throw light on inorganic growth opportunities, what would be the ideal scenario in this industry?

Rajesh Goenka: So, inorganic means getting into new products, new brands and new verticals and some of the examples I already mentioned I can add on that that Rashi Peripherals has two new verticals which we set up in the last three years; the first was the enterprise vertical where we are promoting solutions of server storage and artificial intelligence machines; second is we started embedded vertical which is also called as semiconductor vertical now. There we have distribution partners for companies like Micron, which has already set up a fab in Gujarat, NVIDIA, Intel and many other companies. So, that is the inorganic growth with new products, new brands, new verticals is what we are aspiring. The second thing I mentioned organic, is more within our existing businesses we continue to increase our market share. So, some of the products that we do every year, we keep on increasing our market share so far, so that Technopak report says that in the component industry Rashi Peripherals has the largest market share in the country. While on the same subject, sometimes same product we have two brands or three brands who are not competing with each other, but they are complementing with each other. So, say for example, audio product, we may have a brand which is at say sub Rs.10,000, the second brand could be between Rs.10,000 to Rs.25,000, and the third brand could be

Rs.25,000 to a lakh or even more. So, it's a combination also. So, we call it as organic growth and inorganic growth. This is our core fundamental for our sustained growth trajectory.

Chanakya: We are talking about standalone numbers here, but I mean the consolidated numbers would include a subsidiary and what would be that subsidiary because I couldn't find the annual report?

Himanshu Shah: So, we have two subsidiaries, one in Singapore where we have 75% holding and the other one is into cloud computing solution, that is in Jaipur, and we have 51% shareholding there. As far as numbers are concerned with respect to turnover asset or PBT, those are insignificant subsidiaries which are less than 5% and 1%, it's like that. So, those doesn't come under the referral instructions however the financials gets consolidated.

Chanakya: On the e-waste centers, do we have a revenue model for electronic e-waste or something internal Revenue model?

Kapal Pansari: There is no revenue model. As I said that, that is for green and environment awareness. Since we are also selling IT products, all our 50 warehouses, branch offices, we have made it as a collection center and everyone can come and give any waste that he wants free of cost, then taking it to the central, going for disposal, everything is done by us.

Moderator: We have the next question from the line of Aniruddha Joshi. Please go ahead.

Aniruddha Joshi: Sir, two, three questions from my side. One, in between, there was a proposal to ban the imports of laptop and manufacture or assemble the laptops within India. Now, obviously that rule seems to be postponed, but in case that rule comes up in let's say FY'25, so what will be the company strategy at that point of time, whether you will do some inventory holding or how will the company operate at that level?

Kapal Pansari: Just to clarify this import license rule is not postponed or cancelled, it is there and it was effective from 1st of November. However, the government did only two things. One is, to all official distributors they have issued license. So, while we speak, we already have a license and there is no hassle in importing the goods. Second, of course, because of the PLI Scheme, PLI 2.0, local manufacturing was already there for IT products, but now that has further enhanced, and it is only helping us to get faster deliveries. So, there is nothing to worry about. Local manufacturing is also happening and import as required is also happening without any glitch.

Aniruddha Joshi: Secondly, what is the portion NVIDIA as a brand for us and how do you see this business moving forward, let's say in FY'25 and FY'26 also?

Kapal Pansari: So, I want to mention that Rashi Peripherals is the oldest and the largest distribution partner of NVIDIA. We have been doing for more than double-digit years NVIDIA business, one. Second is, yes, currently our business size of NVIDIA vis-à-vis the overall revenue is small; it is a low single digit. But yes, now you know everything from the media, every day we get to here, so obviously business grows, we will also grow.

Aniruddha Joshi: Lastly, on a region wise basis, East, West, North, South, which is the region which is driving more growth or metros versus the smaller cities or urban versus rural, if you can give more color on the growth rates for the company in nine months?

Kapal Pansari: So, basically as I explained earlier, we do not work region-wise, we work on state-wise. So, for us, across the India, growth is almost uniform, but every region has its own seasonality, but I can only share that non-metro business for us is growing faster than the metro business. So, top eight cities we take as a metro, all other cities we take as non-metro. So, the growth in non-metro is relatively higher and that's where Rashi Peripherals has an advantage because we are very uniquely present with office, warehouse and service center, all three put together in 50-cities of India.

Rajesh Goenka: To the participants on this call, I would just like to mention that one of our independent directors, Mr. Prasad Mamidanna has resigned w.e.f. 29th February 2024 and we will soon be intimated to the stock exchanges and we will soon be looking for another independent director on our board.

Moderator: Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Kapal Pansari: So, thank you so much for having a patience hearing, good questions. This was also our first experience. So, we hope to continue and improve not only our performance but all our outputs and inputs that we can give you. Thank you so much on behalf of Rashi Peripherals Limited.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.