

# Annual Report 2018-19



Y E A R S

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### Disclaimer

This document contains statements about expected future events and financials of Redington India Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management's Discussion and Analysis of this Annual Report.



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<https://redingtongroup.com/india/financials-and-reports/>

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### INVESTOR INFORMATION

Market Capitalisation as at 31 <sup>st</sup> March, 2019	₹ 3,990 crores
CIN	L52599TN1961PLC028758
BSE Code	532805
NSE Symbol	REDINGTON
Dividend	₹ 3.30 PER EQUITY SHARE (165% OF THE FACE VALUE)
AGM Date	30 <sup>th</sup> JULY 2019
AGM Venue	NARADA GANA SABHA, MINI HALL, NO.314, T.T.K ROAD, ALWARPET, CHENNAI - 600 018

# Business begins with value creation

A peek into 2018-19 key numbers...

₹ **46,599.4** crores  
TOTAL REVENUE +12%

₹ **961.9** crores  
EBITDA +12%

₹ **507.8** crores  
PAT +5%

₹ **12.8**  
EPS +6.7%

Note: EBITDA: Earnings before Interest, Tax, Depreciation and Amortisation  
PAT: Profit After Taxes | EPS: Earnings Per Share

It is the foundation that helps build a strong framework for customer satisfaction, which in turn results in sustained growth.

We, at Redington, have recognized the importance to continuously **Ideate** in order to **Evolve & Transform** ourselves.

Towards our efforts to be a future-ready company, we have now embarked on a journey to become a fully **Digitalize** organization.

Our journey over the years chronicles different stages of business evolution that have helped us transform ourselves from time-to-time and meet the changing needs of the industry and our customers.

**TODAY,  
AS WE COMPLETE**



**Y E A R S**

**WE CONTINUE TO EXPLORE  
AVENUES WHICH WOULD  
HELP US UNLOCK  
INCREMENTAL VALUE FOR  
ALL OUR STAKE-HOLDERS.**



# Ideate

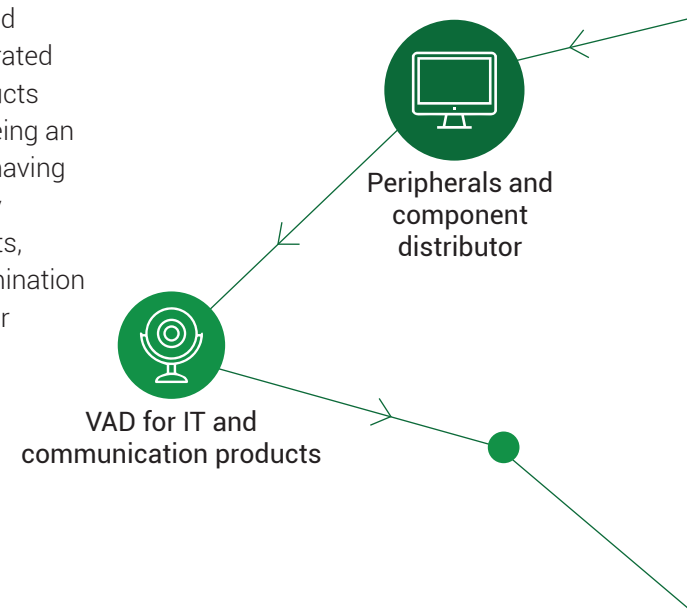
## CONTINUOUS IDEATION ENABLES US EXPLORE NEW OPPORTUNITIES

Business ideation is integral to identifying opportunities that are crucial for growth and expansion. Deep market insights has enabled us identify trends ahead of the curve and allows us access future business potential

At Redington, ideation is an integral part of our DNA. This has helped us stay abreast of fast evolving technology developments which have the potential to impact our business model.

It has allowed us to frequently break new grounds in the technology distribution landscape, anticipating the convergence of technology and communication streams.

Our journey from a pure play peripherals and components distributor to a Value Added Distributor (VAD) for integrated IT & communication products and solutions, and from being an India centric company to having a strong presence in many emerging overseas markets, stands proof of our determination to continuously expand our horizons.



**#1**  
TECHNOLOGY  
DISTRIBUTOR IN MEA

**#2**  
TECHNOLOGY  
DISTRIBUTOR IN INDIA

**220+**  
BRANDS

**39,800+**  
PARTNERS





# Evolve

**TO EVOLVE IS TO TAKE ACTION TODAY  
TO IMPROVE ALL OF TOMORROWS**

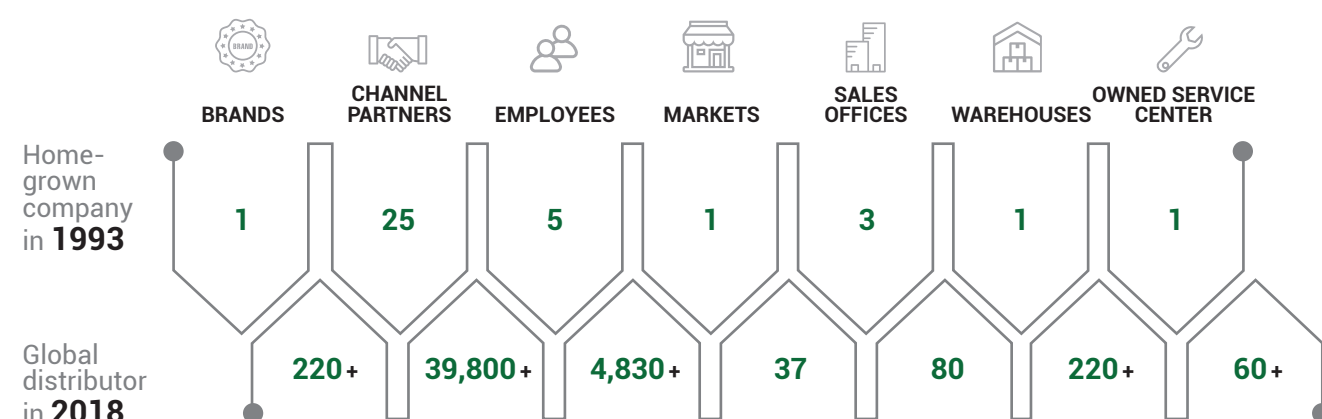
**Evolution of business, as in nature, ordains shedding  
of the old and embracing the new**

At Redington, we have periodically reimagined and reinvented ourselves in order to evolve as a “current” organization at all times.

Our continuous evolution as a Technology Distribution Organization has resulted in a pioneering role in setting

benchmarks for Products, Solutions and Value offerings to the distribution eco-system.

As an agile, elastic and ever-evolving organization, we are ready and prepared for tomorrow’s opportunities and challenges.



## HERE IS A SNAPSHOT OF OUR EVOLUTION JOURNEY SO FAR



### 1993–1999

**Pioneering IT Distribution eco-system in India**

Pioneered the Indian IT Distribution Industry by building infrastructure and by introducing a structured channel Credit System, helping make PCs, peripherals and PC accessories available across the country.



### 2000–2014

**First Value Added Distributor (VAD) in India for Enterprise IT Vendors and Establishing our presence to Emerging markets in EMEA**

We anticipated the surge in investments in Enterprise IT infrastructure by private Enterprises, State and Central Government departments and PSUs and invested ahead of time to build skills, resources and infrastructure required for Value Added Distribution. Since then, in India, we have remained the VAD of choice for all Enterprise vendors.

During this period, Redington identified the opportunity presented by the growing IT needs in EMEA and started building our distribution infrastructure in that market. By the middle of the decade, we had cemented our position as the region’s largest IT distributor.



### 2015–ONGOING

**Enhancing Value proposition for vendors and partners through engagement in fast evolving technology practices**

As Cloud, Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT), Digital & Analytics solutions gain mainstream status in delivering Business Outcomes, we have started building skills, capabilities and infrastructure to access the growing business opportunities on offer.

This evolution of our business mix is essential for building the Redington of tomorrow.



# Transform

## TO TRANSFORM MEANS TO REDEFINE AND RECAST ONESELF TO MEET THE FUTURE REQUIREMENTS

The longevity of a business organization lies in its ability to transform with the times. It is essential to avoid status-quo, to continuously look beyond the obvious and to embrace changes that are essential to maintain one's relevance in the eco-system

At Redington, our metamorphosis since our inception in 1993 to the multi-market organization that we are today, is proof of our determination to periodically reinvent and transform ourselves.

We are transforming our Organization Structure and our Business Mix to address the imperatives of the cutting edge technology practices that are rapidly altering the way customers look at their IT infrastructure needs.

Redington of tomorrow will be an organization that leads with Solutions and Services, encompassing Cloud, AI, ML, IoT & Analytics.

We will remain a partner centric organization. We will however re-orient our focus in order to offer solutions and services that will help our partners solve their customers' business Problems and deliver value through business outcomes.





# Digitalize

## BUILDING SCALE AND THE NEXT LEVEL OF OPERATIONAL EXCELLENCE THROUGH DIGITAL TRANSFORMATION

The world has gone digital. Consumers have embraced all-encompassing digital experiences with alacrity. Businesses are transforming themselves to keep pace with the digital revolution

We too are in the process of converting ourselves into a fully Digital Organization. By end of year 2021 we expect 100% of all our operations to be digitalized and automated, buttressed by Analytics tools for business decision making. This will allow us significant benefits through improved operational efficiencies and greater economies of scale. Two decades ago, Redington became the first Indian distributor to adopt a customized, enterprise-wide Software for

operations. This helped us expand our business rapidly. We credit our industry leading operational excellence to this farsighted step taken back then. Currently, we are in the process of transitioning our operations on to a cutting-edge ERP platform from SAP. This is a significant step in our journey of transformation to a fully digitalized organization, with streamlined and highly automated process flows with minimum human intervention. An integrated and fully

automated Digital Business Platform, offering a seamless, intervention-free and customized business experience for all partners, will form the backbone of our operations in near future.





# Message from the Managing Director



**YOUR COMPANY HAS PLAYED A DEFINING ROLE IN ENSURING THAT TECHNOLOGY DRIVEN INNOVATIONS REACH CONSUMERS AND BUSINESS HOUSES ALIKE, BY BUILDING A NETWORK OF OVER 39,800 CHANNEL PARTNERS ACROSS OUR INDIA AND OVERSEAS MARKETS**

## Dear Shareholders,

Redington completed 25 years of operations in 2018-19. This milestone is a validation of our uncompromising focus on delivering consistent growth and value creation. As I look back, I am filled with a sense of wonder at what your Company has achieved over a quarter of a century.

Your Company, Redington India, is one of its kind. It would be difficult

to identify a parallel in the Indian corporate scenario. It is amongst the true success stories as a purely home-grown, multinational organization.

Its journey in India started in tandem with the country's embrace of Information Technology as a catalyst to haul itself into the mainstream of the late 20th century world order and jolt itself out of the cycle of sub-par

economic growth. It would not be the slightest bit of exaggeration to say that the strong and confident India that we see today owes much of its transformation to the pioneers of its IT Industry. Redington can proudly count itself in that exclusive list.

The learnings from its India business allowed Redington to build its strategy for the Emerging Markets in Middle East, Africa & Turkey and

establish itself as the pre-eminent technology distribution Company across the region.

Your Company has played a defining role in ensuring that technology driven innovations reach Consumers and Business Houses alike, by building a network of over 39,800 channel partners across our India and Overseas markets. Our distribution model has periodically evolved to allow us effectively address the differing dynamics of the huge range of products that we carry, covering IT & Mobility segments.

Redington today distributes products from over 220 of the world's leading technology brands, involving more than 17 product categories, covering over 45,000 SKUs and requiring different go-to-market solutions in more than 35 markets. Our ability to manage the different ways in which business is conducted across multiple geographies, with diverse channel ecosystems comprising of e-commerce companies, organized & unorganized retail chains, resellers, system integrators and new-age born-in-cloud partners, has emerged as our fundamental strength.

As I review the year just gone by, I take great satisfaction in reporting to you that at a consolidated level, your Company has delivered a Revenue Growth of 12%, an EBITDA Growth of 12% and a PAT Growth of 5%, while simultaneously generating Free Cash Flow of ₹ 732 crores. But for the one-off impairment charge that we had to incur on our investment in Turkish subsidiary Arena, our PAT growth would have been significantly higher at 15%. Your company has clearly demonstrated strength of character in overcoming the challenges it encountered during the period.

Just as a champion decathlete combines strength, stamina and agility for different events, your Company has combined its strengths in vendor and partner relationships with perseverance in challenging conditions and nimbleness in adapting to fast-changing technology practices, to maintain an unblemished record of business growth.

In India, overall demand for IT & Communications (ICT) products has reached USD 83.6 Billion as per Gartner. Government & PSUs remained the largest investors in technology products & solutions, as investments in infrastructure and social services continued. However, lingering impacts of demonetization and shift to GST regime, coupled with a serious liquidity crunch, dampened demand in the private sector. Recognizing the need to be vigilant on capital deployment, your Company focused on improving capital efficiency and this is reflected in the sharp decline of Working Capital (WC) from 55 days to 47 days. A systematic approach to cost reduction and improvement in collection greatly aided towards achieving our capital efficiency goals. This, in turn, helped keep interest cost under control in India - even when the effective interest rates have trended sharply upwards - resulting in Free Cash Flow of ₹ 103 crores. While this extra prudence resulted in selective business acquisition, the Indian operations still registered a Revenue growth of 13%. India contributed 37% of the consolidated revenue and 32% of the total profits.

The credit rating agencies have recognized our fiscal prudence by once again reaffirming Redington's rating at the highest level for short term borrowings.

The technology landscape is changing rapidly and your Company has invested in skills and infrastructure required to keep itself ahead of the curve and retain its relevance as a premier distribution partner. Adoption of Cloud gathered further momentum and Redington enhanced its position as the "Distributor-with-a-difference" in this space. Our Cloud business in India registered double digit growth quarter after quarter, with a steadily increasing Services component. Your Company is the only distributor in India with a well-defined Cloud Managed Services Practice and FY 18-19 witnessed breakthrough wins in prestigious customer accounts.

With a stable political regime and the promise of further economic reforms and accelerated investments towards Digital India and Smart City projects, we expect revival of technology refresh & upgrades in the Corporate sector also. While retaining its focus on business hygiene, your Company is well positioned to participate in all growth opportunities in the year to come. The business landscape in India during FY 19-20 through to FY 21-22 appears promising, with growth anticipated across IT, Mobility and Services portfolios.

The Overseas subsidiaries continued to excel. As ever, the overseas markets are fraught with geo-political uncertainties, severe currency fluctuations and a high degree of sensitivity to Oil prices. Your Company has developed an innate ability to successfully navigate these challenges and this is once again evident in the business performance for the year gone by. The Overseas operation has delivered strong performances in every line of business, cutting

across all geographies, including Turkey, where the challenges due to severe currency devaluation were especially daunting. The Overseas business has delivered strong double digit growth in both IT and Mobility portfolios. Mobility has contributed handsomely to the overall growth, as your Company won contracts for key brands in a few major markets.

A Revenue growth of 11% and PAT growth of 19% in our Overseas operation has been underpinned by a clear focus on Working Capital deployment which was reduced from 37 days to 31 days, generating a Free Cash Flow of ₹ 629 crores. The Overseas operations contributed 63% of the Consolidated Revenue and 68% of the Consolidated PAT.

As we look at the industry landscape, we realize that the Technology Distribution business is undergoing a tectonic shift. The eco-system, in its formative years was served well by what can be called **Distribution 1.0**. Here, the ability to extend Credit & the robustness of Supply Chain infrastructure determined the success of a distributor. Redington's approach during this phase was Partner Centric and Product driven. It paid rich dividends, transforming the Organization into one of the leading Distributors in India.

As investments in IT Infrastructure increased, other dimensions were added to the role of a Distributor. Emergence of the Value Added Distributor (VAD) concept required an ability to consolidate multiple products and solutions, involving complex commercial structuring, combined with Market development and Channel enablement responsibilities. VAD was the genesis of **Distribution 2.0**.

Your Company was the pioneer and the leader during both stages

of above evolutions of Technology Distribution business.

The way businesses buy and deploy technology is undergoing rapid changes. Rather than considering it as a mere infrastructure necessity, Customers are increasingly looking at Technology as an enabler for delivering Business Outcomes. Emerging technologies like Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT) and Analytics are fast becoming integral parts of IT Solutions. The Distributor of the future is an Organization which quickly builds infrastructure & skills that leverage these technologies to offer appropriate solutions and services. Recognizing this, your Company has started its pivot to **Distribution 3.0**, in order to evolve into an Organization that is strongly Partner engaged but Customer centric. Retaining our core competencies and strengths in distribution business, we will also become highly focused towards offering Solutions and Services to SMB, Mid-market and Enterprise customers.

This transformation requires significant changes in the way your Company runs its operations and conducts its business and critical investments that we are committed to putting in place. Redington is transitioning into a fully Digital organization. In India, with a new generation ERP Software as its IT infrastructure back-bone, your company plans to build a **"Technology Experience Centre"** which will enable its partners showcase various solutions and services to their customers. We are building a **"Master Digital Platform"** which will converge Consumer IT, Mobility, Enterprise and Cloud verticals while offering partners unparalleled ease of doing

## WE ARE BUILDING A "MASTER DIGITAL PLATFORM" WHICH WILL CONVERGE CONSUMER IT, MOBILITY, ENTERPRISE AND CLOUD VERTICALS WHILE OFFERING PARTNERS UNPARALLELED EASE OF DOING BUSINESS AND GREAT CUSTOMER EXPERIENCE

business and great customer experience. A collaborative approach will combine our contractual distribution capabilities with that of an "eco-system integrator", offering partners a "one-stop-shop" for a comprehensive suite of products, solutions & services.

FY 18-19 was the first full year of operation of your Company as a Promoter-less, Board led and Professionally managed organization. Your Board has tremendous diversity of age, gender, culture, qualification, and skills. With rich experience in the areas of Corporate Strategy, IT Brand development, Distribution business, Financial services and Corporate Audit functions, members bring wide-ranging expertise to advice and guide to the Management team. The Board has been further strengthened with the induction of Ms Anita P Belani during April 2019. Ms Belani is an outstanding business

leader with expertise in the area of Human Capital Development. With her experience in leadership roles at several leading organizations, she brings tremendous value at a time when your Company is making the transition to a more skill-oriented business model.

The Company is committed to delivering the best possible value to your investment. In line with this intent and in commemoration of the 25th year of the Company's existence in India, the Board has declared a final dividend for FY 18-19, amounting to 25% of the consolidated profits for the period. At ₹ 3.30 per share this is 165% of its face value. During the course of the last fiscal, exhibiting its confidence in the future of the Company, the Board had approved a buy-back of shares at a price of ₹ 125/- per share, resulting in buy-back of shares totalling to ₹ 139 crores.

As we look into the future, by end of year 2021 Redington would have evolved into a fully Digital Organization, leading with Services. This will not only allow your Company capture future growth opportunities by remaining "current" and "relevant", but will also move it up the earning value-chain with enhanced ROCE and high capital efficiency.

One of the great success stories of your Company is ProConnect Supply Chain Solutions, a fully-owned subsidiary, offering end-to-end Logistics and Warehousing solutions to a number of customers cutting across several industry verticals. Starting its journey 7 years ago with only Redington as its customer; today, while Redington retains the status of an anchor, ProConnect draws only 16% of its business from its parent organization. Its remaining business comes from more than

200 customers across 12 industries; including IT, Telecom, e-Commerce, Pharmaceutical, Consumer Durable, Paint and Manufacturing. With 180+ warehouses covering a total of 6.8 million square feet of space, a 26% growth in Revenue and a 13% growth in PAT during FY2018-19, ProConnect is poised for rapid scaling over the next 2-3 years. Retaining its focus on organic growth, ProConnect would also look to invest in inorganic opportunities with the aim of augmenting its business and geographical footprint, technology adoptions and Intellectual Property.

In order to provide the required leadership and focus to ProConnect, Mr. E H Kasturi Rangan has withdrawn from his position as the Whole Time Director of Redington and has assumed the responsibilities as the Managing Director of ProConnect Supply Chain Solutions Ltd. Simultaneously, Redington's Board has been augmented by the induction of Mr. S V Krishnan, the long standing Chief Financial Officer of India operations, as its Whole Time Director. Please join me in welcoming both of them to their new responsibilities and wishing them all success.

The Company is acutely conscious of the responsibilities that it carries towards the society which has allowed it to flourish and prosper. While practicing equal opportunity policies within the organization, the Redington CSR Trust works towards betterment and upliftment of the economically challenged constituents of our society, through investments which promote education, skill development, employability and health & wellness.

As I contemplate the future of your Company, I am excited by the multitude of opportunities that lay

ahead. We will work hard and we will work very smart to ensure that we continue to add luster to the legacy of what is known as Redington.

Your Company has ambitious goals. The support of all our stake holders makes it possible for us to think big. I wish to thank you, our shareholders, for reposing faith in our Board and enriching the Company with your advice and inputs. I also take this opportunity to thank our valued Vendors and Channel partners, whose continued support has been and will remain critical to our success. Our sincere thanks to our Bankers whose unstinted support has always been a cherished asset. I also wish to thank our Auditors and all other stakeholders who have contributed meaningfully to our progress. My big Vote of thanks to our Board of Directors; I deeply appreciate the valuable support and guidance that I continuously receive from the richly experienced and highly knowledgeable members of our Board. Last but not the least, I take this opportunity to express my deepest appreciation to my team - the Redingtonians who make the Company what it is today. This team of wonderfully talented and committed professionals is the Company's greatest strength and their sense of ownership and relentless pursuit of excellence makes Redington such a great organization.

I look forward to your continued support and encouragement as we embark on our journey to take advantage of the exciting opportunities that present themselves during the course of the coming year.

With warm regards,

**Raj Shankar**  
Managing Director



# Creating value through CSR

## BRINGING A RAY OF SUNSHINE TO THE LIVES OF THE UNDERPRIVILAGED

CSR @ Redington (Foundation) considers its social responsibility as an important mandate and has been working towards improving the living standards of the economically and socially challenged strata of the community. It has tailored its approach to specifically address the needs of women and children. We take great pride and quiet satisfaction in the fact that over the past 4 years, Redington's CSR activities, through its Foundation, has made material difference to the targeted segment and is being looked upon as an important organization engaged in socially meaningful initiatives.

We have been touched and humbled by our experience during this period. The team, comprising of active members and regular volunteers from Redington family, has itself been enriched by the very people who we are trying to help. The dedication, eagerness and sheer joy that the deprived segment of our society display in whatever initiative we engage in, has made us appreciate the value of every privilege that we have come to take for granted.

Striving for maximum impact, the Foundation focuses on areas of education, employability, preventive healthcare in rural communities.

Our **SLCs** (Smart Learning Centres),

established in the midst of the targeted population, makes it much more convenient for them to access the opportunities and benefit from them. We feel a degree of satisfaction when we record that out of 5000 students who graduated during the last academic year after undergone training at the SLCs, 3000 have found gainful employment.

During the past year, the Foundation started two unique initiatives in partnership with the local administration in Tirunelveli district of Tamil Nadu.



District Collector of Tirunelveli seeing Montessori Trainees work

In one, we are helping to impart Montessori Teacher Training to the family members of sanitation workers. In the first phase, approximately 100 women have completed the training and several amongst them found employment in schools in their areas. With an aim to promote women entrepreneurship, the Foundation is actively working towards supporting the interested

students to set up Montessori schools. It is working on a BOOT (Build, Own, Operate and Transfer) model, in collaboration with its training partners.



Students undergoing Mobile repair service training

The other initiative involved training for the Anganwadi teachers, who are responsible for early intervention towards education of rural children.

Additionally, The Foundation is also associated with Tuticorin district administration's project "New Wings", which is targeted towards rehabilitation of sanitation workers and their families.



Students undergoing solar panel repair training

Through Project **Excellence**, the Foundation aims to provide the students access to quality education. We are involved in imparting the required skills, know-how & techniques to the teachers covering over 60 schools across the country. The Foundation endeavours to lift the education standards by not only helping to improve the physical infrastructure, but also through smart class rooms, remedial classes, coaching towards NEET and career counselling programs. The success of the Foundation's efforts are reflected in the 100% pass record of these schools for Class X & Class XII exams, during the past three years.

Through Project **Reach**, the Foundation has engaged specialised teachers to impart Vocational Training to students and help them become self-employed.

In partnership with **V-Shesh**, English Sign Language training is offered to hearing-challenged students of Shanthi School in Sivasailam. It is a matter of joy to us that three such students have received admission for graduate courses at Rani Anna College, Tirunelveli.



Special children operating Weaving machine

The Foundation's initiatives in imparting employability skill training to differently abled youth has resulted in more than 40 youth, with special needs, getting placement as Data Entry Operators, Accounts Assistants, Billing and Packing Assistants and Primary School teachers.

Our **Preventive Healthcare** programmes aims to promote awareness about various illness and their preventive measures. In collaboration with local Doctors and Healthcare Institutions, the Foundation conducts medical camps for vaccination against Typhoid and Diarrhoeal diseases. We are engaged in reviving Health Centres in rural areas and supporting Primary Health Centres of Municipal Corporations with specialists in different areas of medicine.



Health Camp for Scavengers

Women Health and Hygiene is one of the most neglected areas in our society, especially in the underprivileged sections. As a small step towards correcting this situation, The Foundation has taken initiatives to install Sanitary Napkin Vending Machines and Incinerators in the select Schools, Colleges, Hostels and Healthcare Centres.

To address the natural reluctance of rural youth, especially women, to relocate to cities & towns where job opportunities are more abundant, the Foundation has introduced the concept of Meaningful Employment Centre – a Centre of Excellence. This aims to generate employment opportunities to villages, through association with various corporate organizations. **Meaningful Employment Centres** are presently active in Thanjavur and Tirunelveli zones. After necessary training, the students are gainfully employed as back office personnel at these centres for four corporate partners and the organizations, in turn, get the benefit of cost effective man power.

Going forward, the Foundation intends to collaborate with like-minded organizations on a long term basis for effective implementation of CSR projects. An early success is a collaboration with HP, one of our largest vendors, as their implementation partner, for their "World on Wheels" project in Tamil Nadu.

We consider it a privilege to be able to work through the Foundation towards bringing a smile on the faces of fellow citizens, who, otherwise form a neglected class of our society. It is just a small part that we are happy to play in an effort towards Nation Building.