

# Quarterly Earning Release

## Fourth Quarter & Annual Results FY 12

August 24, 2012

# HCL Infosystems Ltd

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## CEO'S COMMENTS



Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited, "A challenging economic environment coupled with issues like rupee depreciation, slow movement in contracts under execution, rise in input costs due to natural calamities have all impacted our business in the last financial year. However our transformation story is gaining ground and there are a lot of movements in our focused business areas, from our emerging global markets to our services business. So as HCL Infosystems begins its new year, I am confident that our transformation strategy, which is already showing results will further create newer growth paths for the organization".

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## FINANCIAL HIGHLIGHTS

### QUARTERLY HIGHLIGHTS

- **Consolidated**
  - ❖ Revenue at **Rs. 2,726 crores.**
  - ❖ Profit before tax and foreign exchange fluctuation impact at **Rs. 36 crores.**
  - ❖ Strong free cash flow generated from operations.
- **Computer Systems**
  - ❖ Revenue at **Rs. 1017 crores.** PBIT before foreign exchange fluctuation impact at **Rs. 26 crores.**
- **Telecommunication & Office Automation**
  - ❖ Revenue at **Rs. 1,744 crores.** PBIT at **Rs. 22 crores.**

### ANNUAL HIGHLIGHTS

- **Consolidated**
  - ❖ Revenue at **Rs. 10,840 crores.**
  - ❖ Profit before tax and foreign exchange fluctuation impact at **Rs. 150 crores.**
  - ❖ The above profit is after a provision of **Rs. 63 crores** for doubtful debts.
  - ❖ Strong free cash flow generated from operations.
  - ❖ Basic EPS at **Rs. 3.2** per share of Rs. 2/- each.
- **Computer Systems**
  - ❖ Revenue at **Rs. 3,329 crores.** PBIT before foreign exchange fluctuation impact at **Rs. 46 crores.**
- **Telecommunication & Office Automation**
  - ❖ Revenue at **Rs. 7,531 crores.** PBIT at **Rs. 156 crores.**

#### Dividend

During the year, the Company has paid interim dividends aggregating to Rs. 3/- per fully paid equity share of Rs. 2/- each

# BUSINESS HIGHLIGHTS

## Enterprise Business

- In enterprise business, company recorded a major win with the Company being awarded the one of the largest IT contract ever for Managed Service Provider (MSP) from UIDAI (Unique Identification Authority of India).
- HCL Infosystems forming part of a special purpose company which also includes Larsen & Toubro and Tata Power Co. has been successfully selected for design and development phase for Tactical Communication System by the Ministry of Defence, Government of India. HCLI will take part in the first of a kind make project in the Indian Defence Industry whereby a prototype of the communication system will be developed.
- In the BFSI segment, the company achieved a YoY growth of 12%. Major orders bagged by the business included Syndicate Bank, Central Bank of India, Axis Bank and HDFC Bank.
- In the IT Services and System Integration business the company bagged significant orders from new clients such as Ranbaxy, Pidilite, Reliance, Toshiba JSW, GAIL Gas among others. The business also grew engagements in existing accounts such as BHEL, IOCL, Sun Pharma and others. The above included IMS (Infrastructure Management Services) deals with Ranbaxy, Sun Pharma, Pidilite and IOCL and an EAS engagement with Reliance Industries.
- Our cloud computing business also registered robust growth of more than a 1000% increase YoY. The business gained new customers such as National Board of Accreditation, Narayana Hrudayalaya (SAP Hosting), Sarvodaya Coop Bank and Vaish Coop Bank. A new partnership, as a CA Managed Service Provider, was forged. The Cloud business also was chosen as a strategic technology partner by Narayana Hrudayalaya (NH) Hospitals whereby HCL blu Enterprise Cloud's Infrastructure as a Service (IaaS) solution is being deployed across 22 NH hospitals. This is also the first of its kind instance in India where the Hospital Information Systems (HIS) application for a hospital is completely deployed on the cloud.
- The Consumer Computing business launched Beanstalk series AIO PC and Smart Series 1044 Laptop as part of Consumer Computing 2012. These products are packed with unique features and innovations, designed to suit diverse technology requirements of modern times.

# BUSINESS HIGHLIGHTS

## Enterprise Business

- The Board of Directors of the Company has, in its meeting held on 26th June 2012 subject to the approval of the shareholders, approved transfer of Company's Computing Products Manufacturing and Channel Business (which includes the manufacturing and the trading undertaking) to a wholly owned subsidiary.
- This step will enable the company to have a sharper focus on this business, streamline operations and bring in better economies of scale in a rapidly evolving computing technology market.
- There were also significant developments in the company's Jaipur Development Center in the last quarter – products developed by CDC like CBS and HRMate enabled the business to win new customers such as The Vaish Cooperative Bank, Delhi, The Sarvodya Nagrik Sahkari Bank Ltd., Gujarat and National Board for Accreditation. The Centre also made a few technological innovations such as making BancMate CBS and FI Product compatible with Open Source Technologies. Also competencies were developed in technologies such as Rabbit MG, Mule, Mango DB, Hadoop and Spring Framework among others for a huge nation building project.
- The Centre also developed new products and solutions such as Business Continuity Product for Core Banking Systems, A Prototype of the New Pension Scheme, BancScan (BI Solution) with Automated Data Flow and Financial Inclusion Enrolment Application for Hand Held Terminals.

## Mobility Business

- The Mobility Business achieved robust growth and registered more than 2000% YoY growth. The business also has increased its market share to 15% in the Tablet market. The business has been planning to launch a range of tablets across all price points in the value segment. Recently the HCL ME Y2 Tab was launched which is 3G enabled and has an in-built SIM slot for Voice Calling.

# BUSINESS HIGHLIGHTS

## Learning Business

- The HCL Learning Business registered robust growth as the number of classrooms enabled by digi-school solutions saw a huge growth – there was a 269% YoY growth in the number of classrooms. There was also an 8% market share increase for the business and a jump of 74% QoQ in new school additions. The business also launched a new service – Learn on Cloud which is a self learning portal for students and offers courses like JAVA, Chip Designing, Mobile Application Development etc.
- Some of the major orders won by HCL Learning include Bethlahem Matric & Hr. Sec School, Kanyakumari, Delhi Public School, Sushant Lok, Gurgaon, Saveetha University, Chennai and Victorious Kidss Educares, Pune. A major development for the Learning Business in this quarter has been the acquisition of Edurix, a part of Attano Media and Education Private Ltd. by which the in-house content capability of the business would be further strengthened.

## Overseas Business

- Our Middle East business, HCL Infosystems MEA, the company's wholly owned subsidiary won major orders from NITI Distributors Ltd., RAK Ceramics, Mashraf Al Rayan, BDL Gulf FZCO, Emirates Airlines, Etisalat, Fly Dubai, Dubai Health Authority (DHA), GEMS Education among others. The HCL Infosystems Middle East business grew by 76% over the previous quarter. The company also undertook a strategic partnership with Consolidated Gulf Co. (CGC) in Qatar to further expand business in the region.
- The company also bought the remaining 40% stake held by the NTS Group in HCL Infosystems MEA, making it a wholly owned subsidiary of HCL Infosystems Ltd. The company through its wholly owned subsidiary, HCL Insys Pte. Ltd., Singapore has bought the stake in HCL Infosystems MEA FZCo. Following the transfer of shares, the FZCo shall be converted into a FZE (free zone establishment) owned solely by HCL Insys Pte. Ltd., Singapore.
- The company's subsidiary in Singapore bagged a 5 years managed services engagement for providing Infrastructure Managed Service to multiple IDA agencies in Singapore.

## BUSINESS HIGHLIGHTS

### Distribution Business

- The HCL Infosystems and Nokia distribution partnership witnessed positive movement as there was an increase in market share in the quarter.

### Office Automation Business

- The company's Office Automation (OA) Business partnered with Cisco WebEx for a first of a kind national market outreach in India.

### Care Business

- HCL Care, one of the key growth drivers of the transformation story in HCL Infosystems saw more than 100% YoY growth. The business bagged Dell Printers as a new customer. In the Global Touch Business more than 6000 customers were added in the quarter. The business won a major order from RIM and has set up exclusive L1 and L2 customer care centres. HCL Care also introduced the Avaya Aura Contact Center Suite which enables organizations to deliver a differentiated end-to-end customer experience across all forms of contact.
- The business also launched Techgear branded accessories in February 2012. HCL Care also launched three new services in AMC/Warranty Extension for HCL Computing products in January 2012 – Standard, Premium and Total Care and integrated end to end Service Model for OEMs were also launched - Contact Centre, Repair Factory, Field and SCM.

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## AWARDS and ACCOLADES

- ❖ The Repair Facility of HCL Infosystems was rated as the best repair facility in the world by NOKIA Corporation with 4 & ½ star rating during Global Supplier Assessment 2012
- ❖ Accreditation of Repair Facility-Nokia Operation for ISO 14001:2004 Environment Management Standard was achieved
- ❖ The company's Multi-Brand Repair Facility achieved ISO 9001:2008 Quality Management System
- ❖ HCL Learning bagged the Public Choice Award for the 'Best Tablet Providers in Education' for My EduTab at the World Education Awards 2012, held recently as part of the World Education Summit in New Delhi. HCL's My EduTab received the maximum votes from the people and emerged as the winner amongst competition by a huge margin of public votes.

# CONSOLIDATED RESULTS

## Quarterly Results

The company reported consolidated revenue of **Rs. 2,726 crores** for the quarter ended June 30, 2012.

Particulars	Q4 FY12	Q4 FY11
Consolidated Revenue	<b>2,726</b>	2,640
Consolidated PBT	<b>1</b>	6
Consolidated PBT before foreign exchange fluctuation impact	<b>36</b>	9
Consolidated PAT	<b>2</b>	11

Consolidated profit before tax and foreign exchange fluctuation impact was **Rs. 36 crores** for the quarter ended June 30, 2012.

### Earnings per share:

Basic EPS for the quarter ended June 30, 2012 was **Rs. 0.09 per share** of Rs. 2/- each.

## Annual Results

The company reported consolidated revenue of **Rs. 10,840 crores** for the year ended June 30, 2012.

Particulars	FY12	FY11
Consolidated Revenue	<b>10,840</b>	11,542
Consolidated PBT	<b>84</b>	229
Consolidated PBT before foreign exchange fluctuation impact	<b>150</b>	219
Consolidated PAT	<b>72</b>	168

Consolidated profit before tax and foreign exchange fluctuation impact was **Rs. 150 crores** for the year ended June 30, 2012.

The above profit is after a provision of **Rs. 63 crores** for doubtful debts.

### Earnings per share:

Basic EPS for the year ended June 30, 2012 was **Rs. 3.23 per share** of Rs. 2/- each.

### Dividend:

During the year, the Company has paid interim dividends aggregating to Rs. 3/- per fully paid equity share of Rs. 2/- each.

# SEGMENT RESULTS

## COMPUTER SYSTEMS & OTHER RELATED PRODUCTS SEGMENT

### Computer Systems & Other Related Products and Services

Rs. Crores		Unaudited		
Revenue	Q4 FY12	FY12	FY11	
Computing Business	617	2,364	2716	
Systems Integration	209	578	626	
Learning	46	92	83	
Overseas Operations	223	540	317	
Intersegment / Adjustments	-77	-246	-51	
<b>Computer Systems &amp; Other related Products and Services</b>	<b>1,017</b>	<b>3,329</b>	<b>3,691</b>	

Rs. Crores		Unaudited		
Computer Systems & Other related Products and Services	Q4 FY12	FY12	FY11	
PBIT after Foreign exchange fluctuation	-3	-3	118	
PBIT before Foreign exchange fluctuation	26	46	112	

## TELECOMMUNICATION & OFFICE AUTOMATION SEGMENT

### Telecommunication & Office Automation

Rs. Crores		Unaudited		
Revenue	Q4 FY12	FY12	FY11	
Telecom Distribution	1,485	6,388	6,324	
Digital Entertainment	107	450	642	
Office Automation	158	631	689	
Overseas Operations	30	130	147	
Intersegment / Adjustments	-36	-67	3	
<b>Telecommunication &amp; Office Automation (Net)</b>	<b>1,744</b>	<b>7,531</b>	<b>7,805</b>	

Rs. Crores		Unaudited		
Telecommunication & Office Automation	Q4 FY12	FY12	FY11	
PBIT after Foreign exchange fluctuation	22	156	193	
PBIT before Foreign exchange fluctuation	28	172	189	



# CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Unaudited			Audited	
		Rs crores				
		Q4 FY 12	Q3 FY 12	Q4 FY 11	FY 12	FY 11
	<b>Gross Sales / Income from Operations</b>	<b>2,725.6</b>	<b>2,611.6</b>	<b>2,639.8</b>	<b>10,840.3</b>	<b>11,542.1</b>
-	Less: Excise Duty	21.2	23.3	24.4	86.2	122.2
1a.	Net Sales / Income from Operations	<b>2,704.5</b>	2,588.3	2,615.4	<b>10,754.1</b>	11,419.9
1b.	Other Operating Income	12.9	5.9	8.0	33.3	30.3
2.	Expenses					
	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	142.1	95.5	89.8	(58.5)	226.7
a)	Cost of materials consumed	394.2	370.2	491.0	1,368.3	1,626.6
c)	Purchases of Stock-in-trade	1,754.3	1,719.8	1,692.2	7,936.8	7,985.0
d)	Purchases of Services	73.6	43.5	31.5	196.0	194.2
e)	Stores & Spares consumed and Others	51.9	72.6	56.2	222.4	234.0
f)	Employee benefits expense	117.8	127.4	121.6	488.8	486.9
g)	Administration, Selling, Repairs & Others	137.5	121.0	118.4	461.8	420.3
h)	Exchange Differences (Loss (+)/Gain(-))#	34.5	(2.7)	2.7	65.8	(10.2)
i)	Depreciation and amortisation expense	13.1	10.8	10.0	46.1	38.4
	Total Expenses	<b>2,719.0</b>	2,558.0	2,613.3	<b>10,727.5</b>	11,201.8
3.	<b>Profit from Operations before Other Income &amp; finance costs (1-2)</b>	<b>(1.6)</b>	<b>36.2</b>	<b>10.1</b>	<b>59.8</b>	<b>248.4</b>
4.	Other Income	27.5	16.3	16.3	109.2	60.4
5.	<b>Profit from ordinary activities before finance costs (3+4)</b>	<b>25.9</b>	<b>52.5</b>	<b>26.4</b>	<b>169.0</b>	<b>308.8</b>
6.	Finance costs	24.7	22.7	20.4	84.6	79.4
7.	<b>Profit (+) / Loss (-) from ordinary activities before Tax (5-6)</b>	<b>1.2</b>	<b>29.8</b>	<b>6.0</b>	<b>84.4</b>	<b>229.4</b>
8.	Tax Expense	1.0	5.1	(4.6)	14.4	60.1
9.	<b>Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)</b>	<b>0.2</b>	<b>24.7</b>	<b>10.6</b>	<b>70.0</b>	<b>169.3</b>
10.	Extraordinary items (net of tax expense)	-	-	-	-	-
11.	<b>Net Profit (+) / Loss (-) for the period (9-10)</b>	<b>0.2</b>	<b>24.7</b>	<b>10.6</b>	<b>70.0</b>	<b>169.3</b>
12.	Minority Interest	(1.8)	1.7	(0.9)	(2.1)	1.1
13.	<b>Net Profit (+) / Loss (-) for the period after taxes, minority interest (11-12)</b>	<b>2.0</b>	<b>23.0</b>	<b>11.5</b>	<b>72.1</b>	<b>168.2</b>
	Basic EPS (Not annualised) Rs/share	0.09	1.03	0.52	3.23	7.67
	# including unrealised Exchange Difference (Loss (+)/Gain(-))					
	- Computer Systems & Other Related Products and Services	17.2	(11.7)	0.9	27.1	(2.4)
	- Telecommunication & Office Automation	4.3	(2.1)	0.9	7.1	(1.5)
	- Internet & Related Services (Discontinued Operation)	-	-	-	-	-
	Total	<b>21.5</b>	<b>(13.7)</b>	<b>1.8</b>	<b>34.3</b>	<b>(4.0)</b>

# CONSOLIDATED SEGMENT

Particulars	Rs crores				
	Unaudited			Audited	
	Q4FY12	Q3FY12	Q4FY11	FY12	FY11
<b>1. Segment Revenue</b>					
a) Products and Related Services					
- Computer Systems & Other Related Products and Services (Gross)	1,017.1	878.3	853.9	3,328.6	3,691.4
Less: Excise Duty	21.2	23.3	24.4	86.2	122.2
- Computer Systems & Other Related Products and Services (Net)	996.0	855.0	829.5	3,242.4	3,569.2
- Telecommunication & Office Automation (Net)	1,744.1	1,733.4	1,767.6	7,531.2	7,804.9
b) Internet & Related Services (Discontinued Operations)			18.4	23.1	74.7
Total	2,740.1	2,588.3	2,615.5	10,796.7	11,448.8
Less: Intersegment revenue	35.6		0.1	42.6	28.9
<b>Net Sales / Income from Operations</b>	<b>2,704.5</b>	<b>2,588.3</b>	<b>2,615.4</b>	<b>10,754.1</b>	<b>11,419.9</b>
<b>2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)</b>					
a) Products and Related Services					
- Computer Systems & Other Related Products and Services	(2.8)	6.8	(7.7)	(2.7)	117.8
- Telecommunication & Office Automation	22.4	47.0	37.0	156.0	192.8
b) Internet & Related Services (Discontinued Operations)			(2.2)	(5.5)	(10.7)
Total (net of foreign exchange impact)	19.6	53.7	27.0	147.7	299.9
Less:					
i) Interest Expense	24.7	22.7	20.4	84.6	79.4
ii) Other un-allocable expenditure net off Un-allocable (income)	(6.3)	1.2	0.6	(21.3)	(9.0)
<b>Total Profit before Tax</b>	<b>1.2</b>	<b>29.8</b>	<b>6.0</b>	<b>84.4</b>	<b>229.4</b>
<b>3. Capital Employed (Segment Assets - Segment Liabilities)</b>					
a) Products and Related Services					
- Computer Systems & Other Related Products and Services	1,126.8	1,249.4	1,363.4	1,126.8	1,363.4
- Telecommunication & Office Automation	416.5	387.5	310.0	416.5	310.0
b) Internet & Related Services (Discontinued Operations)	-		(8.0)	-	(8.0)
c) Unallocated					
- Liquid Assets	438.4	461.3	607.6	438.4	607.6
- Others	620.5	607.8	266.6	620.5	266.6
<b>Total Capital Employed</b>	<b>2,602.1</b>	<b>2,706.0</b>	<b>2,539.5</b>	<b>2,602.1</b>	<b>2,539.5</b>

# CONSOLIDATED BALANCE SHEET

Statement of Assets and Liabilities		Rs. crores			
		Consolidated		Standalone	
Particulars	As at June 30,		As at June 30,		
	2012 (Audited)	2011 (Audited)	2012 (Audited)	2011 (Audited)	
<b>A. EQUITY AND LIABILITIES</b>					
<b>Shareholders' funds</b>					
Share capital	45	45	45	45	
Reserves and surplus	1,867	1,863	1,873	1,902	
<b>Sub-Total - Shareholders' funds</b>	<b>1,911</b>	<b>1,907</b>	<b>1,917</b>	<b>1,947</b>	
Minority interest		4	NA	NA	
<b>Non Current Liabilities</b>					
Long term Borrowings	132	196	123	186	
Other Long term Liabilities	149	59	149	56	
Long term Provisions	27	29	24	27	
<b>Sub-Total - Non Current Liabilities</b>	<b>308</b>	<b>284</b>	<b>296</b>	<b>269</b>	
<b>Current Liabilities</b>					
Short-term borrowings	492	391	477	354	
Trade payables	1,747	1,528	1,638	1,439	
Other current liabilities	550	514	523	481	
Short-term provisions	18	77	16	77	
<b>Sub-Total - Current Liabilities</b>	<b>2,808</b>	<b>2,510</b>	<b>2,654</b>	<b>2,349</b>	
<b>Total - EQUITY AND LIABILITIES</b>	<b>5,026</b>	<b>4,706</b>	<b>4,867</b>	<b>4,566</b>	
<b>B. ASSETS</b>					
<b>Non-current assets</b>					
Fixed Assets	371	349	298	251	
Goodwill on consolidation	33	20			
Non-current investments			118	87	
Deferred tax assets (net)	27	21	23	17	
Long-term loans and advances	65	51	59	57	
Trade receivables	23	22	23	22	
Other non-current assets	337	159	337	159	
<b>Sub-Total - Non Current assets</b>	<b>856</b>	<b>622</b>	<b>857</b>	<b>592</b>	
<b>Current Assets</b>					
Current investments	432	607	432	618	
Inventories	707	614	659	586	
Trade receivables	1,218	1,315	1,181	1,244	
Cash and bank balances	303	266	224	235	
Short-term loans and advances	293	285	298	295	
Other current assets	1,217	996	1,217	995	
<b>Sub-Total - Current assets</b>	<b>4,170</b>	<b>4,084</b>	<b>4,010</b>	<b>3,974</b>	
<b>Total Assets</b>	<b>5,026</b>	<b>4,706</b>	<b>4,867</b>	<b>4,566</b>	

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 2.0 billion (Rs.10,840 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 \$6.2 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 90,000 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 on HCL, please visit [www.hcl.com](http://www.hcl.com)