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# HCL Infosystems Ltd

## Third Quarter FY 09

*Investor Release, April 23, 2009*

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## CHAIRMAN'S ADDRESS



Commenting at the results announcement **Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Ltd** said "To grow one has to consciously evolve over the changing circumstances. This quarter, we have taken forward our recently launched initiatives and continue to invest for tomorrow. I am pleased to state that we have been ranked the best company in terms of 'Customer Satisfaction' by the DQ-IDC survey. As the world's largest democracy elects its representatives to the parliament; we as an industry look forward in optimism, as today more than ever before, ICT has the power to enable and empower people of this country."

## FINANCIAL HIGHLIGHTS

### QUARTERLY HIGHLIGHTS

#### ➤ Consolidated

- ❖ Revenue at **Rs. 3024 crores.**
- ❖ Services revenue at **Rs. 193 crores**, a growth of **48% Y-o-Y.**
- ❖ Profit before tax at **Rs. 90 crores.**
- ❖ Profit after tax at **Rs. 58 crores.**
- ❖ EPS at **Rs. 3.4** per share.

#### ➤ Computer Systems

- ❖ Revenue at **Rs. 875 crores.** PBIT at **Rs. 41 crores.**

#### ➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2158 crores.** PBIT at **Rs. 68 crores.**

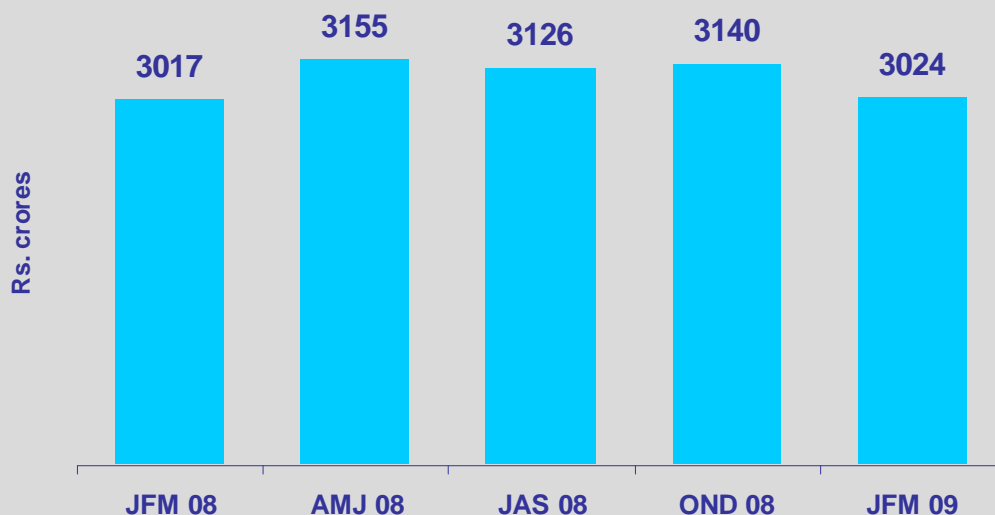
**Third Interim dividend of Rs. 1.5/- per share (75% on an equity share of par value of Rs. 2/- each) declared for the quarter.**

## BUSINESS HIGHLIGHTS

- ❖ Announced a **Joint Venture with Nokia** to sell mobile entertainment and value added services directly to consumers in India.
- ❖ Embarked into **ATM solutions sector** by launching Multi-Function ATMs for the Indian Banking Sector
- ❖ **Ranked No.1** by DQ –IDC 'Customer Satisfaction Audit 2008 -09'
- ❖ '**HCL Touch**', a network of 505 company owned customer touch points and enhanced service capacity that reaches out to over 4000 towns across the country.

## CONSOLIDATED RESULTS

The company has reported consolidated revenue of **Rs. 3024 crores** during the quarter ended March 31, 2009.



Consolidated services revenue was reported at **Rs. 193 crores** during the quarter ended March 31, 2009 as against Rs. 130 crores in the corresponding quarter of the previous year, a growth of **48%**.

Consolidated profit before tax & exchange rate impact (including unrealised impact on restatement at the period end rate) for the quarter was **Rs. 97 crores**.

Pursuant to notification u/s 211(3c) of the Company's Act 1956 issued by the Ministry of Corporate Affairs on March 31, 2009, the company has opted to accumulate the exchange difference arising on translation of foreign currency items having a term of 12 months or more and amortize such exchange difference over the useful life of the item. Accordingly, the profit for the current quarter is higher by Rs. 4.9 crores on account of above mentioned exchange difference, which will be amortised in future period(s).

Exchange Fluctuation Loss (net of above) was reported at Rs. 7.1 crores during the ended March 31, 2009.

Profit before tax was reported at **Rs. 90 crores** during the quarter ended March 31, 2009.

Profit after tax was reported at **Rs. 58 crores** during the quarter ended March 31, 2009.

### Earnings per share:

Basic EPS for the quarter ended March 31, 2009 was Rs. **3.4** per share of Rs. 2/- each.

### Dividend:

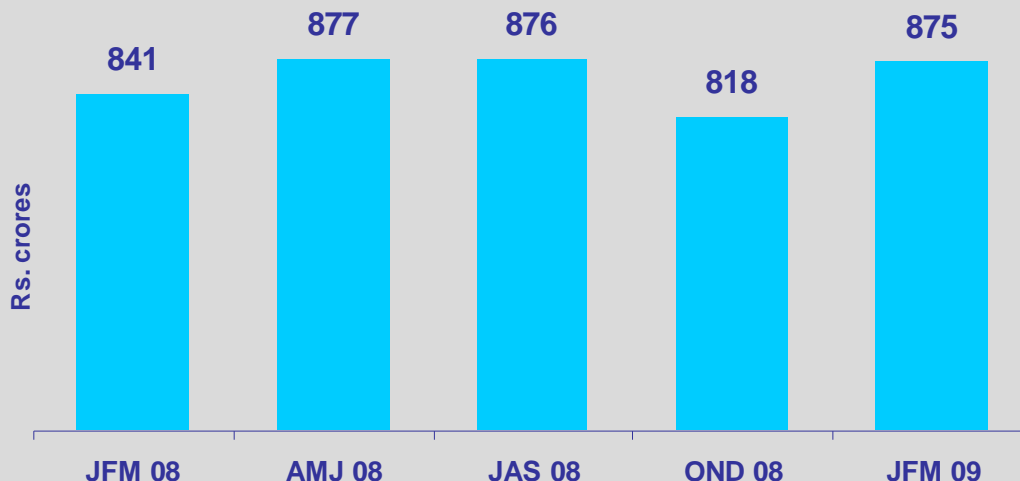
The Board of Directors has recommended Third Interim dividend of Rs. **1.5** per fully paid up share (**75%** on an equity share of par value of Rs 2/- each) for the quarter.

During the quarter, the company has successfully carried forward various new initiatives with existing and new partners as a part of its growth charter. This quarter saw the company successfully rolling out the benefits of 'HCL Touch', the unique 24X7 customer support service launched late last quarter. HCL has set up a network of 505 company owned customer touch points and enhanced service capacity that reaches out to over 4000 towns across the country.

## SEGMENT RESULTS

## COMPUTER SYSTEMS &amp; OTHER RELATED PRODUCTS

Revenue from Computer Systems business during the quarter was **Rs. 875 crores**.



Profit before interest & taxes (PBIT) for the quarter was **Rs. 41 crores**.

## SYSTEM INTEGRATION

HCL's System integration and services initiative's, saw the company executing projects in a number of verticals like Power, Media & Entertainment, eGovernance, Railways and BFSI.

This quarter saw completion and handing over of the project in **System Integration Power vertical** for Himachal Pradesh State Electricity Board (HPSEB) to introduce computerized billing and energy accounting package (IT Package) for HPSEB in Shimla. This is for the first time in India that an integrated CRM & Network analysis framework has been implemented. HCL has successfully implemented 10 fully automated sub division benefiting over 70,000 consumers of Shimla operation circle, functions such as meter reading, billing and collection; energy auditing and accounting; MIS, redressal of consumer grievances, establishment of IT enabled consumer service centers have been covered. The project will provide services to around 11 lakh consumers for 122 Sub Divisions across the state.

In the **BFSI System Integration vertical** this quarter, the company bagged the prestigious order to roll out the world's first large scale project on building a 'Data Pool Consortium for Operation Risk' for India's premier banking organizations. HCL received orders to deploy "Cash Management System" and for deploying the Disaster Recovery infrastructure solutions for a leading bank in the country.

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

HCL also won an order to deploy “**Mobile Banking Solution**” for a major nationalized bank. The solution will help the bank in effectively managing operations in the areas such as Balance Enquiry Fund Transfers, Cheque Related actions, ATM operations, Card related issues, Credit card, De-mat and Loan Services. The solution will also enable bank to offer Value Added Services like mobile top up and bill payments more effectively.

This quarter saw the completion and successful launch of the Core Insurance solution including the framework that includes application, Infrastructure & services for an Indian joint venture of a leading Indian bank & a MNC Insurance Company. HCL managed the project end to end.

This quarter, in **Media & Entertainment System Integration vertical**, HCL announced its tie up with NDS, the leading provider of technology solutions for digital pay-TV service, this tie-up will offer solutions to the cable TV operators who are looking at launching digital services on their networks. The tie-up will leverage NDS technology leadership along with HCL’s deep understanding of the domestic cable and broadband markets. The two companies will co-operatively offer pre-integrated solutions that are quick to implement and integrate, ensuring fast time-to-market while minimizing operational costs.

In **Media & Entertainment SI vertical**, this quarter the company delivered end to end consultancy and technical solutions for “On Air” infrastructure for a FM channel in Siliguri and Sikkim. HCL also implemented Media Asset Management system for one of the leading television broadcasters of the country. This was one of the most ambitious projects as it involved archiving of rare and priceless content for more than 1.5 Lakh hours. This quarter HCL also rolled out complete end to end solution for a Telugu General Entertainment channel. HCL has provided the complete technology solution for setting up the channel for Acquisition, Production, Post Production, Automation and Transmission solutions. The project comprised of designing of two large Studios, Production Control Rooms, Server Room, Master Control Room for final up-linking and down-link monitoring, supply of equipments, System Integration, Commissioning and Training

In **eGovernance System Integration vertical** this quarter, HCL bagged the order to implement solution for automating judiciary operations across the country. This quarter also saw implementation of HCL Dial100 solution for the Police Control Centres across seven cities. Also in **Railways vertical** of System Integration HCL bagged an order to deploy & service WAN equipments.

This quarter also saw the completion and handing over of the prestigious **Pan Africa project**, which was formally inaugurated by the Government of India. An initiative by Indian government to share its expertise in the fields of Education and Medicine, this network will benefit African nations by providing Tele-Education, Tele-Medicine, Video-conferencing and VOIP services

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

#### COMPUTING PRODUCTS & SOLUTIONS

In the **enterprise space**, HCL bagged orders to deploy desktops, servers and networking products from the leading names across industry verticals including government, education and the BFSI segments.

HCL saw wins in High Performance Computing space as the company bagged orders from leading research and educational institutions of the country. The company also bagged order for deploying servers from leading banks and PSU undertakings and a leading state electricity board of the country.

Demonstrating its capabilities in supercomputing arena, HCL organized a High Performance Computing (HPC) workshop at National Institute of Pharmaceutical Education and Research (NIPER), Chandigarh, to showcase performance capability in the field of bioinformatics, pharmaceutical and other applications in High Performance Computing. The event witnessed presence of senior delegates and professors from major R&D labs, CSIR labs and other scientific research organization from across the country.

This quarter, the company demonstrated its leadership in delivering products & solutions that are customized and are specifically suitable for the Indian environment. The Company supplied **"Point of Sale"** hand held terminals used in the process of bill generation for leading state electricity board. The company also bagged a prestigious order to provide automated milk collection solutions from one of leading milk production companies of the country.

Building on its strategy of setting up technology **"Centre of Excellences"**, HCL launched its 'Network Centre of Excellence' at Noida that will be developing solutions in the fields of routing & switching, wireless security, unified communications and digital media systems.

It is a constant endeavor at HCL to bring the best and the latest in technology to Indian Customers. This quarter, the company launched a host of products and solutions aimed primarily at the enterprise market. HCL introduced two new notebooks based on latest Intel chipsets. The company also launched two new server models IGL 2700MN & IGL 2700 FA based on latest Intel chipsets.

This quarter, HCL announced new solutions for the Computer Aided Design (CAD) and Digital Content Creation (DCC) markets. Based on the latest NVIDIA Quadro FX470 GPU, HCL launched its new workstation 'HCL Infiniti Challenger 5150'. This quarter also saw the launch of the affordable high performance workstation 'HCL Net Graph 108' which was developed specifically to cater to ever growing needs of high end desktops users.

The company won **'The Best Desktop PC brand by Computer Active for the year 2008'**. HCL also bagged two partner awards at IBM BP CEO Kick-off Event for **'Most Promising Software partner 2009'** and **'The Best HPC Partner 2008'**.

The company has been **ranked No.1 by DQ -IDC 'Customer Satisfaction Audit 2008 -09'**. In an independent survey conducted by DQ-IDC the company was ranked the best based on parameters like service offerings, sales & marketing in the pre-contract stage, price & commercial and post contract stage experience.

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

This quarter the focus has been on investing and building the 'Brand' through innovative and effective methods. The company launched its online promotion campaign and successfully reached out to its target audience for its range of Leaptops.

This Republic day, HCL launched a special promotional scheme from 24th – 26th January, around the theme 'Affordable Technology', to promote the concept of affordable computing among the masses and to ensure that masses in India should benefit from the power of Information Technology. The HCL offer was rolled out in association with a large format retail chain across the country.

This quarter the company carried forward '**HCL Touch**' initiative, the unique 24X7 customer support service. HCL has also set up a network of 505 company owned customer touch points and enhanced service capacity that reaches out to over 4000 towns across the country. In order to ensure that the path-breaking service reaches out to each of its customers, the company organized a series of dealer-partner training sessions and undertook an awareness campaign on this initiative by covering more than 600 retailers which included Multi Brand Outlets (MBOs), HCL Digilife Stores and large format retail outlets across the country.

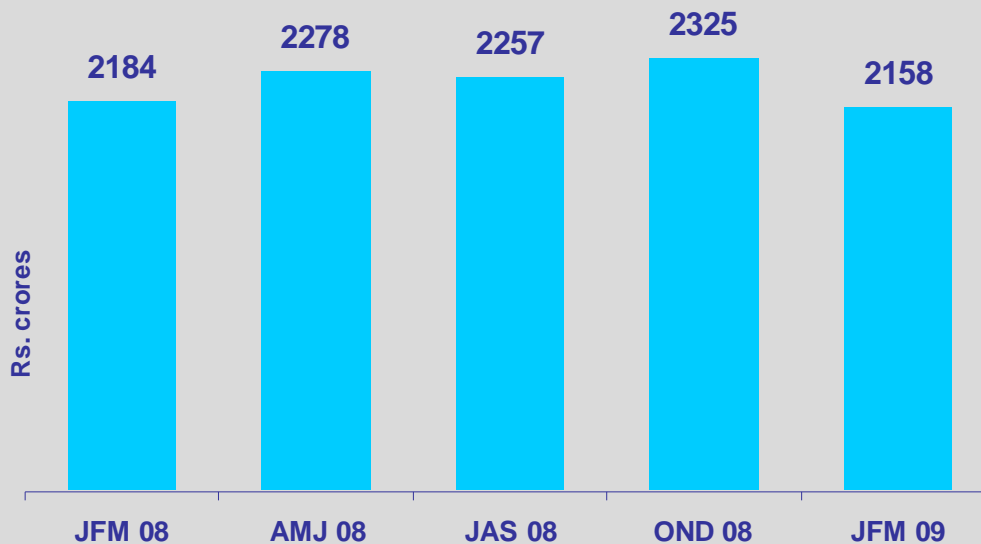
### EDUCATION & TRAINING

This quarter HCL Career Development Centres (CDC) clocked a healthy growth. HCL's education initiatives have grown its presence rapidly over the last quarter taking ICT education to the various corners of India. The quarter saw keen interest & wins in institutional training from the government as well as different police & defence establishments to impart IT training

## SEGMENT RESULTS

## TELECOMMUNICATION &amp; OFFICE AUTOMATION

Revenue from Telecommunication & Office Automation business during the quarter was **Rs. 2158 crores.**



PBIT for the quarter was **Rs. 68 crores.**

The digital lifestyle products are a growing market in India. This quarter HCL has been focusing on consolidating its range of offerings of the Digital Lifestyle products. The company tied up with CISCO Linksys in the quarter for distribution of its networking products. This quarter also saw growth of products like "HCL branded IT accessories."

Nokia continues to be the leader and maintain its market share in the GSM handset market. HCL along with Nokia Corporation, announced to set up a joint venture to sell mobile value added services and entertainment content directly to consumers in India. The joint venture will primarily be engaged in selling value added services for mobile customers.

The quarter saw **Audio Visual System Integration vertical** achieve a healthy growth. HCL won break through orders to set up Video Conferencing & Voice Solutions from leading institutions and corporates. HCL also **won repeat orders** from its existing clientele of leading companies in Banking, Infrastructure and Insurance verticals. HCL also won major orders from leading Multi Nationals, and corporates in this space.



## EMPLOYEE MATRIX

HCL Infosystems continues to invest in strong people management initiatives. The total employee strength is 6077. Employee engagement and a policy of leveraging an individual's strengths continue to be a key focus area. This quarter, the company introduced 'Business Excellence' as a theme to impart the concept of process orientation and management. Different initiatives like quality training and workshops were organized to strengthen 'Total Quality Management' techniques among employees.

## ENVIRONMENT INITIATIVES

HCL has always been focused in developing a sustainable future through environment friendly green computing. HCL amalgamated its various environment protection initiatives under the comprehensive 'HCL ecoSafe' program. Under the 'HCL ecoSafe' initiative, HCL Desktops, Servers and Laptops are RoHS (Restriction of Hazardous Substances) compliant.

HCL also has a comprehensive e-waste recycling policy, wherein HCL facilitates its consumers to recycle / dispose their 'end of life' products manufactured by HCL in an environmentally safe manner. In addition, the HCL Best Assured Campaign, an initiative against the counterfeit electronic products has created consumer awareness and is helping in preventing the dumping of these into India.

## CONSOLIDATED PROFITABILITY

Rs crores

CONSOLIDATED PROFIT & LOSS ACCOUNT		Unaudited		Unaudited		Audited
		Q3 FY 09	Q3 FY 08	9M FY 09	9M FY 08	FY 08
-	Gross Sales / Income from Operations	3023.8	3017.5	9289.6	9449.8	12605.3
-	Less: Excise Duty	27.6	37.3	99.5	117.3	158.0
1.	Net Sales / Income from Operations	2996.2	2980.2	9190.1	9332.5	12447.3
2.	Expenditure					
a)	(Increase) / Decrease in Stock in Trade and Work in Progress	-127.9	-52.3	-188.3	-129.4	-89.8
b)	Consumption of Raw Materials	439.4	449.7	1375.3	1365.1	1753.8
c)	Purchase of Traded Goods	2281.9	2219.0	6862.8	7104.7	9447.3
d)	Purchase of Services (Net)	81.6	34.5	187.9	80.7	114.3
e)	Stores & Spares consumed and Others	45.3	49.6	129.6	119.3	167.9
f)	Employees Cost	88.2	78.1	255.7	223.3	301.2
g)	Administration, Selling, Repairs & Others	83.3	77.3	246.6	228.9	306.2
h)	Depreciation	5.6	5.0	15.3	13.7	18.6
	Total Expenditure	2897.4	2860.8	8884.8	9006.2	12019.5
3.	Profit from Operations before Other Income & Interest (1-2)	98.7	119.4	305.3	326.3	427.8
4.	Other Income #	2.9	6.7	-4.2	42.8	49.9
5.	Profit before Interest (3+4)	101.7	126.1	301.1	369.1	477.7
6.	Interest Expense	12.2	12.6	34.6	34.5	47.6
7.	Profit (+) / Loss (-) from ordinary activities before Tax (5-6)	89.5	113.5	266.5	334.6	430.1
8.	Tax Expense					
	- Current	31.2	32.0	88.1	98.2	131.5
	- Deferred	-0.7	-0.9	-2.6	-1.5	-5.6
	- Fringe Benefit	0.9	0.9	1.5	2.8	4.1
9.	Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)	58.2	81.5	179.5	235.0	300.1
10.	Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-
11.	Net Profit(+) / Loss (-) for the period (8-9)	58.2	81.5	179.5	235.0	300.1
12	Basic EPS (Not annualised) Rs/share	3.4	4.8	10.5	13.8	17.6
	Other Income includes Exchange Fluctuation Gain/(Loss) (Net)	-7.1	-3.2	-33.2	8.4	1.3

## KEY RATIOS

Key Ratios	Q3 FY 09	Q2 FY 09
Return on Capital Employed %	30%	27%
Return on Net Worth %	21%	21%
Debt / Debt+Equity	0.20	0.21
Debtors Collection period (days) {annualised}	46	42
Inventory turnover (annualised)	12	13
Current ratio	1.5	1.7

## CONSOLIDATED SEGMENT

						Rs crores
	Particulars	Unaudited		Unaudited		Audited
		Q3 FY 09	Q3 FY 08	9M FY 09	9M FY 08	FY 08
<b>1.</b>	<b>Segment Revenue</b>					
a)	Products and Related Services					
	- Computer Systems & Other Related Products (Gross)	874.9	841.5	2569.0	2512.4	3388.9
	Less: Excise Duty	27.6	37.3	99.5	117.2	157.8
	- Computer Systems & Other Related Products (Net)	847.3	804.2	2469.5	2395.2	3231.1
	- Telecommunication & Office Automation (Net)	2158.2	2183.8	6740.6	6944.6	9222.8
b)	Internet & Related Services	12.8	10.4	32.0	30.6	40.6
	Total	3018.2	2998.3	9242.1	9370.3	12494.5
	Less: Intersegment revenue	22.1	18.1	52.0	37.8	47.2
	<b>Net Sales / Income from Operations</b>	<b>2996.2</b>	<b>2980.2</b>	<b>9190.1</b>	<b>9332.5</b>	<b>12447.3</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	40.8	47.4	125.0	160.4	199.5
	- Telecommunication & Office Automation	68.2	81.6	191.9	214.5	285.4
b)	Internet & Related Services	(5.5)	(0.9)	(9.2)	(4.0)	(4.1)
	Total	103.5	128.1	307.6	370.9	480.9
	Less:					
	i) Interest Expense	12.2	12.6	34.6	34.5	47.6
	ii) Other un-allocable expenditure net off	4.9	8.7	18.4	22.7	30.5
	iii) Un-allocable income	3.1	6.8	11.9	20.9	27.4
	<b>Total Profit before Tax</b>	<b>89.5</b>	<b>113.5</b>	<b>266.5</b>	<b>334.6</b>	<b>430.1</b>
<b>3.</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>					
a)	Products and Related Services					
	- Computer Systems & Other Related Products			957.5	969.1	953.4
	- Telecommunication & Office Automation			256.8	202.2	177.8
b)	Internet & Related Services			(3.0)	(0.9)	(2.3)
c)	Unallocated					
	- Liquid Assets			136.9	208.7	216.4
	- Others Unallocated (including investment in assets given on finance lease)			19.9	39.5	25.4
	<b>Total Capital Employed</b>			<b>1368.1</b>	<b>1418.6</b>	<b>1370.7</b>

## CONSOLIDATED BALANCE SHEET

	Unaudited	Unaudited
Particulars	31.03.09	31.12.08
Net Worth	1095.7	1067.4
Loans	272.4	285.5
Deferred Tax Liability (Net)	4.1	4.8
Net Fixed Assets	181.9	179.4
Investments and Cash & Bank Balances	315.7	231.3
Inventory	1050.9	932.4
Sundry Debtors	1526.1	1449.8
Other Current Assets	318.1	299.9
Current Liabilities & Provisions	(2020.5)	(1735.1)
<b>Total Capital Employed</b>	<b>1372.2</b>	<b>1357.7</b>

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US \$ 2.7 billion (Rs. 12,445 crores) is India's premier information enabling and ICT System 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 organization.

India's leading System Integration and Infrastructure Management Services Organization, HCL has specialized expertise across verticals including Telecom, BFSI, E-Governance & 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.

HCL Infosystems has a 100% subsidiary that addresses the physical security technology system integration market. The subsidiary leverages technology to build a security framework called 'Safe State' that will safe guard life, infrastructure & society.

For more information please visit us at [www.hclinfosystems.in](http://www.hclinfosystems.in)

## ABOUT HCL ENTERPRISE

HCL Enterprise is a \$ 5 billion leading Global Technology and IT Enterprise that comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is one of India's original IT garage start-ups. Its range of offerings spans Product Engineering, Custom & Package Applications, BPO, IT Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products. The HCL team comprises over 60100 professionals of diverse nationalities, who operate from 20 countries including over 500 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms.

For more information, log in at <http://www.hcl.in>