

crossing the bridge into Turkey





## living the brand vision

We are proud of our ability to add exceptional value to the Brands we support by innovating relevant strategies that not only add value but provide business solutions to the vendors and channel partners alike to enable them to conduct their business seamlessly and with minimal hitches.

Here is a snapshot of our success.

We are proud we are an end to end supply chain solutions provider.

We are proud we are the Brand behind Brands. And we are especially proud we are ‘Redington’.

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# corporate information

## board of directors

chairman	Prof. J Ramachandran
managing director	R Srinivasan
deputy managing director	Raj Shankar
whole-time director	M Raghunandan
directors	R Jayachandran Tu, Shu-Chyuan Huang Chi Cheng Steven A Pinto William Adamopoulos N Srinivasan
company secretary	M Muthukumarasamy
statutory auditors	M/s. Deloitte Haskins & Sells Chartered Accountants
internal auditors	M/s. Pricewaterhouse Coopers Chartered Accountants

bankers – india	ANZ Banking Group Limited Bank of Nova Scotia Barclays Bank PLC BNP Paribas Citibank N.A DBS Bank Limited Deutsche Bank AG HDFC Bank Limited Hongkong and Shanghai Banking Corporation Limited ICICI Bank Limited IDBI Bank Limited IndusInd Bank Limited ING Vysya Bank Limited Kotak Mahindra Bank Limited Standard Chartered Bank State Bank of India The Royal Bank of Scotland
bankers – overseas	Axis Bank, Dubai Bank of Baroda, Dubai Barclays Bank, Dubai BNP Paribas, Dubai BNP Paribas, Singapore Dubai Islamic Bank, Dubai Emirates Bank, Dubai First Gulf Bank, Dubai Hongkong and Shanghai Banking Corporation Limited, Dubai Hongkong and Shanghai Banking Corporation Limited, Singapore ICICI Bank, Bahrain Mashreq bank, Dubai National Bank of Fujairah, Dubai Standard Chartered Bank, Dubai Standard Chartered Bank, Singapore State Bank of India, Bahrain May Bank, Singapore UCO Bank, Singapore
registered office	SPL Guindy House 95 Mount Road, Guindy Chennai - 600 032, Tamil Nadu, India. Tel : +91 44 4224 3352, 4224 3353 Fax : +91 44 2235 2790
website	<a href="http://www.redingtonindia.com">www.redingtonindia.com</a>



## message from the managing director

“On a consolidated basis, the company posted significant growth.”

Revenue: 27%

EBITDA: 29%

PAT: 23%

Dear Shareholders,

May 10, 2011. The Millennium Broadway Hotel, New York was crowded with more than 100 enthusiastic ‘buy’ and ‘sell’ side analysts who were attending the Global Technology Distribution Council (GTDC) Investor Conference. Raj Shankar, Deputy Managing Director of your company and I participated in this conference. One of the presentations, ‘Why Invest in an IT Distributor’ captured in a nutshell the fundamentals of this business, namely strong performance and fiscal management, adaptability to market changes and the ability to capitalize on new opportunities. We told each other how true this is of Redington which more than any other Distributor, epitomizes these fundamentals.

Financial year 2011 was another year of good performance by your company. On a consolidated basis, the company posted significant growth - Revenue 27%, EBITDA 29% and PAT 23% over the previous year. To reward the shareholders, the Board of Directors has recommended a dividend of ₹ 1.10 per equity share of ₹ 2/- each (i.e. 55%) for the financial year ended March 31, 2011. Since the financial performance is discussed and reviewed at various places in this report, I wish to share with you some important aspects with regard to the year under review.

A significant event during the year was the purchase of 49.40% shares in ARENA BILGISAYAR SANAYI VE TICARET ANONIM SIRKETI, (Arena). It is your company's strategy to expand its geographical foot print in the Middle East and Africa. In these geographies, in emerging markets, we have established greenfield companies; in mature markets our strategy is to buy into existing companies whose ways of doing business is similar to ours. Arena in Turkey is in many ways like REDINGTON in the way they conduct their business, in their evolution and in the values they embrace. We see a good fit in Arena as also a great opportunity for growth not only in Turkey but in neighbouring countries as well.

The simultaneous launch of the iPad 2 from Apple in India by your company along with markets in Singapore and Hong Kong and similarly the launch of XBOX Kinect from Microsoft, as also the PlayBook from RIM, make us believe that we are a preferred partner for Brand owners for their global launches. Your company's strategy of focusing on the consumer segment of Technology Products has yielded very good results.

The year gone by saw a significant growth in the Smart Phone category in the mobile phone market. Your company's offering of Blackberry did extremely well and was a major contributor to the increasing share of the “Non- IT business”. The increasing affluence in non-urban markets together with a range of models from Blackberry at different price levels positioned Blackberry as a smart phone of choice amongst the family and not merely as an office productivity device. In the coming years, we intend to add devices on the Android platform and have signed up with Huawei. Your company has also entered into an agreement with DELL for distributing smart phones in certain regional markets.

At the beginning of the fiscal year 2011 one of our major vendors, HP in India, restructured their ‘go to market’ strategy for their Personal Systems Group (PSG) products and inducted a large number of Telecom partners. With their new strategy, the market addressable by your company decreased. While we were apprehensive, we went along with the HP strategy but focused on the other brands in our portfolio. I am happy to share with you that despite a reduction in our business with HP in the PSG group we more than made up the shortfall and grew our total portfolio of other brands in this category.

Last year we informed you that we expected the Distribution Centre in Kolkata to have been completed by March 2011. Unfortunately this did not happen. We faced difficulties in mutating the land we had purchased and also in getting the conversion of the land for building a Distribution Centre. The process took longer than anticipated. I am now happy to share with you that the majority of the mutation and conversion approvals are in hand and work has commenced in Kolkata.

The Automated Distribution Centre in Dubai is fully operational and has helped in consolidating the many warehouses we had in the Jebel Ali Free Trade Zone. The new Distribution centre has also brought in operational efficiencies.

Over 45% of your company's revenue is from the Middle East, Turkey and Africa. With the “Spring Offensive” in Egypt, Tunisia, Libya and Bahrain, some of these countries slowed down in their demand and markets remained closed for many days. In the countries where we have presence our first priority was the safety of our employees. I must share with you the heroic work done by our employees in manning our Service Centre in Tripoli in the midst of gunfire, till we airlifted them and their families to Dubai. Your company has managed its affairs in the countries where there were protests and tensions very prudently. In our estimate we have not been exposed to any significant risk in our Receivables or Inventory on the ground. In spite of all these events the business has had robust growth in the Middle East, Turkey and Africa.

It was another good year for Easyaccess Financial Services Limited (EAFSL). The model of providing extended trade finance to partners in the IT eco-system was well received by the market. EAFSL has increased its customer base by 50% and its disbursal by 47%. The company's after-tax profit grew by 48%. By having a robust risk management system in place, the company did not have any bad debts or overdue payments at the end of the fiscal year. EAFSL has proved to be a good enabler to the parent business.

In the last 18 years of operations in India we never felt any regulatory obstacles in the course of our business and we let our partners the world over know that India is not a difficult place to do business in. Alas in the last year, we felt a significant deterioration in the implementation of regulatory policies by the authorities that led to a number of litigious situations for your company and a consequent rise in our contingent liabilities.

As we enter fiscal year 2012, our continued emphasis on adding new categories like Tablets, Smart Phones on different platforms, entering the content segment in the gaming business in India and the Middle East, focusing on the value business in the Middle East and Africa, will drive revenue and profit growth. In India, increasing Broadband connections will accelerate the sale of devices both in the urban and rural markets. The PC market in India predicted at 10-11 million units in the coming fiscal year is at a level where China was 7 years ago. Your company is well poised to capture these opportunities.

I wish to take this opportunity to thank my fellow Directors on the Board, employees and all other constituents for their support and more specifically our Promoter shareholders and other shareholders for their abiding trust in Redington and look forward to their continued support in the coming years.

With warm regards,

R Srinivasan  
Managing Director  
Chennai



# crossing the bridge into Turkey



It was a giant step for us. A footprint in Turkey. And it made us mighty proud. Proud about the company, the people, and the corporate culture - all so similar to what is essentially ‘Redington’ .

Our company signed a deal through our overseas subsidiary, Redington International Holdings, to invest US\$ 42.5 million for a 49.40% stake in Arena, the second largest IT distributor in Turkey for US\$ 42.5 million. The company is listed on the Istanbul Stock Exchange and generated sales of US\$451 million in the last fiscal.

The move is in keeping with our company's strategy to explore opportunities in new markets and its aspiration of being a leading supply chain solutions provider in the emerging markets. Arena has over 300 staff working out of its two main branches in the cities of Izmir and Ankara and an office in Northern Ankara. It represents more than 400 vendors and sells through an impressive network of 7500 channel partners. It has the distinction of being viewed as one of the strongest distribution players in South East Europe. This investment will enhance our overseas business.

Creating the foothold in Turkey was no accident. It is rather a deliberate decision, the perusal of a long term internal vision (METACIS) for the Middle East, Turkey, Africa, and the ‘STAN’ countries. Our expansion strategy in the Middle East was organic by design and we took our time to replicate the existing Redington business model. Similarly in Africa we have a deep presence in the East and West and are actively pursuing plans to penetrate into the North. Unlike the approach we adopted in these regions, we clearly knew right from the start that our inroad into Turkey would be inorganic. A very mature market in its own right, Turkey has a suite of established players in the IT supply chain business and we knew that our strategy to establish the Redington presence in the country should be through an investment.

So how did we decide on Arena? We had two important considerations in choosing the company. First, we knew that we wanted a company that was founded on a value system similar to our own with an evolution that resembled ours. And we wanted a company that was professionally run with established processes, especially one that had earned the respect of vendors. We found what we were looking for in Arena. Their history closely resembled our own. Five shareholders had come together to establish the company and all of them remained with Arena till our investment in the company fructified. In fact the founder CEO and the CFO continue to remain with the company adding the value of their knowledge and experience to its everyday operations. Arena has been listed now for about ten years. It has an enviable reach in the market and sports a bouquet of brands. The company enjoys a glowing reputation amongst vendors and customers in setting itself apart from the pack.

As an investment Arena comes on top – accretive and additive and will tell a positive story on our consolidated balance sheet.







Jacky's



Carrefour



Jumbo Electronics



Virgin



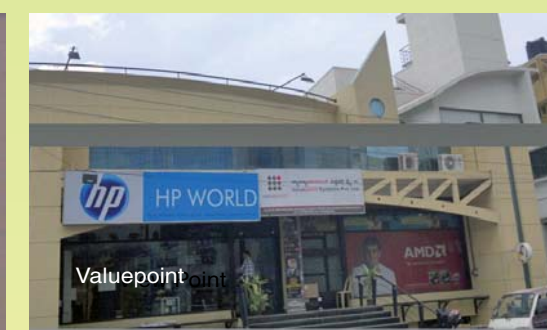
Sharaf DG



CMS



TCS



Valuepoint



Lauren



CE computer exchange



Life computers



Pentagon systems and services pvt. ltd.



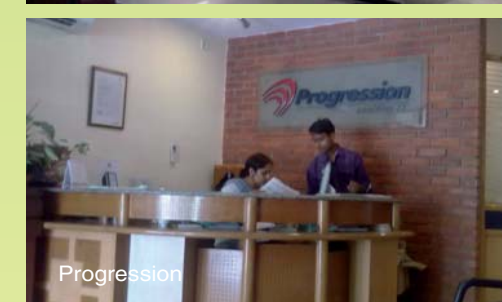
Nesco



VDA Infosolutions



embee



Progression

# who is the Redington customer?

Our company stands apart from the pack by providing differentiating service solutions up and down the supply chain, in some way or another touching every one in the chain from the vendor to the end consumer. So when we say the 'Redington Customer' – Who exactly is it? Is it the person we sell to or the one we give service to? Is it the vendor on the achievement of whose business objectives our company measures its own performance? Is it the channel partner with whom our company works assiduously to deepen geographic reach and product spread? Is it the supplier? The retailer, small and big, who markets to the end consumer? Is it the corporate, the enterprise or the government? Is it the end user himself? The one who's passion for trends and technology circles back and impacts the vendor's bottom line? On the face of it, it seems it could be all of them for they are important touch points on our company's supply chain. But the real Redington customer? The channel partner and yes, the vendor himself.

Whether partner or vendor, our company believes strongly in nurturing the relationship and working closely together to meet brand aspirations – our own, the vendor's and the channel partner's. We are deliberate both in our approach and in making a commitment and rather than disappoint our customers with under performance, would prefer to under promise and over deliver.

The support our company offers a vendor in terms of its 'Go to Market' strategy is exceptional. Our company's sales force is structured to meet the different business objectives and requirements of the brands we distribute. They are trained on the products of the brand they are assigned to and their performance measures and targets are aligned to the vendor's business goals. They are relentlessly taught to be professional, live their promises to the customer, and exceed expectations through visible results. Our company encourages staff at all levels to make informed decisions within an established framework and to take relevant action to meet business goals.

It is noteworthy that we enjoy a transparent relationship with our channel partners. We ensure there is no hierarchy created within the channel and that every partner receives the same Redington treatment regardless of size. The terms and policies are one and the same for the small and big, and business decisions are based purely on the partner's capability and credit worthiness.

We pride ourselves on being the brand behind brands and we go the extra mile for our customers to create visibility and reach for them.





## providing services - end to end



Committed to differentiating ourself from our peers in providing value to our stakeholders along the entire value chain, we took the step as early as 1994, to set up a comprehensive network of service centers across India, followed by others in the countries where we have a footprint. Through these we made a critical difference to our vendor partners as well as to the end user on the street. Redington Service, an independent business unit within our company, first started in Chennai and today provides consistently good quality of service across innumerable cities to our partners and customers alike through more than 100 owned service centers and partner service centers in multiple locations. Supported by specially trained and skilled manpower, tools and test equipment, robust systems, ISO compliant processes, and secured warehousing backed by logistics support, the service centers provide enviable reach and accessibility across the country.



Our service mantra is to exceed and not to just meet customer expectations. The basket of services we offer both in the IT and non IT sectors spans networking, computing, storage solutions and includes technical help desks, repair and refurbishing services, warehousing support, facility management services, and logistics services - in one way or another therefore touching the entire chain from the vendor to the user. Our service centers play a critical role in ensuring leading brands like Hewlett Packard, IBM, Samsung, Motorola and others can live up to their commitment of providing world class service to their customers across the Indian sub-continent. This is ample testimony to our company's capabilities and quality of service support. Not surprising then that we have been recognized as Authorized Support Partner by these brands for over a decade now.

Redington Service is ISO 9001-2008 certified in India and is committed to delivering exceptional value to our customers through continuous improvement of its systems and processes. We have a diverse and wide presence in several countries with deep IT and Telecom penetration. The Service Partner Network created by our company through a well defined evaluation process for identifying and appointing service partners touches 95% of the customer base. This ensures uniformity in resources, infrastructure, and standard operating procedures. The Partners are not involved in product sales and are bound by a relationship agreement, vendor specific service level agreements, and code of conduct. To ensure best in class service quality, training is conducted on a regular basis by our company or by our vendors, as applicable. Structured audits to ensure compliance with contractual norms and service deliverables are also conducted on a systematic basis.

We are one of the earliest service providers for mobile phones and smart phones. Mobile phone support services is a separate vertical within Redington Service as the support dynamics in this area differ from that of IT services. Today we offer services in more than 250 locations through our own as well as partner owned service centres.

Exclusive Smart Phone service centers with good ambience and amenities have been set up at prime locations in all major cities. We extend call centre support for product queries, technical support, warranty validation and support guidance for select brands.

We offer solution designing, product training, and on-site demos by vendor trained engineers. We offer remote support through voice and email to answer queries on technology, product and services. The partners can profit through the reach our service centers enable and can sell in extended territories. We also have the infrastructure, systems and processes to reach parts to them on a 24/7 basis.

Since our engagement begins at the requirement stage we are able to guarantee trouble free implementation and requirement fulfillment.

While the forward logistics is critical for customer satisfaction, reverse logistics is critical from a cost and inventory perspective for vendor and service provider. With our robust infrastructure we are able to meet agreed service levels even in a country like India which poses real challenges in terms of geographical spread, the number of locations, and regional and local state entry barriers where non availability of dependable national logistics service providers compounds the problem. In all our markets we have developed a network of connecting warehouses, and national and regional logistics service providers to support our requirements.

Environmental protection being an important aspect of Corporate Social Responsibility, we are trying to minimize eWaste by repairing and recycling parts whenever possible. As a first step we have setup a central repair facility in Chennai equipped with the latest test and repair tools and have trained qualified manpower to repair and recycle a wide range of parts and sub assemblies.





## the Redington lure

The Redington advantage from a vendor perspective is our company's distribution capability – inventory management, efficiency and reach, and the value it adds to the brand's business objectives at every stage of the supply chain. Consider for instance, procurement. Our company can gauge the pulse of the market and add value to a vendor by predicting geographic and product wise demand which helps him tremendously with his forecast.

Add to this the benefit of warehousing, contracts with logistics companies to ensure the products reach their destination, reverse logistics capability, and you have the Redington lure. Our premier inventory management, projection skills, logistics, and door step delivery means that any product that can be boxed and an SKU added, can be handled by our company.

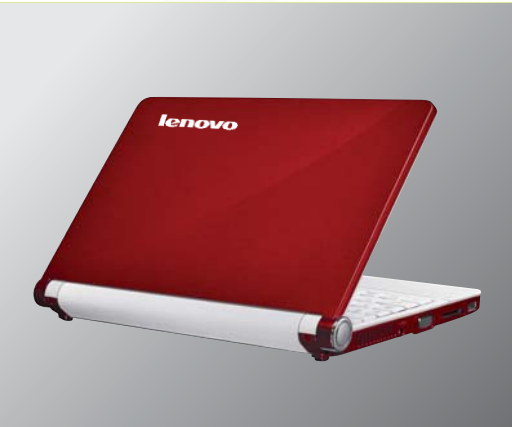
And every brand we do business with rests confidently with this knowledge. A Redington sales manager is a vendor's own brand ambassador and will do what it takes to achieve targets attached to a product. This is a huge differentiator for Redington. Rather than being responsible for an account, sales managers in our company manage products and deepen sales. It is therefore not unusual for a channel partner to have more than 3 or 4 of our sales managers attached to him. Each

is trained to sell on the strength of his own product without de-selling another brand product or influencing the partner's decision. The process is very transparent and brand confidentiality is sacrosanct ensuring there is no information flow about competing brands.

Confidentiality, transparency and trustworthiness are the cornerstones on which the Redington vendor relationship is founded. Each brand feels secure as it is sure that its objectives will be met.

Our company is after-sales neutral and provides top notch service to all brands – ones it distributes and even those it does not. Services are end to end – from call center to actual servicing of the product through owned and partner service centers and we offer post warranty, reverse logistics, and annual maintenance contracts. To ensure our smart phone customers get good service, we also have exclusive Blackberry service centers. In India we are the only distributor that sells unlocked Blackberry phones in the country.

India is an exciting and fierce market and brands are eager to tie up with distributors who can fill all their needs whether in marketing, advertising or in distribution. Redington steps in as the vendor's perfect choice.







## catering to life style

Providing the perfect distribution landscape for its vendors in terms of reach and network, and indulging the younger generations' appetite for new technology, our company has some desirable brands on its product list - The just launched iPad 2, the PlayBook, The XBOX Kinect, and tablets like the Dell Streak and Acer Iconia – all iconic in their own right. With a near simultaneous release in global markets and in India, the Brands reposed tremendous faith in our capabilities to put the product in the hands of the end customer.

## the Easyaccess story

Given that we are the second largest distributor of IT products in India with a network of over 20,000 channel partners and a product range of 75+ brands, and given the nature of our business – an integrated supply chain solutions provider – we committed ourself in 2008 to enabling our partners' growth by meeting their financial needs and facilitating extended credit for manufacturers, distributors, resellers and solution providers in the IT, ITES and Telecom space. We set up the wholly owned subsidiary, Easyaccess Financial Services, a Non-Banking Financial Company and India's first Company to cater to the IT industry's financial needs. Easyaccess enables our channel partners to meet their financing requirements with a variety of customized products and solutions like

- Extended finance to Trade
- Enterprise Finance
- A/R Management
- Project finance to System Integrators

Easyaccess is an independent company but plays a significant role in the eco-system in which our company operates. It leverages our supply chain knowledge, experience and customer insight to grow its business and in the last fiscal increased its customer base by nearly 50% and its disbursement by 47%. The company's profit after tax rose by an impressive 48%.

Channel partners typically use a 30 to 60 day credit from the vendor after which they tend to approach banks for financial assistance. Typically those seeking help have challenging credit ratings and traditional banks because of their rating norms are unable to extend them a credit facility. They then turn to the unorganized sector for want of an option, and manage to raise the funds. But this comes at a price as the steep interest rates they have to face eventually strangle them.

This is where Easyaccess steps in and provides them a solution by offering much needed credit to the resellers. The company has an operating cycle of 90 to 120 days. It provides money directly to the channel partners for them to not only carry on, but to even grow their business while at the same time ensuring better margins for our company.

As an end to end supply chain solutions provider, our company is always striving to add value up and down the value chain. Offering credit is perhaps the most important support a distributor can offer its partners and our company stands out as the only one to do so in the IT distribution business.







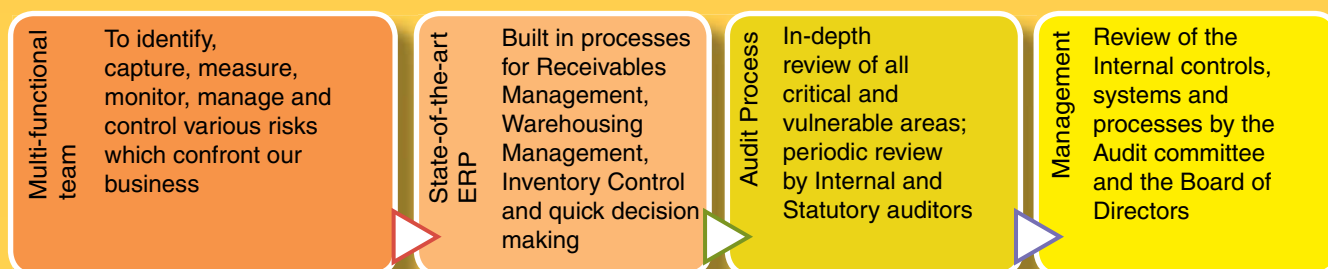
## the Redington risk management strategy

Redington has in place a robust risk management process at all levels of its operation. There are several inherent risks associated with the supply chain business such as competition, inventory obsolescence, credit concentration, vendor relationship, narrow margins and geo political changes. Broadly our company categorizes risks as Strategic Risks, Business Risks, Finance Risks and Legal and Compliance Risks.

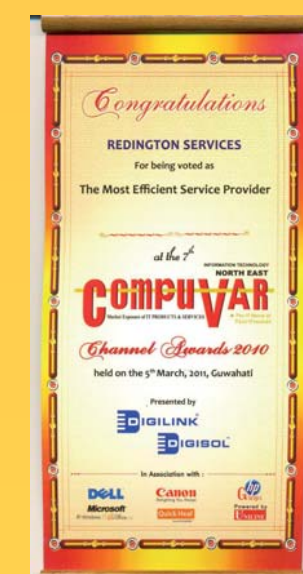
Given that we have over 25000 channel partners and that much of our sales closes with a 15 to 90 day credit period, risk on receivables is intrinsic in our business. But our credit policies and assessment procedures are stringent and we have a dedicated credit team that continuously monitors and evaluates dealer accounts. It is impressive that bad debts including provisions are less than 0.07% of sales for more than 10 years running. Our partners value our credit offering as it enhances their capacity to take on bigger business which would otherwise elude them. This combined with the strong relationship we have built with them mitigates our receivables risk.

Obsolescence, particularly because of rapid technological advancement, and price erosion are threats we face in managing our inventory of over 8000 SKUs efficiently. The fact that we cannot hold stock beyond a certain number of days in a warehouse and also cannot move it at will across locations because of local regulatory requirements, make inventory planning and forecasting for each warehouse very critical. Sales trends, local consumer demand, ageing of stock against laid out norms for the different product categories and sudden pricing drops for existing products are factors we have to closely watch.

We conscientiously cultivate a trustworthy relationship with our vendors and innovate better ways of adding value through the services we offer them. We do not miss an opportunity to increase our product offerings and welcome new vendor partnerships to mitigate vendor concentration risk. In the course of the last eighteen years, our company has developed a robust risk management framework for identifying, assessing, reviewing and mitigating business and operational risks.



in recognition



showcasing a few of the many awards received...