

HCL Infosystems Limited

Quarterly Investor Update

2nd May 2014

HCL

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Performance Overview

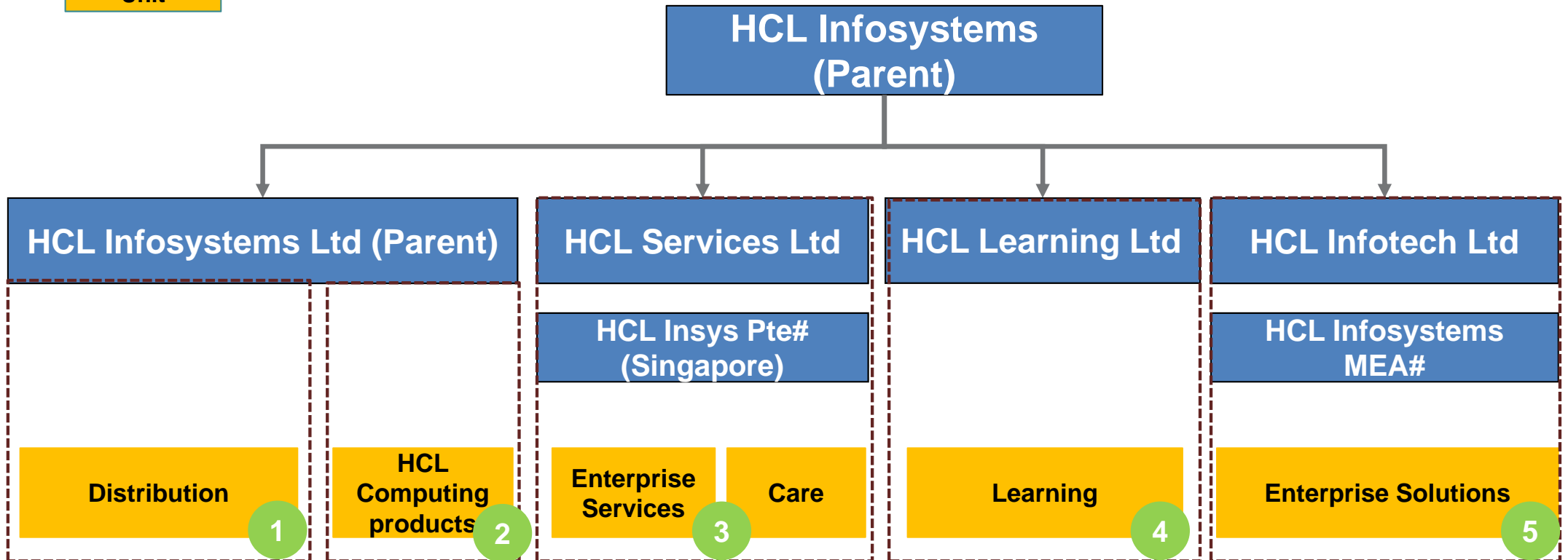
Business Transformation in progress

- Growth and profitability improvements driven by Distribution & Services businesses, the Key Focus Areas
- **Distribution Business**
 - ❖ **Non-Telecom Distribution business** good growth in line with portfolio expansion
 - ❖ **Telecom distribution** business gross margin improved despite decline in volumes.
- **Services Business**
 - ❖ Y-o-Y double digit growth continues
 - ❖ Net addition of Rs. 87 crores ACV to Services contract bank during the quarter
- **Learning Business**
 - ❖ Cautious approach to opportunities
- **Hardware Solutions Business**
 - ❖ Focus on asset light, FX insulated and low working capital intensive SI Services
 - ❖ Recover receivables to reduce capital employed over next 2 years
 - ❖ Repositioning charges considered

Re-structured Organization

Legal entity

Business Unit



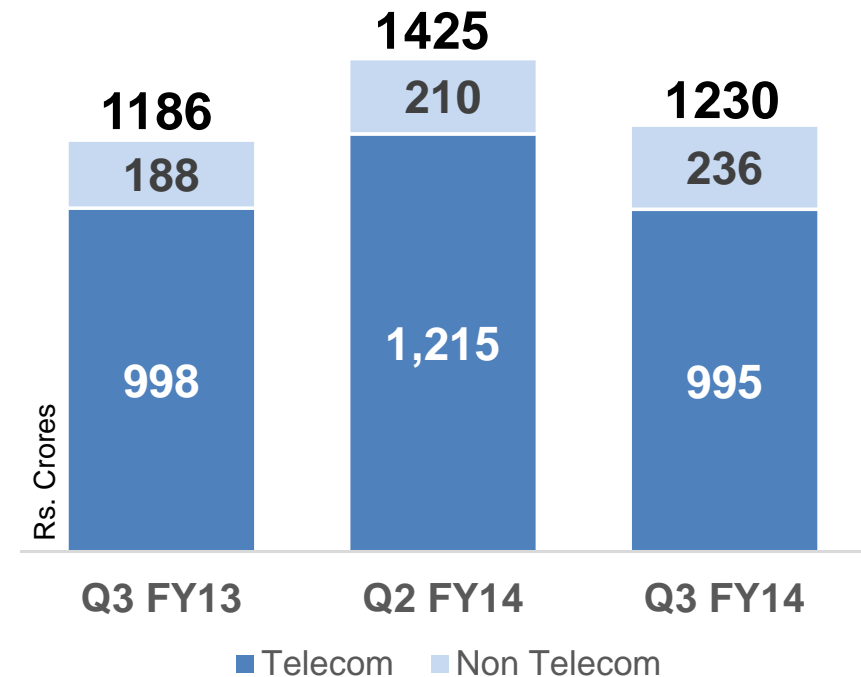
❑ Telecom Distribution

- ❑ Significant volumes drop sequentially to non-festive quarter.
- ❑ Gross margin expanded due to operational efficiency and widened scope of engagement.
- ❑ Strengthened the footprint by adding 88 new Rural distributors.

❑ Non-Telecom Distribution

- ❑ 12% Q-o-Q and 25% Y-o-Y growth
- ❑ Volume expansion in existing Principals in IT Hardware, Office Automation, Software Products and Consumer Electronics.
- ❑ Some key new principal added like Philips and HP

Distribution Revenues

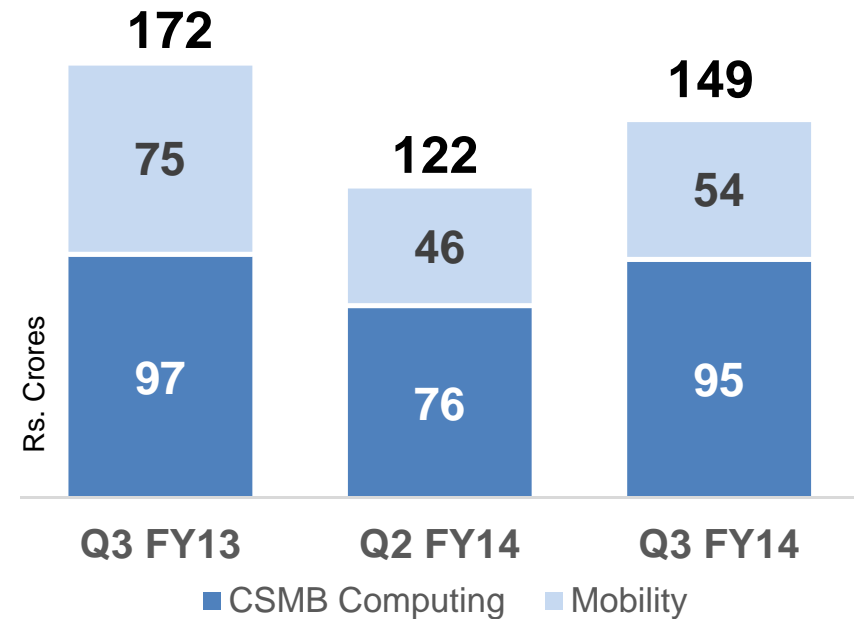


		Unaudited (Rs. Crores)	
	Particulars	Q2 FY14	Q3 FY14
1	Consolidated Revenue	1425	1230
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts	23.3	25.5
3	Exchange differences Loss / (Gain)	(0.4)	(1.6)
4	Provision for Doubtful Debts		-
5	Other Income	0.2	1.1
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	23.9	28.2

- Margin expansion along with additional engagement with Telecom distribution principal

- ❑ Progress in line with plan to move to Third Party Distribution oriented business model.
- ❑ Profitability was significantly impacted by working capital liquidation charges and other provisions on some product lines that we plan to transition out in next 6 months.
- ❑ Working capital to be monetized in next 6 months.

Consumer & SMB Computing and Mobility Revenues



Unaudited management accounts

		Unaudited Rs. crores	
	Particulars	Q2 FY14	Q3 FY14
1	Consolidated Revenue	122	149
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts	(22.1)	(28.9)
3	Exchange differences Loss / (Gain)	5.7	5.0
4	Provision for Doubtful Debts	0.1	-
5	Other Income	-	0.3
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	(27.9)	(33.6)

- Phasing out of product lines resulting in charges on profitability

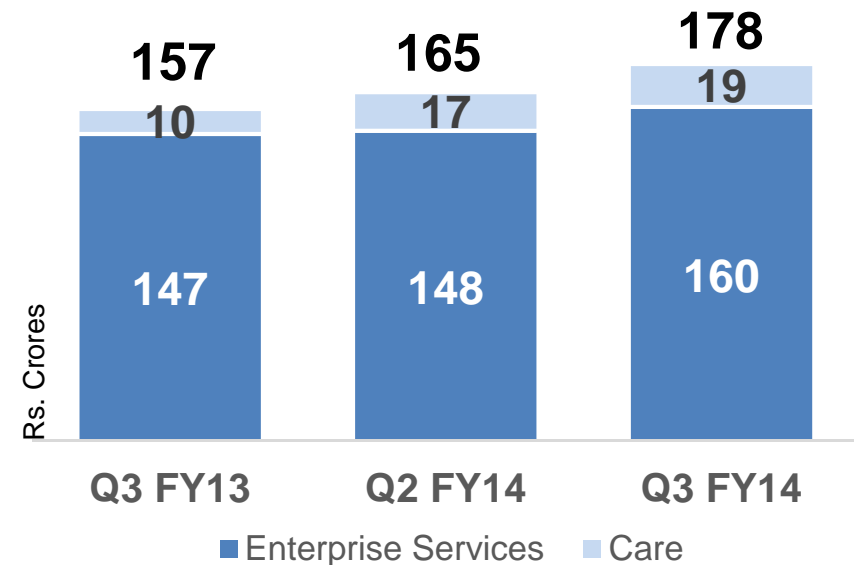
□ Growth momentum continues

- ❖ 8% Q-o-Q; 14% Y-o-Y
- ❖ Rs. 487 crores ACV @ March 2014

□ Enterprise Services:

- ❖ **IMS** continued robust growth by adding a large win of US\$ 9 Mn ACV in Singapore.
- ❖ **Breakfix business:** Multi-Vendor Support Services receiving encouraging response from OEMs.
- ❖ **Launched new offerings** – Enterprise Mobility Services, Enterprise Management Services (EMS) & HCL Smart Enterprise Network Services.

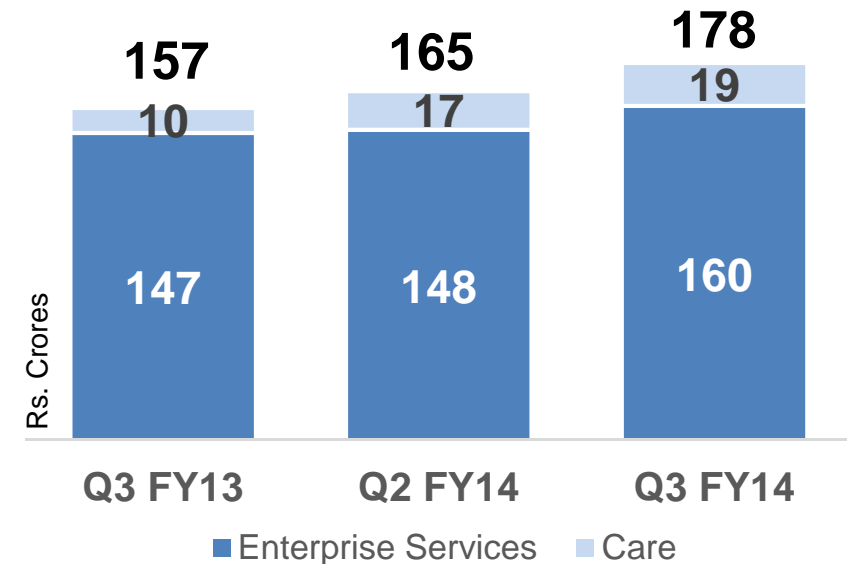
Enterprise Services & Care Business Revenue



□ Care Services (Consumer Electronics & Appliances breakfix services)

- ❖ Growth continues @ 87% Y-o-Y
- ❖ Expansion of scope of engagement with principals
- ❖ Signed new OEM relationships with Delonghi and Lenovo
- ❖ Pan-India reach expanded with 268 “Touch” stores

Enterprise Services & Care Business Revenue

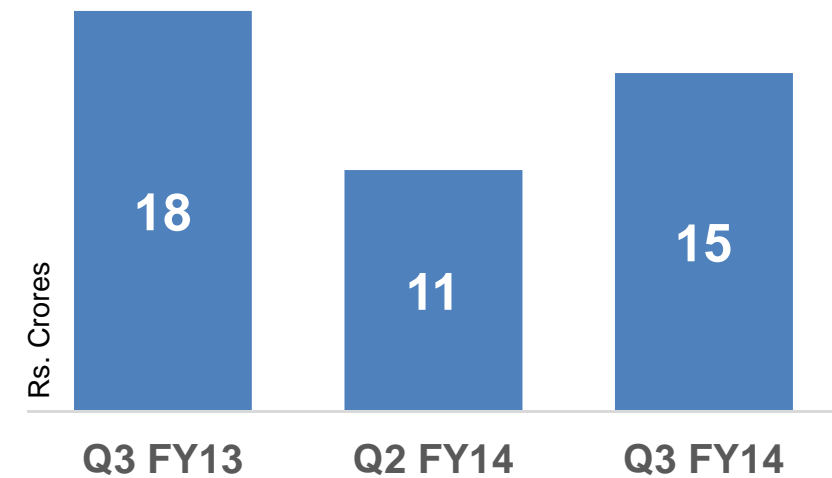


Unaudited Rs. crores			
	Particulars	Q2 FY14	Q3 FY14
1	Consolidated Revenue	165	178
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts	15.4	14.3
3	Exchange differences Loss / (Gain)	(0.7)	(0.2)
4	Provision for Doubtful Debts	0.3	0.2
5	Other Income	(0.1)	0.2
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	15.7	14.5

- Transitioning cost in this quarter for new projects won
- Various productivity and service delivery improvement initiatives underway

- ❑ Subdued market sentiment in education industry
- ❑ Selectively pursuing opportunities for disciplined growth.
- ❑ Expanding the Indian and Global footprint
 - ❑ Key additions in Indian included Sanskaar Valley, St. Mary's Higher Sec School, Maharshi Patanjali Vidya Mandir
 - ❑ Globally added over 200 classrooms like DPS Ghana in Africa, Ullens in Nepal and Indian School, Alwadi in Middle East
- ❑ Education business is seasonal & skewed to April-June quarter

Learning Revenue



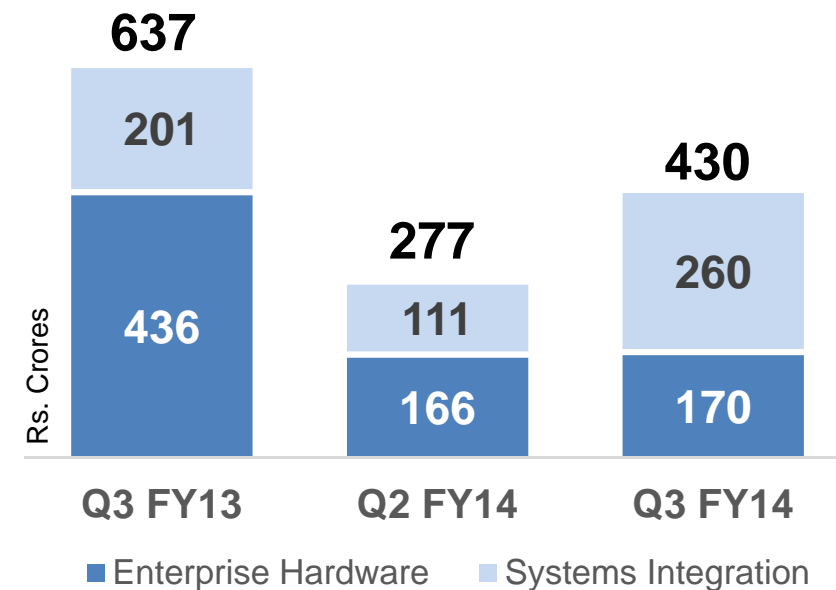
Unaudited Rs. crores

	Particulars	Q2 FY14	Q3 FY14
1	Consolidated Revenue	11	15
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts	(1.6)	0.9
3	Exchange differences Loss / (Gain)	-	0.2
4	Provision for Doubtful Debts	0.6	1.5
5	Other Income	0.8	0.9
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	(1.4)	(0.1)

- Sequential growth in classrooms under implementation

- ❑ SI Order backlog of Rs. 2400 crores in March 2014 down from Rs. 2600 crores in Dec 2013.
- ❑ UIDAI Managed Services - continues to progress well. Reached the milestone of generating 60 crore Aadhaar Cards.
- ❑ Focus on SI Services orders with
 - Asset-light business model
 - Insulated to FX exposure and minimum working capital lock-in.
- ❑ Enterprise Hardware Solutions business phase out continue to depress the margins:
 - Sluggish collections in old govt projects and high finance cost on projects related debt drag the net margins
 - Already factored in provisions on bad receivables.

Enterprise Solutions Business Revenue



Unaudited Rs. crores			
	Particulars	Q2 FY14	Q3 FY14
1	Consolidated Revenue	278	430
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts	2.1	11.0
3	Exchange differences Loss / (Gain)	14.5	13.3
4	Provision for Doubtful Debts	0.7	0.2
5	Other Income	1.0	0.5
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	(12.0)	(2.0)

- Disciplined execution of existing SI order backlog
- Repositioning charges on some of the hardware solutions business that we are transitioning out

Q3 Summary snapshot

Unaudited Rs. crores

Unaudited management accounts

Hardware Solutions

Q3 FY14	Particulars	Distribution	Services	Learning	Solutions	Consumer Computing & Mobility	Unallocated / Eliminations	Total
1	Consolidated Revenue	1,230	178	15	430	149	(28)	1,976
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts	25.5	14.3	0.9	11.0	(28.9)	(21.4)	1.3
3	Exchange differences Loss / (Gain)	(1.6)	(0.2)	0.2	13.3	5.0	(0.5)	16.2
4	Provision for Doubtful Debts	-	0.2	1.5	0.2	-	0.3	2.2
5	Other Income	1.1	0.2	0.9	0.5	0.3	31.5	34.4
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	28.2	14.5	(0.1)	(2.0)	(33.6)	10.2	17.3
7	Finance Cost							39.5
8	Profit Before Tax							(22.2)
Q2 FY14	Profit / (Loss) before Interest and Tax	23.9	15.7	(1.4)	(12.0)	(27.9)	1.8	0.3
Q1 FY14	Profit / (Loss) before Interest and Tax	24.7	7.6	(2.7)	(54.1)	(6.4)	5.5	(25.4)

Questions?

Please join Q&A Session on Audio Conference

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