

Quarterly Earning Release

First Quarter FY 14

November 15, 2013

HCL Infosystems Ltd

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CEO's COMMENTS

Mr. Harsh Chitale, Chief Executive Officer and Managing Director, HCL Infosystems Limited, commenting on the results said, "Our Scheme of Arrangement on Restructuring has become effective from 1st Nov 2013. Under the restructured organization, the Company's businesses of Solutions, Services and Learning stand transferred to the wholly-owned subsidiaries - HCL Infotech Ltd., HCL Services Ltd, and HCL Learning Ltd. respectively. The restructuring would now enable us to have undivided focus and attention on our key growth engines – Distribution and Services business. Our Distribution business witnessed a Q-o-Q growth of 13% backed by robust growth of our Telecom Distribution revenues. Continued growth of our Telecom Distribution since last two quarters is a testimony that the revamped product portfolio of our Principal is now gaining positive traction in the market. At the same time, our momentum of diversifying our product portfolio to non-Telecom products continued with signing up of many leading brands such as HP, Microsoft, Delta, Lenovo, Karbonn Tablets, Lava Tablets, etc. in this quarter. Our Services business has built a healthy order book on back of large Managed Services deals, Application Services growth in Middle East and Break-fix services outsourcing deals. Our Managed Services business continued robust growth in Singapore as well with a major win from a large Public Board in Singapore. The Services business saw a Y-o-Y growth of nearly 15% in this quarter. However, our Hardware and Solutions business was significantly affected with an exchange rate fluctuation of as high as 15% during the quarter". **Mr. Chitale added.**

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BUSINESS HIGHLIGHTS

Distribution Business

- **Telecom distribution business** registered a 16% growth in Q1FY14 over Q4FY13 owing to a robust growth in the First Phone Category as well as in the Windows Phone Category. This business achieved the landmark of selling 1 million units of the first ULCH (Ultra Low Cost Handset), in the month of August 2013. Continued growth of our Telecom Distribution business over the last two quarters is a clear indication of growing acceptance of the refreshed product portfolio of our Principal in the market.
- **Non-Telecom Distribution business** signed many important partnerships in this quarter including Microsoft, HP, Delta, Lenovo and eScan in the IT space, and Karbonn and Lava in the Tablets space. This business appointed more than 100 new channel partners to further strengthen its distribution footprint in India. This business also achieved a landmark of selling over 100,000 tablet units in the quarter. In the Office Automation space, we strengthened our product portfolio by signing new partnerships with Samsung for LFDs (Large Format Displays), Huawei for Videoconferencing and Data card for ID card printers.

BUSINESS HIGHLIGHTS

Enterprise Services Business

Enterprise Services, now part of HCL Services Ltd, strengthened its footprint in the enterprise segment by winning many large deals and services contracts from various leading corporate and government customers. Enterprise Services business saw Y-o-Y growth of 15% in this quarter.

- The **Infrastructure Management Services (IMS) business** recorded significant wins from a Large Consulting & Audit MNC and a large Manufacturing Organization with pan India presence, among others. This business also won a multiyear program of TCV of over Rs 100 Cr, from the Department of Stamps and Registrations, Government of Karnataka. This business successfully launched Tefilla Maestro and Tefilla Astra, HCL owned Service Desk and Asset Management Tools. Singapore division of this business showed robust growth with a major IMS win from a large Public Board in Singapore and achieved recertification of ISO 27001 and ISO 9001 for the Singapore Delivery center.
- The **Enterprise Application Services (EAS) business** added new customers both in the Middle East and India, and also saw growth in repeat business from existing customers. This business saw a healthy growth in T&M (Time and Material) deals over the last quarter. EAS enhanced its portfolio by building strong middleware capabilities in Oracle Fusion Middleware, and by adding SDL Tridion web content management services to our Enterprise Content Management portfolio. EAS business was also awarded the 'eINDIA Public Sector Enterprises Award 2013' for an e-Procurement project by the Indian Railways.

Learning Business

HCL Learning business launched three innovative products, MyIIT Tutor, MyEduWorld and Easy SRP (School Resource Planning). This quarter HCL Learning expanded its footprint to Nepal, Oman & Nigeria adding renowned schools like Indian Language School, Lagos, Nigeria and Ullens School, Nepal. HCL Learning added many new customers such as St. Xaviers High School, Sri Shrdi Sai Vidya Niketan-Ravi Educational Society, Kongu Vellalar Higher Secondary School and many more in India.

BUSINESS HIGHLIGHTS

Hardware & Solutions Business

- The **Enterprise Solutions**, now part of **HCL Infotech Ltd business**, faced headwinds due to exchange rate volatility of as high as 15% during the quarter which resulted in a large exchange rate loss and also impacted gross margins of the hardware solutions business. This business also continued to be challenged with project delays and overdue receivables with many public sector customers. In view of such headwinds, this business continued to be extremely selective in pursuit of new deals. Our landmark project, Unique Identification Authority of India (UIDAI) – MSP Program, has now crossed 40 crore Aadhaar cards generation mark.
- The **Mobility Business** registered good growth in the MEA market and also launched many new tablets - Sync 1.0, Connect V3 and Connect 3G 2.0 each in the non-calling, 2G & 3G categories respectively.

STANDALONE RESULTS

Quarterly Results

The company reported Standalone revenue of **Rs. 1,596 crores** for the quarter ended September 30, 2013.

Particulars	Unaudited		Rs. crores
	Q1 FY 14	Q4 FY 13	Q1 FY 13
Revenue	1596	1978	2356
Profit / (Loss) from ordinary activities before Exchange differences	37	(8)	44
Exchange Differences Loss / (Gain)	14	19	13
Finance Cost	17	38	29
PBT	7	(64)	3
Tax Expense	6	(24)	0
PAT	1	(40)	3

The company reported Standalone profit before tax of **Rs. 7 crores** for the quarter ended September 30, 2013.

Volatile fluctuation in exchange rate significantly impacted the profitability. Higher effective tax rate due to certain non-tax deductible expenses further impacted the net income for the quarter.

The standalone financial results of the Company for the quarter ended September 30, 2013 have been prepared after considering the accounting treatment specified under the Scheme and therefore do not include results of the Transferred Undertakings. However, the financial results for previous year/periods includes revenue and profit/(loss) before tax of the Transferred Undertakings for the quarter/year ended June 30, 2013 and quarter ended September 30, 2012 and therefore are not comparable with those of the current quarter.

The Hon'ble High Court of Delhi has sanctioned the Composite Scheme of Arrangement (the "Scheme") under the provisions of section 391 to 394 of the Companies Act, 1956, vide its order dated September 18, 2013 received on October 30, 2013. The Scheme has become effective from November 1, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana and is applicable from January 1, 2013 (the "Appointed date"). According to the Scheme, the Hardware Solutions Business, Services Business and Learning Business (collectively the "Transferred Undertakings") of the Company stand transferred to HCL Infotech Limited (formerly known as HCL System Integration Limited), HCL Services Limited (formerly known as HCL Care Limited) and HCL Learning Limited (collectively the "Transferee Companies") respectively, the wholly owned subsidiaries. According to the Scheme, HCL Infocom Limited (HCL I), the wholly owned subsidiary of the Company, stands merged with the Company.

In accordance with the Scheme, the Company continued to carry on the business and activities in relation to the Transferred Undertakings on account of and in trust for the respective Transferee Companies from January 1, 2013 (the "Appointed date") till November 1, 2013 (the "Effective date").

STANDALONE RESULTS

Q1 FY14 RESULTS

Rs crores

PROFIT & LOSS ACCOUNT		Standalone Unaudited			
		Q1 FY 14	Q4 FY 13	Q1 FY 13	FY 13
-	Gross Sales / Income from Operations	1,596.5	1,978.1	2,355.8	8,690.1
-	Less: Excise Duty	3.0	8.3	14.1	50.8
1a.	Net Sales / Income from Operations	1,593.5	1,969.8	2,341.7	8,639.4
1b.	Other Operating Income	0.1	1.6	3.6	13.4
2.	Expenses				
	Changes in Inventories of finished goods, work-in-progress and stock-in-trade				
a)		(45.8)	252.8	(21.7)	101.8
b)	Cost of materials consumed	147.9	269.6	216.6	1,200.1
c)	Purchases of Stock-in-trade	1,403.9	1,139.2	1,802.4	6,002.3
d)	Purchases of Services	0.3	50.6	59.9	193.4
e)	Stores & Spares consumed and Others	18.3	54.4	48.9	239.7
f)	Employee benefits expense	17.5	120.8	120.9	494.8
g)	Administration, Selling, Repairs & Others	26.4	112.6	84.0	425.1
h)	Exchange Differences Loss / (Gain) #	13.7	18.6	12.9	44.4
i)	Depreciation and amortisation expense	2.4	12.9	11.8	49.0
	Total Expenses	1,584.5	2,031.5	2,335.8	8,750.5
3.	Profit / (Loss) from Operations before Other Income & finance costs (1-2)	9.1	(60.0)	9.4	(97.7)
4.	Other Income	14.7	33.8	22.1	105.8
5.	Profit / (Loss) from ordinary activities before finance costs (3+4)	23.8	(26.3)	31.5	8.1
6.	Finance costs	16.5	37.8	28.6	135.0
7.	Profit / (Loss) from ordinary activities before Tax (5-6)	7.3	(64.0)	2.9	(126.9)
8.	Tax Expense	5.8	(23.8)	0.4	(45.5)
9.	Net Profit / (Loss) from ordinary activities after Tax (7-8)	1.5	(40.3)	2.5	(81.3)
10.	Extraordinary items (net of tax expense)	-	-	-	-
11.	Net Profit / (Loss) for the period (9-10)	1.5	(40.3)	2.5	(81.3)
	Basic EPS (Not annualised) Rs/share	0.07	-1.81	0.11	-3.65
	# including unrealised Exchange Difference Loss / (Gain)				
	- Hardware Products and Solutions	8.0	7.9	(7.2)	(12.8)
	- Services	0.0	0.8	(1.3)	(0.0)
	- Distribution	0.9	0.0	0.1	0.1
	- Learning	0.0	0.3	0.1	0.8
	Total	8.9	8.9	(8.3)	(12.0)

CONSOLIDATED RESULTS

	Particulars	Unaudited		Rs. crores
		Q1 FY 14	Q4 FY 13	Q1 FY 13
	Distribution	1472	1306	1714
	Services	161	161	136
	Learning	13	43	16
	Enterprise Solutions	427	554	555
	Consumer Computing & Mobility	166	184	133
	Intersegment / Elimination	(37)	(110)	(98)
1	Consolidated Revenue	2201	2138	2456
2	Profit / (Loss) from ordinary activities before Exchange differences and Provision for doubtful debts	(7)	(4)	32
3	Exchange differences Loss / (Gain)	28	20	13
4	Provision for Doubtful Debts	6	15	4
5	Profit / (Loss) from ordinary activities before Other Income & Finance costs (2-3-4)	(40)	(39)	15
6	Other Income	15	22	16
7	Finance Cost	43	39	29
8	Profit / (Loss) from ordinary activities before Tax (5+6-7)	(68)	(56)	2
9	Tax expense	4	(23)	(1)
10	Profit / (Loss) from ordinary activities after Tax	(72)	(32)	2

- In the last financial year, the Telecom Principal was undergoing a product portfolio revamp which resulted in sequential decline of telecom distribution revenues in Q1 to Q3 FY13.
- The refreshed product portfolio of our Principal is now gaining positive traction in the market which is evident from the continued growth of our Telecom Distribution in last two quarters (Q4 FY13 and Q1 FY14).
- Enterprise services business has built up a healthy order book over last 1 year with many marquee clients and large deal sign ups. This reflected in 18% y-o-y revenue growth in Q1 FY14.
- Volatile fluctuations in exchange rate had an adverse impact of as much as Rs. 28 crores in this quarter. Additionally, the project margins were also squeezed due to adverse exchange rate movement.

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd. with revenue (LTM) of US\$ 1.6 billion (Rs. 9,040 crores) is India's Premier Distribution and IT Services and Solutions Company. HCL Infosystems' has one of the largest sales & distribution network in the country and provides value added distribution for partners including last mile connect and support in marketing and promotions for Telecom, IT, Office Automation and Consumer Electronics products covering more than 15000 towns across 664 districts in India. Our distribution business has an unparalleled network that reaches more than 100,000 retail outlets, over 800 Direct and Micro Distributors and over 12400 Channel Partners across India. In the services space the Company has robust services offerings such as a comprehensive portfolio of Infrastructure Managed Services, Enterprise Application Services, System Integration Services, Office Automation Services, Managed Print Services, Life Cycle Services and After-Sales Support Services. HCL Learning, the Company's learning solutions business, serves the entire spectrum of education and training requirements across schools colleges, individuals and enterprises and offers Digital Content & Learning Solutions.

For more information please visit us at www.hclinfosystems.in

ABOUT HCL ENTERPRISE

HCL is a \$6.3 billion leading global technology and IT enterprise comprising two companies listed in India - HCL Technologies and HCL Infosystems. Founded in 1976, HCL is one of India's original IT garage start-ups. A pioneer of modern computing, HCL is a global transformational enterprise today. Its range of offerings includes product engineering, custom & package applications, BPO, IT infrastructure services, IT hardware, systems integration, and distribution of information and communications technology (ICT) products across a wide range of focused industry verticals. The HCL team consists of over 90,000 professionals of diverse nationalities, who operate from 31 countries including over 720 points of presence in India. HCL has partnerships with several leading global 1000 firms, including leading IT and technology firms.

For more information, please visit www.hcl.com