

# HCL Infosystems Limited

## Investor Annual Update

21<sup>st</sup> August 2013

**HCL**

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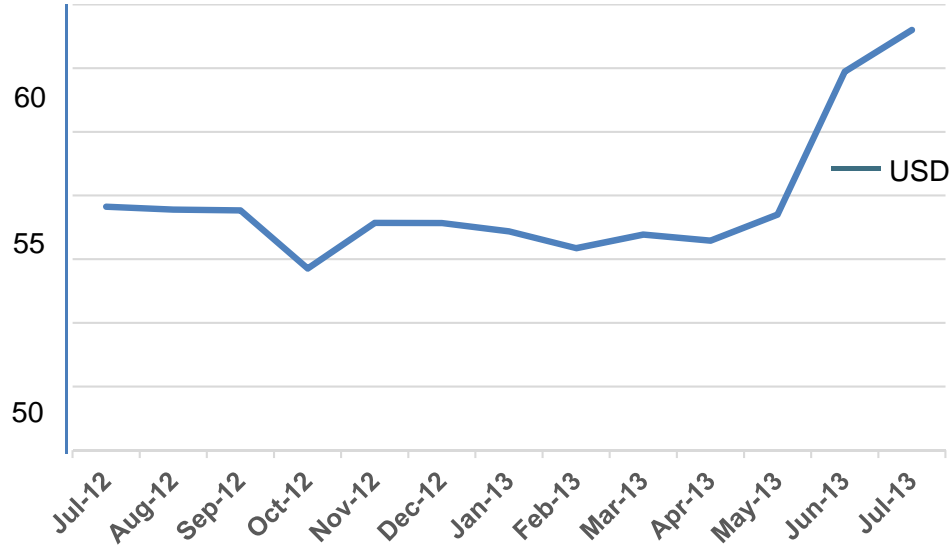
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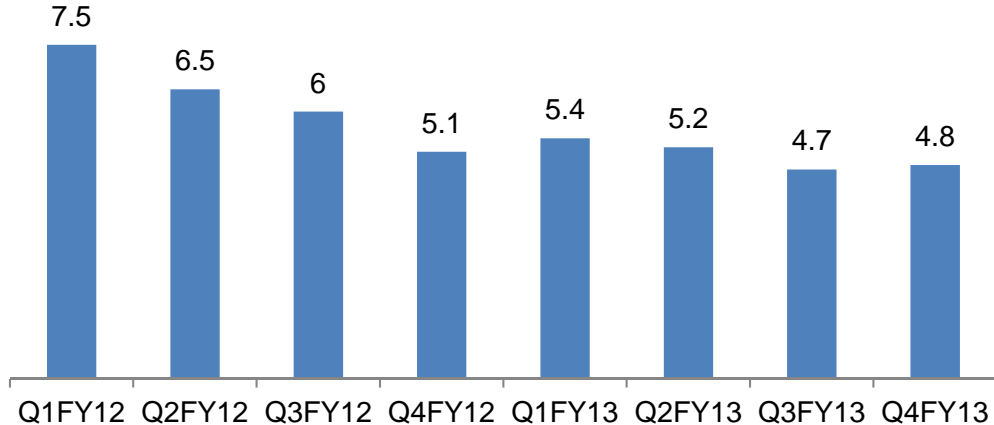
# Macro Economic and Business Environment Indicators

## Exchange rate (INR – USD)



Source: Oanada

## GDP growth rate (%)



Source: Central Statistics Office; RBI

- Economic growth slowdown impacting the IT hardware and services spending
- Unfavorable swings in exchange rate adversely impacting the material cost
- Decline in Government spending with rising fiscal deficit
- Large projects stalled or milestone delays due to lack of decisions
- Payment delays mainly from public sector clients

# Business Highlights and Lowlights

## Highlights

- **IT Services & Solutions business** won many large Infra Outsourcing deals and added new clients; Rs 4,000 cr order book in SI
- Non-Telecom **Distribution** doubled in this year; Growth pick-up in Telecom as well in Q4FY13
- **Mobility**: Five-fold growth and internal markets expansion
- **Learning**: Break-even is afoot; fast emerging as a credible player
- **Care**: Multiple OEM sign-ups; D2C launch
- **Operating profit** before exchange differences and provision for doubtful debts at **Rs. 57 cr** in FY13.
- **Free cash flow** from operations at **Rs.170 cr** for FY 13

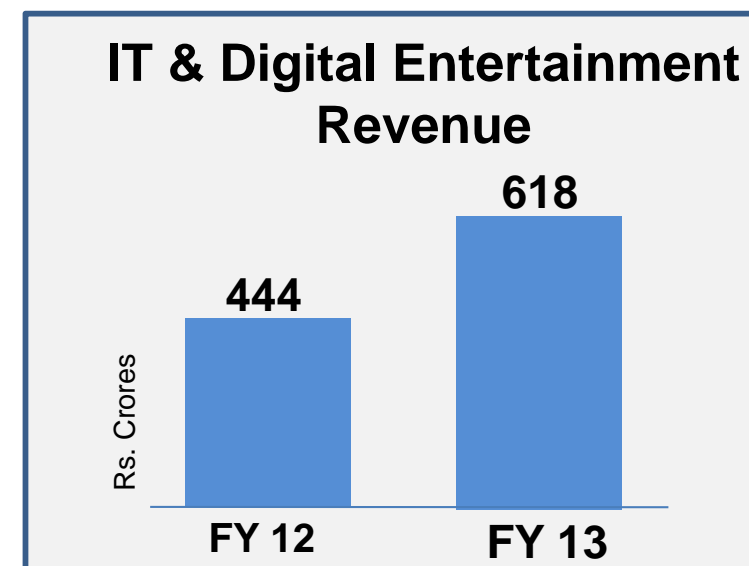
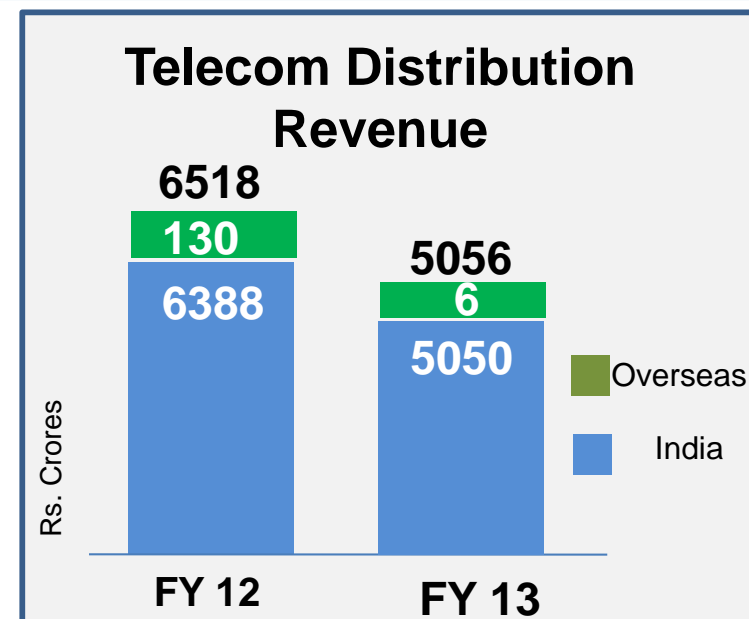
## Lowlights

- Difficult market conditions for Hardware
- De-growth in PC industry
- Decline in Telecom Distribution business
- Slow movement in old SI Projects – Cost increases, receivables, increased finance cost
- Exchange rate impact
- Impairment costs of over-due receivables
- High interest cost burden

# Distribution

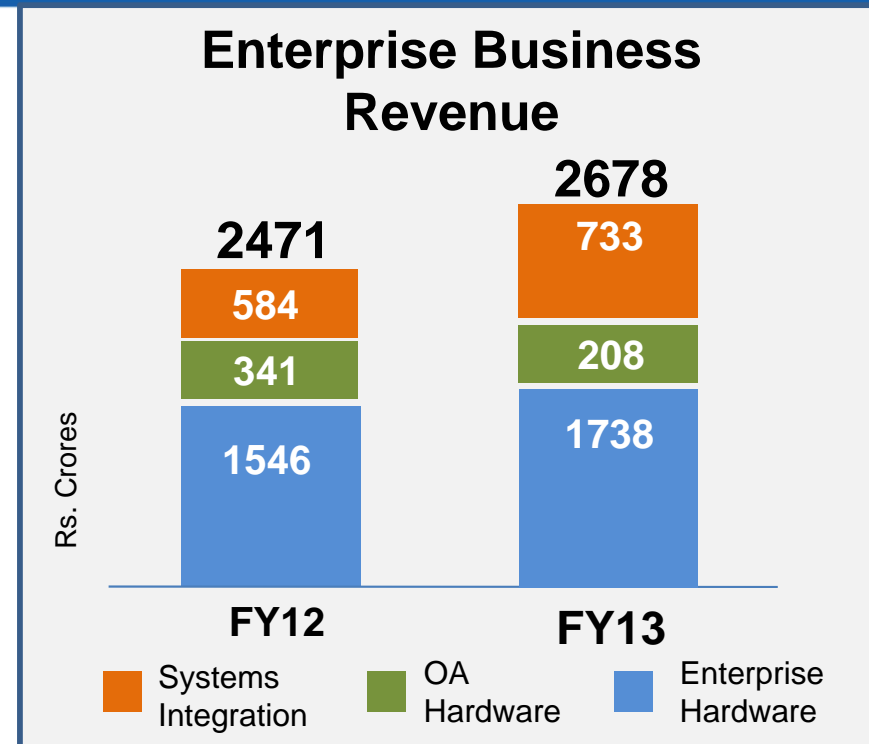
- ❑ **Telecom Distribution:** Y-o-Y decline due to volume decline
  - ❑ Robust Q-o-Q traction in the First Phone Category and Windows Phone Category seen in Q4.
  - ❑ Launched first Ultra Low Cost Handset model Nokia 105 in rural markets across India with first of its kind One year Replacement Guarantee.
- ❑ **IT & DE Distribution:** Revenues doubled in FY13 with significant expansion in product portfolio with many leading brands across IT, Office Automation, Digital Entertainment and Lifestyle product segments.

**New Principals Added in Q4:** ViewSonic, Molex, Huawei, Datacard, D-link, Unistal, Acer and Simmtronics



# Enterprise Hardware & Solutions

- ❑ **SI Business:** Profitability improvement and healthy order book
  - ❑ Steady execution of prestigious UIDAI project
  - ❑ Order Book at ~Rs. 4000 cr
- ❑ **Challenging environment** continues
  - ❑ Delay in milestone sign-offs and release of payment continue to plague the business resulting in cost over-runs, write-offs and interest burden on working capital
- ❑ BR impairment, high working capital, exchange rate fluctuations **impacting profitability of enterprise hardware business**

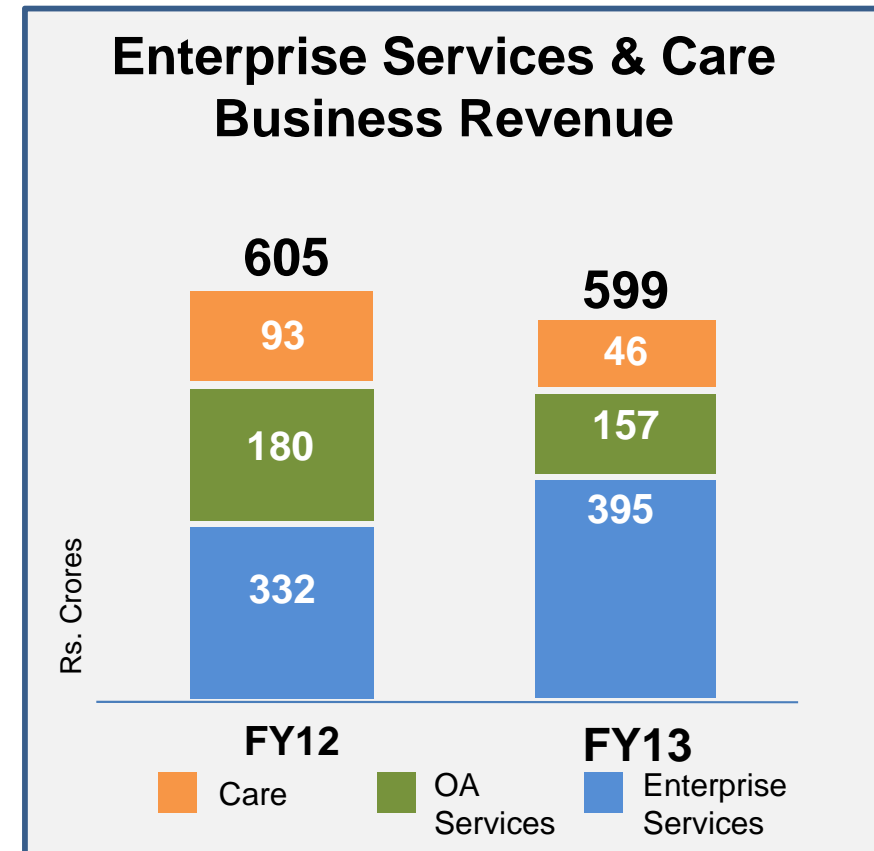


- **Selective in Hardware & SI deals**
- **Lean Operations**

# Enterprise Services & Care (1/2)

## □ Enterprise Services:

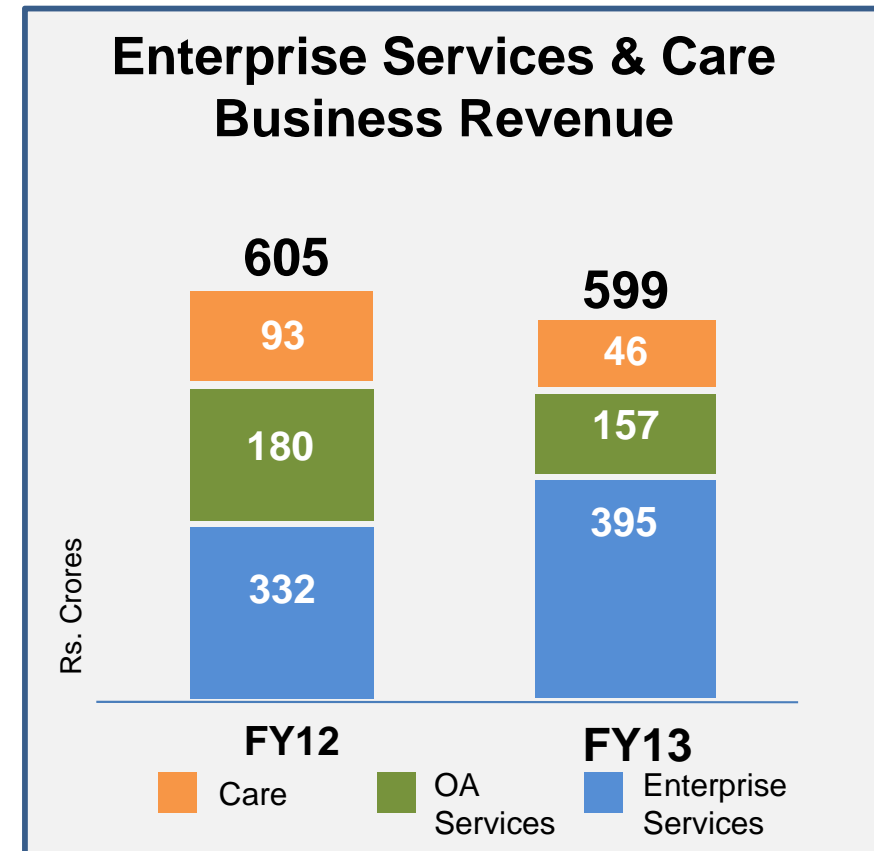
- Large infra-outsourcing deals and many prestigious clients added in **Managed Services** and **Apps Services**.
- **Managed Services** won 28 contracts during the year in Singapore.
- Overseas wins like Qatar Foundation and DP World, and contract renewals from Dubai Airport and Doha Bank were other significant highlights for **Apps Services** business



# Enterprise Services & Care (2/2)

## □ Care:

- Nokia repair revenue impacted due to decline in handset volumes
- Signed new service partnerships with brands like Samsung, Lenovo, Philips, Emerson etc
- Launched D2C initiative - Multi Product Multi Brand Break Fix Services, under HCL “TOUCH” brand with 15 HCL owned centers and 150+ Authorized Service Partners across locations in India.





# Mobility, Consumer & SMB Computing

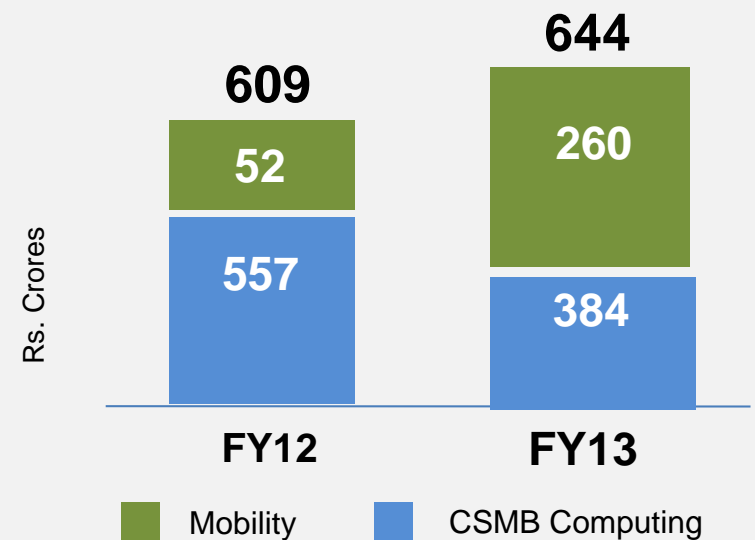
## □ Mobility

- 400% Y-o-Y growth in revenues in FY 13
- Highly successful foray in Middle East with the region already contributing substantial share in the very first year
- Multi-million dollar official sponsorship deal signed with Turkish Sports Club, Galatasaray, to increase brand visibility in Eastern Europe.

## □ Consumer Computing

- De-growth in PC Industry impacting business and margins
- Persisting under-valuation of rupee resulting in margin pressures

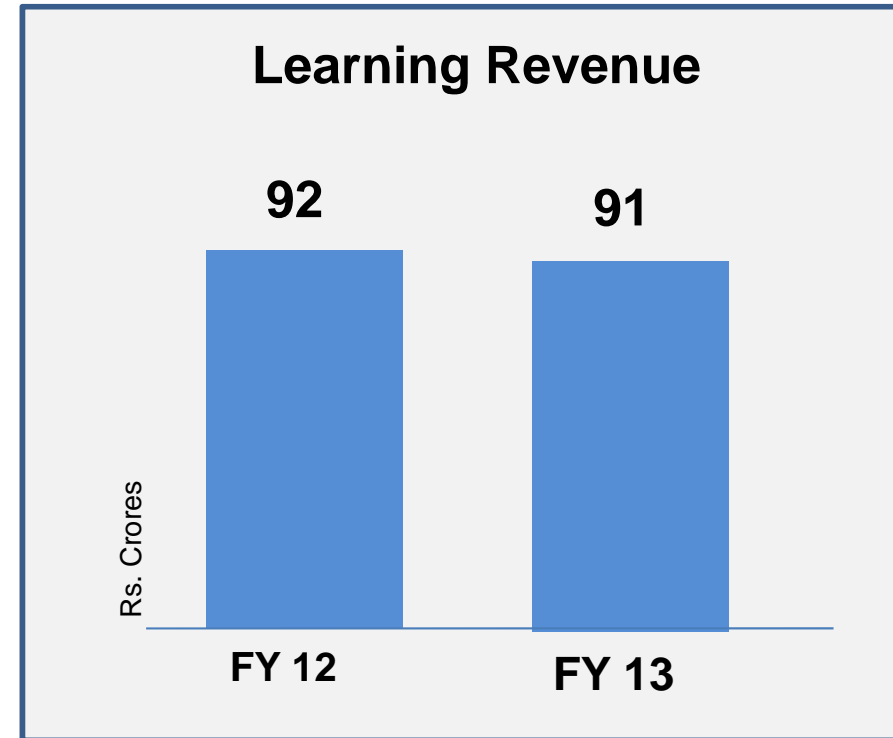
### Consumer & SMB Computing and Mobility Revenues



**Tablets: Sustained growth momentum through new product launches and market expansion**

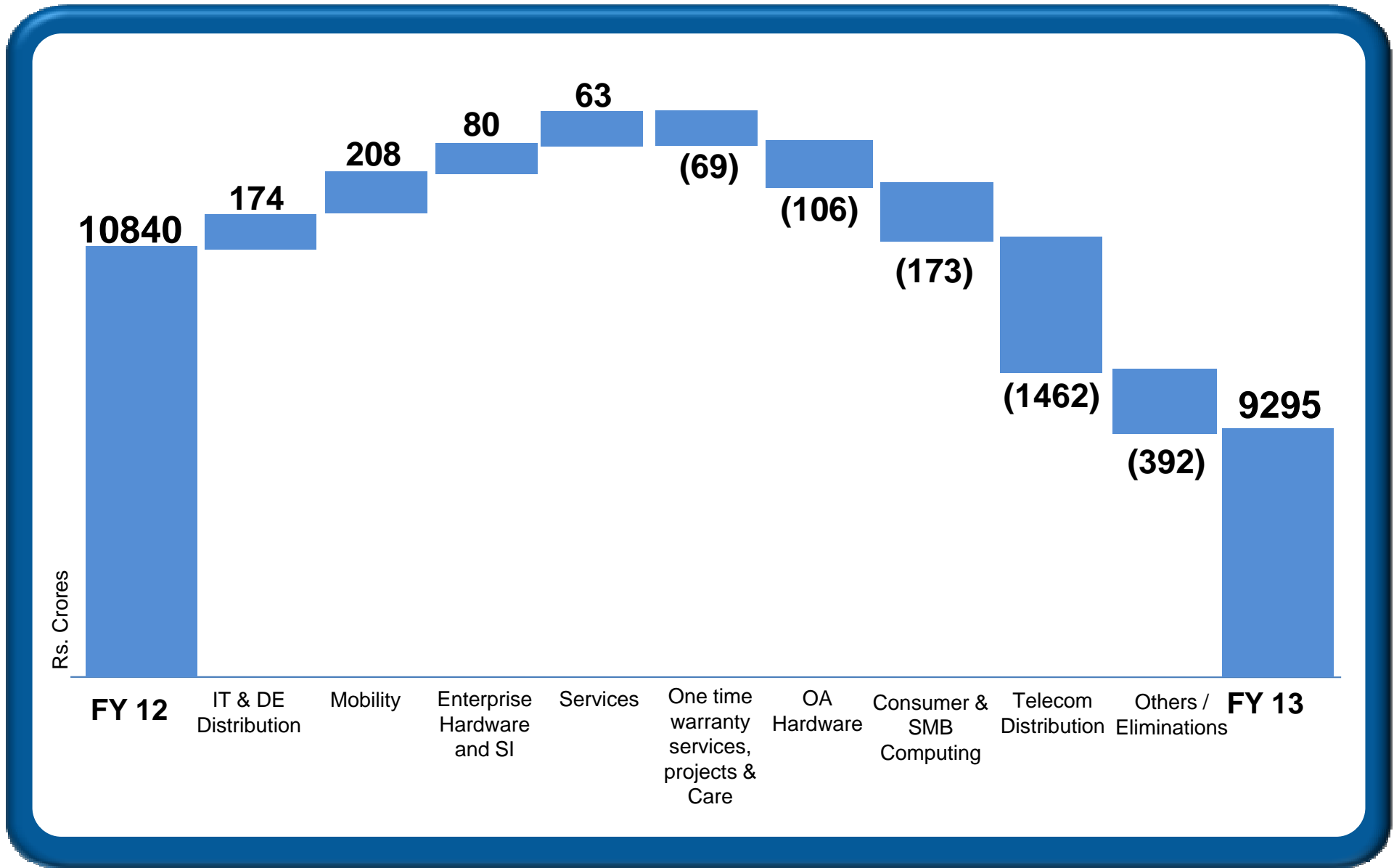
# Learning

- ❑ Implemented 2,675 classrooms in last quarter taking our total class-room base to 11,400.
- ❑ Won many orders and added new customers such as Delhi Public School - East of Kailash, Vasant Vihar & Dwarka in Delhi, DPS-Dhanbad, Gowtham Model School & Srigayatri Educational Institutions in Hyderabad and Euro School & HAL in Mumbai, among many more
- ❑ Judicious growth approach and high focus on customer service has resulted in one of the lowest industry NPAs with break-even afoot for the business

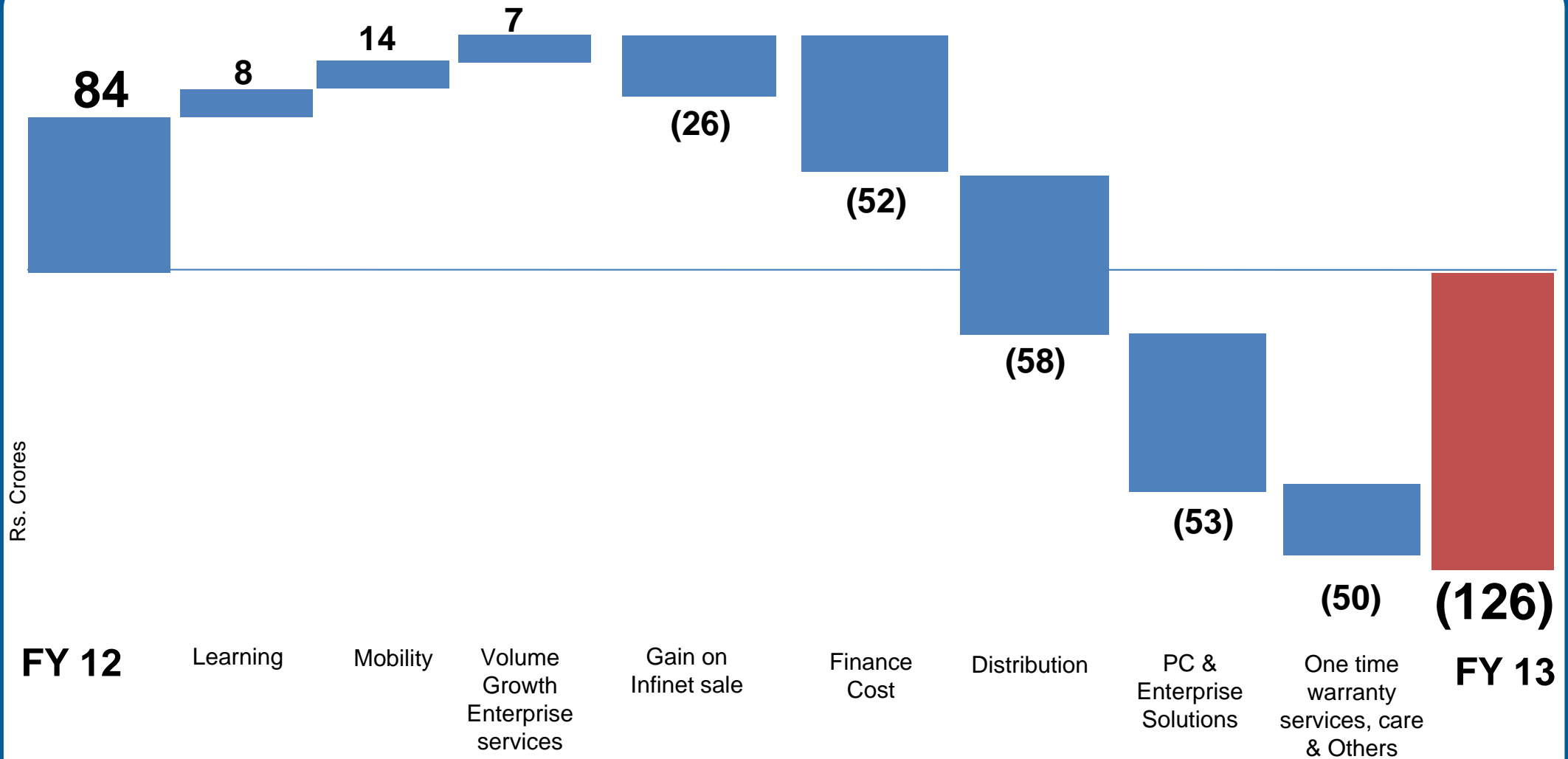


**Well-poised to capture the opportunity due to weakening market leaders**

# Results Highlights – Consolidated Revenue



# Results Highlights – Consolidated PBT



Rs. Crores

**FY 12**

Learning

Mobility

Volume Growth Enterprise services

Gain on Infinet sale

Finance Cost

Distribution

PC & Enterprise Solutions

One time warranty services, care & Others

**FY 13**

# Business Break up – Revenue

	Unaudited			Rs. Crores	
Consolidated Revenue	FY 13	FY 12	YoY Growth	Q4 FY 13	Q3 FY 13
- Enterprise Hardware	1,814	1,886	-4%	381	398
- Systems Integration	733	584	25%	144	201
- Consumer Computing & Mobility	644	609	6%	184	172
- Overseas	132	127	4%	29	39
<b>Hardware Products and Solutions</b>	<b>3,323</b>	<b>3,208</b>	<b>4%</b>	<b>738</b>	<b>809</b>
<b>Services</b>	<b>599</b>	<b>605</b>	<b>-1%</b>	<b>161</b>	<b>157</b>
<b>Learning</b>	<b>91</b>	<b>92</b>	<b>-1%</b>	<b>43</b>	<b>18</b>
- Telecom Distribution	5,056	6,518	-22%	1,130	998
- IT & Digital Entertainment	853	444	39%	176	188
<b>Distribution</b>	<b>5,702</b>	<b>6,962</b>	<b>-18%</b>	<b>1,306</b>	<b>1,186</b>
<b>Intersegment / Adjustments</b>	<b>-431</b>	<b>-26</b>		<b>-110</b>	<b>-76</b>
<b>Total Revenue</b>	<b>9,295</b>	<b>10,840</b>	<b>-14%</b>	<b>2,138</b>	<b>2,095</b>

**Enterprise Solutions & SI caused the drag on overall financial performance**

# Update on Restructuring

We are re-organizing our diverse businesses in various subsidiaries...

HCL - I

Computing & Mobility

Solutions

Services

Learning

Distribution

## Update

### Court Scheme

- Appointed NSE as “Designated Stock Exchange” to co-ordinate with SEBI.
- NSE processed the application and forwarded the same to SEBI on 8th March.
- SEBI issued its NOC to NSE & BSE on 17th May. NSE & BSE issued their Observation Letter on 17th May.
- An application was filed with Delhi High Court along with the Scheme on 18th May.
- In the Court convened meetings held on 20th July’13, the Equity Shareholders, Secured creditors & Unsecured creditors have given their unanimous approval to the Scheme.
- The petition for sanction of the High Court of Delhi under review.

### Cost optimization

- Actions completed in FY12-13 to achieve annualized cost savings of Rs 37 cr
- Actions underway (to be completed in H1 FY14) for additional cost optimization of Rs 25 cr

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