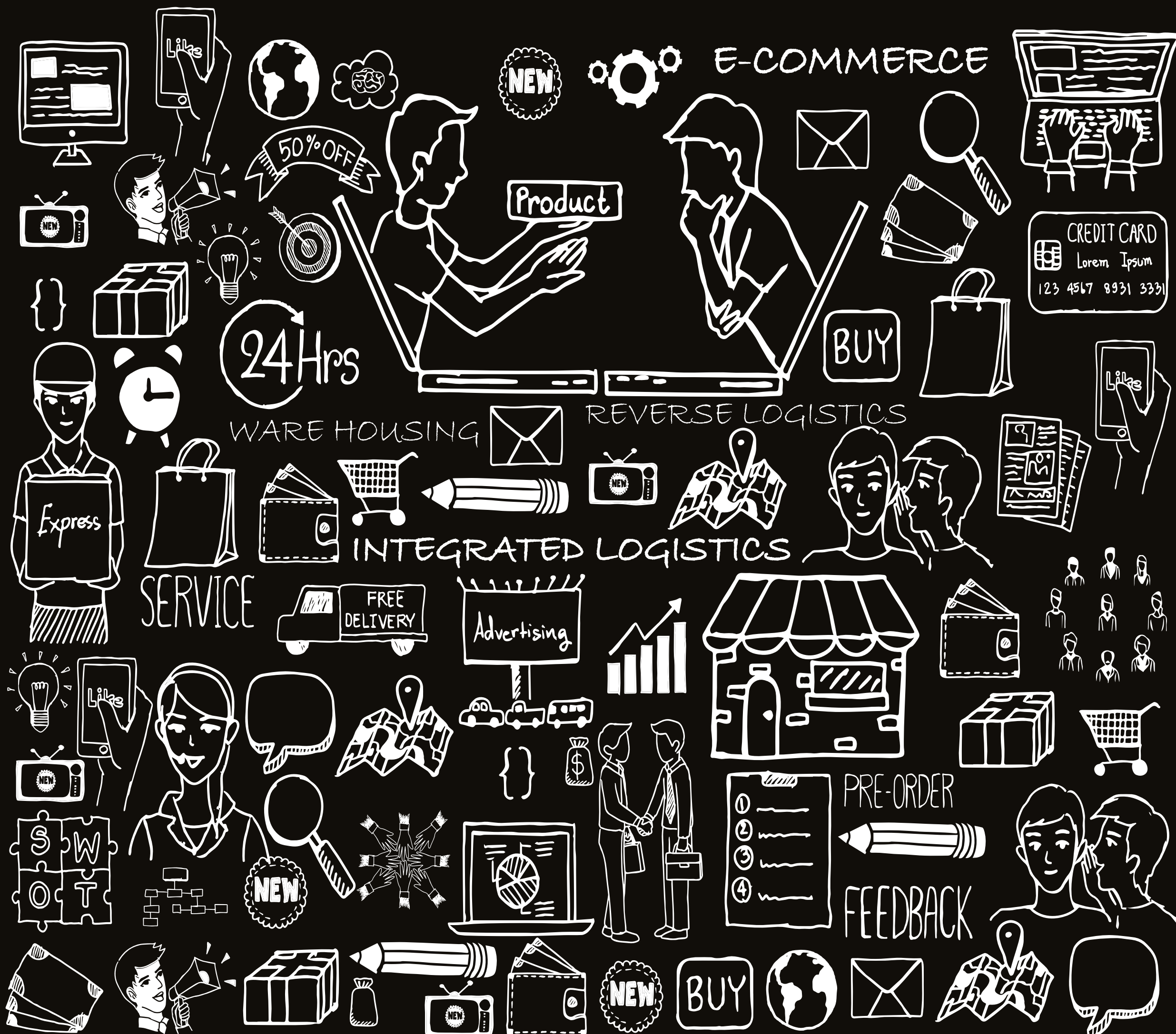

Redefining Strategy. Exploring Opportunity.

Annual Report 2014 - 2015

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During disruptive times as markets change rapidly, the trend lines that define the future make it imperative for a corporate to adapt and to transform. The company has to challenge status quo and implement a sustainable, growth oriented strategy. It has to invest in the right opportunity and create in the wake a pathway for future success. Redington is one such company. It thinks about where it is going rather than where it has been. It focuses on the opportunities of tomorrow rather than be complacent with the wins of the past. It differentiates itself in the marketplace rather than be an also ran. And it dares to stay relevant despite unexpected market upheavals. In short it does what it takes to be the leader rather than a follower.

CORPORATE INFORMATION

Chairman	Prof. J Ramachandran
Vice Chairman	R Srinivasan
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 Suchitra Rajagopalan
Company Secretary	M Muthukumarasamy
Statutory Auditors	M/s Deloitte Haskins & Sells
Internal Auditors	M/s Ernst & Young, LLP
Secretarial Auditor	R Bhuvana

Bankers – India	ANZ Banking Group Ltd Axis Bank Ltd Barclays Bank PLC BNP Paribas Citibank N.A. DBS Bank Ltd Deutsche Bank AG FirstRand Bank Ltd HDFC Bank Ltd ICICI Bank Ltd IDBI Bank Ltd IndusInd Bank Ltd	ING Vysya Bank Ltd Kotak Mahindra Bank Ltd Standard Chartered Bank State Bank of India Societe Generale The Bank of Nova Scotia The Bank of Tokyo Mitsubishi UFJ, Ltd The Hongkong and Shanghai Banking Corporation Ltd The Ratnakar Bank Ltd The Royal Bank of Scotland Yes Bank Ltd
Bankers – Overseas	Mashreqbank, UAE ICICI Bank, UAE Standard Chartered Bank, UAE Macquarie Bank, UK Barclays Bank, UAE National Bank of Fujairah, UAE Dubai Islamic Bank, UAE Axis Bank, UAE Deutsche Bank, UAE HSBC Bank, UAE First Gulf Bank, UAE Emirates NBD Bank, UAE	BNP Paribas, UAE Bank of Baroda, UAE Axis Bank, UAE DBS Bank, Singapore BNP Paribas, Singapore HSBC, Singapore ICICI Bank, Singapore Maybank, Singapore OCBC Bank, Singapore Standard Chartered Bank, Singapore UCO Bank, Singapore

MESSAGE TO SHAREHOLDERS

Raj Shankar

R. Srinivasan

Dear Shareholders,

There is a story about how eagles knock off their beaks and pluck their feathers out in a long and painful process of 're-birth' so as to extend their life span by another 30 years. This aptly illustrates the change your company is undergoing today in order to stay relevant and grow successfully. In a landscape dotted with geo-political tensions, unstable currencies spurred by eroding oil prices, and fast changing market dynamics, your Company has been nimble in continuing to redefine its strategy, leveraging its strengths and finding opportunities to deliver value.

In the fiscal year gone by your Company has posted revenue growth of 12.9% and profit growth of 14.8%. Since listing in 2007, the revenues and profits have grown at a CAGR of 17% and 18% respectively. Once again both the theatres, India and Overseas (Middle East, Africa, Turkey, and South Asia), have grown revenue and profits for the year.

Since listing, your company has been declaring dividends of around 20% of the consolidated profits. While in the last three years your company had reduced the dividend pay out to service the long term loan it had taken, you would be happy to know that Board has decided to go back to its policy of declaring 20% of the consolidated profits as dividend. Your Board has recommended a dividend of ₹ 1.90 per equity share of Face Value of ₹ 2/-.

The year under review was one of the most challenging ones in recent years. In the last 10 years, for the Sensex Companies this was the lowest revenue growth year and in the last 15 years it was the second lowest earnings growth year. The actual revenue growth for the last fiscal year was –2% (de-growth) and the earnings growth was only 3% for Sensex Companies. In India although the sentiment continues to be positive, demand on the ground has not picked across product categories. From an IT products standpoint, the market remains sluggish. Projects, essentially driven out of investment in infrastructure by government and corporates, have slowed down and only old projects are being executed. In the retail segment, the eTail business has gathered momentum but the reseller business continues to be soft.

Information Technology lies at the core of your Company's business. The sector stayed indomitable over the last twenty-five years since it emerged in 1990 after the Government liberalized the Indian economy. It prompted and shaped industrial growth and transformed the lifestyle of the average Indian by successfully changing his notion of a luxury item to one of necessity. Now a new trend is emerging where the enterprise focus is gradually shifting from capital expenditure to operating expenditure and billing style is changing from transaction to annuity, pay-per-use, and pay-per-click. The trend is not disruptive today and is at a nascent stage. But it is expected to evolve in the next decade. The strong fundamentals of business and the current model will continue to be in vogue but at a lower pace of growth as compared to the new tech trend.

The fact that we identified the opportunity in the Value added distribution space almost 8-10 years ago and since then have built a comprehensive brand portfolio across various verticals including software, server and security, and achieved pole position in this area in India, has helped the company to increase its earnings.

Whilst the Personal computing segment has experienced a marginal decline both in India and overseas markets during FY 15, we are pleased to state that your Company has registered a growth by increasing market share for many vendors including Lenovo, HP and Dell.

Apple is an important brand in your Company's portfolio. Your Company continues to enjoy an excellent relationship with Apple. The company distributes full line of Apple products — iMac, iPad, iPod and iPhones. The year under review saw the successful launch of iPhone 6 & 6 plus in India. Apple has ambitious plans for growing its iPhone business in India and in this context has decided to reconfigure its distribution landscape for iPhone and has added additional distributors. This would temporarily have an impact on your company's iPhone business.

As Smart Phone is clearly poised for a big growth in next 3-5 years, we propose to build an attractive portfolio of Smart Phones — both Global and Local — across different price propositions.

ProConnect, an integrated logistics service provider, which was set up a couple of years ago, has scaled up business aggressively by providing end to end logistics services to more than 60 customers on a PAN India basis. The surge in e-commerce business in India in the last two years, which is projected to grow multi-fold over the next 4-6 years, presents a huge opportunity for ProConnect. Implementation of Goods and Services Tax (GST) will be as a significant advantage for ProConnect, as it will help us to become more cost efficient, while opening up a plethora of business opportunities.

Effective last year, we are offering support services in India for IT products, Mobile devices etc., through a separate entity 'Ensure', like we do in the Middle East and Africa regions. With a network of 100 owned service centres and 239 partner service centres in India and overseas together, your Company is regarded as a preferred service partner for many technology brands. Going forward there is a clear plan to enhance the value chain by partnering in the Value Added Services domain.

As far as overseas business is concerned, Turkey faced a difficult environment last year with the decline in GDP growth, influx of Syrian refugees, currency depreciation, decrease in consumer confidence and multiple elections. Despite this, Arena, Turkey, has declared growth in both top and bottom line numbers.

We are pleased to share with you that in spite of the numerous geopolitical challenges in the Middle East and Africa we have registered a double-digit growth on top and bottom line in this region. We must however mention caution as huge currency devaluations have occurred in a number of markets in Africa including Nigeria, Morocco, Kenya, and Turkey, to name a few. The price of oil directly correlates to the physical health of many of these countries and their currencies. Both in West and East Africa, your Company has decided to go slow as the risks are becoming increasingly difficult to manage.

You may like to recall the details on the Transfer Pricing case shared in our last year's communication to you. We are pleased to share with you that your Company got a favourable order from the Income Tax Appellate Tribunal. Since then ₹ 22.82 crore has been refunded by the Income Tax department along with interest, which the Department had aggressively collected from your Company in March 2014. However, the department has an opportunity to appeal.

Looking ahead there are a few significant trends shaping the distribution business in general and IT distribution in particular. Your Company is engaged in monitoring and suitably adapting its strategy to participate and be relevant in the changed scenario. We would like to touch on two such emerging trends.

"E" commerce is the buzz word in the corporate world today. Not a day passes without newspapers and TV channels talking about companies in this space and the astronomical valuations they command. We do appreciate your anxiety to know the impact of **"E"** commerce in your company's business.

At present **"E"** commerce as a model does not disrupt your company's business but provides an additional channel to distribute its products. **"E"** commerce vendors are really in competition with Large Format and Smaller Format Retailers for the consumer's spend. Your company is engaged with the **"E"** commerce players across two service lines — logistics services through ProConnect, your Company's logistics arm and warranty services through Ensure Support Services, another wholly owned subsidiary of your Company.

Adoption of **Cloud** based infrastructure and solutions is gaining traction in India and there is a gradual acceptance on the part of organizations in the SMB sector to embrace this practice in order to shift their IT Infrastructure from a Capex to an Opex model.

We aspire to position ourselves as a single company that acts as a bridge between the **Cloud** Technology providers and the End Customers by offering a complete bouquet of **Cloud** solutions and services.

In the near term, the outlook is a little gloomy. The expected pickup in demand in India which had been anticipated eagerly since last fiscal year, is yet to take shape. Overseas with depressed oil prices and hence contraction in the Revenue budgets of these countries coupled with depreciation of currencies, there is likely to be a slowdown in investment, which would lead to a demand slowdown. Your Company would try and navigate through this difficult period with as few bumps as possible.

Your Company's core strength is its people. To bring in more business focus and total ownership, your Company's business organizational structure has been redesigned. This is expected to allow better growth and reward opportunities for talent, while simultaneously delivering better value to shareholders as well as to your Company's two important business stakeholders — Vendors and Channel Partners. Your Company has always taken great pride in the high level of individual ownership demonstrated by each Redingtonian and we are confident that this culture will continue to prevail.

Your Company takes its social responsibility seriously and is committed to making a long term sustainable difference in the lives of the communities where it operates through programmes in the areas of Education, Preventive Health Care and Environment. A special committee of the Board will take this forward.

We would like to thank all the Directors on the Board, Employees, and other constituents for their support and our Promoter shareholders and other shareholders for the on-going trust in Redington. We look forward to their continued trust and support in the coming years.

With warm regards,

Raj Shankar
Managing Director

R. Srinivasan
Vice Chairman

FINANCIAL HIGHLIGHTS (SINCE LISTING)

Standalone Financials

(₹ in Crore)

Particulars	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09	2007–08	2006–07	CAGR
Total Revenue	12,070.38	11,304.65	10,454.55	9,871.48	8,144.84	6,278.84	5,896.43	5,649.83	4,589.49	13%
EBIDTA	346.24	337.23	342.80	321.24	249.92	201.60	173.87	148.25	101.76	17%
PBT‡	272.75	315.44	248.94	233.29	193.40	153.16	124.25	103.57	65.63	19%
PAT‡	181.96	239.79	171.37	156.81	128.44	99.46	80.69	67.11	42.42	20%
Networth	1,360.57	1,266.75	1,065.47	908.97	764.06	675.98	614.39	569.56	535.02	
Capital Employed	1,644.35	1,623.78	1,684.74	1,529.69	1,279.09	1,051.50	904.29	821.82	852.09	
EBIDTA / Revenue	2.87%	2.98%	3.28%	3.25%	3.07%	3.21%	2.95%	2.62%	2.22%	
PAT / Revenue	1.51%	2.12%	1.64%	1.59%	1.58%	1.58%	1.37%	1.19%	0.92%	
Return on Average Capital Employed *	30.88%	29.30%	32.33%	35.01%	33.04%	31.67%	31.20%	25.87%	19.85%	
Return on Average Equity *	23.74%	39.59%	44.00%	50.03%	48.44%	38.97%	29.76%	24.60%	17.91%	
EPS (FV ₹2) (₹) #	4.55	6.01	4.29	3.94	3.25	2.54	2.07	1.72	1.28	
Book Value per Share (FV of ₹2) (₹)	34.04	31.71	26.69	22.81	19.28	17.19	15.78	14.63	13.74	

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 13-14

Consolidated Financials

(₹ in Crore)

Particulars	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09	2007–08	2006–07	CAGR
Total Revenue	31,622.67	28,005.09	24,210.38	21,222.02	16,722.66	13,277.65	12,375.99	10,542.53	8,853.90	17%
EBITDA	761.89	719.61	684.20	633.40	471.65	365.72	329.57	259.04	198.47	18%
PBT	555.46	485.11	462.41	450.33	351.00	275.92	219.02	177.06	127.25	20%
PAT @	386.53	336.65	323.11	292.74	226.00	184.33	159.66	136.07	101.70	18%
Networth	2,374.17	2,021.29	1,640.68	1,322.48	1,255.32	1,075.72	1,002.20	721.49	625.61	
Capital Employed	4,446.83	3,993.84	3,947.11	3,477.61	3,186.28	2,464.57	2,226.51	1,505.44	1,226.88	
EBITDA / Revenue	2.41%	2.57%	2.83%	2.98%	2.82%	2.75%	2.66%	2.46%	2.19%	
PAT / Revenue	1.22%	1.20%	1.33%	1.38%	1.35%	1.39%	1.29%	1.29%	1.12%	
Return on Average Capital Employed *	17.22%	17.23%	17.69%	18.44%	16.01%	14.59%	17.23%	18.86%	18.19%	
Return on Average Equity *	18.20%	19.11%	22.82%	23.93%	19.95%	17.74%	19.12%	21.68%	21.27%	
EPS (FV ₹ 2) (₹) #	9.67	8.43	8.10	7.35	5.72	4.70	4.10	3.50	3.07	
Book Value per Share (FV of ₹ 2) (₹)	57.55	48.75	39.46	33.18	31.67	27.36	25.74	18.53	16.07	

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 long-term investment in Easyaccess Financial Services Limited of ₹ 9.07 Crores during FY 13-14.

CREATING THE OPPORTUNITY

For Redington, India's leading and the Middle East's number one distributor of IT products, the last financial year may be simplistically summarized as challenging. Disruptive market forces in India and overseas — volatile currency movements, falling oil prices, and extreme geo-political tensions in emerging markets where Redington has a strong foothold (geographies that contribute to more than 50 % of the company's revenues), eroded consumer sentiment, challenged traditional buying patterns tested Redington's immunity to market upheavals. By delivering double-digit growth against such a daunting backdrop in FY15, Redington has unequivocally demonstrated its high adversity quotient and its capacity for implementing differentiated strategic solutions.

Unprecedented changes occurred on three distinct fronts. Firstly the IT industry witnessed a significant slowdown. From the retail perspective, the personal computer, which had held reign for over a decade, struggled to hold the attention of the consumer and submissively started to give way to the Smartphone and tablet — a gadget that has in a short space of time disrupted the way the world computes and surfs the net. In response, manufacturers across the globe have been methodically increasing their offerings in mobile devices that support on-the-go computing needs. In order to grab consumer attention and mind-share, they are fiercely competing with each other to be recognized as the leader in product innovation, pricing and distribution. In short, the barometer is fast dipping in the PC segment, an area that has historically accounted for about 40% of Redington's IT business.

The mobile device segment displayed a fantastic growth trajectory. Redington is fast emerging as one of the leading distributors of Mobile devices in India and expanding their smartphone portfolio. This segment contributes to about 30% of the company's distribution business in the country. However, the distribution model in this segment is slowly changing as products are increasingly being sold direct to retail rather than to dealers.

e-Commerce is the second significant disruption. As a major unsettling market force, it has persuasively redefined the retail business model and upset organized brick and mortar retailers. E-commerce companies are successfully whetting the appetite of the hungry consumer with a smorgasbord of brands and purchase options on Internet sites. Periodic flash sales draw such an overwhelming response that the traffic sometimes even crashes the e-tail site. But the eager consumer is rarely discouraged as the aggressive on-line discounts are a big lure. Added to which, the pleasure of shopping from inside the comfort of one's home, the convenience of paying when the product is delivered at the doorstep, and a hassle-free return option, make for a very pleasurable shopping experience. Since retailing is all about consumer experience, this approach is convincingly sidelining traditional shopping behaviors.

From the enterprise perspective, cloud, although only still evolving in emerging markets, is becoming a disruption to the IT sector by proving to be a cost efficient and easy-to-scale option. This may be termed the third disruption. Cloud technology allows users access to applications over the Internet displacing the age-old practice of running programs by downloading software onto a physical server or computer. Although security issues are still being addressed and presently only innocuous items like email reside on the cloud, industry is nevertheless moving towards cloud computing, and heralding a totally new way of running a business. Young companies and start-ups that are capital expenditure shy and comfortable having no servers and data centres on campus, are embracing this technology more readily as compared to big established firms with time-honored legacy systems. Redington sees a sunrise prospect in the cloud computing space and is preparing itself to benefit from this opportunity.

So what does the e-commerce wave mean for a company like Redington? In a nutshell, Redington views e-commerce as an additional opportunity; it will surf this wave and not be victimized by it. The company's differentiation comes in three ways — (a) by selling to these e-commerce companies as an additional route-to-market (b) by exploiting the opportunity for the end-to-end logistics services it can offer through its wholly owned subsidiary ProConnect and (c) by offering post sales support services through its subsidiary - Ensure. These capabilities, specialized derivatives of Redington's core business, are areas where the company's experience is second to none.

An efficient logistics and distribution network with intelligent warehousing facilities and value added services are critical aspects of running an on-line retail business. As the e-tailer increases brand offerings and signs up new vendors, these services become vital for smooth operations specifically in the first and last mile. Together with a large national footprint and the collective strength of its subsidiaries, Redington can benefit immensely from the e-commerce opportunity through ProConnect. By leveraging its 79 warehouses with a combined total square footage of 1.56 mn square feet, it can extend state-of-the-art intelligent warehousing facilities and logistics support to its vendors and customers. The company's expertise in reverse logistics is equally valuable when it comes to consumer product returns, which statistics show, can be about 10% of goods sold in e-retail. Finally, the 24/7 support that Redington can offer for onward and return shipping of mission critical parts both to a service centre or back to the vendor himself, is absolutely priceless for a global vendor who does not have a base in India.

Reputation loss for a Brand can be devastating if it does not have reliable service facilities. Redington can provide a strong service network through Ensure, which has an established pan-India presence. Ensure can manage the entire life cycle of a product through one CRM and can receive any product into its portfolio nationwide for assured quality service. This is a huge differentiator for Redington.

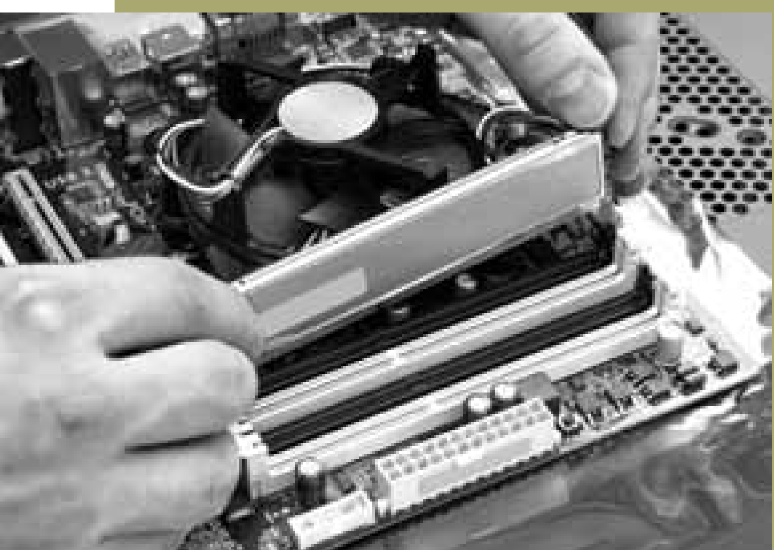
Redington dabbles in both distribution and value services for products in IT and non-IT in both the consumer and commercial segments. The company is able to therefore smartly de-risk operations be it vendor, geography or product concentration, and can strategically pick opportunities that add value. Its subsidiaries, ProConnect and Ensure are vertical agnostic and address requirements both in the consumer and commercial space.

2014-15 was, all in all, a defining year for the company. Redington had to recast its business model in a daunting environment and stay relevant by learning new strokes both in the retail and the enterprise segments. The shift in enterprise focus from capital expenditure to operating expenditure, and changes in billing style from transaction to annuity, pay-per-use, and pay-per-click, together signal the dawn of a new era in the IT industry. Companies like Redington have to necessarily learn to conduct their business differently from yesterday.

OFFERING A SUITE OF SERVICES

Ensure, a 100% owned subsidiary of Redington, is a neutral, pure play after-market Services provider in the IT and Telecom segments. The company has a national presence with 69 owned centres and a 220 strong partner network spread across the country. *Ensure*'s infrastructure and methodologies are robust and support its four lines of business: Warranty Support Services, Infrastructure Management Services, Spare Parts Management Services, and Enterprise Professional Services.

Given that India is one of the fastest growing markets in the world, all major brands in the enterprise and retail verticals, even those with an existing presence in the country, are keenly looking at ways to increase their market share. E-commerce, which has disrupted the traditional retail apple cart by eliminating the retailer as middle-man, has not only cut critical time to- market for these brands, but has made it easy for them to offer attractive on-line discount prices directly to the consumer. But on the other hand, the end-user is left on his own to grapple with after-sales service, a gap that *Ensure* smartly fills as the local service provider. This in fact is a huge sales enabler for the brand. Redington's foresight envisioned this opportunity on the back of the e-commerce boom and steered the set up of a robust services platform that benefits both the brand and the end customer. The company offers complete parts planning, parts warehousing, forward and reverse logistics, imports and re-exports, and assets recovery and e-waste management to provide a single-window fret-free parts management service to brands.



In the realm of Warranty Support Services, *Ensure* offers a toll-free call centre for quick and easy access by its end users. Through its highly trained and vendor certified service engineers, *Ensure* has helped to minimize time-to-market for brands and also assures customers of brand certified high quality service that is consistent and standardized across all service centres in the country.

With growing dependence on IT, thanks to the Internet and mobility, uptime of terminal devices be it PCs, Tablets or Smartphones, and enterprise assets like networking devices, servers and storage which support them, has become critical for running business applications and maintaining operational efficiencies. User organizations have therefore time and again necessarily refurbished their IT hardware from a plethora of vendors ending up with products from multiple brands. To complicate matters further, rapid strides in technology have successfully shortened product life cycles and put tremendous strain on parts availability for maintenance of assets beyond service life. Managing the uptime of heterogeneous IT hardware is therefore a huge challenge for user companies. *Ensure* has judiciously converted this into a big opportunity and offers single window SLA bound AMC service for heterogeneous hardware, which spans PCs, peripherals, and enterprise assets. Utilizing its 20+ years of experience in the Indian market it has evolved India-specific and industry specific cost efficient solutions through a tightly integrated set of proprietary processes and contemporary technological innovations in order to assure technical know-how and parts availability at every location in the country for every type of hardware asset.

Ensure's Infrastructure Management Services is founded on an integrated CRM platform called Service-On-Line through which every single call is routed and which provides invaluable tools for service management. MAGIC, an automated customized data collection tool assures efficacy in parts planning and accuracy in asset data. Customers can access service easily through toll free phone lines, chat or email. I-TAC, the Technical Assistance Centre promises a 98% guaranteed access to every service request in under an impressive 60 seconds. I-TAC is manned by specially trained technical professionals who can remote repair hardware when possible and when field repair is needed, can remote diagnose and predict parts requirement accurately to ensure that a field call is closed on the first visit. Additionally, the wide variety of hardware supported combined with additions and deletions of customer assets can pose a challenge to parts planning, which requires a fine balance between availability and overstocking. The company uses EXPART an intuitive and custom-built application which recognizes parts demand patterns to proactively forecast parts to be stocked, ensuring parts availability at service locations and minimizing time to repair.

For most brands, the complexities of India's vast geographical structure and multiplicity of tax structures can be daunting. *Ensure* offers a unique value proposition to its customers through its Spare Parts Management Services, which comprises full life cycle parts management from parts planning to parts warehousing, forward and reverse logistics, imports and re-exports, asset recovery, and e-waste management.

Ensure also offers Enterprise Professional Services. With the proliferation of IT into smaller towns, brand owners and distributors of enterprise assets have had to rely on technical experts for professional services. *Ensure* enables technical training for partners, and on-going support through solution designing and Bill of Materials preparation. It also offers pre and post sales technical support including installations and user acceptance sign-offs.

The *Ensure* suite of service offerings comprise high value added services and a rapidly growing opportunity for Redington. Taken as a whole, the service capability that *Ensure* brings to a customer's table is unmatched; the service experience, one-of-a-kind.

ADDING VALUE END TO END

ProConnect's expertise in providing value services for distribution and logistics management puts Redington in a niche within the distribution business. The company has expertise in (1) point-to-point international movement of goods, right from vendor locations across the globe into the country, by air or by sea, (2) in clearing international export formalities and (3) in bringing the goods into the country after clearing India's customs at arrival points like Chennai, Mumbai, Bangalore, Kolkata and New Delhi. ProConnect provides state of the art mother Warehouse and Satellite Depot Management in its warehouses, as well as primary and secondary logistics including last mile delivery and returns.

This knowhow that ProConnect offers is especially valuable for today's e-tailers. It regularly picks up materials from India's leading ecommerce companies' sellers' warehouses and factories and moves them to its own distribution centres. There it offers value added services as per the clients' requirements. Pick, pack and ship within a short timeframe — critical process requirement for ecommerce clients, is business as usual for ProConnect. It delivers successfully every time. One other thrust area, in fact a major one for ecommerce is shipping. Here again ProConnect is able to expedite and ensure last mile delivery to the end customer based on their window of availability.

ProConnect is expanding its offerings in critical parts management. It forayed into the medical field for the first time this fiscal and delivered imaging products within the times specified. The company distributes from 15 warehouses to more than 500 locations pan India for this Canadian client using transportation systems like sprinters and couriers.

For another international client, ProConnect moves critical parts to mission critical locations such as banks and ATM's within tight and inviolable time lines. The services offered are end-to-end — faulty materials are collected and re-exported to the country of origin, and all customs documentations are also taken care of. For global brands that do not have their own facility in India, ProConnect offers a seamless one-stop shop, a virtual extended arm, that can take care of all their requirements. The company provides forward and reverse logistics for all its customers, global and Indian, and when needed, can pick up faulty parts from customer locations, move them to service centres and after repair rejoin them into the stream of forward logistics.

The ProConnect leverage is a huge differentiator for Redington. ProConnect has two legs — one is the captive business of Redington but a more valuable piece is the third party business. ProConnect's infrastructure of 79 warehouses totally 1.56 million square feet in multiple locations is being used today not only by Redington but by over 60 other customers for whom the company provides a complete suite of services — import and freight forwarding, customs clearance, warehousing operations, transportation and delivery and reverse logistics. Thanks to its large warehouses the company can satisfy customers whose products not only require a certain turnaround time and efficiency but also huge pallets and crates needing careful but efficient handling. Thanks to its large service network, ProConnect is well equipped to also easily handle sizeable high value project deliveries to even remote areas. It also offers GPS tracking services to provide real-time consignment status update to its customers.

Total Warehouses	Total Space	Total Manpower
79	1.56 Mn Sq ft	789
Verticals handled	**Total no clients**	**Delivery Locations**
13	62	> 35K

Board's Report

To the Members,

Your Directors have pleasure in presenting the Twenty Second Board's Report of your Company and the Audited financial statements for the year ended March 31, 2015.

Your Company and its fifty one subsidiaries operate in India, Middle East, Turkey, Africa and South Asian countries. Your Company is in the business of Wholesale and Value-Added Distribution of technology products to the Consumer, Small and Medium Business (SMB), Commercial and Enterprise segments. It also offers end to end supply chain solutions and post sale support services.

The Directors feel it appropriate to present the financial performance of the global company as a whole in the manner set out below, which factors in the prevailing geo-economical environment and the associated risks and rewards.

(Figures in ₹ /Crores)

Particulars	2014-15 India Consolidated	2014-15 Overseas Consolidated	2014-15 Total Consolidated	2013-14 Total Consolidated
Revenue from operations	13,022.73	18,532.13	31,554.86	27,944.88
Other Income	42.79	25.03	67.82	60.21
Total Revenue	**13,065.52**	**18,557.16**	**31,622.68**	**28,005.09**
Total Expenses:				
a) Cost of goods sold	12,217.25	17,515.65	29,732.90	26,289.81
b) Employee Benefits	134.59	333.13	467.72	410.56
c) Other Expenses	323.61	336.55	660.16	585.11
Profit before Interest, Depreciation and Tax	**390.07**	**371.83**	**761.90**	**719.61**

(Previous year figures have been regrouped wherever necessary to conform to the current year's classification)

The affairs of subsidiaries and an associate are conducted by respective Boards of Directors. These have been audited by their Statutory Auditors. The Consolidated Financial Statement of the Company and its subsidiaries and associate should therefore be read in conjunction with respective financial statements, accounting policies, financial notes, Cashflow statements, and Statutory Auditors' reports thereon.

Your Directors have made the following appropriations out of the profits of the Company:

		(Figures in ₹ /Crores)
Profits of the Company for the Financial Year 2014-15		181.96
Less: Proposed Dividend @ ₹ 1.90 per Equity Share of ₹ 2/- each (i.e. 95% of the Face Value) for the year ended March 31, 2015	75.95	
Dividend Distribution Tax thereon*	13.39	
Balance transferred to Surplus in Balance Sheet		**92.62**

* Net of Dividend Distribution Tax credit of ₹ 94 lakhs on account of dividend received from subsidiary companies.

Financial Performance of the Company

The consolidated revenue of your company was ₹ 31,622.7 Crores as against ₹ 28,005.1 Crores in the previous year with a CAGR of 17% for five years. The consolidated net profit for the year under review was ₹ 386.5 Crores as against ₹ 336.6 Crores in the previous year with the CAGR of 14% 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 ₹ 9.67 in the year under review as compared to ₹ 8.43 in the previous year.

A detailed analysis on the financial performance of the Company is given as part of the Management Discussion and Analysis report which forms part of the report.

Statement on salient features of financial statements of Subsidiaries and Associate in the prescribed Form AOC 1 is appended as part of this report. The details of the subsidiaries incorporated during the financial year under review are given as part of notes to the consolidated financial statements.

Dividend

Considering the improved consolidated performance of the Company the Directors are pleased to recommend an enhanced dividend of ₹ 1.90 per share (i.e. 95% of the Face Value) for the year ended 31st March 2015 as compared to ₹ 0.90 per share (i.e. 45% of the Face Value) for the previous year.

Indian Operations

Information Technology Products

Personal Computing & Printing

Growth in demand of Personal Computing devices (Desktops and Notebooks) remained depressed during FY 14-15. As per IDC, the total number of units sold in India from April 14 to March 15 demonstrated flat to low single digit growth.

Brands like Wipro, HCL, Toshiba, Sony and Samsung have exited the Indian market which is now primarily served by HP, Lenovo, Dell and Acer. These brands gained market share as they filled the void left by the smaller brands.

While demand of Consumer notebooks remained positive, total number of Commercial notebooks sold de-grew as there were no major Education related projects floated by any State Government.

HP and Lenovo, the largest PC vendors in India displayed very strong growth and your Company's close engagement with these brands enabled it to take advantage of their growth story.

Tablet as a category showed muted growth owning to large screen Smartphones (phablets) eating away its market share. However, given our strong engagement with Multinational PC Vendors, we expect the tablet category to register significant growth in the period going forward.

Demand for printing equipment and consumables remain stagnant with all brands struggling to increase the demand for printing applications.

The evolution of new printing categories resulting from the growth in Social Media and Education sectors, have failed to compensate for the drop in "print pages" in the Enterprise and Commercial sectors.

HP remains an overwhelming leader in the printing and consumable supply and we continue to maintain a steady share in their business pie.

The Digital printing vertical registered close to 25% growth in FY 14-15 over last fiscal year. As digital press provides features like speed, convenience for short-runs and personalisation over offset printing, your Company is positive about growth outlook going forward.

Commercial, Enterprise & Infrastructure

With overall demand for industry products and services not showing enough momentum, large enterprises remained conservative in investing in and adopting new technologies and products. Liquidity remained tight and interest rates high further reducing the appetite for investment in technology products and solutions.

With huge payments stuck in Government infrastructure projects, large System Integrators ("SIs") have been extremely reluctant to participate in new tenders and this resulted in projects being re-tendered and in some instances, scrapped, as the minimum numbers of quotations were not received. Your Company's business to such SIs has consequently been impacted significantly during FY 14-15. Since a significant part of your Company's business is dependent on supporting partners who take part in such large infrastructure related projects, we hope that going forward the government will take effective measures to offer remedy to delays in project payments.

Creating the Infrastructure for "Digital India" and "Smart City" initiatives coupled with revival of investments in the e-governance space is expected to provide impetus for large deals involving Servers, Storage, Networking Products, Software & Security Products and Audio / Video surveillance equipment. These projects would be expected to be executed by Large SIs and Solution Providers. Your Company has well established business relationships with all these organizations and this will allow us to participate in supplying the equipment and the solutions necessary for the successful implementation of these projects.

Cloud Services

The shift in the consumption pattern of IT products and services by technology customers towards converting their purchase of IT asset from a Capital expenditure to an Operating expenditure based model is gathering momentum in India. This is resulting in IT products and services being offered by various vendors in a "pay-as-you-use" model, where IT Infrastructure and Services need not be owned by the customer, but leased out and consumed as and when required and in the quantity required.

This is expected to result in significant disruption in the current business model of technology distribution and your company has recognized the imperative of getting ready to address this business reality.

Your Company's **Cloud & Solutions Business Group** is in the process of building in-house resources and skills that would allow it to offer a complete bouquet of Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) solutions, along with the essential Managed Services Portfolio (MSP) to its Channel Partners and their customers.

This independent Business Group will conceptualize, implement and deliver an integrated, vendor agnostic and customer friendly Cloud Solutions strategy for the Indian market.

Software & Security

Given the fact that India remains an underpenetrated market for Software products in view of large scale use of pirated Software, your Company foresees an immense opportunity for growth in this area.

Microsoft remains the single largest vendor of Software Products and your Company's close engagement with it will enable it to participate and take advantage of their growth.

Growth in infrastructure spending would also result in increased business for Oracle and as its largest distributor, your Company would ensure that it garners its legitimate share of the pie.

Government's emphasis on manufacturing is likely to result in accelerated demand for Autodesk's flagship software products for industrial designing and with its vertical based market approach Autodesk is well positioned to take full advantage of possible opportunities.

Your Company's Software bouquet is rounded off with smaller vendors offering niche products and solutions and your Company's approach is to provide an effective Go-To-Market (GTM) route for these vendors to establish themselves and increase customer awareness of their products and solutions. While currently these vendors offer limited revenue opportunities, in the medium term they would help us achieve our profitability objectives while retaining the promise of higher revenue in future, once their business levels mature.

Security vendors like Symantec, Sonicwall, McAfee, Palo Alto, CA, Citrix, Cyberoam, Fortinet etc., have benefited from growing data security / integrity concerns, resulting in enhanced opportunity for implementation of solutions assuring authorized data access, data sanctity and prevention of Data theft. Your company has experienced an increase in revenue from its Security products portfolio and this would remain a growth area in the foreseeable future.

Going forward, your Company plans to reinvest in Training and establishing Concept Centers to offer a solution driven approach for our Channel Partners.

Consumer and Digital Lifestyle Products

Your Company has carved out a strong presence in the space of Consumer and Digital Lifestyle Products with a vertical revenue growth of 35% over the previous Fiscal Year.

The expansion of 3G networks during the fiscal boosted Smartphone sales in India. The advent of new versions of iPhones viz 6 and 6 Plus, were instrumental for the strong double digit growth last fiscal. As per IDC, Smartphones shipments in India grew to over 81.6 million units in CY14 and is expected to reach 111.4 million units and 148.6 million units in CY15 and CY16 respectively. Given that Smartphone segment is yet to fully penetrate the rural segment, the roll-out of 4G networks by various operators and specifically the aggressive pan-India penetration plans of Reliance Jio wireless broad-band, there remains tremendous head-room for growth in the Smart Phone space. Your Company is in talks with various brands to enlarge its bouquet of products to take full advantage of this opportunity.

While the Windows based PC demand remained depressed, your Company's revenue from Apple's iMac business almost doubled. With expected launch of new versions of MacBook in Indian Market, we expect the demand to remain very strong in future as well. Given the aggressive growth plans plan that Apple has chalked out, your Company foresees promising revenue opportunities and is well positioned to participate in this growth area.

Revenue growth from BlackBerry business was subdued during the year. With the vendor reorienting its strategy towards solution selling as opposed to device sales, your Company believes that this business would transform into a valuable niche business, offering very good earnings potential.

Automated Distribution Centres (ADC)

The capacity and capability of the Automated Distribution Centre (ADC) in Chennai is now fully utilized and after assessing future business needs , construction of the second phase at Chennai ADC has commenced and the enhanced capacity is expected to come on stream during first half of Financial Year 2016-17.

The ADC facility in Kolkata also has reached its optimum capacity utilization on the back of securing large accounts from Pharma and E-Commerce verticals.

As regards the ADC facility at Delhi-NCR, the Company has received the first tier approval for construction from the concerned authorities. Approval for extended space and coverage is awaited.

Subsidiaries

Cadensworth (India) Limited – (Cadensworth)

Your directors are happy to announce that Cadensworth (India) Limited, a Wholly Owned Subsidiary of your Company, has grown its revenue by 30% YOY. Cadensworth's focus as a Solution-Based distributor in technologies like Voice/Video, Data Networking, Security, Wireless LAN and 3D-Printing has enabled to position itself strongly with vendors and partners. Cadensworth's ability to support some of its partners in installation and implementation at their customer locations allowed it significant earning opportunity.

Nook Micro Distribution Limited – (Nook Micro)

Nook Micro Distribution Limited (Nook Micro), a Wholly Owned Subsidiary of your Company, which is primarily focused on micro distribution, has grown by around 9% during FY 14-15. Nook Micro focuses on IT and Telecom verticals with the clear intent to adopt a direct to retail model. Given its reach and coverage in the smaller towns and cities in south of India and the differentiated business model using a Direct-to-Retail (DTR) strategy, it is expected that Nook would capture additional businesses going forward. During the last fiscal, it was able to strengthen its relationship with Lenovo brand by adding more territories and products to its bouquet and has also added HP Stream Notebook distribution in Karnataka. Nook Micro has also been appointed by Apple for distribution of iPhone in the states of Andhra Pradesh and Karnataka.

ProConnect Supply Chain Solutions Limited – (ProConnect)

ProConnect Supply Chain Solutions Limited (ProConnect) is a Wholly Owned Subsidiary of your Company engaged in providing Supply Chain Solutions and it has shown revenue growth of 19% during the Financial Year under review.

ProConnect delivers end to end logistics services to customers across different industry verticals. The scope of its services includes Imports, customs clearance, mother warehouse and satellite depot management, primary and secondary logistics to last mile delivery and returns. During last fiscal, ProConnect on-boarded and operationalized twenty four new 3PL customers.

We are pleased to share that ProConnect was awarded as "Best 3PL Company of the year-Hi-Tech" at the 8^{th} Logistics and Supply Chain Leadership Awards.

The explosion of e-commerce business in India presents a huge business opportunity to all SCM solutions providers and ProConnect recognizes the significance of this vertical. ProConnect's network of around 80 strategic warehousing locations, linked by logistics management services based on a unified technology platform, offers a differentiated value to the operators in the E-Commerce market resulting in successful contracts from some of the large e-commerce companies.

Ensure Support Services (India) Limited – (Ensure)

Ensure Support Services (India) Limited (Ensure), which existed earlier as a separate division of your Company, commenced its operations as of 1^{st} April 2014 as a wholly owned subsidiary, delivering revenue growth of 17% during the year under review.

Its unique delivery mechanism in the Infrastructure Management Services has enabled Ensure acquire several prestigious customers during last fiscal. The Enterprise Professional Services business has also experienced a good growth and has gained the recognition of important vendors including HP, Cisco and Oracle, among others.

During the year under review, Ensure's Warranty Support services business has been enhanced by the addition of brands like Lenovo, Samsung, XiaoMi & Flipkart. Ensure sees a big opportunity going forward in providing support services to e-commerce customers.

Associate

Currents Technology Retail (India) Limited ("Currents"), a Wholly Owned Subsidiary of Redington (India) Investments Limited, an Associate Company, has grown the revenue by 80%+ in the last financial year offering the complete suite of Apple products (iMac, iPhone, iPad etc.,) to customers creating a superior Apple experience.

Overseas Operations

Your Company's overseas operations are carried out through two wholly owned subsidiaries; Redington International Mauritius Limited, Mauritius - (RIML) addressing Middle East, Turkey, Africa region and Redington Distribution Pte Limited, Singapore (RDPL) addressing South Asian region including Sri Lanka, Bangladesh, Nepal and Maldives markets.

During the last FY 14-15, RDPL as a consolidated entity, posted a strong double digit growth in both Revenue and Earnings. Your Company expects continued growth in these regions in the coming years.

Redington Gulf FZE (A wholly owned subsidiary of RIML) addressing in the META region faced unprecedented challenges resulting from severe Geo-political and currency volatility across several markets in Africa during FY 14-15.

The steep decline in crude oil prices (over 55% during FY 14-15) had a serious impact on oil-dependent economies in Middle East and Africa. This resulted in a slowdown in corporate and government spending in many ME markets.

In spite of above mentioned adverse market situations, Redington Gulf FZE, retained the No 1 position in the Middle East by topping the Channel Middle East Power List for the 11^{th} year in succession. It has also won accolades from many vendors during the year, notably HP, VMWare and Barracuda as also for being the Best Service Provider in EMEA for Dell, to cite a few examples.

Your Company's operations in Turkey are carried out through Arena, which your Company acquired in 2010. Turkey has had its own share of challenges both on the political and economic fronts. The conservative outlook of the Government had a negative impact on