

HCL Infosystems Limited

Q3 FY15 Investor Update

27th April 2015



Disclaimer

This may contain "forward-looking" information including statements concerning HCL's outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. The forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those that may be inferred to be expressed in, or implied by, the statements. HCL assumes no obligation to publicly update or revise these forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize. All Trademarks are the sole property of their respective owners.

The enclosed financials provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

Legal Notice

Although considerable care has been taken in preparing and maintaining the information and material contained herein, HCL makes no representation nor gives any warranty as to the currency, completeness, accuracy or correctness of any of the elements contained herein. Facts and information contained herein are believed to be accurate at the time of posting. However, information may be superseded by subsequent disclosure, and changes may be made at any time without prior notice. HCL shall not be responsible for, or liable in respect of, any damage, direct or indirect, or of any nature whatsoever, resulting from the use of the information contained herein.

Organisation Structure

Legal entity

Business Unit

HCL Infosystems

HCL Infosystems Ltd

Consumer
Distribution

Enterprise
Distribution

HCL Services Ltd

Enterprise Services

Consumer Services

Global Services

HCL
Infosystems
MEA

HCL Insys
Pte
(Singapore)

HCL Learning Ltd

K-12

Career
Development

HCL Infotech Ltd

Systems Integration &
Solutions

Highlights - Q3 FY15

Highlights

- **Enterprise Distribution:** Grew sequentially at 49% ↑ YoY at 26% ↑
- **Services:** Grew sequentially at 9% ↑ YoY at 30% ↑
 - **Enterprise Services:** Grew Sequentially 11%, YoY at 21%
 - **Consumer Services:** Grew Sequentially 2%, YoY at 110%
- Consolidated revenue Lower at Rs. 1376 cr for Q3 against Rs 1450 cr in Q2.
- Profit/ (Loss) before Tax marginally improved from Rs. (49.6) cr in Q2 to Rs. (45.3) cr in Q3.

Lowlights

- Finance Cost (net of interest income) was Rs. 29.8 cr
- Consumer Distribution Revenue fell by Rs 150 cr largely due to Telecom product rationalization.
- SI PBIT fell by Rs 19 cr due to project mix and continued variability.
- Business rationalization cost during Q3 Rs.15 cr

Highlights - Q3 FY15

Business Highlights

- Enterprise Distribution crosses Rs 100 cr. per month in March 15
- Telecom Distribution online channel rollout completed in Q3 (Revenue accruals from April'15)
- Enterprise Services – Significant uptake in Order Book & Key large customer wins during the quarter
- SI continued its focus on execution – reducing order backlog
 - Aadhaar Card enrolment progressing well & covered over 80 Cr citizens
- Financial Inclusion scales up to cross 20k activations per day
- PC/Mobility almost phased out

Key Recognitions

- Best Retailer of the Year – in Mobile & Telecom Services Category at Asia Retail Congress
- “Champions Quadrant” for Multi Vendor Technology Support & Integrated Managed Services – Data Quest
- Excellence in Implementation & Use of Technology for Business benefits in Enterprise Application Category – Ocean Portal – Dataquest
- Best Access to Banking & Financial Services – eGov BFSI Leadership Summit for our FI Business

Q3 FY15 P&L - Snapshot

Unaudited ₹crores

Q3 FY 15	Particulars to Rs	Distribution	Services	Learning	SI & Solutions	Unallocated/ Eliminations	Sub-Total	PC& Mobility (being phased out)	Total	Q2 FY15
1	Consolidated Revenue	939 ⁴	244	6	213	(27)	1,374	2	1,376	1,450
2	Profit / (Loss) before provision for doubtful debts / write-off and impairments	17.4	2.4	0.3	(7.3) ⁵	(14.4)	(1.6)	(4.9)	(6.5)	9.5
3	Provision for doubtful debts / write-off and impairments	0.9	3.0	2.8	2.9	1.7	11.4	3.6	15.0	31.8
4	Other Income (including exceptional items)	0.1	0.2	0.0	0.1	5.0	5.5	0.5	6.0	3.9
5	Profit / (Loss) before Interest and Tax (2-3+4)	16.6 ¹	(0.4)	(2.5)	(10.2)	(11.2)	(7.6)	(7.9)	(15.5) ²	(18.4)
6	Finance Cost (Net of interest Income)								29.8	31.2
7	Profit Before Tax								(45.3) ³	(49.6)
Q2 FY15	Profit / (Loss) before Interest and Tax						9.5	(28.0)	(18.4)	

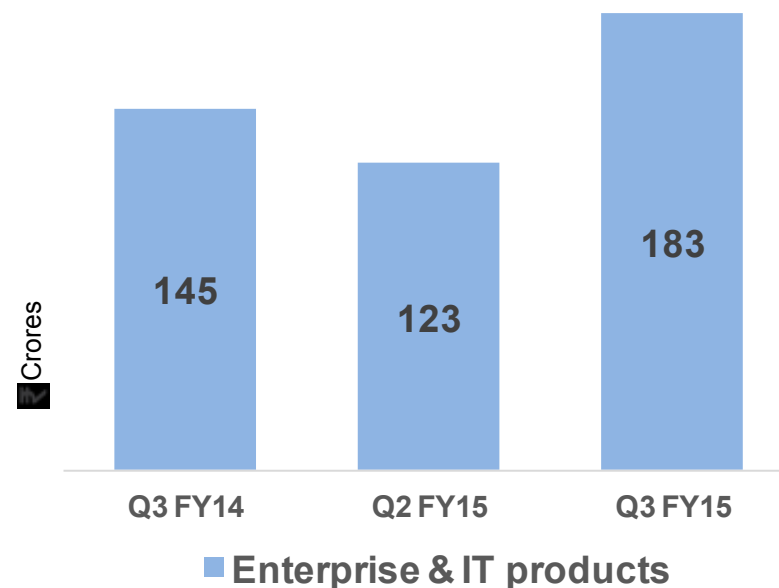
- Distribution business sustained profitability despite drop in consumer distribution revenues from Rs. 905cr. in Q2 to Rs. 755 cr. in Q3
- PBIT improved from Rs. (18.4) cr vs. Rs. (15.5) cr.
 - Services Q2 Rs. (4.3) vs. Rs. (0.4) in Q3
 - Learning Q2 Rs. (5.3) vs. Rs. (2.5) cr in Q3
- PBT for Q3 Rs. (45.3) cr vs. Rs. (49.6) cr in Q2

- Consumer Distribution revenues subdued due to ongoing portfolio refreshment
- Enterprise distribution— Revenue for March'15 at Rs. 100 cr due to increasing momentum post strategic partner alliances & expanded distribution
- SI & Solutions – PBIT before provisions & exceptions Q2 Rs. 17.7 cr vs. Q3 Rs. (7.3) cr – variance largely linked to project mix and margins

Distribution : Enterprise (1/3)

- Investments in building capabilities over last one year started yielding significant results in Q3
 - 49% Growth over Q2
 - Over 100% growth in March compared to average revenue of the previous months
- Our strategy to increase penetration through Partner led distribution, enabling reach to larger customer base
 - Expanded reach from 183 to 560 SIs and VARs
 - 50% business now accruing from Channel Partners
 - Partner tie-up momentum to continue
- Strong Global Brands signed up, poised for growth

Enterprise Distribution Revenues



Unaudited management accounts

Distribution : Consumer (2/3)

Consumer Distribution revenues subdued due to ongoing portfolio refreshment & new products (Telecom & CEHA)

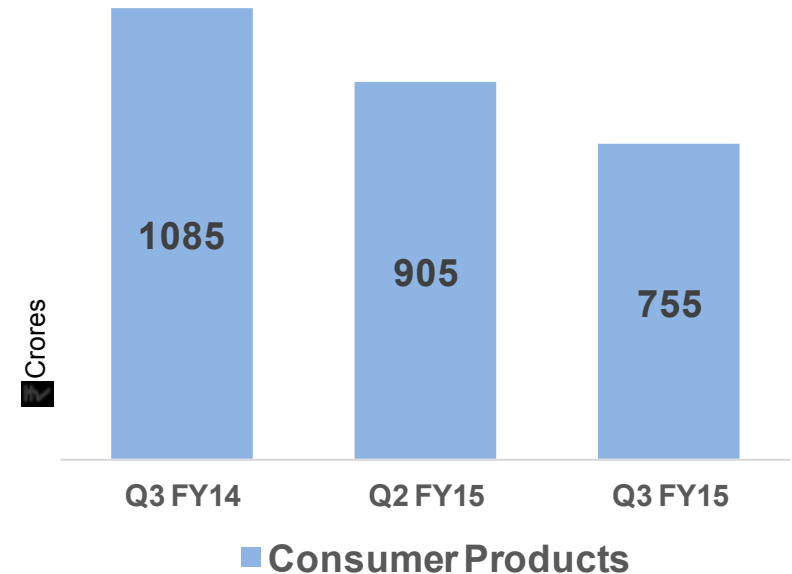
Telecom

- Encouraging QoQ growth of 20% in Windows devices; could not outpace decline in entry segment
- Overall drop in handset prices also contributed to fall in revenue
- Exclusive Distribution tie-up for Online to participate in emerging high growth segment
 - Rollout in progress with major players
 - Revenue accruals from April

Non Telecom Consumer Business

- Online platform / capabilities are to be leveraged for emerging opportunities in CEHA
- Tie-up with Panasonic for personal care products

Consumer Distribution Revenues



Unaudited management accounts

Distribution (3/3)

Unaudited ₹ crores

S.No.	Particulars	Q3 FY14	Q2 FY15	Q3 FY15
1	Consolidated Revenue	1230	1028	939
2	Profit / (Loss) before provisions for doubtful debts / write-off and impairments	27.1	17.9	17.4
3	Provisions for doubtful debts / write-off and impairments	-	0.0	0.9
4	Other Income	1.1	0.1	0.1
5	Profit / (Loss) before Interest and Tax (2-3+4)	28.2	18.0	16.6

- Despite drop in revenues, profitability sustained through various measures
- Leveraging existing distribution infrastructure to push adjacent product categories

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

Services (1/2)

Continued Growth Momentum - QoQ Growth across Business Lines

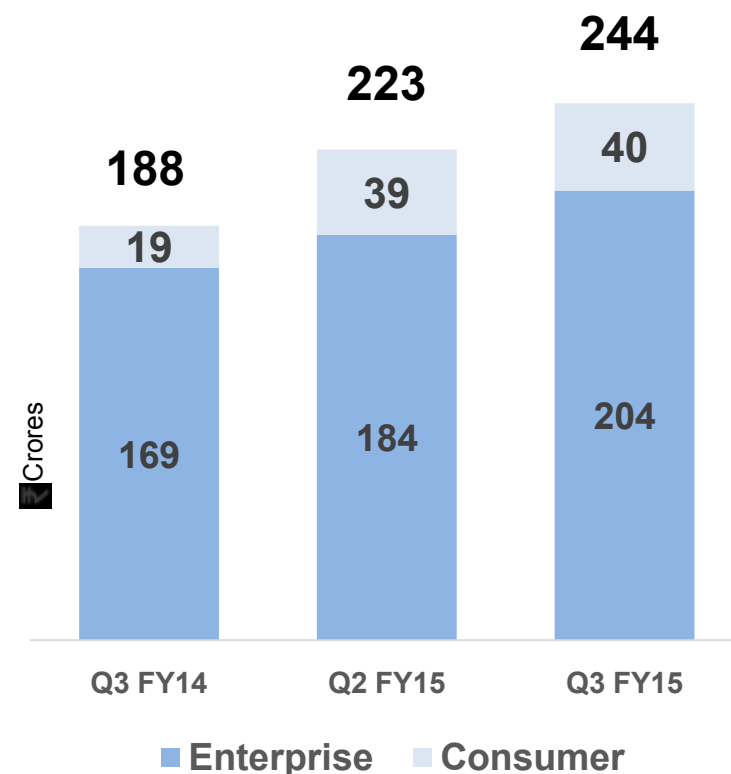
Enterprise Services

- Significant uptake in new order booking in Q3 – 140% increase (will provide annuity revenues)
- New sign-ups with large global OEMs
- Key large customer wins
- Value Creation through deployment of Proprietary tools and differentiated service delivery capabilities

**Best retailer of the year award
(Mobile and Telecom Services Category)
at Asia Retail Congress Feb 2015**

**“Champions Quadrant” for Multi Vendor Technology
Support, and Integrated Managed Services categories -
DataQuest**

Services Revenue



Unaudited management accounts

HCL

Services (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q3 FY14	Q2 FY15	Q3 FY15
1	Consolidated Revenue	188	223	244
2	Profit / (Loss) before provisions for doubtful debts / write-off and impairments	15.0	3.5	2.4
3	Provision for doubtful debts / write-off and impairments*	0.2	7.8	3.0
4	Other Income	0.2	-	0.2
5	Profit / (Loss) before Interest and Tax (2-3+4)	15.0	(4.3)	(0.4)

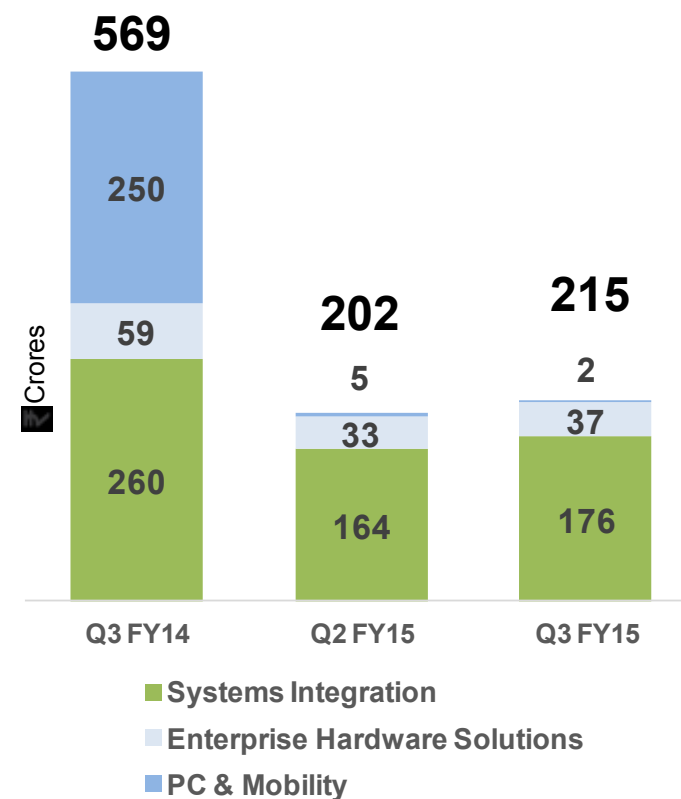
* There is drop in profit , mainly due to :-

- Phasing out of HCL branded hardware products resulting in high margin warranty revenues declining QoQ
- Additional costs due to expansion of Go-to-Market capability during the quarter

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

System Integration and Solutions (1/2)

- Continued focus on execution – reducing SI Order backlog from Rs.1723 cr in Dec'14 to Rs.1614 cr in Mar'15 (excluding additional orders received in Q3'15 from existing clients)
- Additional large order received in Q3
- Adhaar cards enrolment progressing well - 80.77 cr Q3 end vs. 73.25 cr in Q2
- Projects pipeline upon completion add to existing annuity service revenue streams
- Phasing out of PC & Mobility businesses : Tail End



Unaudited management accounts

System Integration and Solutions (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q3 FY14	Q2 FY15	Q3 FY15
1	Consolidated Revenue	569	202	215
2	Profit / (Loss) before provision for doubtful debts / write-off and impairments	(36.7)	(0.3)	(12.2)
3	Provision for doubtful debts / write-off and impairments	0.2	18.6	6.5
4	Other Income	0.8	-	0.6
5	Profit / (Loss) before Interest and Tax (2-3+4)	(36.1)	(18.9)	(18.1)
	PC & Mobility (Loss) included above		(28.0)	(7.9)
	SI & Solutions Profit/ (Loss)		9.1	(10.2)

Note –

Figures in table above include PC & mobility business

SI revenue and margin movements due to project mix & varying margins

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

HCL