

# HCL Infosystems Limited

## Quarterly Investor Update

12<sup>th</sup> February 2014

**HCL**

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# Performance Overview

*Our Transformation Story is well on course*

- Focus businesses, Distribution & Services, driving growth and profitability
- **Distribution Business**
  - **Non-Telecom Distribution business** grew 60% Y-o-Y backed by expansion in portfolio
  - **Telecom distribution** business declined 7% sequentially after registering double-digit revenue growth in past two quarters
- **Services Business**
  - Grew 14% Y-o-Y during the quarter
  - Break-Fix Support Services (LCS and OA CSO) positioned as provider of Multi-Vendor Technology Support Services. Good new wins (Delta, Xerox)
  - IMS and EAS saw positive traction in overseas markets
- **Learning Business**
  - Learning business declined for the quarter due to drop in customer spends

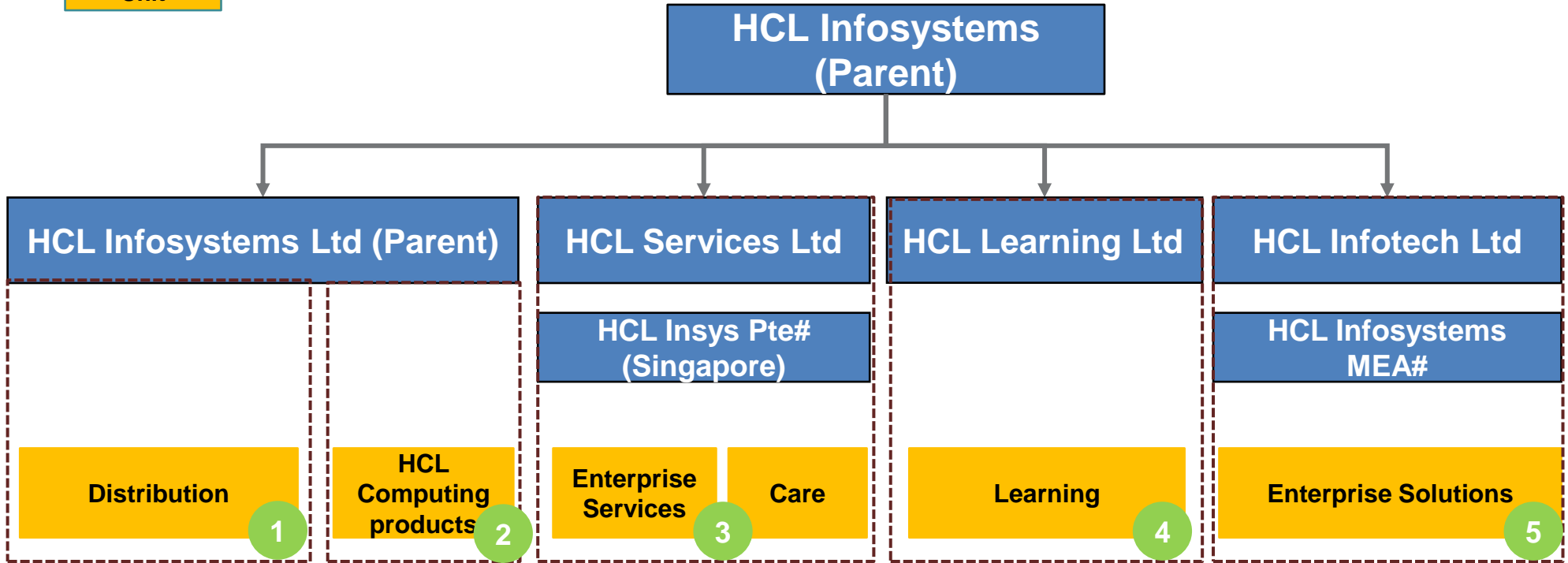
# Performance Overview

*Our Transformation Story is well on course*

➤ **Hardware Solutions Business**

- Transition to **Asset Light SI Services Business** from Traditional Hardware oriented Systems Integration Business.
- Selective pursuit of opportunities with limited exposure to Forex and Working capital in Infrastructure Solutions Business.
- Forex & high working capital centric Hardware business is being gradually wound-down and transitioned to asset-light Distribution & Services oriented business model.
- During this transition, Hardware Solutions business will continue to put some drag:
  - Old projects need to be completed, milestones signed off, money collected, and BGs recovered
  - Collections in old government projects remain sluggish
  - While required bad-debts provisions have already been taken, high interest burden on account of loans taken for this business (this drag expected to continue for 12-18 months)
  - Repositioning charges in SG&A and inventory liquidation costs during wind-down: expected to be completed by June 2014

# Re-structured Organization

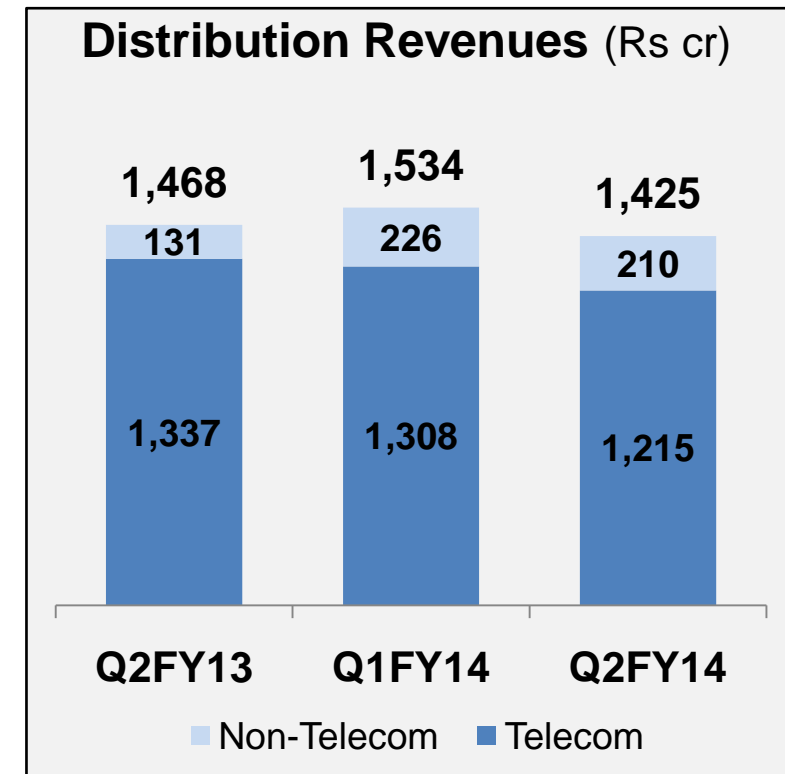


## ❑ Telecom Distribution

- ❑ 7% Q-o-Q decline in Telecom Distribution after two consecutive quarters of double-digit growth
- ❑ Achieved the highest value performance in a single month in October 2013 in last two years. However, sharp drop post Diwali
- ❑ Expanded last-mile footprint and added 137 Regional Rural Dealers across the country

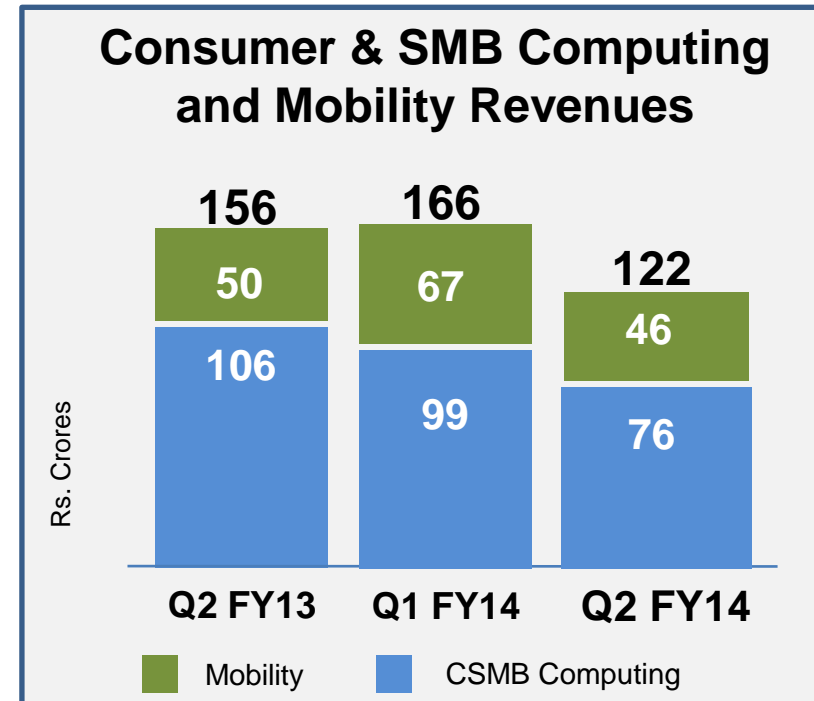
## ❑ Non-Telecom Distribution

- ❑ 60% Y-o-Y growth
- ❑ Successful transition of Office Automation and Software Products to Distribution model
- ❑ Sign-up of Canon (Printers), Lenovo (Yoga Tablet), Huawei (video conferencing), Datacard (ID card printers) during the quarter
- ❑ Consumer Electronics / Home Appliances Distribution off to a good start: Hamilton Beach, Braun, DeLonghi, Harman Kardon already on-board



		Unaudited (Rs. Crores)
	Particulars	Q2 FY14
1	<b>Consolidated Revenue</b>	<b>1425</b>
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	23.3
3	Exchange differences Loss / (Gain)	(0.4)
4	Provision for Doubtful Debts	
5	Other Income	0.2
6	<b>Profit / (Loss) from ordinary activities before Interest and Tax (2-3-4+5)</b>	<b>23.9</b>

- ❑ Gross Margins impacted due to adverse exchange rate
- ❑ Issue to be alleviated to a large extent as we transition to new Distribution oriented business model and reduce forex denominated purchases
- ❑ Focus on sell through inventory and liquidating BR
  - Gross Working Capital reduced from ~Rs 500 cr to ~Rs 400 cr in this quarter
  - Plan to reduce the gross working capital to minimal levels by June 2014
- ❑ Positioned business for new business model from manufacturing-centric to Distribution & Services focused
  - However, repositioning charges in short-term on account of SG&A and inventory wind-down
  - Wind-down of old business model expected by June 2014



Unaudited management accounts



		Unaudited Rs. crores
	Particulars	Q2 FY14
1	<b>Consolidated Revenue</b>	<b>122</b>
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	(22.1)
3	Exchange differences Loss / (Gain)	5.7
4	Provision for Doubtful Debts	0.1
5	Other Income	-
6	<b>Profit / (Loss) from ordinary activities before Interest and Tax (2-3-4+5)</b>	<b>(27.9)</b>

- Annual as well as sequential growth

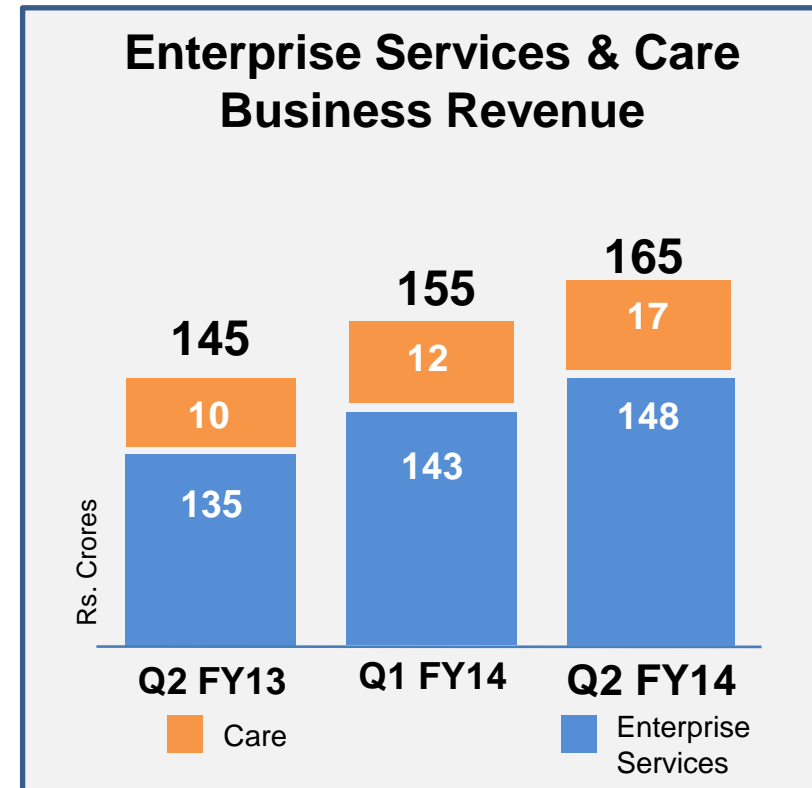
- 14% Y-o-Y; 6% Q-o-Q

- **Enterprise Services:**

- **IT and Office Automation Breakfix**

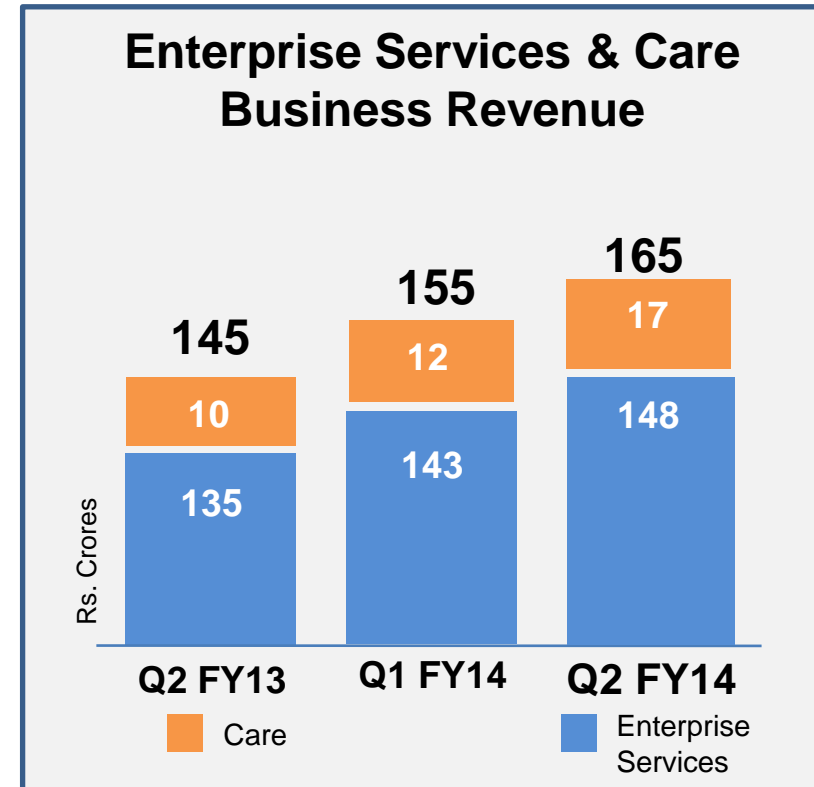
**Services** strengthened their position as a provider of Multi-Vendor Technology Support Services: signed-up Delta and Xerox as Principals in this quarter

- **IMS** continued to build order book in Singapore: won large IDA contract + shortlisted among top three vendors for another multi-million dollar contract



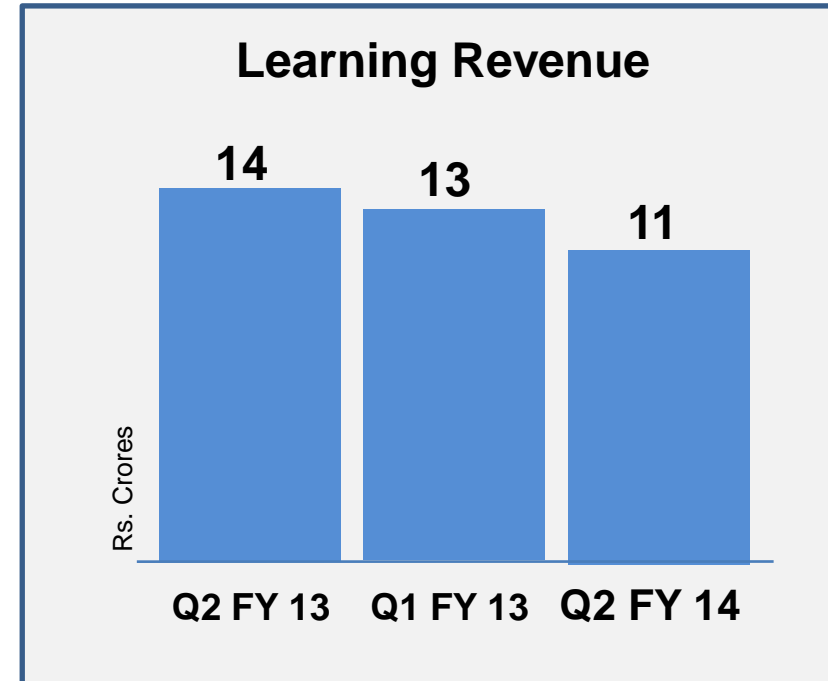
## ❑ Care Services (Consumer Electronics & Appliances breakfix services):

- ❑ 40% Q-o-Q growth
- ❑ Care Touch Stores service network expanded to 250+ locations across India
- ❑ Continued expansion of scope of engagement with OEMs
  - Nokia Repair Factory renewal with scope expansion for North India
  - Samsung White Goods Service centre in Dehradun
  - Started operations for Bajaj Electricals in multiple regions of Delhi



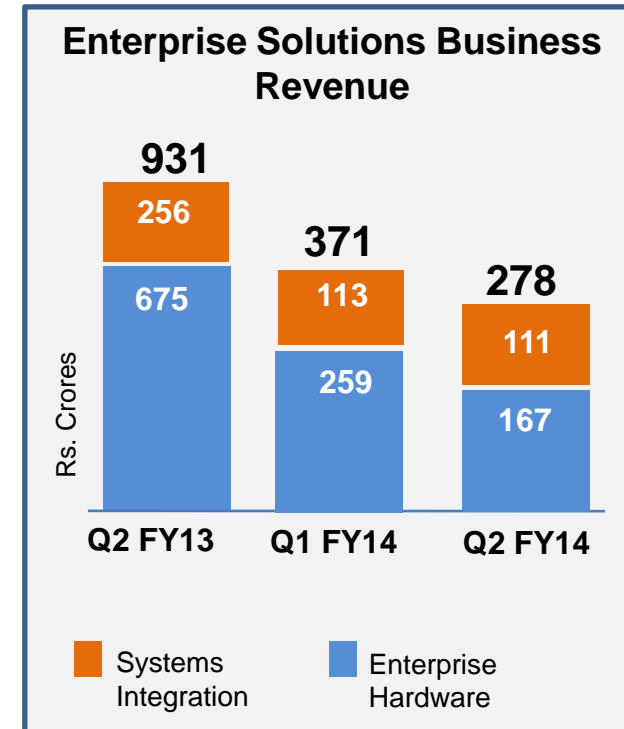
		Unaudited Rs. crores
	Particulars	Q2 FY14
1	<b>Consolidated Revenue</b>	<b>165</b>
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	15.4
3	Exchange differences Loss / (Gain)	(0.7)
4	Provision for Doubtful Debts	0.3
5	Other Income	(0.1)
6	<b>Profit / (Loss) from ordinary activities before Interest and Tax (2-3-4+5)</b>	<b>15.7</b>

- ❑ Drop in customer spends
- ❑ HCL Learning has remained selective in classroom additions to limit NPAs
- ❑ Added a highly prestigious school 16000 students and 130 classrooms
- ❑ Launched two new products 'My IIT Tutor' and 'MyEduWorld-Drive' - plug and play devices pre-loaded with content. Healthy pipeline of sizeable deals with schools (B2B2C channel)
- ❑ Business is seasonal & skewed to April-June quarter



		Unaudited Rs. crores
	Particulars	Q2 FY14
1	<b>Consolidated Revenue</b>	<b>11</b>
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	(1.6)
3	Exchange differences Loss / (Gain)	-
4	Provision for Doubtful Debts	0.6
5	Other Income	0.8
6	<b>Profit / (Loss) from ordinary activities before Interest and Tax (2-3-4+5)</b>	<b>(1.4)</b>

- ❑ Transition to new business model
  - Asset-light SI Services
  - Selective pursuit of opportunities with limited FX/ WC requirement in Infra Soln.
- ❑ During this transition, Hardware Solutions business will continue to put some drag:
  - Old projects need to be completed, milestones signed off, money collected, and BGs recovered
  - Collections in old government projects remain sluggish
  - While required bad-debts provisions have already been taken, high interest burden on account of loans taken for this business (this drag expected to continue for 12-18 months)
- ❑ Expect the wind-down of existing order book and consequently significant reduction in gross working capital employed (~Rs 1,700 cr) in the business over next 2 years
- ❑ UIDAI – launched e-KYC service; stabilized operations for generating 2.5 Cr AADHAR cards per month



**Good start to our SI Services centric business model: key wins CEA ERP, DOP Mail Operations, etc.**

		Unaudited Rs. crores
	Particulars	Q2 FY14
1	<b>Consolidated Revenue</b>	<b>278</b>
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	2.1
3	Exchange differences Loss / (Gain)	14.5
4	Provision for Doubtful Debts	0.7
5	Other Income	1.0
6	<b>Profit / (Loss) from ordinary activities before Interest and Tax (2-3-4+5)</b>	<b>(12.0)</b>



# Q2 Summary snapshot

Unaudited Rs. crores

## Hardware Solutions

	Particulars	Distribution	Services	Learning	Solutions	Consumer Computing & Mobility	Unallocated / Eliminations	Total
1	<b>Consolidated Revenue</b>	<b>1,425</b>	<b>165</b>	<b>11</b>	<b>278</b>	<b>122</b>	<b>(19)</b>	<b>1,982</b>
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	23.3	15.4	(1.6)	2.1	(22.1)	(8.0)	9.1
3	Exchange differences Loss / (Gain)	(0.4)	(0.7)	-	14.5	5.7		19.1
4	Provision for Doubtful Debts	-	0.3	0.6	0.7	0.1	0.1	1.7
5	Other Income	0.2	(0.1)	0.8	1.0	-	10.1	12.0
6	<b>Profit / (Loss) from ordinary activities before Interest and Tax (2-3-4+5)</b>	<b>23.9</b>	<b>15.7</b>	<b>(1.4)</b>	<b>(12.0)</b>	<b>(27.9)</b>	<b>1.8</b>	<b>0.3</b>
7	Finance Cost (net)							41.1
8	<b>Profit Before Tax</b>							<b>(40.8)</b>

# Questions?

## **Please join Q&A Session on Audio Conference**

**Primary Dial in Access Toll Free Number – 18002001298**

**Back Up Access Toll Free Number – 18002000209**

**Participant Pin - 51001809#**

**Dial above number, enter participant pin for joining Q&A  
To ask a question kindly press 01**

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