

# HCL Infosystems Limited

## **Q4 & FY14 Investor Update**

**1<sup>st</sup> September 2014**



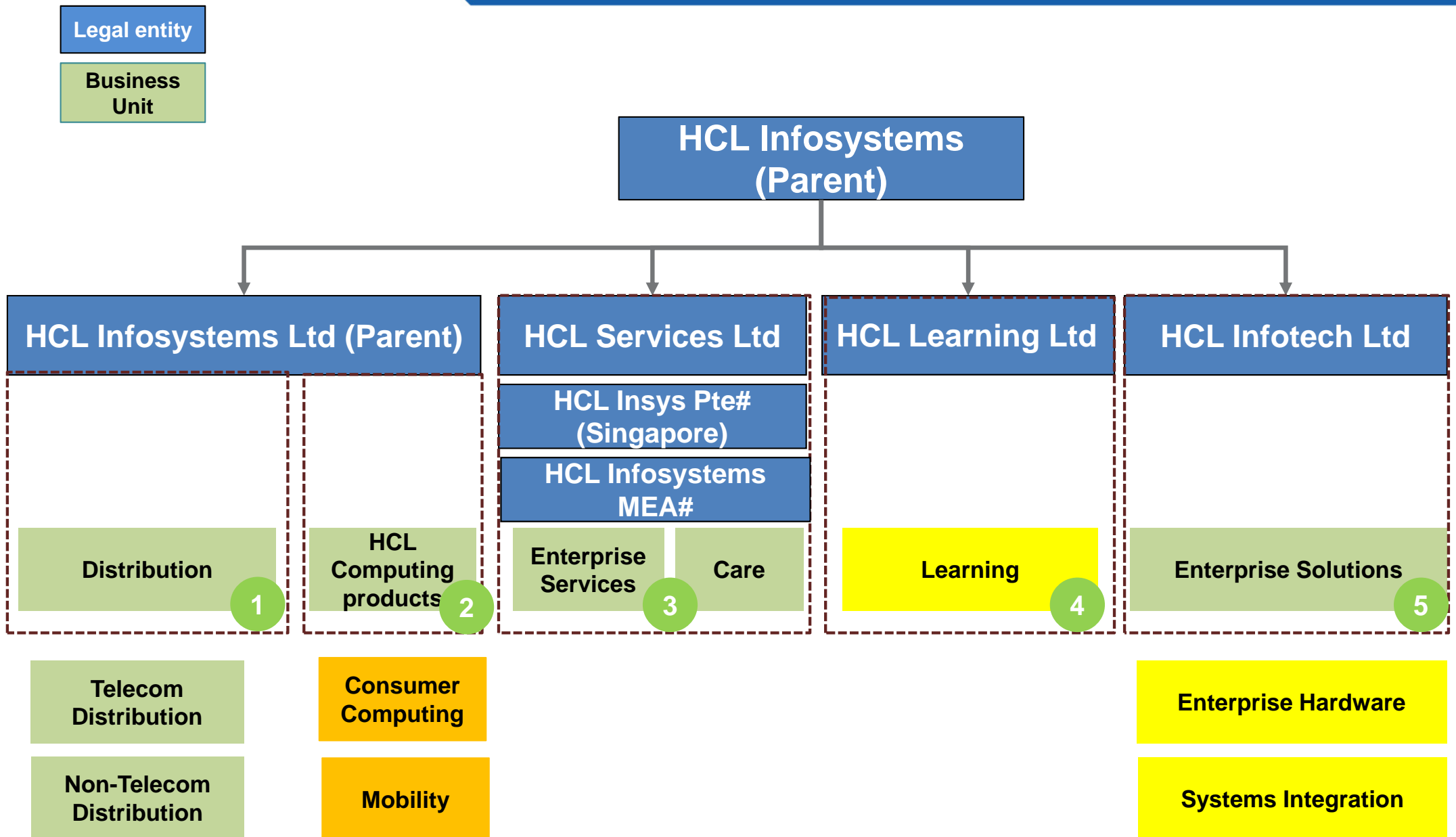
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# Re-structured Organization



# Q4 Summary P&L snapshot

Unaudited Rs. crores

Management accounts

## Hardware Solutions

Q4 FY14	Particulars	Distribution	Services	Learning	Solutions	Consumer Computing & Mobility	Unallocated / Eliminations	Total	Q3 FY14	Q2 FY14	Q1 FY14
1	<b>Consolidated Revenue</b>	<b>1,302</b>	<b>191</b>	<b>28</b>	<b>287</b>	<b>29</b>	<b>(107)</b>	<b>1,730</b>	<b>1976</b>	<b>1982</b>	<b>2201</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	26.0	16.2	4.5	14.0	(29.7)	(24.7)	6.2	1.4	9.1	(6.1)
3	Exchange differences Loss / (Gain)	0.2	0.1	0.4	1.0	1.0	1.7	4.3	16.2	19.1	28.2
4	Provisions, write-off and impairments	2.6	3.2	1.7	12.6	12.7	8.8	41.6	2.2	1.8	5.6
5	Other Income	0.2	0.2	-	0.4	-	21.1	22.0	34.5	12.0	14.5
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>23.4</b>	<b>13.1</b>	<b>2.4</b>	<b>0.8</b>	<b>(43.4)</b>	<b>(14.0)</b>	<b>(17.8)</b>	<b>17.5</b>	<b>0.2</b>	<b>(25.4)</b>
7	Finance Cost							36.6	39.5	41.1	43.1
8	<b>Profit Before Tax</b>							<b>(54.4)</b>	<b>(22.0)</b>	<b>(40.9)</b>	<b>(68.5)</b>
Q3 FY14	Profit / (Loss) before Interest and Tax (2-3-4+5)	28.2	15.0	0.1	(2.5)	(33.6)	10.3	17.5	Consolidated revenues are gross of rebates. The above numbers provide a line of business wise view based on management accounts to provide more granularity and are not as per reported segments.		
Q2 FY14	Profit / (Loss) before Interest and Tax (2-3-4+5)	23.9	16.2	(1.6)	(12.9)	(28.1)	2.7	0.2			
Q1 FY14	Profit / (Loss) before Interest and Tax (2-3-4+5)	23.8	12.1	(2.7)	(54.8)	(7.8)	4.0	(25.4)			

Note 1: Higher provisions and impairments in Q4 have been on account of our Computing Products and Hardware solutions business

Note 2: As we wind down Computing Products and change the business model in Hardware solutions business, Exchange difference losses have come down.

# 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**
    - ❖ Manufacturer to distributor business model in transition
    - ❖ Good growth led by addition of new principals
  - ❖ **Telecom distribution business**
    - ❖ Margins improved despite sluggish volumes.
- **Services Business**
  - ❖ Double digit Y-o-Y growth continues
  - ❖ Focus on expansion of contract bank and establishing overseas base
- **Learning Business**
  - ❖ Strategic change in Business model
  - ❖ Selective approach to new deals
- **Hardware Solutions Business**
  - ❖ Phase out of hardware business dragged revenue and profitability

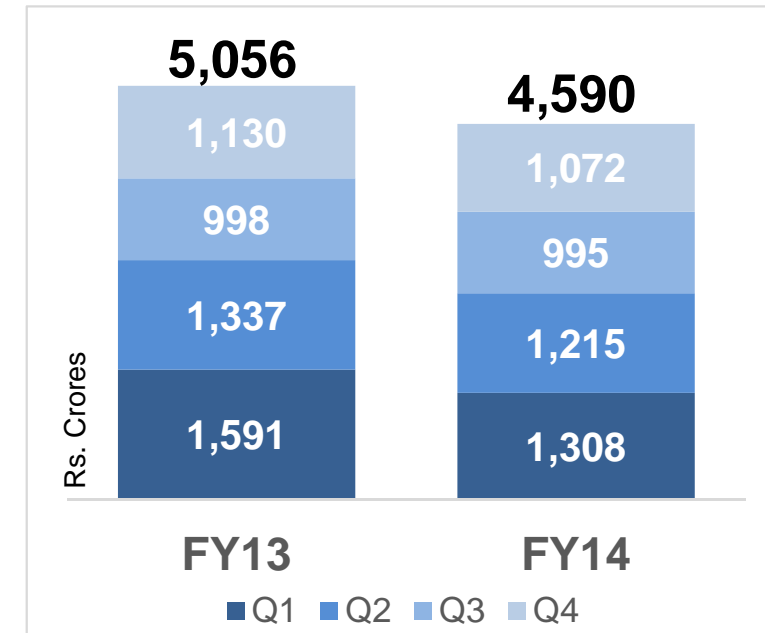
## ❑ Telecom Distribution

- ❑ Y-o-Y drop in FY14 due to decline in volumes.
- ❑ Gross margin expanded due to operational efficiency and widened scope of engagement.
- ❑ Expanded last mile footprint and strengthened rural presence by adding over 290 RRDs during the year.

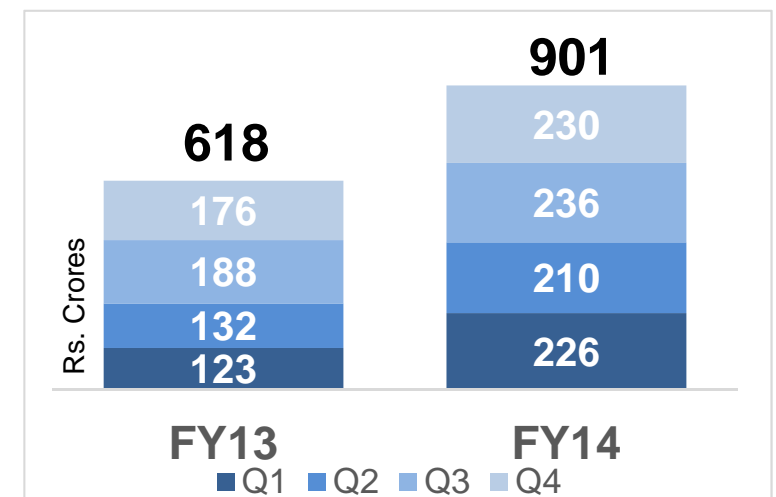
## ❑ Non-Telecom Distribution

- ❑ 46% Y-o-Y growth in FY14.
- ❑ Transition from IT manufacturing to distribution in steady progress.
- ❑ 3 Large global PC brands added to portfolio
- ❑ Leverage the existing pan-India distribution network to add new principals

### Telecom Revenues



### Non-Telecom Revenues

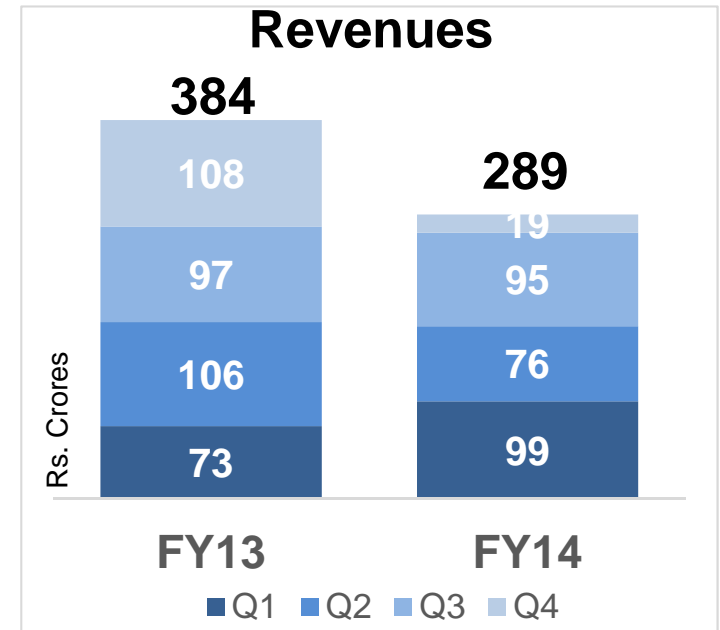


	Particulars	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	FY14
1	<b>Consolidated Revenue</b>	<b>1534</b>	<b>1425</b>	<b>1230</b>	<b>1302</b>	<b>5491</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	24.5	23.3	25.5	26.0	99.3
3	Exchange differences Loss / (Gain)	1.0	(0.4)	(1.6)	0.2	(0.8)
4	Provisions, write-off and impairments	-	-	-	2.6	2.6
5	Other Income	0.3	0.2	1.1	0.2	1.8
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>23.8</b>	<b>23.9</b>	<b>28.2</b>	<b>23.4</b>	<b>99.3</b>

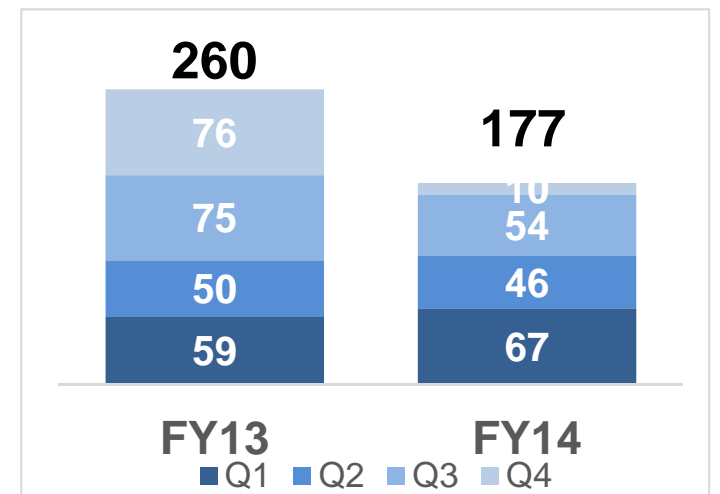
- Widened Scope of engagement of distribution network expanded margins
- Non-telecom distribution portfolio expanded

- ❑ Progress in line with plan to move to Third Party Distribution oriented business model.
- ❑ Discontinued manufacturing operations impacted Revenues and Profitability
- ❑ Liquidation slower than expected. Wind down expected to be complete by next quarter.

## Consumer & SMB Computing Revenues



## Mobility Revenues





	Particulars	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	FY14
1	<b>Consolidated Revenue</b>	<b>166</b>	<b>122</b>	<b>149</b>	<b>29</b>	<b>466</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	(2.2)	(22.1)	(28.9)	(29.7)	(82.9)
3	Exchange differences Loss / (Gain)	5.6	5.9	5.0	1.0	17.5
4	Provisions, write-off and impairments	-	0.1	-	12.7	12.8
5	Other Income	-	-	0.3	-	0.3
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>(7.8)</b>	<b>(28.1)</b>	<b>(33.6)</b>	<b>(43.4)</b>	<b>(112.9)</b>

- Discontinued own brand manufacturing operations
- Charges considered due to wind down
- Steady progress in transition from own brand to third party distribution business model

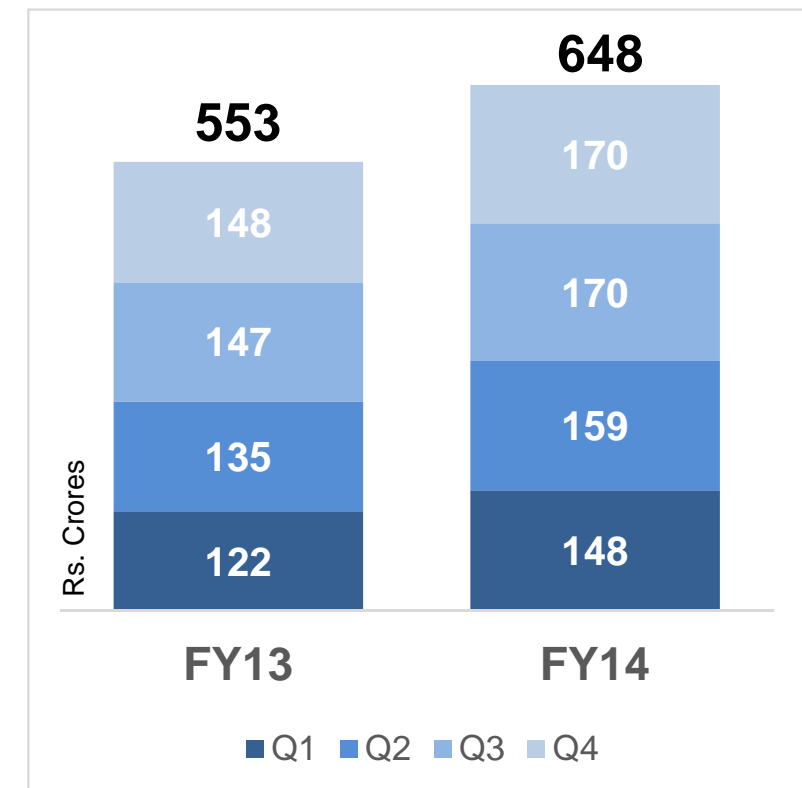
## ❑ Growth momentum continues

- ❖ 19% Y-o-Y
- ❖ Rs. 470 crores ACV @ July 2014

## ❑ Enterprise Services:

- ❖ **IMS**
  - Focused approach on operational efficiencies to lead margin improvements in domestic business
  - Expanded contract base in Singapore
- ❖ **Breakfix business:** Multi-Vendor Support Services receiving encouraging response from OEMs.
- ❖ **Launched new offerings** – Infra Consulting and Project Services for providing support and maintenance services to OEMs and customers.

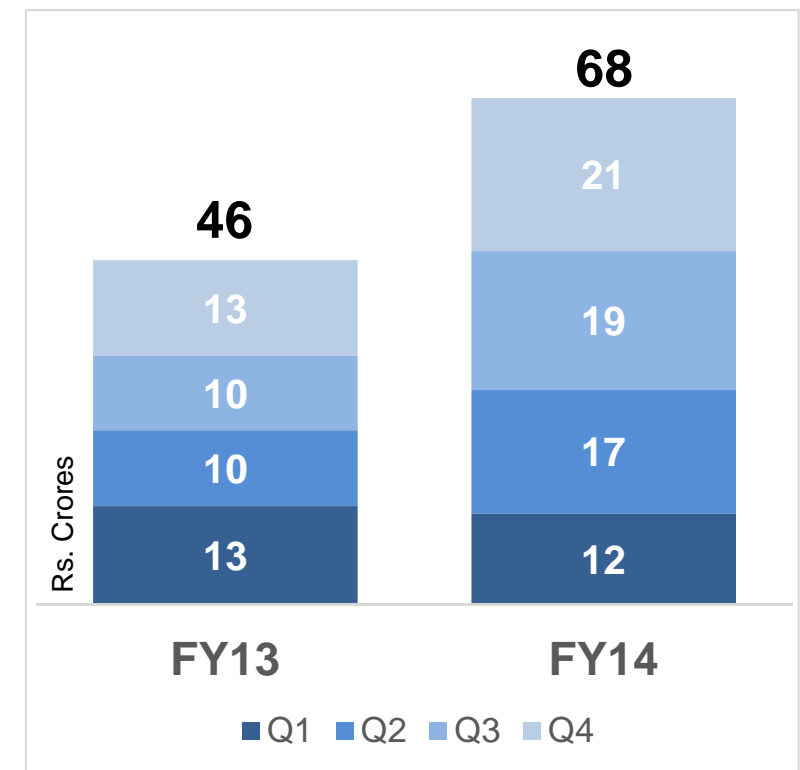
## Enterprise Services Revenue



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

- ❖ Growth continues @ 47% Y-o-Y in FY14
- ❖ Key deals from many leading brands in the Mobile, Tablets, Consumer Electronics and Consumer Durables space
- ❖ Pan-India reach expanded with 300 “Touch” stores

### Care Business Revenue



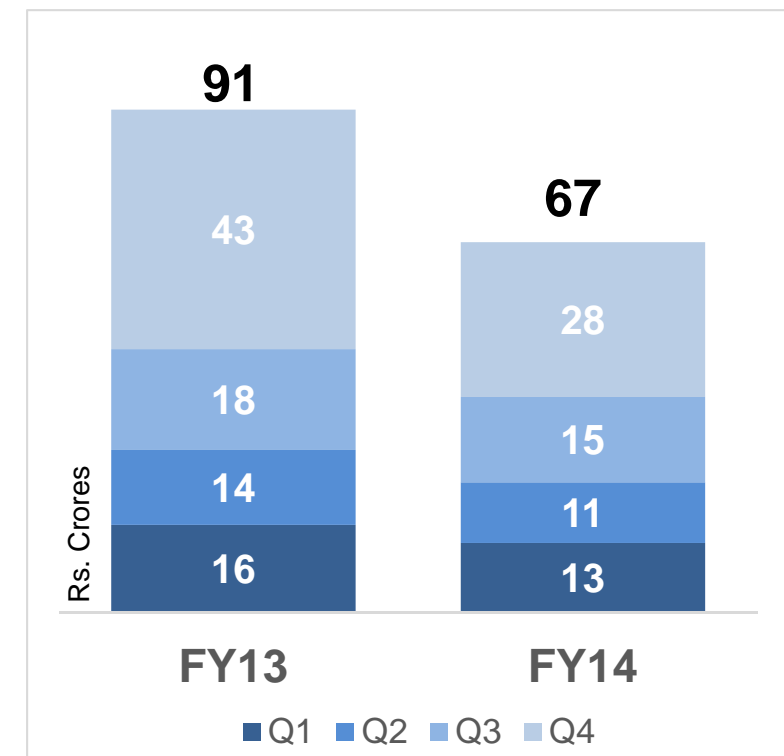
Unaudited Rs. crores

	Particulars	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	FY14
1	<b>Consolidated Revenue</b>	<b>161</b>	<b>176</b>	<b>188</b>	<b>191</b>	<b>716</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	13.0	15.9	14.8	16.2	59.9
3	Exchange differences Loss / (Gain)	0.6	(0.7)	(0.2)	0.1	(0.2)
4	Provisions, write-off and impairments	0.3	0.3	0.2	3.2	4.0
5	Other Income	-	(0.1)	0.2	0.2	0.3
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>12.1</b>	<b>16.2</b>	<b>15.0</b>	<b>13.1</b>	<b>56.4</b>

- Healthy growth in Overseas business
- Various productivity and service delivery improvement initiatives underway

- ❑ Low market sentiment in Domestic education sector
- ❑ Strategic change in business model
- ❑ Selectively pursuing opportunities for disciplined growth
- ❑ Customised content developed for Overseas market
  - Tie up with leading educational service providers and schools in Nepal, Middle East and Africa

## Learning Revenue

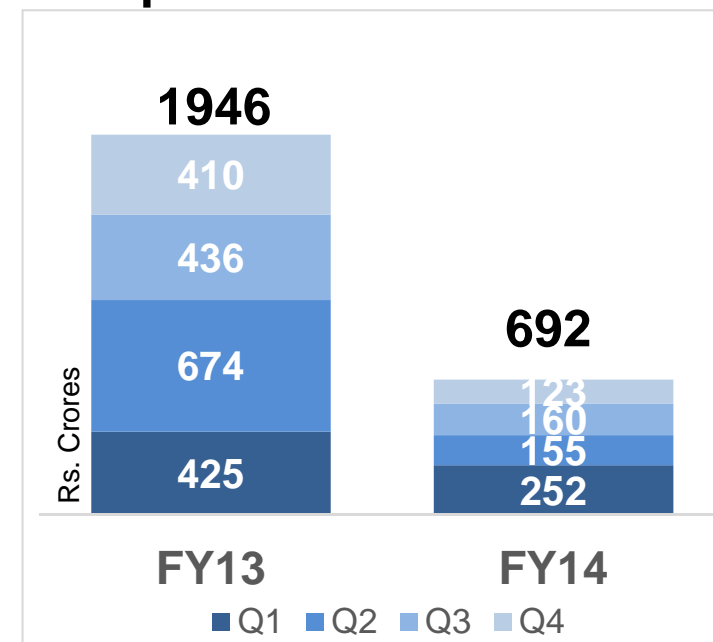


	Particulars	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	FY14
1	<b>Consolidated Revenue</b>	<b>13</b>	<b>11</b>	<b>15</b>	<b>28</b>	<b>67</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	(1.9)	(1.6)	0.9	4.5	1.9
3	Exchange differences Loss / (Gain)	0.1	0.2	0.2	0.4	0.7
4	Provisions, write-off and impairments	1.4	0.6	1.5	1.7	5.2
5	Other Income	0.7	0.8	0.9	-	2.4
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>(2.7)</b>	<b>(1.6)</b>	<b>0.1</b>	<b>2.4</b>	<b>(1.8)</b>

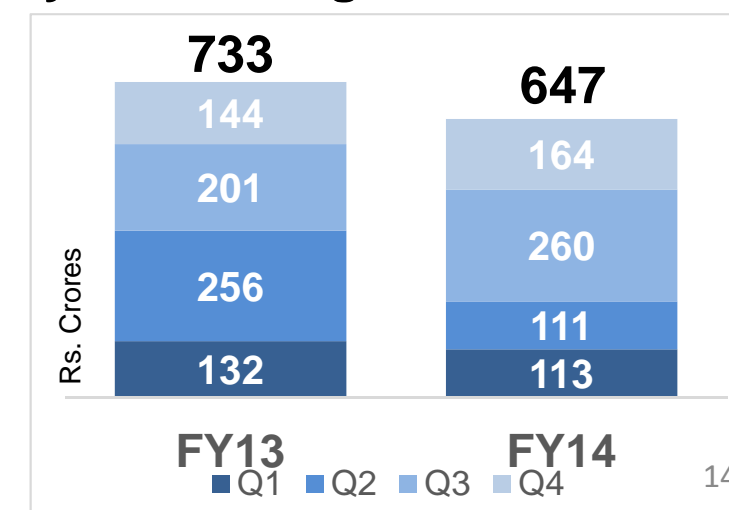
- Low market sentiment in Domestic Market
- Strategic change in Business model

- ❑ Enterprise Hardware Solutions business phase out in progress
- ❑ SI Order backlog of Rs. 2100 crores in June 2014, down from Rs. 2800 crores in July 2013.
- ❑ Focus on executing existing projects, attain milestone sign-offs and collect receivables to de-leverage the balance sheet.
- ❑ UIDAI order is progressing well. 65 crore Aadhar cards generated
- ❑ Focus on SI Services orders with
  - Asset-light business model
  - Insulated to FX exposure and minimum working capital lock-in.

## Enterprise Hardware Revenue



## Systems Integration Revenue



	Particulars	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	FY14
1	<b>Consolidated Revenue</b>	<b>364</b>	<b>267</b>	<b>420</b>	<b>287</b>	<b>1339</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	(24.9)	1.6	10.5	14.0	1.2
3	Exchange differences Loss / (Gain)	26.5	14.8	13.3	1.0	55.6
4	Provisions, write-off and impairments	3.9	0.7	0.2	12.6	17.4
5	Other Income	0.5	1.0	0.5	0.4	2.4
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>(54.8)</b>	<b>(12.9)</b>	<b>(2.5)</b>	<b>0.8</b>	<b>(69.4)</b>

- Transition out of enterprise hardware business dragged profitability
- Expect to complete the Existing SI order back log in next 30 months



# FY14 Summary P&L snapshot

Unaudited Rs. crores

Unaudited management accounts

## Hardware Solutions

FY14	Particulars	Distribution	Services	Learning	Solutions*	Consumer Computing & Mobility	Unallocated / Eliminations	Total
1	<b>Consolidated Revenue</b>	<b>5491</b>	<b>716</b>	<b>67</b>	<b>1339</b>	<b>466</b>	<b>(190)</b>	<b>7888</b>
2	Profit / (Loss) before Exchange differences and Provisions, write-off and impairments	99.3	59.9	1.9	1.2	(82.9)	(68.7)	10.6
3	Exchange differences Loss / (Gain)	(0.8)	(0.2)	0.9	55.6	17.5	(5.2)	67.8
4	Provisions, write-off and impairments	2.6	4.0	5.2	17.4	12.8	9.2	51.2
5	Other Income	1.8	0.3	2.4	2.4	0.3	75.7	83.0
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>99.3</b>	<b>56.4</b>	<b>(1.8)</b>	<b>(69.4)</b>	<b>(112.9)</b>	<b>3.0</b>	<b>(25.5)</b>
7	Finance Cost							160.3
8	<b>Profit Before Tax</b>							<b>(185.8)</b>

\* Solutions Business included enterprise computing revenues of Rs.345 crores with a PBIT loss of Rs. 48.3 crores. Hence the Computing products related PBIT loss was Rs. 161 cr.

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

# FY14 Balance Sheet

Statement of Assets and Liabilities			Rs. crores	
Particulars	Consolidated		Standalone	
	Audited as at		Audited as at	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
<b>A EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	45	45	45	45
Reserves and surplus	1,398	1,790	1,463	1,791
<b>Sub-Total - Shareholders' funds</b>	<b>1,443</b>	<b>1,835</b>	<b>1,508</b>	<b>1,836</b>
<b>Non Current Liabilities</b>				
Long term Borrowings	388	507	268	506
Other Long term Liabilities	32	78	1	78
Long term Provisions	13	19	2	16
<b>Sub-Total - Non Current Liabilities</b>	<b>434</b>	<b>603</b>	<b>271</b>	<b>599</b>
<b>Current Liabilities</b>				
Short-term borrowings	294	483	196	450
Trade payables	1,436	2,221	769	2,039
Other current liabilities	874	514	365	479
Short-term provisions	30	22	12	21
<b>Sub-Total - Current Liabilities</b>	<b>2,634</b>	<b>3,241</b>	<b>1,343</b>	<b>2,989</b>
<b>Total - EQUITY AND LIABILITIES</b>	<b>4,511</b>	<b>5,678</b>	<b>3,122</b>	<b>5,424</b>
<b>B ASSETS</b>				
<b>Non-current assets</b>				
Fixed Assets	344	376	89	299
Goodwill on consolidation	577	35	-	-
Non-current investments	-	-	839	140
Deferred tax assets (net)	5	73	-	68
Long-term loans and advances	54	70	31	76
Trade receivables	-	8	-	8
Other non-current assets	242	346	-	346
<b>Sub-Total - Non Current assets</b>	<b>1,222</b>	<b>908</b>	<b>959</b>	<b>938</b>
<b>Current Assets</b>				
Current investments	175	919	175	919
Inventories	436	568	201	504
Trade receivables	865	1,298	429	1,176
Cash and bank balances	347	313	207	225
Short-term loans and advances	284	277	1,148	267
Other current assets	1,182	1,396	3	1,395
<b>Sub-Total - Current assets</b>	<b>3,289</b>	<b>4,771</b>	<b>2,163</b>	<b>4,487</b>
<b>Total Assets</b>	<b>4,511</b>	<b>5,678</b>	<b>3,122</b>	<b>5,424</b>

***HCL***