



Q1FY20 Investor call

August 1st, 2019



SPEAKERS: **Management, HCL Infosystems Ltd.**

Moderator: Good day ladies and gentlemen. I am Ella, the moderator of this call. Welcome to HCL Infosystems Q1 FY20 results audio Conference Call. We will start with the presentation then follow up with a question and answer session. During the presentation, all participants' lines will be in listen-only mode. This presentation is available in the Investor Relations section of the company website. We would like to begin with a mandatory disclaimer—this call may contain forward-looking information including statements concerning our outlook for the future as well as some of our other statements of belief, future plans and strategies. These forward-looking statements and information are subject to risks and uncertainties that they entail. We have on the call with us Mr. Rangarajan Raghavan, Managing Director; Mr Kapil Kapur, Chief Financial Officer and Mr Sutikshan Naithani, President–Consumer Distribution. I would now like to hand over the conference to Mr Rangarajan. Over to you, Sir.

Rangarajan Raghavan: Thanks Ella. Good evening all. We are in our structure slide, Slide 2. Since there is no change I'll switch to Slide 3. Slide 3 presents an update on Q1 FY20. Here are the business highlights—Q1 FY20 revenue is at Rs.681 crore; in the previous quarter it was Rs 1,011 crore. Compared to Rs 845 crore distribution business in the earlier quarter of Q4FY19, the revenue is Rs 538 crore in Q1FY20. In enterprise distribution, out of Rs 538 crore, this quarter has done about Rs 373 crore in comparison with Rs 432 crore in the previous quarter. Consumer

distribution revenue has been at Rs165 crore in comparison to the previous quarter which was Rs.413 crore. Consumer business suffered due to lack of exclusive brand line tie-ups according to the principles in e-commerce space while enterprise business was impacted by competitive environments and market slowdown. Global business revenue has been at Rs 104 crore for Q1 FY20. Profit-loss before interest, tax, exceptional item have summed up to a loss of Rs 21.2 crore in Q1FY20 as compared to Rs.14.5 crore loss in the previous quarter. The Company continues to explore opportunities for monetization and rationalization of the business and assets primarily for repaying the loan. Now, I leave it to Kapil to take it forward from the next slide to give a detailed picture of the financials.

Kapil Kapur:

Good evening to all of you. I will run you through the Slide #4 which is the snapshot of quarterly results for Q1 of financial year 2020. So the revenue for the quarter was Rs 681 crore; Ranga has mentioned during the highlights that it has been relatively a subdued quarter for distribution business especially for the consumer distribution business. The provisions have been at Rs 9 crore during the quarter. Loss before interest and tax has been at Rs 21.2 crore as compared to Rs 14.5 crore in the previous quarter. The loss has been higher during the quarter mainly on account of decline in the revenue during the quarter largely contributed by the distribution business. Finance cost has been at Rs 25 crore and during the quarter there has been an exceptional item on account of sale of property. So the company has during previous quarters sold three properties. Two of them have been closed in terms of transfer and one of them is being done during the current quarter. So Rs. 6.2 crore represents the two properties that were transferred to their new owners. Next slide Slide #5 is basically a reproduction of Slide #4 but gives a granular view of consumer distribution and enterprise distribution. So consumer distribution revenue has been at Rs. 165 crore and loss before interest and tax remained at Rs. 3.4 crore whereas enterprise distribution has been at Rs 373 crore suffering a loss of Rs 2.5 crore. So that's as far as the distribution business break-up is concerned. Now I'll hand it back to Ranga to take you through the business-wise performance for each of the businesses that we are in.

Rangarajan Raghavan:

Thanks Kapil. I am on Slide 6 which projects the highlights of consumer distribution. Q1 revenue has been at Rs165 crore and the decline has been mainly because there has been no exclusive product line for e-commerce by the principle; we have also given the comparison showing how it was Q-on-Q.

Moving to the enterprise distribution Slide 7, the Q1 revenue has been Rs 373 crore. Compared to the previous quarter, the revenue in this business has been relatively low. There has been some pressure on the gross margin due to the revenue mix on the product side. While the channel business remained the main contributor towards revenue, direct business also gained traction by winning new customers. This highlights on enterprise distribution and Slide 8 on distribution financials, which was also explained by Kapil in the previous slide. While the consolidated revenue amounts to Rs 538 crore, there has been a loss of about Rs

5.9 crore for the quarter. Moving to the global services Q1 FY20 revenue has been Rs 104 crore as compared to Q1 FY19 which was at Rs 105 crore. In terms of business, Singapore maintained a steady business and the government commercial cloud contract was won and as a result we got re-certified on ISO 9000 and 27000. This is the global services update.

Going to Slide 10 to project the global services revenue which had a consolidated amount of Rs 104 crore and a profit of Rs 1.3 crore before interest and tax. Moving to the system integration & solutions, our focus continued to be in completing projects and order book in hand and collecting money. In terms of the pending order book, the amount stands at Rs 415 crore. Out of this, managed services has been about Rs16 crore and support and the AMC at Rs 340 crore. We continue to face some challenges with respect to customer acceptance and payments. Specifically on the power sector, we are continuously working on obtaining customer acceptance to enable the payments. This is the update about the SI and solutions.

We now move to the next slide, Slide 12, where we present the financials showing a consolidated revenue of about Rs 39 crore and a loss of about Rs 12.5 crore during the quarter.

The last slide, slide 13, projects the FY20 update. Our focus has been actually on the realization of the receivable and the delay has impacted our capacity to invest on the business. However, we continue to work on alternate ways to overcome such challenges.

Moderator:

At this time if you wish to ask any question, please press 0 and then 1 and wait for your line to be unmuted. I would repeat participants, if you wish to ask any question, please press 0 and 1 for any questions. So we have no questions, so I will hand it over back to you Mr. Rangarajan.

Rangarajan Raghavan:

Okay, thank you and if you have any questions contact details are available on the slides and our website. Please feel free to contact IR team. Thank you.

Kapil Kapur:

Thank you.

Moderator:

Thank you so much speaker. Thank you participants for joining the call. You all may disconnect the lines and have a great evening ahead.