



# Quarterly Earning Release

## Second Quarter FY 11

January 28, 2011

# HCL Infosystems Ltd

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## CHAIRMAN'S COMMENTS



**Mr. Ajai Chowdhry, Chairman, HCL Infosystems Ltd** commenting on the results said, "We are clearly investing in the future and as we do so a new face of HCL Infosystems is unraveling with each day. This steady transformation has led the company reinvent itself, consistently winning various prestigious projects that are going to play an integral role in fueling our country's growth engine. Where we continue to focus and carry the baton of the need of Made in India, Made For India Product Engineering, R&D and manufacturing with creating IPs, today the company has emerged as a leading System Integrator with a host of solutions catering to areas like eGovernance, power, telecom, education & learning and security etc. As we're growing business, there are investments being made for capacity building along with seeking opportunities to both grow organically and inorganically. We recently did another strategic acquisition in Middle East and are actively looking at inorganic growth with a focus to expand both the geographical presence and further enhance our IT services capability"

"With sustainability an important pillar of our growth we have been very particular about the way we do business. HCL Infosystems was recently conferred one of the top Green Companies globally by Greenpeace and I am proud to say that this quarter HCL Infosystems achieved **India's First LEED IC Platinum certification** for HCL Green Data Center"

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## CEO'S COMMENTS



**Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited**, commenting on the results said: "This quarter has witnessed our growth programs kicking in with us ending it with an all time high order book. There have been some key wins in the System Integration space across sectors further strengthening our order pipeline and on the other hand our computer hardware business has also recorded good growth. We have also taken some portfolio decisions like disinvestment in HCL Infinet which are intended to not only further consolidate our offerings but to also increase focus on the indentified strategic growth areas."

"Talking about our education business, HCL Learning has opened a big market for us, responding well with recording good growth during the quarter and also showing healthy signs with rapid order bookings. I am confident with renewed focus and consistent investment in these growth areas the organisation will soon be on the growth trajectory it has set for itself"

# FINANCIAL HIGHLIGHTS

## QUARTERLY HIGHLIGHTS

### ➤ Consolidated

- ❖ Revenue at **Rs. 3154 crores.**
- ❖ Profit before tax at **Rs. 80 crores.**
- ❖ Basic EPS at **Rs. 2.6** per share of Rs. 2/- each.

### ➤ Computer Systems

- ❖ Revenue at **Rs. 1040 crores.**
- ❖ PBIT at **Rs. 45 crores.**

### ➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2104 crores.**
- ❖ PBIT at **Rs. 57 crores.**

Declared Interim dividend of Rs. 2/- per share (100% on an equity share of par value of Rs. 2/- each). 30<sup>th</sup> consecutive quarterly Dividend Declared.

# INVESTING IN THE FUTURE

The company's charter of expansion led by transformation in the Services and System Integration business has resulted in the introduction of new practices, new products through IP creation for diverse System Integration solutions. The expansion strategy also involves tapping emerging sectors and aggressively augments services, exports and inorganic growth through possible mergers and acquisition.

### Investing in the future

- Employee strength grew to 7260 professionals as on December 31, 2010
- Overseas expansion through inorganic growth in high potential emerging markets.
  - Acquired 20% equity stake in a Dubai-based Telecom company for distribution of Nokia smartphones in Middle East and Africa
- Consolidated service offerings, SPA signed for subsidiary Infinet with an increased focus on strengthening its core business areas and expand into identified growth areas
- Expansion of existing Software Development Centre at Jaipur
- Achieved India's First LEED IC Platinum certification for HCL Green Data Center
- Forayed in the kids entertainment market with ME gaming consoles and ME Kids Educational Computers
- Committed to sustainability, further invested in the development of green products

# BUSINESS HIGHLIGHTS

## HCL Infosystems bagged Systems Integration Orders of over Rs. 455 crores during the quarter

### System Integration

- Bagged an order from a leading telecom company for consolidating bill delivery mechanism in North & West zone
- Bagged an order for design, installation and maintenance of border check post and central control room infrastructure for a state government
- Other orders included ERP order from a state government under Directorate of Technical Education for the implementation of MIS in 100 colleges, an order from Indian Railways for providing Converged Solutions, order to implement an emergency response system for a state police etc.

### HCL Learning( Education & Learning division of HCL Infosystems)

- HCL Learning further strengthened and recorded good growth
  - Bagged HP Sarva Sikhsha Aviyaan project worth Rs. 40 Cr approximately
  - Signed over 100 schools and 1000 classrooms under its HCL Learning Digischool program
  - Various programs were launched like ' Xcelerate', to provide Live Video Learning for various competitive examinations, Project Kaushal to provide vocational IT training for Indian Army, an order from a State Electronics Corporation for setting up 788 Language Lab and licenses for language labs to conduct the courses in Govt. Schools etc.

### Enhancing PC adoption

- Bagged an order from
  - Kerala State Electronics Development Corporation Ltd. for IT@School Project by the Government of Kerala to provide over 6500 laptops and netbooks
  - Assam Electronics Development Corporation Ltd by the Government of Assam to provide over 7000 laptops and netbooks
- Alliance with Ernakulam District Co-operative Bank to provide interest free Computer Loans
- New desktop based on Intel H55 and Intel Q57 chipsets were rolled out
- Launched HCL ME Laptop 75 and HCL ME Series 08, 3G capable netbook

## BUSINESS HIGHLIGHTS

### Expansion of Overseas Business with HCL Infosystems MEA

- HCL Infosystems MEA signed a multi-million dollar agreement with Mercator, to manage IT infrastructure for flydubai

### Digital lifestyle – New products added to the portfolio

- Digital Lifestyle business added new products to its portfolio of consumer electronics and mobile accessories - Signed distribution agreement with HP PSG India for the HP DreamScreen400
- Launch of Nokia C7 and much awaited Nokia N8 was well received

## AWARDS and ACCOLADES

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- Mr. Ajai Chowdhry conferred **Padma Bhushan** by the President of India for his outstanding contribution to the industry
- Mr. Ajai Chowdhry awarded with '**CNBC Asia Business Leader Viewer's Choice Award 2010**'
- Mr. Ajai Chowdhry honoured with '**India Innovator of the Year Award**' at the **6th edition** of the **CNBC TV 18 India Business Leader Awards 2010**
- **Mr. Ajai Chowdhry, Chairman**, conferred with **Honoris Causa Doctorate of Science (D. Sc.)** by IIT Roorkee
- HCL Infosystems achieved **India's First LEED IC Platinum certification** for HCL Green Data Center
- Received **ELCINA-EFY Award 2009-10** for Environmental Management
- HCL Infosystems awarded **CXO Award 2010 – The IT Chapter** in the category of **Indian Hardware Brand of the Year 2010**
- Gained **world-wide 2nd rank** in the latest Green Peace rankings with a rating of 7.1

# CONSOLIDATED RESULTS

Rs. crores			
Unaudited			
	Q2 FY10	Q2 FY11	Y-o-Y %
Consolidated Revenue	3,054	3,154	3%
Consolidated PBT	78	80	3%
Consolidated PAT	56	56	0%
Consolidated Services	179	227	27%

The results of the quarter consider provisions and write offs against receivables amount to Rs. 10 crores, as compared to Rs. 4 crores in corresponding quarter last year.

### Earnings per share:

Basic EPS for the quarter ended December 31, 2010 was **Rs. 2.6 per share** of Rs. 2/- each.

Rs. crores			
Unaudited			
	H1 FY10	H1 FY11	Y-o-Y %
Consolidated Revenue	6,082	6,144	1%
Consolidated PBT	161	154	-4%
Consolidated PAT	115	103	-10%
Consolidated Services	324	409	27%

### Earnings per share:

Basic EPS for the half year ended December 31, 2010 was **Rs. 4.7 per share** of Rs. 2/- each.

# SEGMENT RESULTS

## COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

### Computer Systems & Other Related Products and Services

Rs. crores

Revenue	Unaudited			Unaudited		
	Q2 FY10	Q2 FY11	Y-o-Y %	H1 FY10	H1 FY11	Y-o-Y %
Systems Integration	107	222	107%	247	415	68%
Learning	6	24	323%	14	35	152%
Overseas Operations	0	95		0	182	
Computing Business	619	705	14%	1,287	1,330	3%
Intersegment / Adjustments	-10	-6		-9	-23	
<b>Computer Systems &amp; Other Related Products and Services</b>	<b>722</b>	<b>1,040</b>	<b>44%</b>	<b>1,539</b>	<b>1,939</b>	<b>26%</b>
PBIT	Q2 FY10	Q2 FY11	Y-o-Y %	H1 FY10	H1 FY11	Y-o-Y %
Computer Systems & Other Related Products and Services	28	45	60%	76	81	6%

## TELECOMMUNICATION & OFFICE AUTOMATION

### Telecommunication & Office Automation

Rs. crores

Revenue	Unaudited			Unaudited		
	Q2 FY10	Q2 FY11	Y-o-Y %	H1 FY10	H1 FY11	Y-o-Y %
Telecom Distribution	2,012	1,726	-14%	3,960	3,476	-12%
Digital Entertainment	187	202	8%	343	354	3%
Office Automation	116	174	50%	231	331	43%
HCL Security	8	8	4%	13	20	52%
Intersegment / Adjustments	6	-7		3	0	
<b>Telecommunication &amp; Office Automation (Net)</b>	<b>2,329</b>	<b>2,104</b>	<b>-10%</b>	<b>4,550</b>	<b>4,181</b>	<b>-8%</b>
PBIT	Q2 FY10	Q2 FY11	Y-o-Y %	H1 FY10	H1 FY11	Y-o-Y %
Telecommunication & Office Automation	57	57	0%	113	111	-2%

# CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT	Rs crores				
	Unaudited		Unaudited		Audited
	Q2 FY 11	Q2 FY 10	H1 FY 11	H1 FY 10	FY 10
<b>Gross Sales / Income from Operations</b>	<b>3,153.7</b>	<b>3,054.3</b>	<b>6,144.5</b>	<b>6,081.7</b>	<b>12,158.6</b>
Less: Excise Duty	38.6	22.8	69.9	51.3	108.8
1a. Net Sales / Income from Operations	3,115.1	3,031.5	6,074.5	6,030.5	12,049.8
1b. Other Operating Income #	8.5	12.1	27.3	14.4	29.8
2 Expenditure					
(Increase) / Decrease in Stock in Trade and Work in Progress	64.8	(54.9)	128.0	55.7	137.6
a) Consumption of Raw Materials	420.7	339.2	799.9	728.7	1,849.0
c) Purchase of Traded Goods	2,178.0	2,382.0	4,334.2	4,529.0	8,473.2
d) Purchase of Services	73.5	75.1	128.0	130.3	312.9
e) Stores & Spares consumed and Others	56.5	39.6	99.0	72.7	173.3
f) Employees Cost	124.9	94.6	236.4	184.2	391.2
g) Administration, Selling, Repairs & Others	109.7	81.6	197.3	164.7	366.0
h) Depreciation	9.7	6.9	18.3	12.8	25.5
Total Expenditure	3,037.9	2,964.0	5,941.1	5,877.9	11,728.8
<b>Profit from Operations before Other Income &amp; Interest (1-2)</b>	<b>85.8</b>	<b>79.6</b>	<b>160.7</b>	<b>166.9</b>	<b>350.9</b>
4 Other Income	14.7	8.1	28.0	12.1	34.8
<b>5. Profit before Interest (3+4)</b>	<b>100.5</b>	<b>87.7</b>	<b>188.7</b>	<b>179.0</b>	<b>385.7</b>
6. Interest Expense	20.6	9.7	34.9	18.1	39.2
<b>7. Profit (+) / Loss (-) from ordinary activities before Tax (5-6)</b>	<b>79.9</b>	<b>78.0</b>	<b>153.9</b>	<b>160.9</b>	<b>346.5</b>
8. Tax Expense	23.4	21.9	49.1	45.9	104.1
<b>9. Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)</b>	<b>56.5</b>	<b>56.1</b>	<b>104.8</b>	<b>115.1</b>	<b>242.4</b>
10. Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-
<b>11. Net Profit (+) / Loss (-) for the period before minority interests (9-10)</b>	<b>56.5</b>	<b>56.1</b>	<b>104.8</b>	<b>115.1</b>	<b>242.4</b>
12 Minority Interests	0.6	-	1.4	-	-
<b>13 Net Profit (+) / Loss (-) for the period (11-12)</b>	<b>56.0</b>	<b>56.1</b>	<b>103.4</b>	<b>115.1</b>	<b>242.4</b>
<b>Basic EPS (Not annualised) Rs/share</b>	<b>2.6</b>	<b>2.7</b>	<b>4.7</b>	<b>6.1</b>	<b>11.9</b>
Other Operating Income includes Exchange Fluctuation Gain/(Loss) (Net)	3.4	6.5	10.2	4.8	11.9

## KEY RATIOS

Key Ratios	Q2 FY11
Return on Capital Employed %	15%
Return on Net Worth %	12%
Debt / Debt+Equity	0.29
Debtors Collection period (days) {annualised}	68
Inventory turnover (annualised)	17
Current ratio	1.6



# CONSOLIDATED SEGMENT

Particulars	Rs crores						
	Unaudited			Unaudited			Audited
	Q2 FY 11	Q2 FY 10	Y-o-Y %	H1 FY 11	H1 FY 10	Y-o-Y %	FY 10
<b>1. Segment Revenue</b>							
a) Products and Related Services							
- Computer Systems & Other Related Products and Services (Gross)	1,040.2	721.8	44%	1,939.1	1,539.2	26%	3,642.8
Less: Excise Duty	38.6	22.8		69.9	51.3		108.8
- Computer Systems & Other Related Products and Services (Net)	1,001.6	699.0	43%	1,869.1	1,487.9	26%	3,534.0
- Telecommunication & Office Automation (Net)	2,103.8	2,328.8	-10%	4,181.0	4,550.4	-8%	8,529.0
b) Internet & Related Services	18.6	24.8	-25%	38.0	41.4	-8%	76.7
Total	3,124.0	3,052.5	2%	6,088.1	6,079.8	0%	12,139.7
Less: Intersegment revenue	8.9	21.1		13.5	49.3		89.8
<b>Net Sales / Income from Operations</b>	<b>3,115.1</b>	<b>3,031.5</b>	<b>3%</b>	<b>6,074.5</b>	<b>6,030.5</b>	<b>1%</b>	<b>12,049.8</b>
<b>2. Segment Results (Profit (+) / Loss (-) before Tax and interest from each segment)</b>							
a) Products and Related Services							
- Computer Systems & Other Related Products and Services	44.8	28.0	60%	80.6	76.3	6%	190.4
- Telecommunication & Office Automation	57.1	57.0	0%	110.8	112.6	-2%	215.9
b) Internet & Related Services	(2.8)	1.2	-337%	(6.1)	(4.2)	44%	(13.8)
Total	99.1	86.2	15%	185.3	184.6	0%	392.6
Less:							
i) Interest Expense	20.6	9.7		34.9	18.1		39.2
ii) Other un-allocable expenditure net off	13.3	6.6		24.6	17.7		41.7
iii) Un-allocable income	14.7	8.1		28.0	12.1		34.8
<b>Total Profit before Tax</b>	<b>79.9</b>	<b>78.0</b>	<b>3%</b>	<b>153.9</b>	<b>160.9</b>	<b>-4%</b>	<b>346.5</b>
<b>3. Capital Employed (Segment Assets - Segment Liabilities)</b>							
a) Products and Related Services							
- Computer Systems & Other Related Products and Services				1,367.4	1,108.6		1215.1
- Telecommunication & Office Automation				245.3	168.4		203.4
b) Internet & Related Services				(8.2)	(2.8)		(4.8)
c) Unallocated							
- Liquid Assets				855.9	881.6		855.8
- Others				288.9	147.8		143.7
<b>Total Capital Employed</b>				<b>2,749.4</b>	<b>2,303.5</b>		<b>2413.3</b>

# CONSOLIDATED BALANCE

Statement of Assets and Liabilities		Rs. crores	
Particulars	Consolidated		
	As at December 31, 2010 (Unaudited)	2009 (Unaudited)	
<b>Shareholder's funds</b>			
Share Capital	44	44	
Share Warrant Application Money	18	18	
Reserves and Surplus	1,881	1,857	
Minority Interest	4	-	
<b>Loan funds</b>			
Secured loans	117	195	
Unsecured loans	685	190	
<b>Total</b>	<b>2,749</b>	<b>2,304</b>	
Fixed Assets	340	270	
Investments	856	878	
Deferred Tax Assets	12	7	
<b>Current assets, loans and advances</b>			
Inventories	745	878	
Sundry Debtors	2,351	1,655	
Cash and Bank Balance	206	161	
Other Current Assets	363	137	
Loans and advances	255	213	
	3,921	3,045	
<b>Less: Current liabilities and provisions</b>			
Current liabilities	2,328	1,864	
Provisions	52	31	
<b>Net Current Assets</b>	<b>1,541</b>	<b>1,149</b>	
<b>Total</b>	<b>2,749</b>	<b>2,304</b>	

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 2.6 billion (Rs 12,221 crores) is India's premier hardware, services and ICT systems integration company offering a wide spectrum of ICT products that includes Computing, Storage, Networking, Security, Telecom, Imaging and Retail. HCL is a one-stop-shop for all the ICT requirements of an organisation. India's leading System Integration and Infrastructure Management Services Organisation, HCL has specialised expertise across verticals including Telecom, BFSI, eGovernance & Power. HCL has India's largest distribution and retail network, taking to market a range of Digital Lifestyle products in partnership with leading global ICT brands, including Apple, Cisco, Ericsson, Kingston, Kodak, Konica Minolta, Microsoft, Nokia, Toshiba, and many more. HCL today has India's largest vertically integrated computer manufacturing facility with over three decades of electronic manufacturing experience & HCL desktops is the largest selling brand into the enterprise space. With India's largest ICT services network that reaches to every corner of India, HCL's award winning Support Services makes it the preferred choice of enterprise and consumers, alike. HCL Infosystems has a 100% subsidiary that addresses the physical security technology system integration market. The subsidiary leverages technology to build a security framework called 'Safe State' that safe guard's life, infrastructure & society. For more information please visit us at [www.hclinfosystems.in](http://www.hclinfosystems.in)

## ABOUT HCL ENTERPRISE

HCL is a \$5.3 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 71,000 professionals of diverse nationalities, who operate from 29 countries including over 500 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](http://www.hcl.com)