

Quarterly Earning Release

Third Quarter FY 15

April 23, 2015

HCL Infosystems Ltd

Table of Contents

Management Comments	2
Business Highlights	3
Consolidated Results	5
Consolidated Segment Results	6

MANAGEMENT COMMENTS



Mr. Premkumar Seshadri, Executive Vice-Chairman and Managing Director, HCL Infosystems Ltd. while announcing the results said, "Our third quarter performance is strongly aligned to our business model transformation journey. We have gained strategic traction in our Services and Distribution businesses along with improved operational efficiencies and business growth potential."

2

BUSINESS HIGHLIGHTS

- Enterprise Distribution witnessed robust growth at 49% Q-o-Q
- Services registered growth at 9% Q-o-Q and 110% Y-o-Y growth in Consumer Services
- Consolidated revenue at Rs. 1376 Cr. for Quarter ending 31st March, 2015 versus last quarter revenue of Rs. 1450 Cr.
- Profit/ (Loss) before tax after finance cost improved from Rs. (49.6) Cr. PBT in Q2 FY15 to Rs. (45.3) Cr. PBT Q3 FY15. During the third quarter the finance cost was Rs. 36.6 Cr.
- The continued variability in the revenue and profitability in the SI business impacted profitability in this quarter.

HCL Distribution:

- **Consumer Distribution** comprises distribution of Telecom products, Consumer Electronics and Home Appliances. In Q3 FY 15, The Telecom distribution business witnessed a subdued demand environment which lowered the revenue by Rs.127 cr. for the quarter as compared to Q2 FY15. Focus models however grew 20% Q-o-Q in value terms and witnessed an impressive 225% growth over Q3 FY 2014. Overall, the value contribution of Windows-based phones increased to 28% in Q3 FY 15. The Consumer Electronics & Home Appliances ecosystem expanded its dealer base by 26% over the previous quarter. Panasonic was signed up for personal care products and Strontium for memory based products. The agreement was renewed with Microsoft Gears for mobile accessories.

BUSINESS HIGHLIGHTS

- **Enterprise Distribution** revenues achieved a robust Q-o-Q growth of 49%. Major new leading technology brands were added as partners in the Enterprise IT Products and Office Automation segments respectively. The Enterprise software distribution business won major deals across BFSI, Manufacturing and Education segments. The business also partnered with Microsoft in the Cloud Accelerator Program.

HCL Infosystems' proprietary portal – a key contributor to operational efficiency – OCEAN (Online Customer Engagement Application Network) and its integration with SAP was recognized in the DQ Live Business Technology Award 2015 for “Excellence in Implementation & Use of Technology for Business Benefits” in the Enterprise Application and Cloud Category.

HCL Services:

The business registered steady growth of 9% Q-o-Q supported by growth across all business lines. The global enterprise services business registered a robust 22% Y-o-Y growth due to business traction in overseas markets. The profitability in this quarter was muted owing to continued investment in capability building, solution construct and go to market. This coupled with incremental provisions of past contracts have impacted profitability in this quarter.

- The Middle East business registered a healthy 50% Y-o-Y revenue growth. In Singapore, the business won orders from various government agencies and continued to implement measures which led to improved performance in SLAs.
- The Office Automation (OA) Services Business recorded a 10% Q-o-Q growth in revenues, winning deals from a leading public company in the power and mining sector.
- The Infrastructure Consulting Services business has built a strong pipeline by winning deals from marquee enterprise and government customers in the BFSI and Manufacturing verticals. The business strengthened its alliance ecosystem by adding innovative technology partners in the Legacy Migration, Hyper Convergence, Hybrid Cloud, Virtualization and Enterprise Content Management space.
- The capabilities of Maestro – HCL's proprietary Enterprise Management Services (EMS) platform – has been further enhanced by the addition of Client Automation Management (CAM) module to the existing Enterprise Asset Management (EAM), Integrated Service Management (ISM) and Enterprise IT Monitoring (EIM) modules, making it a truly end-to-end Enterprise Management System Solution.
- The Multi-Vendor Technology Support business recorded wins from a leading Bank and a Technology company amongst others. The business entered into new engagements with two key leading OEMs and expanded existing engagements with two leading Technology brands.
- HCL Services has been positioned in the Champions Quadrant for Multi Vendor Technology Support (MVTTS) and Integrated Managed Services (IMS) categories in the DataQuest-CMR Enterprise IT Customer Confidence Study 2015.

BUSINESS HIGHLIGHTS

The **Consumer Services** business maintained its consistent growth record by registering a 110% Y-o-Y growth. The business signed up with leading brands like Acer for servicing smart-phones, a global e-commerce giant and a global manufacturer of personal computing products. The business received two major awards this quarter for business excellence by winning The Best Retailer of the Year Award (Mobile and Telecom Services Category) at Asia Retail Congress February 2015 and an Excellence Award for Cloud CRM implementation for partners at Dataquest Business Technology Awards March 2015.

System Integration (SI) Business:

The business continues to focus on and accelerate execution of current projects. Managed Services for Unique Identification Authority of India (UIDAI), one of our marquee projects continues to progress well and has enrolled 80.77 crore Aadhaar cards till now. Due to continued focus on project execution, the outstanding order book has come down from Rs.1730 Cr. in Q2FY15 to Rs. 1614 Cr. in Q3FY15. This excludes additional orders received in Q3FY15 from existing engagements. SI projects have dependency on achievement of milestones for profitability and these timelines vary from project to project. This dependency has impacted profitability in this quarter.

Other Highlights:

The Financial Inclusion business achieved an increase in revenue of 60% Q-o-Q and 80% Y-o-Y. Our FI business also won the 'Best Access to Banking & Financial Services Award' at the eGov BFSI Leadership Summit & Awards, 2015.

CONSOLIDATED RESULTS

		Rs. crores			
PROFIT & LOSS ACCOUNT		Consolidated Unaudited			Audited
		Q3 FY 15	Q2 FY 15	Q3 FY 14	FY 14
-	Gross Sales / Income from Operations	1,376.2	1,450.5	1,970.6	7,852.4
-	Less: Excise Duty	-	-	0.5	4.1
1a.	Net Sales / Income from Operations	1,376.2	1,450.5	1,970.2	7,848.3
1b.	Other Operating Income	2.2	1.6	4.8	10.6
2.	Expenses				
a)	Cost of materials consumed	1.0	4.5	140.5	401.5
b)	Purchases of Stock-in-trade	1,016.2	1,027.0	1,508.4	6,031.0
c)	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	15.7	50.2	(13.5)	53.3
d)	Employee benefits expense	137.6	136.2	142.2	571.9
e)	Exchange Differences Loss/ (Gain)	0.8	1.9	15.9	70.6
f)	Depreciation and amortisation expense	13.0	12.7	12.9	52.5
g)	Other Expenses	223.9	251.1	192.0	818.7
	Total Expenses	1,408.2	1,483.6	1,998.4	7,999.5
3.	Profit / (Loss) from Operations before Other Income, finance costs and exceptional items(1-2)	(29.8)	(31.5)	(23.5)	(140.6)
4.	Other Income	16.2	15.3	18.3	96.4
5.	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	(13.6)	(16.3)	(5.2)	(44.2)
6.	Finance costs	36.6	34.7	39.4	156.0
7.	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(50.2)	(51.0)	(44.6)	(200.2)
8.	Exceptional Items loss/ (Gain)	(4.9)	(1.5)	(21.6)	(14.4)
9.	Profit / (Loss) from ordinary activities before Tax (7+8)	(45.3)	(49.6)	(23.0)	(185.8)
10.	Tax Expense/ (Credit)	1.8	1.3	2.6	28.7
11.	Net Profit / (Loss) from ordinary activities after Tax (9-10)	(47.2)	(50.8)	(25.6)	(214.5)
12.	Extraordinary items (net of tax expense)	-	-	-	-
13.	Net Profit / (Loss) for the period (11+12)	(47.2)	(50.8)	(25.6)	(214.5)
14	Basic EPS (Not annualised) Rs/share	(2.1)	(2.3)	(1.1)	(9.6)

CONSOLIDATED SEGMENT RESULTS

Rs. crores				
Particulars	Unaudited			Audited
	Q3 FY 15	Q2 FY 15	Q3 FY 14	FY 14
1. Segment Revenue				
- Hardware Products and Solutions (Gross)	215.1	202.5	633.2	2,004.1
Less: Excise Duty	-	-	0.5	4.1
- Hardware Products and Solutions (Net)	215.1	202.5	632.8	2,000.0
- Services	249.3	230.4	206.8	745.7
- Distribution	938.7	1,028.0	1,181.0	5,333.3
- Learning	5.8	7.5	15.1	66.6
Total	1,408.8	1,468.3	2,035.6	8,145.6
Less : Intersegment revenue	32.6	17.8	65.5	297.3
Net Sales / Income from Operations	1,376.2	1,450.5	1,970.2	7,848.3
2. Segment Results (Profit / (Loss) before Tax and Interest from each segment)				
- Hardware Products and Solutions	(22.8)	(23.9)	(48.1)	(224.1)
- Services	(0.4)	(4.3)	16.5	55.7
- Distribution	16.2	16.8	20.3	86.3
- Learning	(5.4)	(8.4)	(4.5)	(14.9)
Total	(12.4)	(19.8)	(15.8)	(96.9)
Less :	-	-	-	-
i) Interest Expense	36.6	34.7	39.4	156.0
ii) Other un-allocable expenditure net off un-allocable (income)	(3.7)	(4.9)	(32.2)	(67.1)
Total Profit / (Loss) before Tax	(45.3)	(49.6)	(23.0)	(185.8)
3. Capital Employed (Segment Assets - Segment Liabilities)				
- Hardware Products and Solutions	945.8	903.4	752.2	830.9
- Services	249.0	262.7	253.1	248.4
- Distribution	(13.8)	(71.7)	115.9	(79.3)
- Learning	18.5	15.2	15.1	24.7
Unallocated	-	-	-	-
- Liquid Assets	258.6	265.8	180.1	309.5
- Others unallocated	1,048.4	1,069.1	1,288.8	1,220.7
Total Capital Employed	2,506.6	2,444.5	2,605.2	2,554.9

ABOUT HCL INFOSYSTEMS

HCL Infosystems is India's premier IT Services, Solutions & Distribution Company enabling organizations to attain and sustain competitive advantage by leveraging Information and Communication Technologies. It is a leader in IT Services & Solutions with a comprehensive portfolio of capabilities spanning IT & System Integration services and digitally-enabled learning and career development solutions to value-added distribution of Technology & Mobility products.

For more information please visit us at www.hclinfosystems.in

ABOUT HCL

HCL is a business enterprise with presence in the fields of Technology, Healthcare and Talentcare. Founded in 1976 as one of India's original IT garage start-ups, the HCL enterprise currently comprises four companies in India - HCL Technologies, HCL Infosystems, HCL Healthcare and HCL Talentcare, with annual revenues of US\$ 6.5 billion and over 105,000 professionals from diverse nationalities operating across 31 countries including over 500 points of presence in India. In the technology space, HCL's offerings span a wide range of software and hardware services and solutions including R&D, Technology Services, Enterprise and Applications Consulting, Remote Infrastructure Management, IT Hardware, Systems Integration, Distribution of Technology and Telecom Products. HCL Healthcare, aims to provide innovative medical services, products and training to meet the growing demand for quality Healthcare in India. HCL Talentcare is focused on providing Professional Vocational Employability solutions through an innovative signature learning experience.

For further information, visit www.hcl.com