
HCL Infosystems Ltd

First Quarter FY 09

Investor Release, October 23, 2008

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CHAIRMAN'S ADDRESS



Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Ltd "ICT infrastructure is no more an optional automation or efficiency enhancement device for enterprises. Today it has become an infrastructure that business and enterprises cannot do without. Information Technology is playing a much larger role in economic development. Going forward, our hardware business, distribution business and the System Integration business will provide resilience to the organization. We have built our System Integration capabilities and have grown the business in diverse sectors. This will help in steady growth."

FINANCIAL HIGHLIGHTS

QUARTERLY HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 3126 crores**.
- ❖ Services revenue at **Rs. 142 crores**, a growth of **47% Y-o-Y**.
- ❖ Profit before tax at **Rs. 96 crores**. PBT excluding exchange rate impact at **Rs. 113 crores**, a growth of **14% Y-o-Y**.
- ❖ Profit after tax at **Rs. 66 crores**.
- ❖ EPS at **Rs. 3.9** per share.

➤ Computer Systems

- ❖ Revenue at **Rs. 876 crores**, a growth of **15% Y-o-Y**. PBIT at **Rs. 48 crores**.

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2257 crores**. PBIT at **Rs. 63 crores**.

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

14th consecutive 100% Dividend declared.

BUSINESS HIGHLIGHTS

- ❖ First to introduce products based on Triple Core AMD Phenom X3 8000 processor on the same day of its worldwide launch
- ❖ Introduced 'MiLeap MH04' based on Intel Atom processor Technology, an environment friendly RoHS compliant computing device
- ❖ Awarded 'Intel Server and Storage Innovation Award- Fall 2008 for 'HCL Core Banking in a Box' solution, by Intel.
- ❖ Awarded the best iPod distribution partner for Apple for the 2nd year in succession.
- ❖ Ranked among the top IT recruiters in the country for the fourth consecutive year by IDC DQ Best Employer Survey 2008

CONSOLIDATED RESULTS

The company has reported consolidated revenue of **Rs. 3126 crores** during the quarter ended September 30, 2008 as against Rs. 3127 crores in the corresponding quarter of the previous year.



Consolidated services revenue was reported at **Rs. 142 crores** during the quarter ended September 30, 2008 as against Rs. 97 crores in the corresponding quarter of the previous year, a growth of **47%**.

Profit before tax was reported at **Rs. 96 crores** during the quarter ended September 30, 2008.

Profit before tax & exchange rate impact (including unrealised impact on restatement at the period end rate) for the quarter was **Rs. 113 crores** as against Rs. 99 crores in the corresponding quarter of the previous year, a growth of **14%**.

Profit after tax was reported at **Rs. 66 crores** during the quarter ended September 30, 2008.

Earnings per share:

Basic EPS for the quarter ended September 30, 2008 was Rs. **3.9** per share of Rs. 2/- each.

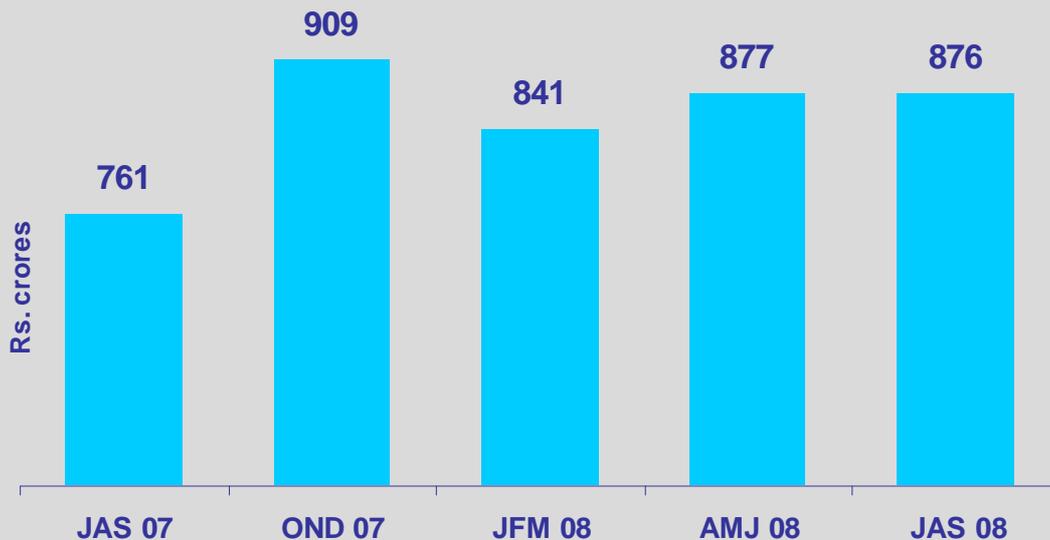
Dividend:

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

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

Revenue from Computer Systems business during the quarter was **Rs. 876 crores** as against Rs. 761 crores in the corresponding quarter of the previous year, a growth of **15%**.



Profit before interest & taxes (PBIT) for the quarter was **Rs. 48 crores**.

SYSTEM INTEGRATION

System Integration a growth area for HCL. The company bagged over **Rs. 700 crores** worth of orders, during the first quarter.

Under HCL's System Integration and services initiatives, this quarter saw the company winning and executing projects in a number of new solutions areas across sectors namely Railways, Infrastructure, eGovernance, Retail, Telecom, Media & Entertainment, Security, Banking, Finance, Securities and Insurance.

Demonstrating its leadership in **Telecom System Integration**, HCL bagged major orders this quarter from leading telecom NEP's and a premier telecom player. One of the projects under implementation is for 2G and 3G expansions of GSM network in India. This will facilitate expanded capacity for post paid customer billing for one of the large telecom companies in the country. Also under implementation is a project to build a high speed IP/MPLS network for a telecom company. The network will be deployed for convergent services, integrating data, voice and video to provide services like Internet bandwidth for ISPs, Corporate, Institutions, Government bodies and retail users.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

The **Exports vertical** has seen steady growth during the quarter. Besides growing the business in the existing countries, HCL has extended its geographical reach to new countries in Asia, Middle East and Africa.

HCL is implementing **GPS based transport solution, including the data centres** for the prestigious city bus service for the modern fleet of buses used for public transportation in the cities of Jalandhar, Ludhiana and Amritsar. In a first of its kind initiative by the Punjab government, HCL will provide the technology support. HCL has also bagged a similar order for implementing **Vehicle Tracking System** for the public transportation city bus service of another metro.

This quarter also saw implementation of **HCL Dial100 solution for the new Central Police Control Centre** at Delhi. This modern control room consists of a state-of-art multimedia contact centre, with the capability to track the PCR vans fitted with GPS devices and coordinate their movement to assist the public.

This quarter HCL bagged the prestigious **Highway Traffic Management System contract** from an International infrastructure management company implementing a project in the country. HCL also won the contract to implement the **Automatic Fare Collection System** for the upcoming Metro rail transit systems in one of the major metros of the country. Yet another System Integration win in the Infrastructure vertical, was the contract to implement the **Perimeter Security for one of the busiest International Airports in the country**.

Highlighting HCL's capabilities of providing diversified services beyond its core capabilities of ICT products and services, HCL announced a tie up in the Power system integration space with Echelon Corporation of US to bring Echelon's Networked Energy Services (NES) **advanced metering systems** to India. The tie up has strengthened HCL position as a leading System Integrator in the field of power.

HCL also bagged this quarter a contract from **Railways** to set up automatic ticket vending machines at 390 locations across the country. These Kiosks designed and developed by HCL will be deployed in Northern Railway, Southern Railway, North Central Railway and Eastern Railway.

In the **Media & Entertainment space**, HCL won an order to set up FM studio for one of the leading national universities. HCL bagged another order from the education sector, a leading college in southern India to set up the Community FM Radio Station. From the private media house segment HCL won the contract to set up the complete end to end infrastructure for an Infotainment TV channel based out of Hyderabad.

On the **Retail** front, HCL has bagged orders from leading dairy companies for its state of the art POS solutions that will be used for Milk collection. The solution will help automate the collection by determining the value, weight and quality of the milk procured. This solution will be implemented across the State of Uttar Pradesh.

In the **BFSI space**, HCL has won the contract for implementing the Core Insurance solution including application, infrastructure & services for an Indian joint venture of a leading Indian bank & a MNC Insurance Company. HCL will manage the project end to end.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

COMPUTING PRODUCTS & SOLUTIONS

In Enterprise business, major orders were received to deploy desktops, servers and networking products from leading names across industry verticals including corporates, government, education and BFSI segments.

It's is a constant endeavour at HCL to bring the best and the latest in technology to Indian Customers. Yet again, HCL has been the first to introduce products based on Triple Core AMD Phenom X3 8000 processor on the same day of its worldwide launch. The **HCL range of desktops based on Triple Core AMD Phenom X3 8000 processor**; provide gamers and digital media enthusiasts with exceptional performance at mainstream price points.

This quarter HCL also introduced 'MiLeap MH04' based on Intel Atom processor Technology, an environment friendly RoHS compliant computing device targeted at consumers, educational institutions and corporates. The 'MiLeap MH04' is an exciting personal computing solution for frequent travellers for its light weight and ability to deliver a complete computing experience on the move.

This quarter, HCL announced the launch of its exclusive, by invitation retail program the '**HCL PREMIER LEAGUE**'. This program aims to strengthen the relationship with retailers by working closely with them in promoting HCL Leaptops and by offering a wide spectrum of benefits & advantages that creates a unique value added proposition for retailers.

The company also **received international recognition** by Intel Corporation as it was **awarded 'Intel Server and Storage Innovation Award- Fall 2008** for '**HCL Core Banking in a Box**' solution.

Taking forward its technology leadership in Retail segment IT Infrastructure, HCL unveiled POS solution- **HCL Ambience PowerMate**. With the ability to run off a truck battery this solution is ideally suited for a mobile Retail outlet. It not only has the capacity to work for 4-5 hours during power failures, it also has a small footprint making it an ideal POS solution for the small and medium retail outlets, including the "Mom & Pop" shops. This quarter HCL also rolled out its range of end-to-end retail business solutions which encompass, branch roll out, total outsourcing, warehousing & CRM solutions.

EDUCATION & TRAINING

HCL's education initiatives have grown rapidly over the last quarter taking ICT education to the various corners of India. HCL today has 70 centres across the country.

Taking forward its Career Development Centres and as part of its Educational Institutions Alliance Program, HCL has launched K2 academy with an objective of bridging the gap between the demand and supply of industry-ready ICT professionals. At HCL K2 Academy the students will be offered training on contemporary technologies, projects and industry exposure through principal workshops by industry experts.

SEGMENT RESULTS

TELECOMMUNICATION & OFFICE AUTOMATION

Revenue from Telecommunication & Office Automation business during the quarter was **Rs. 2257 crores.**



PBIT for the quarter was **Rs. 63 crores.**

The Nokia business continues to grow extremely well maintaining the high market share that HCL is very proud of. In addition, new strategies in accessories for Nokia phones were implemented generating extremely encouraging response.

In **Imaging, Voice & Video business**, HCL registered very good growth in the Projector business. Major wins have come from diverse sectors including financial institutions, state government, educational institutions and defense.

The quarter also saw HCL winning a number of **AVSI solution orders** from leading multinational banks and corporates. This quarter saw the launch of E Classroom solution to facilitate classroom learning. HCL also introduced Toshiba home projectors to address the growing Indian home projector market.

This quarter, HCL also saw wins to set up **video conferencing solutions** that came from the corporate and government undertakings. HCL also bagged orders from hospitals and railways to implement voice solutions.

Entering new tie-ups, HCL signed agreement with Océ of Netherlands & Konica Minolta from Japan for high-end production printers. HCL also inked a pact with Dassault and Aveva to provide virtual reality solutions. This quarter saw HCL launch Vennfer desktop video conferencing solutions that provide convenient video conferencing solutions through personal computers.

SEGMENT RESULTS

TELECOMMUNICATION & OFFICE AUTOMATION

This quarter, HCL's **Internet & Networking Services Division** bagged major orders from Leading PSUs, Corporate customers, and customers from the Banking, Airlines and Hospitality sector.

DIGITAL LIFESTYLE STORES

The digital lifestyle market is growing at a strong pace in India and HCL's strategy has been to focus on offering a range of Digital Lifestyle products to the customers. With 73 stores across 54 cities with latest three additions being Kharagpur, Ludhiana and Bareilly, HCL Digilife stores offer consumers a complete digital experience.

Expanding its' range of Digital Lifestyle products, the quarter saw HCL entering into new alliances with global brands for Nintendo consoles, Sandisk flash memory cards, Kingston DRAM & Philips MP3 accessories. HCL received very encouraging response to these new alliances and recorded healthy growth of business from the new products added to its distribution portfolio.

ENVIRONMENT INITIATIVES

HCL has always been focused on developing a sustainable future through environment friendly green computing. This led to introduction of Green desktops, equipped with the unique DES technology, that cut overall power consumption from 20-35%. 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 dumping into India.

AWARDS & RECOGNITIONS

- Times Ascent Asia Pacific HR Congress felicitated Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Limited with the 'CEO WITH HR ORIENTATION' award during the Global HR Excellence Awards 2008-09.
- HCL Infosystems Ranked Top 3 for the Fourth Consecutive Year in the Best Employer Study by IDC-DQ 2008
- HCL was awarded the best iPod distribution partner for Apple for the 2nd year in succession.
- Star Communications Sector Sales Award for FY08 from Microsoft.
- STAR Solution Sales in Banking & Insurance Award for FY08 from Microsoft.
- Best Commercial OEM Partner for the Year FY08 from Microsoft.
- HCL received The Platinum Certificate of Excellence Award in August 2008 from HDFC Standard Life Insurance Co Ltd. in appreciation of its contribution & efforts towards continued success of HDFC SLI.

EMPLOYEE MATRIX

HCL Infosystems continues to invest in strong people management initiatives. The total employee strength is 5965 of which over 76% have specialized qualifications in science & technology fields.

HCL has been ranked among the top IT recruiters in the country for the fourth consecutive year by IDC DQ Best Employer Survey 2008. Employee engagement continues to be a key focus area with many initiatives organized during this quarter towards 'Celebrating Diversity' & encouraging appreciation for individual strengths. In response to modern day lifestyle changes, various programmes have been adopted to improve the wellbeing & fitness levels of employees

CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Rs crores		
		Unaudited		Audited
		Q1 FY 09	Q1 FY 08	FY 08
	Gross Sales / Income from Operations	3125.8	3127.3	12605.3
	Less: Excise Duty	39.7	40.7	158.0
1a	Net Sales / Income from Operations	3086.1	3086.6	12447.3
1b.	Other Operating Income #	-12.6	9.9	22.5
2.	Expenditure			
a)	(Increase) / Decrease in Stock in Trade and Work in Progress	-93.2	-95.5	-89.8
b)	Consumption of Raw Materials	534.0	419.2	1753.8
c)	Purchase of Traded Goods	2284.7	2461.5	9447.3
d)	Purchase of Services (Net)	44.8	21.0	114.3
e)	Stores & Spares consumed and Others	39.1	36.3	167.9
f)	Employees Cost	81.0	69.8	301.2
g)	Administration, Selling, Repairs & Others	78.1	71.1	306.2
h)	Depreciation	4.7	4.3	18.6
	Total Expenditure	2973.2	2987.8	12019.5
3.	Profit from Operations before Other Income & Interest (1-2)	100.3	108.6	450.3
4.	Other Income	3.4	4.6	19.5
5.	Profit before Interest (3+4)	103.8	113.2	469.9
6.	Interest Expense (Net)	7.7	7.7	39.7
7.	Profit (+) / Loss (-) from ordinary activities before Tax (5-6)	96.0	105.6	430.1
8.	Tax Expense			
	- Current	27.6	30.8	131.5
	- Deferred	1.4	0.3	-5.6
	- Fringe Benefit	0.9	2.4	4.1
9.	Profit (+) / Loss (-) from ordinary activities after Tax (7-8)	66.1	72.1	300.1
10.	Extraordinary items (net of tax expense Rs Nil)	-	-	-
11.	Net Profit(+)/ Loss (-) for the period (9-10)	66.1	72.1	300.1
12.	Basic EPS (Not annualised) Rs/share	3.9	4.3	17.6
	# includes Exchange Fluctuation Gains (+) / Losses (-) (including unrealised gains/ losses on re-instatement of trade payable and receivables)	-16.5	6.6	1.3

KEY RATIOS

Key Ratios	Q1 FY 09	FY 08
Return on Capital Employed %	29%	34%
Return on Net Worth %	25%	30%
Debt / Debt+Equity	0.27	0.26
Debtors Collection period (days) {annualised}	43	36
Inventory turnover (annualised)	13	14
Current ratio	1.6	1.6

CONSOLIDATED SEGMENT

			Rs crores		
	Particulars	Unaudited		Audited	
		Q1 FY 09	Q1 FY 08	FY 08	
1. Segment Revenue					
a)	Products and Related Services				
	- Computer Systems & Other Related Products (Gross)	875.9	761.4	3388.9	
	Less: Excise Duty	39.7	40.7	157.8	
	- Computer Systems & Other Related Products (Net)	836.3	720.7	3231.1	
	- Telecommunication & Office Automation (Net)	2257.1	2365.7	9222.8	
b)	Internet & Related Services	9.4	9.8	40.6	
	Total	3102.7	3096.2	12494.5	
	Less: Intersegment revenue	16.7	9.7	47.2	
	Net Sales / Income from Operations	3086.1	3086.6	12447.3	
2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)					
a)	Products and Related Services				
	- Computer Systems & Other Related Products	47.6	51.9	199.5	
	- Telecommunication & Office Automation	62.7	66.9	285.4	
b)	Internet & Related Services	(1.4)	(1.4)	(4.1)	
	Total	108.9	117.3	480.9	
	Less:				
	i) Interest Expense (Net)	7.7	7.7	39.7	
	ii) Other un-allocable expenditure net off	8.5	8.7	30.5	
	iii) Un-allocable income	3.4	4.6	19.5	
	Total Profit before Tax	96.0	105.6	430.1	
3. Capital Employed (Segment Assets - Segment Liabilities)					
a)	Products and Related Services				
	- Computer Systems & Other Related Products	981.1	860.4	953.4	
	- Telecommunication & Office Automation	314.0	238.1	177.8	
b)	Internet & Related Services	(2.2)	(0.1)	(2.3)	
c)	Unallocated				
	- Liquid Assets	115.4	143.1	216.4	
	- Others Unallocated (including investment in assets given on finance lease)	12.5	(1.4)	25.4	
	Total Capital Employed	1420.8	1240.1	1370.7	

CONSOLIDATED BALANCE SHEET

	Rs crores	
	Unaudited	Audited
Particulars	30.9.08	30.6.08
Net Worth	1042.2	1016.2
Loans	378.6	354.5
Deferred Tax Liability (Net)	8.1	6.7
Net Fixed Assets	177.5	169.8
Investments and Cash & Bank Balances	354.7	534.8
Inventory	979.0	898.5
Sundry Debtors	1460.8	1248.1
Other Current Assets	308.8	238.7
Current Liabilities & Provisions	(1851.8)	(1712.5)
Total Capital Employed	1429.0	1377.4

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US \$ 3 billion (Rs. 12604 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.

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

ABOUT HCL ENTERPRISE

HCL 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 58,000 professionals of diverse nationalities, who operate from 19 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, log in at <http://www.hcl.in>