

# Quarterly Earning Release

## First Quarter FY 12

November 4, 2011

# HCL Infosystems Ltd

## Table of Contents

CEO's Comments	2
Business Highlights	3
Consolidated Results	5
Segment Results	6
Financials	7

## CEO'S COMMENTS



**Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited**, commenting on the results said: "The quarter recorded strong positive movements in the B2C Computing, led by turn around in consumer computing on the strength of a reinvigorated product mix. Our distribution business performed extremely well with better traction of new models of a leading telecom brand in the portfolio. Overall System Integration business continued to be severely impacted by slow down in projects and customer decision cycles. Our Learning Business consistently grew market share and also recorded year on year growth. B2B Computing &

Office Automation Business did have significant declines YOY due to reduction in spending by government sector. I am confident that the companywide business excellence program 'Aspire' triggered over the last two quarters to re-align the organisation to drive cost and working capital efficiencies and to re-position for future growth opportunities will over the next few quarters show positive results in terms of both bottom-line as well as cash flow performance."

## FINANCIAL HIGHLIGHTS

### QUARTERLY HIGHLIGHTS

#### ➤ Consolidated

- ❖ Revenue at **Rs. 2,810 crores**, a sequential growth of 6%.  
Profit after tax at **Rs. 12 crores** (including foreign exchange loss of Rs. 22 crores), a sequential growth of 6%
- ❖ Free cash flow generation from operations of Rs. 44 crores
- ❖ Basic EPS at **Rs. 0.5** per share of Rs. 2/- each.

#### ➤ Computer Systems

- ❖ Revenue at **Rs. 722 crores**.
- ❖ PBIT at **Rs. (1) crores** (including foreign exchange loss of Rs. 15 crores), a sequential growth of 91%.

#### ➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2,073 crores**, a sequential growth of 17%.
- ❖ PBIT at **Rs. 45 crores** (including foreign exchange loss of Rs. 7 crores), a sequential growth of 22%.

The Board of Directors has declared Re.1 quarterly Interim dividend. This is the 33rd continuous quarter for dividends. (50% on an equity share of par value of Rs. 2/- each)

# BUSINESS HIGHLIGHTS

## Systems Integration Business

- In our last financial results release we had indicated that our Systems Integration (SI) Business will continue to be affected adversely by project delays over a few quarters
  - During this quarter also the SI business has been impacted by continued slowdown in projects and customer decision cycles.
  - During the quarter, the BFSI vertical bagged various orders from leading banks like Central Bank of India, UCO Bank and SBH to undertake Financial Inclusion mandates including banking for the unbanked
  - Several banks and financial institutions like Dena Bank, State Bank of Travancore, State Bank of India, Mahindra Finance etc. had solutions deployed by the company
  - Company also won large multiyear contract for nationwide Infrastructure Managed Services engagement from a leading Pharma company in India.

## Learning Business

- HCL Digischool revenues grew YOY by 100%
  - HCL Learning recently in the month of October also tied up with Annamalai University to launch the MBA-IMS Program (Infrastructure Management & Security) via distance learning mode

## Mobility Business

- As a recent development in the month of October, our mobility division unveiled the next generation Tablets by HCL, the ME X1 tablet

## Overseas Business

- HCL Infosystems MEA, company's subsidiary based out of Dubai, further enhanced its reach with the addition of customers like Amor Group, Dubai Chamber Of Commerce, Dubai World and STRATA – Government of Abu Dhabi.

## BUSINESS HIGHLIGHTS

### Office Automation Business

- The Office Automation Business won various orders from organisations like All India Radio (Delhi), Doordarshan, Cisco, Vodafone, Reliance Life Insurance etc

### Digital Entertainment Business

- Our 100% subsidiary, Digilife Distribution and Marketing Services (DDMS) further enhanced the portfolio with signing on brands like Hitachi and Emtec for distribution and marketing mandates.

### Telecom Distribution Business

- The longstanding relationship of HCL Infosystems and Nokia was renewed and announced in the last quarter. The partnership witnessed substantial uptake for the new product range launched in the period

4

## AWARDS and ACCOLADES

The quarter that went by witnessed numerous recognitions for the Company as we bagged several awards and accolades as under:

- ❖ HCL Infosystems Ltd. wins Skoch Digital Inclusion Award in “Technology in Service Delivery” category for successful implementation of Kolhapur Municipal Corporation E-Governance project
- ❖ HCL Infosystems: No. 1 Employer of the Year by DQ-CMR Best Employer Survey 2011
- ❖ Won DDI’s “Grow your Own Leaders Award” for overall management culture & effectiveness of the organization’s talent management system
- ❖ HCL Learning won Best Innovative Live Two Way Learning Solution for Test Preparation - Xcelerate and Most Preferred Learning Solutions Partner for Schools – Digischool at the World Education Congress

# CONSOLIDATED RESULTS

## Quarterly Results

Rs. crores	Unaudited				
	Q4 FY11	Q1 FY11	Q1 FY12	Y-o-Y %	Q-o-Q %
Consolidated Revenue	2,640	2,991	2,810	-6%	6%
Consolidated PBT	6	74	19	-74%	219%
Consolidated PAT	11	47	12	-74%	6%
Consolidated PAT excluding Foreign exchange fluctuation	14	41	34	-17%	139%

The company reported consolidated revenue of Rs. 2,810 crores for the quarter ended September 30, 2011, a sequential growth of 6%.

Profit after tax was reported at Rs. 12 crores for the quarter ended September 30, 2011 (including foreign exchange loss of Rs. 22 crores), a sequential growth of 6%.

### Earnings per share:

Basic EPS for the quarter ended September 30, 2011 was **Rs. 0.5 per share** of Rs. 2/- each.

### Dividend:

The Board of Directors has recommended Interim dividend of Re. 1/- per fully paid up share (50% on an equity share of par value of Rs 2/- each).

The rate of Interim dividend for the quarter was lowered from 100% to 50% on account of foreign exchange rate loss of Rs. 22 crores; while the free cash flows continued to be strong Rs. 44 crores for the quarter.

# SEGMENT RESULTS

## COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

### Computer Systems & Other Related Products and Services

Rs. crores

Unaudited

Revenue	Q4 FY11	Q1 FY11	Q1 FY12	Y-o-Y %	Q-o-Q %
Computing Business	720	611	566	-7%	-21%
Systems Integration	82	193	107	-45%	31%
Learning	19	11	13	12%	-32%
Overseas Operations	37	87	80	-8%	120%
Intersegment / Adjustments	-3	-4	-45		
<b>Computer Systems &amp; Other Related Products and Services</b>	<b>854</b>	<b>899</b>	<b>722</b>	<b>-20%</b>	<b>-16%</b>

Computer Systems & Other Related Products and Services	Q4 FY11	Q1 FY11	Q1 FY12	Y-o-Y %	Q-o-Q %
PBIT including foreign exchange fluctuation	-8	36	-1	-102%	91%
PBIT excluding foreign exchange fluctuation	-6	32	15	-54%	349%

## TELECOMMUNICATION & OFFICE AUTOMATION

### Telecommunication & Office Automation

Rs. crores

Unaudited

Revenue	Q4 FY11	Q1 FY11	Q1 FY12	Y-o-Y %	Q-o-Q %
Telecom Distribution	1,415	1,750	1,792	2%	27%
Digital Entertainment	135	152	121	-21%	-11%
Office Automation	138	169	112	-33%	-18%
Overseas Operations	87	-	42		-52%
Intersegment / Adjustments	-7	7	7		
<b>Telecommunication &amp; Office Automation (Net)</b>	<b>1,768</b>	<b>2,077</b>	<b>2,073</b>	<b>0%</b>	<b>17%</b>

Telecommunication & Office Automation	Q4 FY11	Q1 FY11	Q4 FY11	Y-o-Y %	Q-o-Q %
PBIT including foreign exchange fluctuation	37	54	45	-16%	22%
PBIT excluding foreign exchange fluctuation	38	51	52	2%	38%

# CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Unaudited		Rs crores Audited
		Q1 FY 12	Q1 FY 11	FY 11
	<b>Gross Sales / Income from Operations</b>	<b>2,810.4</b>	<b>2,990.7</b>	<b>11,542.1</b>
	Less: Excise Duty	22.8	31.4	122.2
1a.	Net Sales / Income from Operations	2,787.6	2,959.4	11,419.9
1b.	Other Operating Income	4.1	12.1	30.3
2	Expenditure			
	(Increase)/ Decrease in Stock in Trade and Work in Progress			
a)		180.7	63.1	226.7
b)	Consumption of Raw Materials	327.7	379.2	1,626.6
c)	Purchase of Traded Goods	1,929.9	2,156.3	7,985.0
d)	Purchase of Services (Net)	44.8	54.6	194.2
e)	Stores & Spares consumed and Others	49.4	42.5	234.0
f)	Employees Cost	119.4	111.5	486.9
g)	Administration, Selling, Repairs & Others	94.6	87.5	420.3
h)	Exchange Difference (Loss (+)/Gain(-)) #	21.8	(6.7)	(10.2)
i)	Depreciation	11.2	8.6	38.4
	Total Expenditure	2,779.5	2,896.5	11,201.8
3	<b>Profit from Operations before Other Income &amp; Interest (1-2)</b>	<b>12.2</b>	<b>74.9</b>	<b>248.4</b>
4	Other Income	24.1	13.4	60.4
5.	<b>Profit before Interest (3+4)</b>	<b>36.3</b>	<b>88.3</b>	<b>308.8</b>
6.	Interest Expense	17.0	14.3	79.4
7.	<b>Profit (+) / Loss (-) from ordinary activities before Tax (5-6)</b>	<b>19.2</b>	<b>74.0</b>	<b>229.4</b>
8.	Tax Expense	8.6	25.7	60.1
9.	<b>Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)</b>	<b>10.7</b>	<b>48.3</b>	<b>169.3</b>
10.	Extraordinary items (net of tax expense Rs Nil)	-	-	-
11.	<b>Net Profit (+) / Loss (-) for the period before minority interests (9-10)</b>	<b>10.7</b>	<b>48.3</b>	<b>169.3</b>
12	Profit (+) / Loss (-) attributable to Minority Interest	(1.5)	0.8	1.1
13	<b>Net Profit (+) / Loss (-) for the period (11-12)</b>	<b>12.2</b>	<b>47.5</b>	<b>168.2</b>
	Basic EPS (Not annualised) Rs/share	0.5	2.2	7.7
	# including unrealised Exchange Difference (Loss (+)/Gain(-))			
	- Computer Systems & Other Related Products and Services	18.2	(4.1)	(2.4)
	- Telecommunication & Office Automation	5.9	(2.8)	(1.1)
	- Internet & Related Services (Discontinuing Operation)	-	-	-
	<b>Total</b>	<b>24.1</b>	<b>(6.9)</b>	<b>(3.5)</b>

# CONSOLIDATED SEGMENT

	Particulars	Rs crores		
		Unaudited		Audited
		Q1 FY 12	Q1 FY 11	FY 11
<b>1.</b>	<b>Segment Revenue</b>			
a)	Products and Related Services			
	- Computer Systems & Other Related Products and Services (Gross)	721.5	898.9	3,691.4
	Less: Excise Duty	22.8	31.4	122.2
	- Computer Systems & Other Related Products and Services (Net)	698.7	867.5	3,569.2
	- Telecommunication & Office Automation (Net)	2,073.3	2,077.1	7,804.9
b)	Internet & Related Services (Discontinuing Operations)	17.6	19.4	74.7
	Total	2,789.7	2,964.0	11,448.8
	Less: Intersegment revenue	2.1	4.6	28.9
	<b>Net Sales / Income from Operations</b>	<b>2,787.6</b>	<b>2,959.4</b>	<b>11,419.9</b>
<b>2.</b>	<b>Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)</b>			
a)	Products and Related Services			
	- Computer Systems & Other Related Products and Services	(0.7)	35.8	117.8
	- Telecommunication & Office Automation	45.3	53.7	192.8
b)	Internet & Related Services (Discontinuing Operations)	(4.0)	(3.3)	(10.7)
	Total	40.6	86.2	299.9
	Less:			
	i) Interest Expense	17.0	14.3	79.4
	ii) Other un-allocable expenditure net off	28.4	11.3	51.5
	iii) Un-allocable income	24.1	13.4	60.4
	<b>Total Profit before Tax</b>	<b>19.2</b>	<b>74.0</b>	<b>229.4</b>
<b>3.</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>			
a)	Products and Related Services			
	- Computer Systems & Other Related Products and Services	1,361.6	1,403.1	1,363.4
	- Telecommunication & Office Automation	287.6	280.0	310.0
b)	Internet & Related Services (Discontinuing Operations)	(4.5)	(6.2)	(8.0)
c)	Unallocated			
	- Liquid Assets	497.7	776.9	607.6
	- Others	393.3	158.3	266.6
	<b>Total Capital Employed</b>	<b>2,535.7</b>	<b>2,612.0</b>	<b>2,539.5</b>



## CONSOLIDATED BALANCE SHEET

Particulars	Rs crores	
	Unaudited 30.09.11	Audited 30.06.11
Net Worth	1921.4	1907.2
Loans	611.6	628.3
Minority Interest	2.7	4.0
Net Fixed Assets	383.2	363.8
Investments and Cash & Bank Balances	826.5	872.3
Deferred Tax Asset	21.7	21.4
Inventory	661.6	614.3
Sundry Debtors	1999.2	2152.8
Other Current Assets	823.7	669.5
Current Liabilities & Provisions	(2180.4)	(2154.4)
<b>Total Capital Employed</b>	<b>2535.7</b>	<b>2539.5</b>

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 2.6 billion (Rs.11,362 crores) is India's premier hardware, services and ICT systems integration company offering a wide spectrum of ICT products that includes Computing, Storage, Networking, Security, Telecom, Imaging and Retail. HCL is a one-stop-shop for all the ICT requirements of an organisation. India's leading System Integration and Infrastructure Management Services Organisation, HCL has specialised expertise across verticals including Telecom, BFSI, eGovernance & Power. HCL has India's largest distribution and retail network, taking to market a range of Digital Lifestyle products in partnership with leading global ICT brands, including Apple, Cisco, Ericsson, Kingston, Kodak, Konica Minolta, Microsoft, Nokia, Toshiba, and many more. HCL today has India's largest vertically integrated computer manufacturing facility with over three decades of electronic manufacturing experience & HCL desktops is the largest selling brand into the enterprise space. With India's largest ICT services network that reaches to every corner of India, HCL's award winning Support Services makes it the preferred choice of enterprise and consumers, alike. For more information please visit us at [www.hclinfosystems.in](http://www.hclinfosystems.in)

## ABOUT HCL ENTERPRISE

HCL is a \$6 billion leading global technology and IT enterprise comprising two companies listed in India – HCL Technologies and HCL Infosystems. Founded in 1976, HCL is one of India's original IT garage start-ups. A pioneer of modern computing, HCL is a global transformational enterprise today. Its range of offerings includes product engineering, custom & package applications, BPO, IT infrastructure services, IT hardware, systems integration, and distribution of information and communications technology (ICT) products across a wide range of focused industry verticals. The HCL team consists of over 85,000 professionals of diverse nationalities, who operate from 31 countries including over 500 points of presence in India. HCL has partnerships with several leading global 1000 firms, including leading IT and technology firms. For more information, please visit [www.hcl.com](http://www.hcl.com)