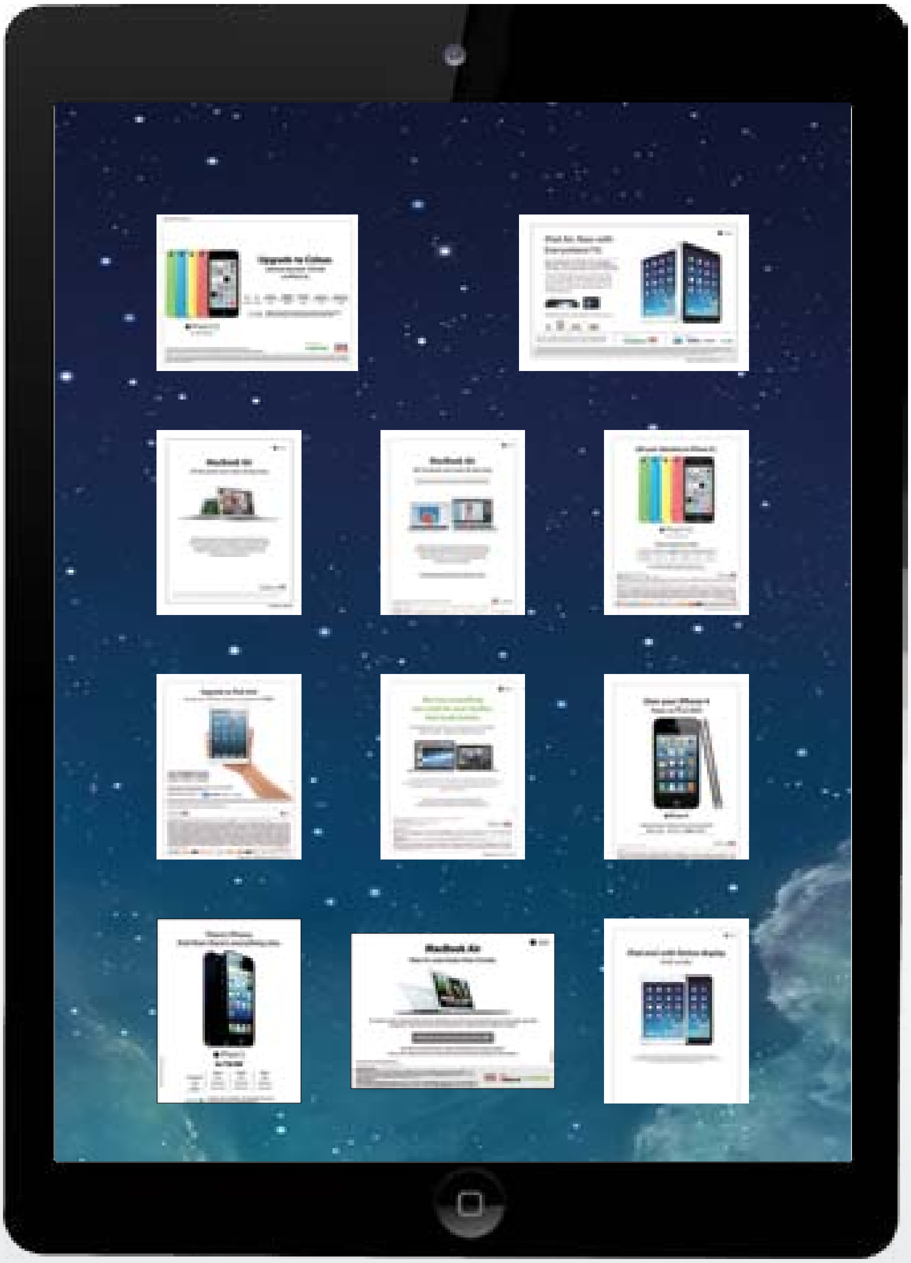
REDINGTON

India bytes Apple



Annual Report 2013 – 2014

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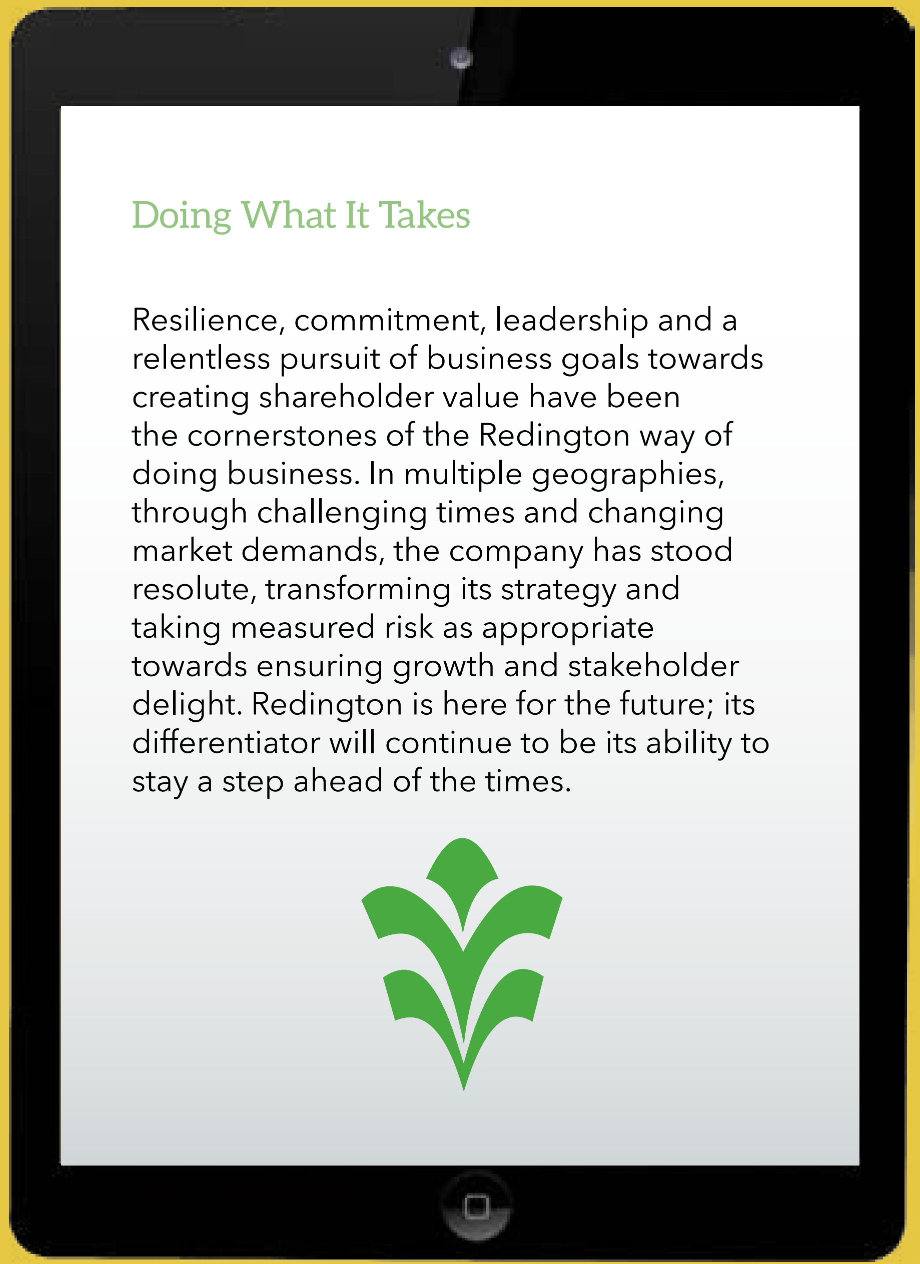


Doing What It Takes
Resilience, commitment, leadership and a relentless pursuit of business goals towards creating shareholder value have been the cornerstones of the Redington way of doing business. In multiple geographies, through challenging times and changing market demands, the company has stood resolute, transforming its strategy and taking measured risk as appropriate towards ensuring growth and stakeholder delight. Redington is here for the future; its differentiator will continue to be its ability to stay a step ahead of the times.

Corporate Information

Chairman	Prof. J Ramachandran
Managing Director	R Srinivasan
Joint Managing Director	Raj Shankar
Whole-Time Director	M Raghunandan
Directors	R Jayachandran Tu, Shu-Chyuan Lin Tai-Yang Nainesh Jaisingh N Srinivasan V S Hariharan Keith WF Bradley
Company Secretary	M Muthukumarasamy
Statutory Auditors	M/s Deloitte Haskins & Sells
Internal Auditors	M/s Pricewaterhouse Coopers
Bankers – India	ANZ Banking Group Ltd Axis Bank Ltd Bank of Nova Scotia Barclays Bank PLC BNP Paribas Citibank DBS Bank Ltd Deutsche Bank First Rand Bank Ltd HDFC Bank Ltd ICICI Bank Ltd

Bankers – India	IDBI Bank Ltd IndusInd Bank Ltd ING Vysya Bank Ltd Kotak Mahindra Bank Ltd Standard Chartered Bank State Bank of India The Bank of Tokyo-Mitsubishi UFJ, Ltd The Hongkong & Shanghai Banking Corporation Ltd The Ratnakar Bank Ltd The Royal Bank of Scotland Yes Bank Ltd
Bankers – Overseas	Axis Bank, Dubai Bank of Baroda, Dubai Barclays Bank, Dubai BNP Paribas, Dubai Dubai Islamic Bank, Dubai Emirates NBD Bank, Dubai First Gulf Bank, Dubai HSBC, Dubai ICICI Bank, DIFC, Dubai Macquarie Bank, London Mashreqbank, Dubai National Bank of Fujairah, Dubai Standard Chartered Bank, Dubai BNP Paribas, Singapore HSBC, Singapore ICICI Bank, Singapore Maybank, Singapore OCBC Bank, Singapore Standard Chartered Bank, Singapore UCO Bank, Singapore

Message to Shareholders

R. Srinivasan

Raj Shankar

Dear Shareholders,

"Victory doesn't render you strong but overcoming difficulties does…" goes an old Chinese saying. How true this is for your Company. The past couple of years have been challenging for the Company as the economies of most developing countries were passing through a stressful period. Though the outlook in India and overseas remained challenging this year, we are pleased to say that your Company has been able to accomplish what it set out to achieve by modifying strategies and making some key decisions.

We take pleasure to hand you the twenty first Annual Report, containing the Board's Report along with the Audited Standalone and Consolidated Financial Statements for the year ended 31st March 2014. Your Company has posted **revenue** growth of about 16% and **profit** growth from operations of about 7% on a full year basis. The good news is that each of the geographies, where the Company has operations, viz India, Middle East, Turkey, Africa (META) and South Asia, grew its Revenue and Profits during the year.

Your Company had earlier taken a mandate of creating positive cash flows from operations. Your Company has achieved this goal for the third consecutive year. The positive cash flows accrued has reduced debt and had enabled us to propose an increase in the dividend payout. Accordingly, your Board has recommended a **dividend** of 45% of the face value of the share (90 paise per equity share) for the financial year 2014 as compared to 20% of the face value of the share (40 paise per equity share) the year before.

The year under review was a momentous one and for the first time globally the number of PC units shipped declined substantially. The year also witnessed the emergence of Lenovo as the Global No. 1 PC brand and a repositioning of other brands in the league table. Your Company's strategy of engaging with all PC brands enabled it to achieve growth even in a year of declining PC sales.

The rapid proliferation of Smartphones and tablets in India and in your Company's overseas markets and its representation with Apple and Samsung brands enabled your Company to capture revenue growth. The launch of Apple's 5S and 5C, in the second half of the last fiscal, was well received in the Indian market.

Your Company's focus on the value portfolio continued to grow market share. Success in this space can be attributed to its unique ability to identify product category and vendors well ahead of their launch in the markets. Your Company focuses on distributing storage, networking, and software products in the enterprise segment in the SMB and midmarket space which global brands find difficult to address. Brands whose focus is primarily in the Enterprise space, have acknowledged the unique value your Company brings to this space.

The world of commercial printing is undergoing a disruptive change with the introduction and increasing popularity of Digital printing presses. We anticipated this disruption nearly 5 years ago and our investment in this category has helped us become the leaders in the Digital printing category in India.

In keeping with the ideology **"Create Value, Profit will follow"**, your Company housed its core competencies of warehousing and logistics and hardware support services into two separate wholly owned subsidiaries and also created other subsidiaries to focus on value added distribution and micro distribution in tier-III & IV cities and rural areas. Since the needs of these businessess is diverse, differentiated effort is needed to grow each of them.

During 2012, your Company hived off its warehousing and logistics business into a 100% subsidiary, **ProConnect**, which has added many prestigious customers in FY14 including Reckitt Benckiser, a leader in the FMCG and Pharma sectors. The demand for logistics and warehousing services is expected to increase on relaxation of the FDI regulation in the retail sector and the roll out of GST. ProConnect is poised to capture this demand.

Last year we told you that Redington Gulf has housed its support services business in a new subsidiary called 'Ensure'. We have now incorporated **Ensure Support Services (India) Ltd.** for the purpose of carrying out support services business in India. Ensure started operations on 1st April 2014 as a neutral independent service provider and will provide the entire gamut of support services for various IT, Telecom and Consumer Electronics products.

Your Company's **Automated Distribution Centre** (ADC) in Chennai has completed four years of operations, and is almost full. To meet growing warehousing needs, your Board of Directors has approved phase II of the ADC expansion. Construction of ADC at Kolkata is completed and operations started from February 2014. We are in the process of obtaining approvals for construction at Delhi and work is expected to commence during this fiscal.

The IT channel industry is moving towards solutions based distribution. Since 2012, your Company delivers optimal IT solutions to its partners in India across the technology domain–Networking, Servers, Security, Surveillance and Infrastructure, through **Cadensworth (India) Limited**. Cadensworth completed its second successful year in the Value Added Distribution space and grew revenue by over 100% compared to the previous year. This gives us confidence that we can grow further in the VAD space and we will therefore strengthen investments in Wireless, Security and Cloud businesses.

Our overseas operations contributed 57% of total revenues in FY14. During the year, the MEA operations made a well considered decision to add **Lenovo** to its PC brand basket. While other brands were redefining themselves Lenovo gained ground globally and is today the #1 player in the world PC market and the only one to show positive growth in the Middle East markets. Your Company's decision to partner Lenovo has reaped a good dividend.

Though Turkey is going through challenges, our investment Company **Arena** has performed well on many parameters compared to peers in the industry. We are confident that when the economy bounces back, Arena's growth will be bright.

Your Company invested in the NBFC Easyaccess Financial Services Limited to provide channel finance to partners and to factor its receivables. While Easyaccess grew business consistently, changes in regulation brought in by the Central Bank on factoring made it difficult for Easyaccess to factor Redington's receivables. And with an increased number of regional distributors and easy availability of credit, its share of business began to shrink. Paying heed to investors' view that Easyaccess should be a subsidiary only as long as it is an enabler to Redington's business, your Company decided to divest the subsidiary fully by March 2014. Your Company utilised a portion of the consideration towards part repayment of a long-term debt and utilised the remaining to repay short-term debts.

Amongst other awards this year, your Company has been awarded the prestigious IBM Software Business Group's "Best Value Added Distributor" for the "Rational" line of software products on a global basis.

Your Company has re-negotiated the rate on a long-term loan of USD 78 Million from an all inclusive cost of 3 months Libor plus 5.5% p.a to 2.92% p.a on a fixed basis. As on 31st March 2014, the outstanding loan is USD 53.5 Million.

Your company's on-going dispute with the tax authorities on "Transfer Pricing", with regard to the restructuring of Redington India's holding in Redington Gulf to enable Investcorp's investment in Redington Gulf, has made some progress. At the first level of appeal with the Dispute Resolution Panel (DRP) of the Tax department we received partial relief and not surprisingly on the main issue, DRP concurred with the Tax department's line of reasoning. This led your Company to prefer an appeal with the Income Tax Appellate Tribunal (ITAT) and we are awaiting judgement.

The new Government in the Centre and their early pronouncements on policy matters and their determination to infuse growth in the economy augurs well for your Company's prospects. We would like to end by quoting India's New Prime Minister, "Good Days are ahead".

Lastly, we wish to thank our 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	Raj Shankar
Managing Director	Joint Managing Director

20th June 2014

Five years at a glance

Standalone Financials

(₹ in Crore)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	CAGR
Total Revenue	11,304.65	10,454.55	9,871.48	8,144.84	6,278.84	16%
EBITDA	337.23	342.80	321.24	249.92	201.60	14%
PBT‡	315.44	248.94	233.29	193.40	153.16	20%
PAT‡	239.79	171.37	156.81	128.44	99.46	25%
Networth	1,266.75	1,065.47	908.97	764.06	675.98	
Capital Employed	1,623.78	1,684.74	1,529.69	1,279.09	1,051.50	
EBITDA / Revenue	2.98%	3.28%	3.25%	3.07%	3.21%	
PAT / Revenue	2.12%	1.64%	1.59%	1.58%	1.58%	
Return on Average Capital Employed *	29.30%	32.33%	35.01%	33.04%	31.67%	
Return on Average Equity *	39.59%	44.00%	50.03%	48.44%	38.97%	
EPS (FV ₹ 2) (₹) #@	6.01	4.29	3.94	3.25	2.54	
Book Value per Share (FV of ₹ 2) (₹) @	31.71	26.69	22.81	19.28	17.19	

For EPS calculation weighted average number of equity shares has been considered.
@ During the year 2010-11, Face value of shares got split from ₹ 10 to ₹ 2. EPS and Book Value for earlier years converted basis face value of ₹ 2.
* Investments and Dividend income received from wholly owned Subsidiaries is excluded.
‡ Including profit on sale of long-term investment in Easyaccess Financial Services Limited of ₹ 65.76 Crores during FY 2013-14.

Consolidated Financials

(₹ in Crore)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	CAGR
Total Revenue	27,999.22	24,210.38	21,222.02	16,722.66	13,277.65	21%
EBITDA	719.61	684.20	633.40	471.65	365.72	18%
PBT	485.11	462.41	450.33	351.00	275.92	15%
PAT ^	336.65	323.11	292.74	226.00	184.33	16%
Networth	2,021.29	1,640.68	1,322.48	1,255.32	1,075.72	
Capital Employed	3,993.84	3,947.11	3,477.61	3,186.28	2,464.57	
EBITDA / Revenue	2.57%	2.83%	2.98%	2.82%	2.75%	
PAT / Revenue	1.20%	1.33%	1.38%	1.35%	1.39%	
Return on Average Capital Employed *	17.23%	17.69%	18.44%	16.01%	14.59%	
Return on Average Equity *	19.11%	22.82%	23.93%	19.95%	17.74%	
EPS (FV ₹ 2) (₹) #@	8.43	8.10	7.35	5.72	4.70	
Book Value per Share (FV of ₹ 2) (₹) @	48.75	39.46	33.18	31.67	27.36	

For EPS calculation weighted average number of equity shares has been considered.
@ During the year 2010-11, face value of shares got split from ₹ 10 to ₹ 2. EPS and Book value for earlier years converted basis face value ₹ 2.
* While calculating Return On Average Capital Employed and Return On Average Equity, goodwill has been excluded / capital reserve has been included appropriately.
^ Including loss on sale of investment in Easyaccess Financial Services Limited of ₹ 9.07 Crores during FY 2013-14.

India bytes Apple

The second biggest mobile market in the world gets a taste of the Apple phone

2007 Redington's relationship with Apple starts with Mac and iPod

2011 iPad launches in India

2012 India bytes iPhone

2013 iPhone 5S sells out within 24 hours of retail launch in November

> Redington's end-to-end supply chain expertise in the Indian geography and its acumen for extending value-added distribution at all touch points, rendered the company the perfect distributor for Apple.

Every once in a while there comes along a brand that creates a revolution of sorts in the world. Like the Apple. Apple has time and again introduced products that people could never have imagined, but once hooked, wonder how they ever lived without. The brand succeeds in creating a unique fan following as it consistently innovates products that make easier the way people work and play–the iMac, the iPod, the Macbook, the iPad and the iPhone bear testimony to that.

In a country like India, an Apple product has always been aspirational. Before it began retailing in the country, the 'Apple' of the times was bound to be on an eager consumer's shopping list when traveling overseas. And if they were not going anywhere, family and friends bore that responsibility.

In 2007 Redington launched the first Apple product in India. In 2010 it carved out a specific SBU for Apple sensing a potential spike in market demand for Apple products. Consequently, the Mac made impressive growth in the very first year. In January of 2011, the iPad made its debut in India, the 27th country by order of launch indicating that the country as a market was deeply undervalued by Apple. The India opportunity driven by her billion plus people had been relegated to the wings because the company could not fathom a business model to suit a multi-layered distribution system and provincial tax structure.

But the country was too important a stage for Apple. In 2012, Apple decided to raise the curtain on a new distribution model for launching its iconic iPhone 5 in India. Apple sought value added distribution partners for the first time in its history. It by-passed the Apple tradition of owned flagship retail stores and sale of phones through telecom operators elsewhere in the world. This decision worked to Redington's advantage as the company was chosen as one of two distributors for Apple phones in India.

Growth of smartphones in India

The smartphone market in India has plenty of headroom for growth. Sales of smartphones grew by 229% YOY to touch 12.8 million units in Q3 2013 compared to 3.8 million units in Q3 2012, virtually cannibalizing the feature phone market. An explosion is predicted for 2014; 400 million new users of internet-enabled phones are expected to vault the country ahead of the US as the second-largest country for smartphone use in the world.

Redington is seeing increasing user familiarity with iOS. The company offers value added distribution to Apple–it has set up the company's IT reporting systems and trained its pre-sales teams. Redington owns the larger share of the India market, thanks to its capabilities as a solutions provider and its ability to scale and this has translated into profitable growth for the company. Redington has also acquired great customer equity, thanks to Apple.

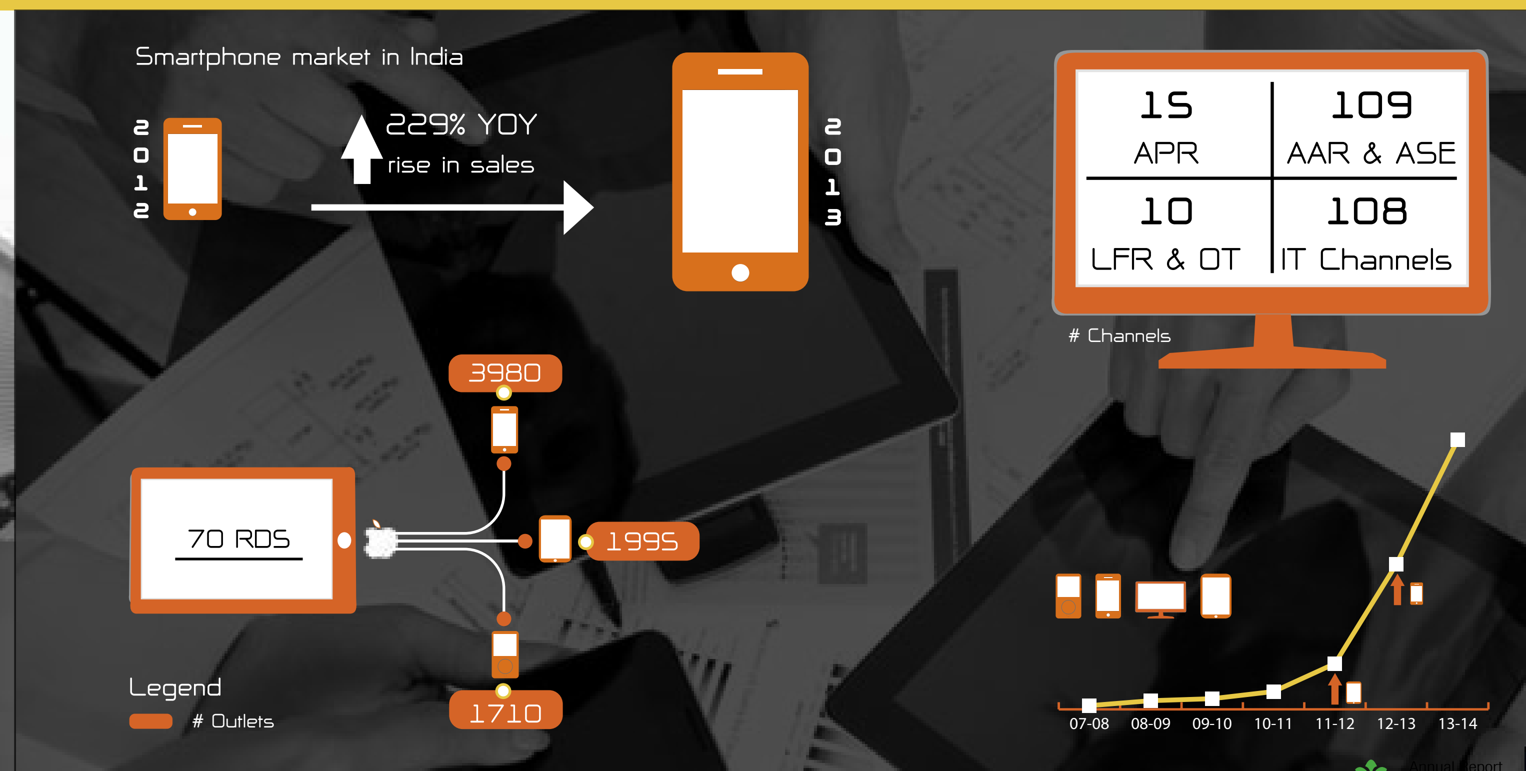
The iPhone strategy–a pay off for Redington

From the start of the distribution of the iPhone, Redington has been involved in all aspects of product distribution–the coordination of advertising, PR and launch events, logistics and channel management.

Apple products as a whole and iPhones in particular have always been regarded as expensive in India despite the country being one of the fastest growing smartphone markets in the world. In the first half of 2013 Apple launched various creative schemes to attract consumers. Its 'buy-back' scheme for iPhone 4 was a huge hit in the country as also the upgrade offer allowing buyers to bring in any smartphone for exchange. iPhone 4 sales gathered a huge momentum in 2013.

The flagship iPhone 5 was launched in India in tandem with its first phase launch around the globe. The zero interest EMI scheme succeeded in transforming a dream product into an affordable one for mass Indian consumers and drove sales figures northwards. The premium 5S sold out within 24 hours of its retail launch mirroring a global trend in its popularity.

India is the second biggest mobile market in the world with 800 million users. Apple wants to penetrate the top 50 II and III tier markets in India through stand-alone franchisee stores. Redington's expertise in distribution will prove priceless for Apple in this venture. In a mere 3 quarters, Redington has enhanced Apple's reach to touch 3500 retailers–a telling milestone for Apple in India.



Proconnecting the dots

The company offers multi-regional supply chain services across ten verticals

Leveraging core strength

Known for distribution of printers, Redington was in its early days in 1993, essentially a 'single product' distributor in India. Within a short space of time, it successfully added more products to its stable and soon grew to become a multi-product 'volume' distributor. The Company's geographic footprint outside India expanded alongside, extending into South Asia, the Middle East, Turkey and Africa. Redington's comprehension of the distribution business combined with insight about the value adds it could offer vendors and resellers at all touch points of the supply chain soon earned it the name of supply chain solutions provider. The Company's network within India enlarged. Its warehouses and stock-points at nodal hubs multiplied. In 2012 Redington chose to leverage the collective benefit of this set-up and its nuanced in-house expertise in the areas of warehousing and logistics, to create a new revenue stream. It made a foray into third party logistics (3 PL) and named the new company ProConnect.

ProConnect's differentiator

ProConnect is founded on a strong foothold. Redington's Automated Distribution Centres (Chennai and Kolkata are operational; Delhi is work in progress), and the Company's core competencies offer the perfect amalgam for cementing ProConnect's future.

The Company has inherited 75 warehouses totaling 1.20 million square feet space across India including Automated Distribution Centres. This is a key differentiator for ProConnect. Its transportation capability and geographic reach covers 26 states in the country with delivery capability to a total of 25,000 locations. In Chennai alone, ProConnect delivers to 1200 locations. And all of these deliveries can be tracked through GPS. ProConnect's operational capabilities are multi-modal and span air, rail and road for outbound services and sea and air for inbound.

Offerings

Traditionally logistics service providers have been known to stick to products within one business vertical. Starting out quite contrarily, ProConnect's approach has been business agnostic. It operates across 10 verticals and provides multi-regional services to customers in Pharma, FMCG, Consumer Durables, IT and others. It offers the entire bandwidth of supply chain services including import management, warehousing (with customized requirements when needed), insurance and claims handling, transportation, and reverse logistics with a call centre.

The Company offers last mile transportation services for large shipments to outlets, dealers, distributors, retailers, warehouses and project sites, and uses the GPS system to track goods en route.

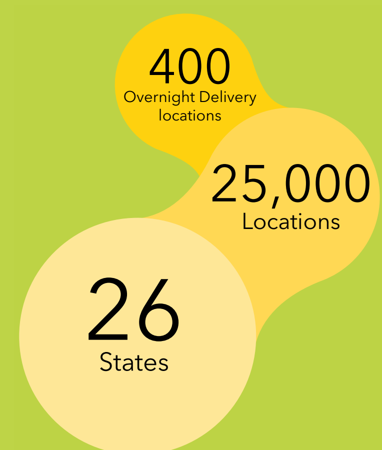
ProConnect has the capability to execute delivery for large projects. In one scenario, the company distributed a Kit of IT hardware to 7521 locations within a period of 27 days. It manages 10,000 SKUs for clients across verticals and last year moved 150,000 tons of stocks—impressive for a service provider essentially founded on high technology distribution.

Redington chose to leverage the collective benefit of its warehouses, stock points and its nuanced in-house expertise in the areas of warehousing and logistics, to make a foray into third party logistics (3 PL). The new company was named **ProConnect.**

75 Warehouses

1.20 mn sq ft Warehouse Spaces

Reach and capability



Despite its infancy, ProConnect is a master at providing value added services. In addition to delivering tower equipment and active devices for its prestigious clients in the telecom sector, the company took on starter pack kitting to the tune of 1crore SIM cards last year before distributing them. The trustworthiness of the company is absolute. At the consumer level, for example, ProConnect is authorized by a global PC brand to issue a refund cheque to the customer if the product is found to be defective.

ProConnect closes the loop in the value chain by offering Reverse Logistics to its customers—a huge benefit for vendors because of e-waste management mandates from the government. ProConnect works with certified e-waste managers and acts as liaison between customer and vendor for responsible disposal of e-waste.

Logistics is still in an embryonic stage in India and is expected to grow markedly over the next five years. The Goods & Service Tax (GST) which the government is considering will prove to be a great advantage for the Company as it is presently dealing with varying provincial tax structures. The move will vastly improve ProConnect's efficiencies in distribution and logistics.

Barcoding a transformation

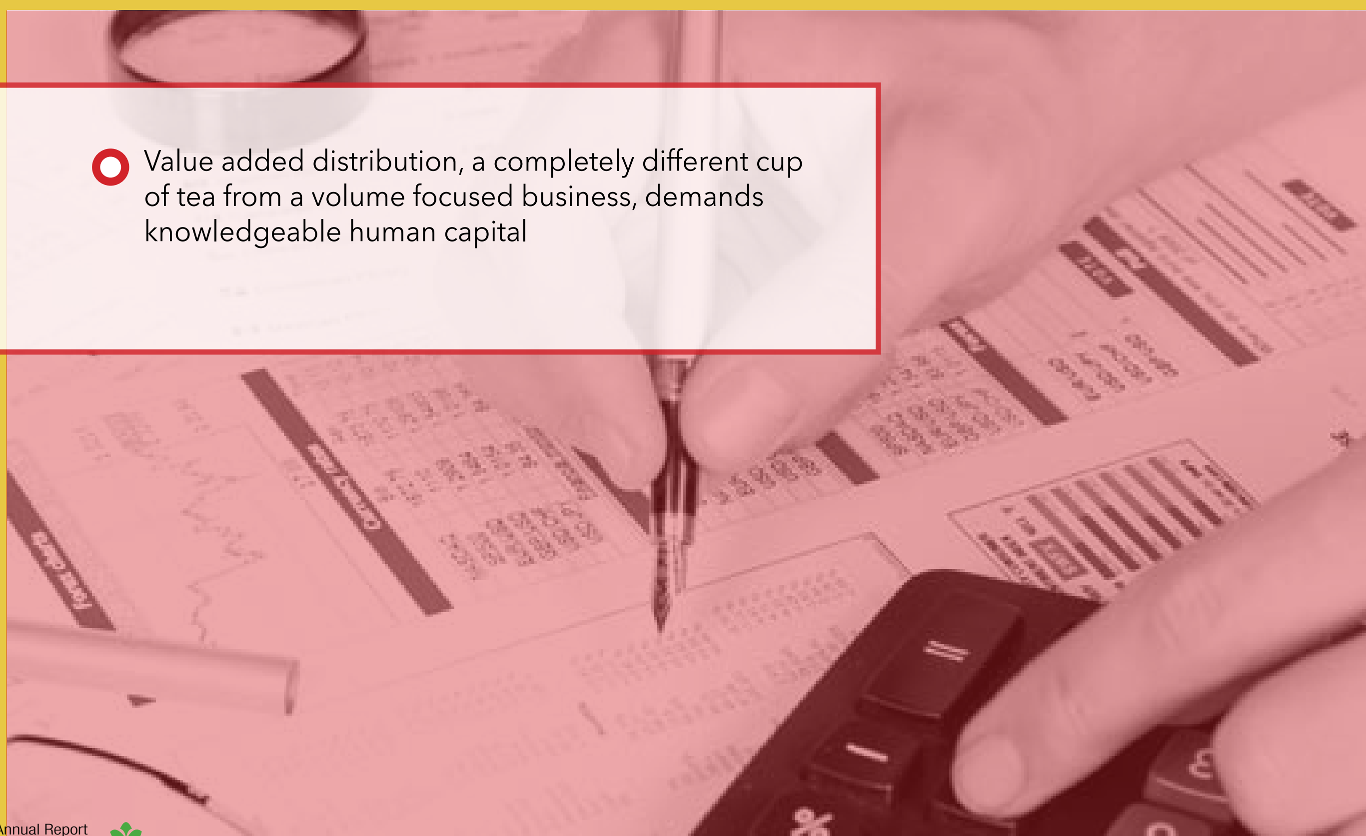
Moving from volume player to a value added distributor

Redington is today a strong enterprise player in the IT and telecom products distribution space. The Company started in 1993 distributing printers and slowly added other adjacencies to its product portfolio. The business performed well but remained essentially volume driven, adding very little value to vendors and customers; revenues were determined by price and payment terms.

Then about fifteen years ago, the market came to an inflection point when everything familiar in the distribution business underwent a re-definition. Historically, an IT distributor who was a volume player would essentially focus on reach and coverage. He would extend financial support to his partners by giving them credit and derive a value for himself for taking that credit risk. But over the years the value for that risk started to diminish. Players such as Redington had to think beyond mere reach, coverage and credit, and examine the value proposition they were making to vendors and customers. It was clear that it was time for Redington to transform into a value added distributor. So what would that makeover take? Did Redington have that capacity?

1993 to 2001	Commodities player looking inside the PC
2002	Moving outside the PC into enterprise products

Such a task is not easy to accomplish. Value added distribution, a completely different cup of tea from a volume focused business, demands certain skills. In the enterprise segment for example, it is important to invest in human capital that is knowledgeable about technology. Consider a storage box–what is the type of data to be stored? Is it critical or non-critical? What is the best size to be used? A pre-sales team needed to know the answers.



Value added distribution, a completely different cup of tea from a volume focused business, demands knowledgeable human capital

Motorola & Redington

When Motorola wanted to enter MEA about six months ago, it approached Redington who undertook the whole gamut of responsibilities from demand forecasting to identifying products, designing brand communications, evolving brand positioning, creating a marketing strategy, procuring licenses, and putting together a distribution model. They even took responsibility for volume–5% market share in the Smartphone segment. From the vendor perspective, Redington had to earn and invest the marketing dollar. From the customer perspective, they had to be on premises, become their advisors and consultants.

Margins

Commodity Business		Enterprise Business
1	:	2+

Owning the enterprise segment

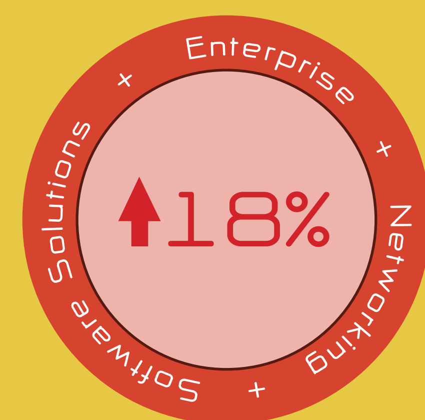
Redington's stable management, depth of experience and superior execution skills collectively enabled the company to transform itself. But the process was gradual. The seed was sown in 2002 until when Redington was still focused on commodities–essentially products that went inside a PC, like hard disks. It was now time to move outside the PC. The company built a portfolio of enterprise goods and skilled itself to offer value added solutions and services to the vendor and customer–be it procuring licenses or programed software; value adds that complement rather than conflict or marginalize the value added reseller and system integrator. It supported pre-sales teams of the partners to help generate leads and opportunities. This yielded results and Redington's many commodity play partners have now evolved into value partners, growing in tandem with Redington. Thanks to the company, they have successfully transformed from a commodity business to the enterprise business where volumes are low but margins higher. They could not have done this alone as the initial investment in the segment is high and competency building is a challenge. Redington has today totally differentiated itself from peers and emerged as the #1 partner for enterprise vendors like Cisco, EMC, Oracle, and Avaya.

Staying ahead of the time

Redington's success can be attributed to its unique ability to identify product category and vendor before they begin to bear fruit. Time and again they have been able to identify emerging markets ahead of time, (as they did with the Middle East and Africa), replicate a business model, and enjoy early mover advantage in that region. But most importantly, they have demonstrated through their performance, their ability to learn, adapt, and continuously redefine their business so as to stay profitable.

Redington now distributes storage, networking, and software products in the enterprise segment with special focus on the SMB and midmarket space which global brands find difficult to address. It is a preferred partner for commercial projects as it effectively structures to the satisfaction of all concerned parties–the vendor, the partner and Redington itself. The company has seen the CAGR rise 22% on its revenue in the last 8 years. Margins have grown every year during this period from 4% to 6% contributing to a significant growth trajectory in revenue. Redington is a market leader in the enterprise segment and a virtual dipstick in the IT ecosystem as the company captures the ebb and flow of the IT and Telecom markets better than anyone else can.

CAGR Chart (FY10–FY14)

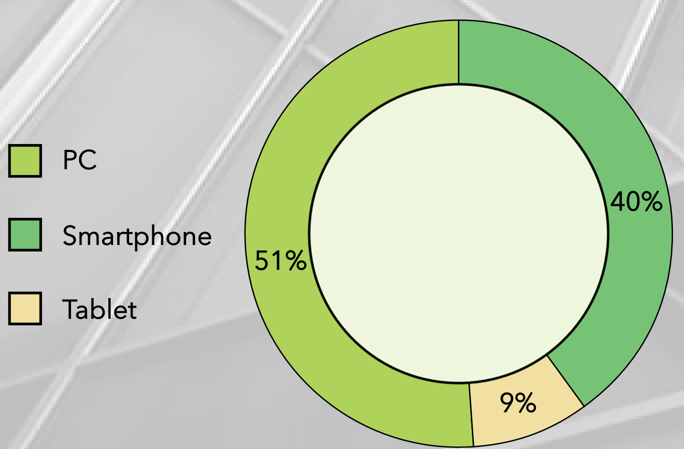


Keeping the pulse on market impulse

Reading signals

Last year Redington made a well considered decision to add Lenovo to its PC brand basket in the MEA. About the same time the global PC market went deeper into the prolonged decline, wielding a particularly telling effect in the Middle East region where unlike India the market focuses on familiar well-known brands. Worldwide, consumers are increasingly relying on tablets and smartphones for their daily needs, reducing the PC consumption base in both mature and emerging markets. The commercial market has fared only slightly better as most regions have delayed replacements and new purchases. Lenovo's performance in this landscape is hugely creditable and positions it ahead of competitor brands. While other brands were redefining themselves and their PC business remained stagnant, Lenovo gained ground globally. Today it is the #1 player in the world PC market and the only one that has shown positive growth in the Middle East markets. Redington's well thought out strategic decision to invest in Lenovo has reaped a good dividend.

PC, Tablet and Smartphone split India FY14



Adaptable to changing market demands

The Company has always been adept at adapting itself to market needs. It has made tactical decisions at various points in time to re-define, sell or spin off–and all of these have worked successfully towards creating crown jewels for the company. When RIM sought to bring BlackBerry in the Smartphone product category to India in 2007, there was no digital platform in existence; Redington, RIM's distributor of choice, had to evolve an effective 'go to market' strategy that would work for the vendor. Credit should be given to RIM for engaging a distributorship in India; particularly one such as Redington. The relationship worked very well and RIM took the market by storm year after year. When RIM eventually started to lose its sheen, the Redington hallmark of being able to accurately read the 'what if' situation, understand what could possibly go wrong, and act on it, had already set the wheels in motion. The company was well into planning its next step in the same product category. It invested in the iPhone opportunity. This decision kept Redington profitable despite market slack in certain other product areas.

Redington's landscape stretches broadly across three theatres–the Indian sub-continent, Middle East & Africa and South Asia (Singapore). While growth has come from different products in the three regions, the company's trump card, its comprehensive portfolio of vendors and brands, has insulated it from market troughs in these geographies. Redington's resilience and endurance, its appetite to leverage competencies and add value, and its focus on staying profitable have all contributed to its good performance.

Making just-in-time decisions

Redington has consistently shown acumen in making just-in-time decisions that have paid off time and again. Nokia, a long undisputed global leader in cell phones was a regional favourite in Africa. In 2012 keeping in view market demand for newer brands, Redington signed up with Samsung for this region. This was a measured risk that the Company took, but the decision was a well thought out one. Sales growth in Samsung proved the decision right.

Similarly in 2009 Redington added Dell to its PC basket in the Middle East where HP had for long been the largest contributor to Redington's overseas revenue. The company now continues to be a valuable distributor for both HP and Dell in the Middle East. And after Lenovo acquired the PC business from IBM and aggressively grew sales emerging as the #1 global vendor, Redington signed up with them as well. The relationship has seen consistent growth in revenue in both the Middle East and Africa.

In a very different scenario, Redington's forethought and decision-making capacity, nudged it to exit the NBFC business through its subsidiary Easyaccess. When first set up, Easyaccess, which was factoring Redington's receivables, offered extended credit to channel partners. The group was able to retain and enjoy the margins for a while. But because of regulatory changes by the RBI the business proved difficult to scale and balancing Redington's working capital became a challenge. It became necessary for the NBFC to look at non IT business to grow profitability. Many shareholders felt that Easyaccess should contribute to Redington's growth and not venture into business that was not core to the company. Heeding this opinion and with a focus on remaining profitable, Redington decided to exit the subsidiary and release capital critical for Redington's growth.

Conversely when it came to leveraging its deep expertise in logistics, Redington saw a quality opportunity in hiving off the logistics business into a subsidiary and set up ProConnect in 2012–a decision that is already reaping benefits. Similarly it did not shy away from transforming into an enterprise player from being a hard-core volume player–a demanding task that comprised a steep learning curve and investment in a new and different business strategy. The result of that decision is there for all to see.

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Directors' Report

To the Members,

Your Directors take pleasure in presenting the twenty-first Directors' Report of your Company and the Audited Accounts for the financial year ended March 31, 2014.

Financial Highlights

(Figures in ₹ /Crores)

Particulars	Consolidated		Standalone	
	2013-14	2012-13	**2013-14**	2012-13
Revenue from operations	**27935.09**	24164.66	**11,256.62**	10,409.67
Add: Other Income	**64.13**	45.72	**48.03**	44.88
Total Revenue	**27999.22**	24210.38	**11,304.65**	10,454.55
Less: Total Expenses				
a) Cost of goods sold	**26309.18**	22738.05	**10,614.69**	9821.41
b) Employee Benefits	**410.56**	348.16	**101.30**	102.09
c) Other Expenses	**559.87**	439.97	**251.43**	188.25
Profit before Interest, Depreciation and Tax	**719.61**	684.20	**337.23**	342.80
Less: Finance costs	**186.93**	183.92	**76.95**	83.86
Less: Depreciation & Amortisation	**38.50**	37.87	**10.60**	10.00
Profit Before Exceptional Item and Tax	**494.18**	462.41	**249.68**	248.94
Add: Exceptional Item - (Loss)/Profit on Sale of Long-term Investment	**(9.07)**	-	**65.76**	-
Profit before Tax	**485.11**	462.41	**315.44**	248.94
Less: Provision for Taxation	**127.18**	115.07	**75.65**	77.57
Profit after Tax	**357.93**	347.34	**239.79**	171.37
Less: Share of loss of Associate	**-**	0.03	**NA**	NA
Less: Minority interest	**21.28**	24.20	**NA**	NA
Profit for the year	**336.65**	323.11	**239.79**	171.37

Your Directors have made the following appropriations:

		(₹ in Crore)
Balance of Profit brought forward from last year		567.44
Less: Dividend for the year 2012-13 including Dividend Distribution tax for additional equity shares allotted under the ESOP scheme after the closure of the financial year		0.01
Add: Profit for the year 2013-14		239.79
Profit available for appropriation		**807.22**
Less: Proposed Dividend @ ₹ 0.90 per Equity Share of ₹ 2/- each (i.e. 45% of the Face Value) for the year ended March 31, 2014	35.95	
Dividend Distribution Tax thereon	6.11	
Transfer to General Reserve	23.98	
Dividend distribution tax credit on account of dividend received from subsidiary companies	(2.71)	
Balance of Profit to be carried forward		**743.89**

Dividend

Considering your company's financial performance, the directors have recommended a dividend of ₹ 0.90 per share (i.e. 45% of the Face Value) for the year under review as compared to ₹ 0.40/- per share (i.e. 20% of the Face Value) in the previous year.

Financial Performance

The consolidated revenue of your Company was ₹ 27,999.2 Crores as against ₹ 24,210.4 Crores in the previous year with a CAGR of 21% for five years. The consolidated net profit for the year under review was ₹ 336.7 Crores as against ₹ 323.1 Crores in the Previous year with the CAGR of 16% for the last five years.

The stand-alone revenue of your Company was ₹ 11,304.7 Crores as against ₹ 10,454.6 Crores in the previous year with a CAGR of 16% for five years and the profit after tax was ₹ 239.8 Crores as against ₹ 171.4 Crores in the previous year with CAGR of 25% for the last five years.

The Earnings Per Share (EPS) on consolidated basis (based on weighted average number of shares during the year) increased to ₹ 8.4 in the year under review as compared to ₹ 8.1 in the previous year. EPS on standalone basis has increased to ₹ 6.01 in the year under review from ₹ 4.29 in the previous year.

Distribution business

Information Technology Products

Personal Computing

It is axiomatic that all computing begins at the "Client" level where individuals use a desktop PC or a notebook to carry out their word-processing, spread-sheet calculations or data analysis work. This is fundamental to "IT", enabling processes and operations.

While usage of Tablets and Smartphones as consumer devices has rapidly exploded, the PC is expected to remain the primary device for computing and content creation, which would drive the demand for this form factor.

The total desktop sales shrunk during FY 13-14 as a result of sharp de-growth in the demand of assembled (unbranded) units and consumer preference for the mobile form factor arising out of the affordability of notebooks.

The sales of consumer and commercial notebooks de-grew, if one were to exclude Free Laptop Projects initiated by State Governments. Hence, the overall PC market, without the special Education Projects witnessed a sharp de-growth.

Your Company maintained its share of business in the portfolio of PC brands it engaged with during FY 13-14, viz. HP, Lenovo, Toshiba, HCL and Wipro.

Most PC manufacturers are attempting to garner a share of the tablet market dominated by Mobile Phone brands. However, the lack of proper product positioning and an inability to match the Mobile brands in promotional dollars meant that their efforts are yet to yield tangible results.

Enterprise & Infrastructure

Your Company's investment and engagement in the Value Added Distribution segment over the years has enabled it to develop a strong foothold with all the vendors catering to Enterprise & Infrastructure projects. While investment decisions on centrally funded projects had slowed down in the last 4-6 quarters, there have been pockets of opportunities available in private enterprise, State Government Projects and selected Centrally Funded Projects. Your Company has been able to take full advantage of these opportunities to grow its Value Added Business substantially year on year.

Your Company retained its **dominant position with vendors like Oracle, IBM, CISCO, DLink, NetApp and Hitachi** and is well positioned to capitalize on increasing opportunities in the future.

Voice-Video-Data, Security & Virtualization

Voice-Video-Data transmission, Security and Virtualization are key growth segments across user groups encompassing consumers, commercial houses, Enterprise customers and Government / PSU.

Your Company represents some of the leading vendors like **McAfee, CISCO, Cyberoam, Molex, Fortinet, Palo Alto Networks, Symantec, IBM, Polycom, VMware, Microsoft and NComputing** in these sectors.

These growing verticals will remain focus areas for your Company and we expect to grow revenues significantly in future.

Cloud

While globally the Cloud business has already gained a high degree of acceptance, penetration levels still remain relatively small in India.

While customers in India have shown a marked resistance towards moving onto the Cloud due to Data Security & Privacy concerns, FY 13-14 did see some inroads being made by Cloud solution vendors into the SMB space where the value proposition appears to be more apparent.

Your Company recognizes and appreciates that "IT on Cloud" has the potential to become a significant game-changer and a possible threat to traditional distribution business in selected areas.

Keeping this in mind, your Company is in the process of developing its Cloud portfolio and is in discussion with its major vendors.

Your Company has already initiated Cloud related business with vendors like **Microsoft, Adobe, CA and Citrix for their Software-as-a-Service (SaaS) offerings**, and with **Hitachi and CtrlS for their Infrastructure-as-a-Service (IaaS) offerings**.

As the demand pattern in India matures, your Company will evaluate appropriate Cloud business strategies and invest in this space accordingly.

Printing & Supplies

Demand for printing has been stagnant, and while printing 'categories' have expanded due to significant growth in "consumer" printing in the Education and the Social Media verticals, Commercial & Enterprise printing which still forms the bulk of the demand,