



HCL Infosystems Ltd

Second Quarter FY 2008

Investor Release, January 28, 2008

CHAIRMAN'S ADDRESS



Mr. Ajai Chowdhry, Chairman and CEO, HCL Infosystems Limited, commenting on the results said, "A further consolidation of HCL's position as the leading technology provider for enterprises, organizations and consumers enabled us to deliver yet another quarter of noteworthy growth. Our system integration business gained further traction with a stream of new orders and project wins, while digital lifestyle products business rode the festival season to deliver impressive numbers. This quarter was also noteworthy for strong growth in PC sales, particularly of HCL Leaptops. A sustained expansion of HCL CDCs and HCL Digilife stores deeper into the country was another highlight of the quarter."

FINANCIAL HIGHLIGHTS

Quarterly Highlights

➤ Consolidated

- ❖ Revenue at Rs. **3306.6** crores, up **11%** Y-o-Y.
- ❖ Profit before tax at Rs. **115.5** crores, up **10%** Y-o-Y.
- ❖ Profit after tax at Rs. **81.4** crores, up **7%** Y-o-Y.
- ❖ EPS at Rs. **4.8** per share.

➤ Computer Systems

- ❖ Revenue at Rs. **911.0** crores, up **40%** Y-o-Y. PBIT at Rs. **61.2** crores, up **39%** Y-o-Y.

➤ Telecommunication & Office Automation

- ❖ Revenue at Rs. **2395.1** crores. PBIT at Rs. **66.1** crores.

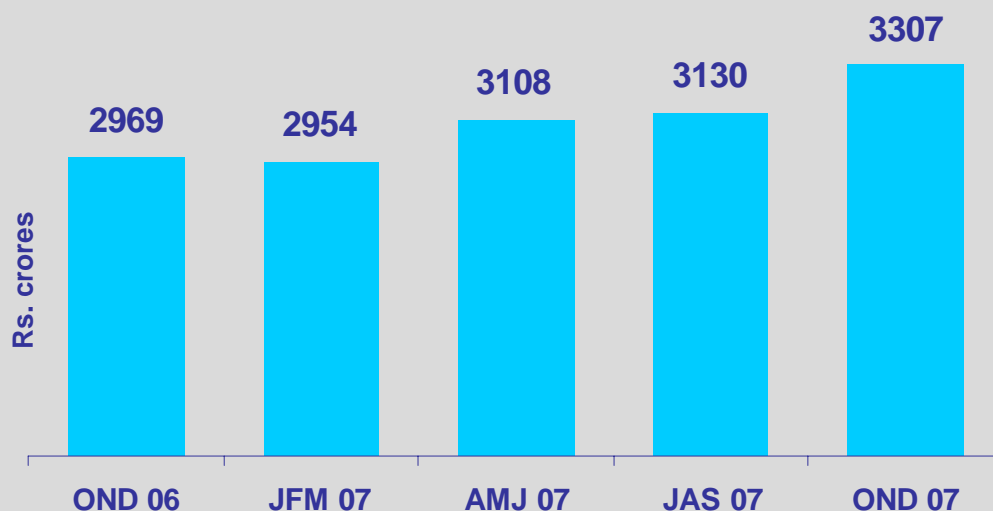
Second Interim dividend of Rs. **2/-** per share (**100%** on an equity share of par value of Rs. **2/-** each) declared for the quarter.

BUSINESS HIGHLIGHTS

- ❖ HCL launched 'MiLeap' India's first ultra portable range of laptops that offers true mobile internet computing experience & full PC functionality at a price point starting from **Rs.13,990**.
- ❖ HCL also launched '360-Degrees Technology Refresh Program', which aims to deliver comprehensive yet relevant information on new developments in the global IT industry to the enterprises, organizations and other business users of IT.
- ❖ HCL launched **HCL Netmax** suite of networking products and solutions, geared towards meeting all networking requirements of SMBs and emerging enterprises.
- ❖ **ICT Education and Training:** Expanded **Institutional Alliance Initiative** by entering into tie-ups with a large number of engineering colleges across the country and launched its **Industry Interface program**.
- ❖ **HCL Digilife stores**, one-stop shop for digital lifestyle products and solutions, ramped up to **more than 48 stores** across the country.

CONSOLIDATED RESULTS

The company has reported consolidated revenue of Rs **3306.6** crores during the quarter ended December 31, 2007 as against Rs **2968.9** crores in the corresponding quarter of the previous year, a growth of **11%**.



Profit before tax was reported at Rs **115.5** crores during the quarter ended December 31, 2007 as against Rs **104.9** crores in the corresponding quarter of the previous year, a growth of **10%**.

Profit after tax was reported at Rs **81.4** crores during the quarter ended December 31, 2007 as against Rs **76.0** crores in the corresponding quarter of the previous year, a growth of **7%**.

Earnings per share:

Basic EPS for the quarter ended December 31, 2007 was Rs. **4.8** per share of Rs. 2/- each as against Rs **4.5** per share in the corresponding quarter of the previous year.

Dividend:

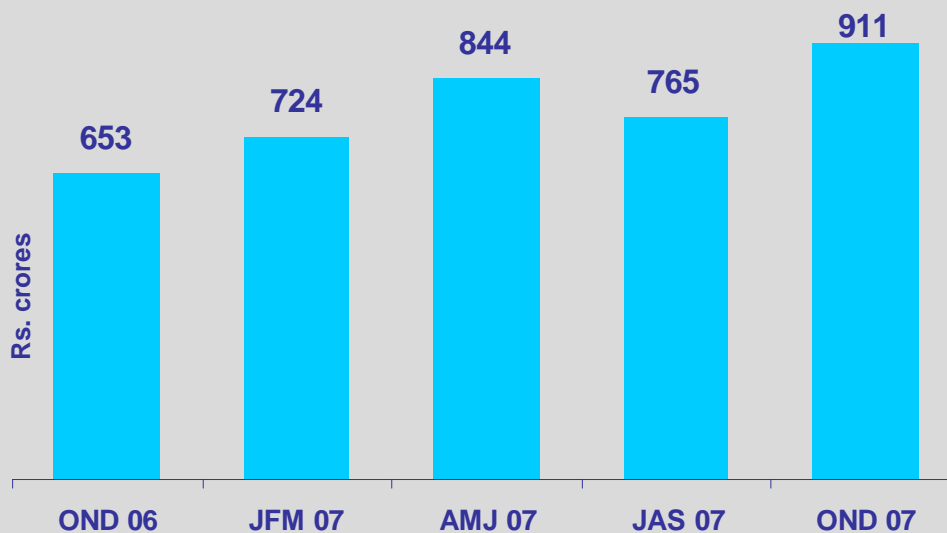
The Board of Directors has recommended Second Interim dividend of Rs. **2/-** per fully paid up share (**100%** on an equity share of par value of Rs 2/- each).

The aggregate of interim (quarterly) dividends represents 200% for the half-year.

SEGMENT RESULTS

Computer Systems & Other Related Products:

Computer Systems business revenues for the quarter was Rs. **911.0** crores as against Rs **652.8** crores in the corresponding quarter of the previous year, a growth of **40%**.



PBIT of Computer Systems business for the quarter was Rs. **61.2** crores as against Rs **43.9** crores in the corresponding quarter of the previous year, a growth of **39%**.

SYSTEM INTEGRATION

HCL's strong focus on **System Integration business** yielded good dividends with the company winning a number of prestigious projects from across industries like Telecom, E- Governance, BFSI & Power. Earlier in the quarter, HCL was designated as the System Integrator by the leading bank of India.

HCL also won a major order for rollout of Cash Management solution from a leading nationalized bank and installation of MICR from the leading nationalized bank of India.

The quarter witnessed another breakthrough win from a very large government enterprise for country-wide implementation of **e-procurement** solutions which includes development, customization, implementation and roll out of the solution across 11 Zonal headquarters and 6 production units.

During the quarter, HCL's **Media & Entertainment** business saw new wins in Education sector. HCL received orders from universities across the country (Aligarh, Noida, Pondicherry, Allahabad) for FM Radio, Studio Equipments and Audio post production equipments etc. The quarter saw set up of Infrastructure FM station and Enterprise studio for a training vertical media and the central studio on edusat project for a distance learning institution.

SEGMENT RESULTS

Computer Systems & Other Related Products:

In the **enterprise space** major orders were received from leading names across industry verticals including corporates, government, BFSI segments. This quarter saw large orders for HCL's computing business from financial institutions and banking giants of the country.

In a major launch geared towards meeting all networking requirements of SMBs and emerging enterprises, the company launched **HCL Netmax** suite of networking products and solutions this quarter. The services portfolio is targeted at educational institutions, PSUs, IT/ITeS companies and services industries like Banking, Hotel, Airlines, Insurance and Entertainment.

HCL also launched the **HCL net edgeBOX**, a unique multi-function gateway that integrates data, voice and IT services in a single device. To the emerging businesses looking to maximize their return on IT investments, HCL net edgeBOX offers basic IT applications including web server, e-mail server and data storage, without the need for keeping specialist in-house IT staff.

During the quarter, HCL launched its **Professional Workstation 2008 Series**, specifically designed and targeted towards professionals in the field of Digital Content Creation (DCC) and Mechanical Computer Aided Design (MCAD). The new series takes application performance to new levels by featuring industry's first unified architecture.

HCL also launched '**360-Degrees Technology Refresh Program**', which aims to deliver comprehensive yet relevant information on new developments in the global IT industry to the enterprises, organizations and other business users of IT.

HCL further strengthens its commitment to bring the latest technology to the Indian customers with the launch of '**MiLeap**' India's first ultra portable range of laptops that offers true mobile internet computing experience & full PC functionality at a price point starting from Rs.13,990/-.

HCL also introduced several new models of desktops and notebooks; India's first notebook with Prism engraved design, notebooks with 250 GB storage.

HCL added a unique technology of 1 GB Turbo memory, in its laptops, which results in more battery life, quicker boot time and unmatched performance. The Company also unveiled a range of laptop accessories, like HCL Leaptop shines, Car and USB chargers, Mouse phones, USB TV tuners and Mobile printers.

HCL also unveiled extended warranty packs for HCL Leaptops that ensures maintained performance, increased life and optimum utilization of your HCL Leaptop and at the same time reduces the maintenance cost and increases the re-sale value for your HCL Leaptops.

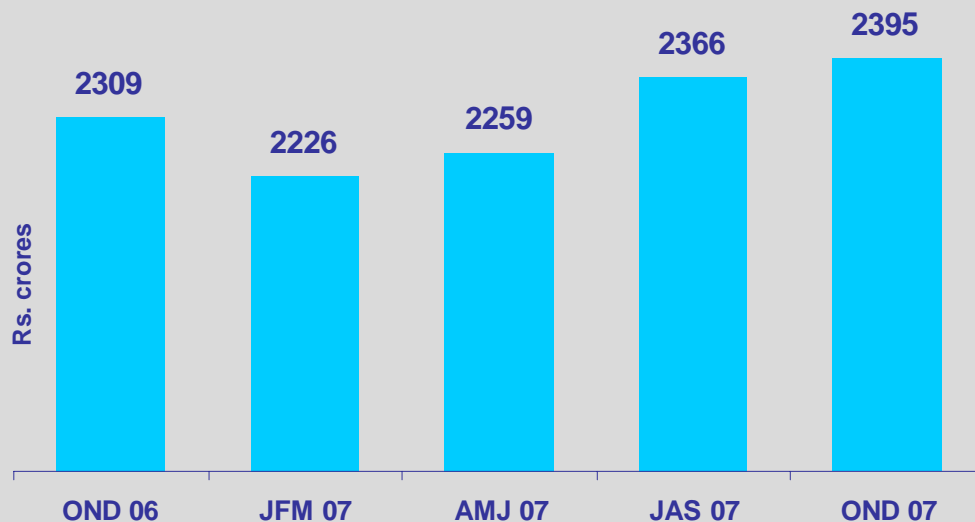
During the quarter, HCL announced the unification of its various environment protection initiatives under the comprehensive '**HCL ecoSafe**' program. Extending its' environment friendly range of products HCL announced a new line desktop PCs that are compliant with RoHS (Restriction of Hazardous Substances) directive.

During the festival season, HCL announced a special consumer campaign, '**HCL Festival Carnival**'. The campaign featured never before offers to the buyers of HCL Leaptops, Ezeebee and Beanstalk range of notebook and desktop PCs. The joint promotion by HCL and Intel, the two giants of IT industry will run at more than 2000 authorized HCL dealers in more than 500 towns across India.

SEGMENT RESULTS

Telecommunication & Office Automation:

Telecommunication & Office Automation business revenue for the quarter was Rs. **2395.1** crores as against Rs **2309.5** crores in the corresponding quarter of the previous year.



PBIT for the quarter was Rs. **66.1** crores as against Rs **61.5** crores in the corresponding quarter of the previous year.

In the mobile handset business, Nokia carried on its dominance in this quarter, with the launch of new mobile phones in different price range. HCL also registered good revenue growth in Apple iPods along with lot of promotional activity during the festive season. Kodak saw an addition of slim “M – Series” in its’ range of cameras.

HCL’s **Imaging business** saw a steady growth in the quarter on the back of several large orders received for its range of printers, copiers and MFDs from Engineering & Construction majors in India. A major win came from Mumbai based Microfinance Company for 400 Toshiba MFDs. The company received large orders for projectors from Airports, Insurance, IT and Education sectors. HCL further consolidated its business in **production printing** segment with significant orders from Corporate giants, Defense & Financial institutions.

This quarter the company implemented **unique and state-of-the-art surveillance, security and access control solutions** for prestigious clients including government departments and enterprises. An exclusive combination of **Surveillance and Access control** with highly advanced **Digital Integrated Surveillance system** was implemented by HCL in Defense sector. Another implementation by HCL facilitated Public Administration for Government to securitize its critical areas with the help of HCL’s Visitor Management Systems etc.

HCL also announced a strategic tie-up with **HID Global** for providing the latter’s range of solutions in secure identity, IP-based network access solutions, contact-less smart card technologies with secure and custom cards, high-definition printers and encoders and photo ID card application control software.

DIGITAL LIFESTYLE

The company sustained its focused thrust on **HCL Digilife stores**, positioned as one-stop shop for a comprehensive range of digital lifestyle products and solutions, quickly ramping up the number of stores to **more than 48** across the country.

EDUCATION & TRAINING

The company further consolidated its high-end **ICT education & training business** with further expansion of **HCL Career Development Centers** taking the total to 46 across the country. HCL CDCs also announced strategic tie-ups with leading international IT training giants like Microsoft, Red Hat and Oracle as their authorized training partner to deliver the training for their certification programs. The company also expanded its Institutional Alliance Initiative by entering into tie-ups with a large number of engineering colleges across the country and launched its Industry Interface program.

AWARDS & RECOGNITIONS

- ❖ **Mr. Ajai Chowdhry**, Chairman & CEO of HCL Infosystems Limited, was declared 'IT Person of the Year 2007' by Dataquest.
- ❖ **HCL Leaptop** was recommended as the most Affordable ultra portable Laptop by Living Digital.
- ❖ **HCL** received "**Best In Category Award**" for HCL Digilife Stores and Special Award for "**Innovation and Technology**" for its' ePOS division at the Franchise and Star Retailer Awards 2007.
- ❖ **HCL** won the **Best Indian Branded PC award** at the 6th VARIndia Star Nite Awards 2007.
- ❖ **HCL** won the **Best IT Retail Company award** at the VARIndia Star Nite Awards 2007.
- ❖ **HCL Ezeeb** was rated **Best Buy** by PC World magazine.
- ❖ **HCL Beanstalk Classic** was declared **Best Buy** by **Digit** magazine.
- ❖ **HCL Infosystems** was ranked **among the top two IT companies** in the annual **Dataquest-IDC Best Employers Survey 2007** in a glowing recognition of its industry leading HR practices and the resultant employee satisfaction. HCL has consistently ranked among the '**Top 3 IT employers in the country**' for last three years in the Dataquest-IDC Best Employer Survey.

CONSOLIDATED PROFITABILITY

| CONSOLIDATED PROFIT & LOSS ACCOUNT | | Rs crores | | | | |
|------------------------------------|---|---------------|---------------|---------------|---------------|----------------|
| | | Unaudited | | Unaudited | | Audited |
| | | Q2 FY 08 | Q2 FY 07 | H1 FY 08 | H1 FY 07 | FY 07 |
| 1a | Gross Sales / Income from Operations | 3306.6 | 2968.9 | 6437.1 | 5792.9 | 11855.4 |
| 1b. | Less: Excise Duty | 36.6 | 43.2 | 75.2 | 82.5 | 170.1 |
| 1. | Net Sales / Income from Operations | 3270.1 | 2925.7 | 6361.8 | 5710.4 | 11685.3 |
| 2. | Other Income | 18.0 | 15.8 | 35.8 | 28.5 | 50.5 |
| 3. | Total Income (1+2) | 3288.1 | 2941.5 | 6397.7 | 5738.9 | 11735.8 |
| 4. | Expenditure | | | | | |
| a) | (Increase)/Decrease in Stock in Trade and Work in Progress | 18.3 | -73.6 | -77.1 | -225.5 | -271.2 |
| b) | Consumption of Raw Materials | 496.8 | 363.9 | 990.9 | 707.1 | 1553.2 |
| c) | Purchase of Traded Goods | 2426.5 | 2375.9 | 4817.0 | 4735.8 | 9296.9 |
| d) | Stores & Spares consumed and Others | 53.9 | 50.7 | 109.0 | 95.1 | 222.3 |
| e) | Employees Cost | 75.4 | 56.0 | 145.2 | 105.3 | 227.2 |
| f) | Administration, Selling, Repairs & Others | 87.0 | 58.4 | 164.9 | 112.1 | 253.5 |
| g) | Depreciation | 4.4 | 3.1 | 8.7 | 7.0 | 14.8 |
| | Total Expenditure | 3162.3 | 2834.4 | 6158.6 | 5537.0 | 11296.6 |
| 5. | Interest Expense (Net) | 10.3 | 2.2 | 17.9 | 3.5 | 10.5 |
| 6. | Profit (+)/ Loss (-) from ordinary activities before Tax (3-4-5) | 115.5 | 104.9 | 221.1 | 198.5 | 428.7 |
| 7. | Tax Expense | | | | | |
| | - Current | 35.4 | 26.8 | 66.2 | 52.3 | 105.9 |
| | - Deferred | -0.9 | 1.4 | -0.5 | 1.7 | 2.7 |
| | - Fringe Benefit | -0.5 | 0.7 | 1.9 | 1.4 | 4.2 |
| 8. | Profit (+)/ Loss (-) from ordinary activities after Tax (6-7) | 81.4 | 76.0 | 153.5 | 143.1 | 316.0 |
| 9. | Extraordinary items (net of tax expense Rs Nil) | - | - | - | - | - |
| 10. | Net Profit(+)/ Loss (-) for the period (8-9) | 81.4 | 76.0 | 153.5 | 143.1 | 316.0 |
| 11 | Basic EPS (Not annualised) Rs/share | 4.8 | 4.5 | 9.0 | 8.5 | 18.7 |
| | Other Income includes Exchange Fluctuation Gain/(Loss) (Net) | 5.0 | 10.3 | 11.6 | 11.9 | 19.0 |

KEY RATIOS

| Key Ratios | Q2 FY 08 | Q1 FY 08 |
|---|----------|----------|
| Return on Capital Employed % | 37% | 36% |
| Return on Net Worth % | 34% | 32% |
| Debt / Debt+Equity | 0.29 | 0.27 |
| Debtors Collection period (days) {annualised} | 33 | 31 |
| Inventory turnover (annualised) | 14 | 13 |
| Current ratio | 1.7 | 1.7 |

CONSOLIDATED SEGMENT

Rs crores

| Particulars | Unaudited | | Unaudited | | Audited |
|---|---------------|---------------|---------------|---------------|----------------|
| | Q2 FY 08 | Q2 FY 07 | H1 FY 08 | H1 FY 07 | FY 07 |
| 1. Segment Revenue | | | | | |
| a) Products and Related Services | | | | | |
| - Computer Systems & Other Related Products (Gross) | 911.0 | 652.8 | 1675.6 | 1216.4 | 2784.6 |
| Less: Excise Duty | 36.4 | 43.2 | 75.1 | 82.5 | 170.0 |
| - Computer Systems & Other Related Products (Net) | 874.6 | 609.6 | 1600.5 | 1133.9 | 2614.5 |
| - Telecommunication & Office Automation (Net) | 2395.1 | 2309.5 | 4760.9 | 4563.9 | 9049.5 |
| b) Internet & Related Services | 10.4 | 9.8 | 20.2 | 19.3 | 39.9 |
| Total | 3280.1 | 2928.9 | 6381.6 | 5717.1 | 11703.9 |
| Less: Intersegment revenue | 10.1 | 3.2 | 19.7 | 6.7 | 18.6 |
| Net Sales / Income from Operations | 3270.1 | 2925.7 | 6361.8 | 5710.4 | 11685.3 |
| 2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment) | | | | | |
| a) Products and Related Services | | | | | |
| - Computer Systems & Other Related Products | 61.2 | 43.9 | 113.0 | 75.1 | 174.3 |
| - Telecommunication & Office Automation | 66.1 | 61.5 | 132.9 | 123.8 | 267.1 |
| b) Internet & Related Services | (1.7) | (0.4) | (3.1) | (0.7) | (1.9) |
| Total | 125.5 | 105.0 | 242.8 | 198.2 | 439.6 |
| Less: | | | | | |
| i) Interest Expense (Net) | 10.3 | 2.2 | 17.9 | 3.5 | 10.5 |
| ii) Other un-allocable expenditure net off | 5.3 | 1.6 | 14.0 | 6.8 | 20.2 |
| iii) Un-allocable income | 5.5 | 3.7 | 10.1 | 10.5 | 19.8 |
| Total Profit before Tax | 115.5 | 104.9 | 221.1 | 198.5 | 428.7 |
| 3. Capital Employed (Segment Assets - Segment Liabilities) | | | | | |
| a) Products and Related Services | | | | | |
| - Computer Systems & Other Related Products | | | 937.9 | 493.9 | 653.8 |
| - Telecommunication & Office Automation | | | 165.1 | 12.2 | 124.8 |
| b) Internet & Related Services | | | (0.3) | 1.6 | 2.4 |
| c) Unallocated | | | | | |
| - Liquid Assets | | | 182.3 | 306.5 | 287.5 |
| - Others Unallocated (including investment in assets given on finance lease) | | | 52.5 | 54.8 | 27.0 |
| Total | | | 1337.5 | 869.0 | 1095.6 |

CONSOLIDATED BALANCE SHEET

| Particulars | Rs crores | |
|--------------------------------------|---------------|---------------|
| | 31.12.07 | 30.9.07 |
| Net Worth | 947.1 | 900.6 |
| Loans | 390.4 | 339.5 |
| Deferred Tax Liability (Net) | 11.9 | 12.8 |
| Net Fixed Assets | 159.5 | 155.2 |
| Investments and Cash & Bank Balances | 415.3 | 347.3 |
| Inventory | 924.1 | 944.4 |
| Sundry Debtors | 1167.0 | 1056.9 |
| Other Current Assets | 232.9 | 215.9 |
| Current Liabilities & Provisions | (1549.3) | (1466.8) |
| Total Capital Employed | 1349.4 | 1252.9 |

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US \$ 3.1 billion (Rs. 12,500 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 Nokia, Apple, Casio, Kodak, Toshiba, Bull, Ericsson, Cisco, Microsoft, Konica Minolta 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 further information, please visit www.hclinfosystems.in

ABOUT HCL ENTERPRISE

HCL Enterprise is a \$ 4.7 billion (Rs. 19,215 crore) 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 approximately 53,700 professionals of diverse nationalities, who operate from 18 countries including 360 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms.

For more information please visit www.hcl.in