

Quarterly Earning Release

Second Quarter FY 15

January 22, 2015

HCL Infosystems Ltd

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MANAGEMENT COMMENTS



Mr. Premkumar Seshadri, Executive Vice-Chairman and Managing Director, HCL Infosystems Ltd., announcing the results said, “Our second quarter performance is in line with our focus around, execution excellence in our SI projects, momentum in the focus businesses of Distribution and Services and seamless transition of the business model in the Learning and Financial Inclusion space. The renewal of the agreement with Microsoft Devices for another 3 Years and the robust launch of the Lumia 535 and 730 is a key highlight of the quarter”.

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BUSINESS HIGHLIGHTS

Distribution Business :

- **Consumer Distribution** business comprises of Telecom products and Consumer Electronics & Home Appliances. The **Telecom distribution** business witnessed a dip in revenues due to product rationalization, which started in Q1-15 continued into most of Q2-15, and weaker demand environment in the traditional trade channels. However the Microsoft Windows-based phones business witnessed an 80% Q-o-Q growth in value terms led by the launch of the Lumia 535 and 730 models. In rural markets, the value contribution of Windows-based phones increased from 9% to 25%. **The Consumer Electronics & Home Appliances** business is gaining momentum by bolstering the channel ecosystem and coverage footprint. In Q2 FY14-15, the number of distributors and dealers increased by over 60%.
- The **Enterprise Distribution** business achieved good traction by adding new partners like Acer for projectors, Philips for large format displays and others across the Audio-Visual, information security and server storage spaces. We also expanded our reach by signing up 183 SIs and VARs.

BUSINESS HIGHLIGHTS

Services Business (HCL Services):

Enterprise Services

The **Enterprise Services** business registered a steady growth of 16% Y-o-Y. The global enterprise services business registered a robust 139% Y-o-Y growth due to consistent business traction in our strategically focused overseas markets.

- In the Middle East, the services business registered a healthy Y-o-Y revenue growth of 34%. The business renewed its contractual engagements with existing customers and acquired new customers like Ministry of Health, UAE and a leading telecom operator in the Gulf region. The business also implemented managed services solution for computer-aided facilities management system for a very large public sector enterprise. In Singapore, the services business registered steady growth in revenue.
- Infrastructure Managed Services (IMS) business witnessed growth of 34% Y-o-Y. In this quarter, IMS bagged service contracts from a large private bank, public sector bank and a large Indian conglomerate among many others.
- The Infrastructure Consulting Services business won major orders from marquee customers in the enterprise and government space.
- There is significant enhancements of proprietary tools that have received customer accolades and have the potential of creating sustainable competitive differentiators.
- The Enterprise business continues to strengthen and drive synergy in its channel partner ecosystem to expand its presence in the SMB and mid-market segment

Consumer Services (HCL Care)

- Our **Consumer Services** business maintained its consistent growth momentum by registering 129% Y-o-Y and 15% Q-o-Q growth in the quarter. The Consumer Services business also signed up with leading brands like OnePlus, Jolla and Xolo across the Mobility space for after-sales repair and services. HCL Consumer Services also launched a new cloud-based CRM to provide warranty transfer and fraud detection facilities to its partners.

BUSINESS HIGHLIGHTS

HCL Learning Business (HCL Learning):

HCL Learning has changed its business model to an asset-light, content-driven business.

The entity has formed strategic partnerships with RICOH in India and Westcon in the Middle East to penetrate new market segments.

In India, the HCL Learning has added many new customers like Udgam School, Gujarat, Delhi Public School, Jharkhand through its channel partners. In the international market, it acquired customers like Global Indian International School, Japan, Indian School, Darsait, Oman and Indian Language School, Nigeria.

Gaining recognition for its interactive content expertise, HCL Learning won many awards such as Global Learn Tech Award and Digital Edge Magazine Award.

System Integration (SI) Business:

- One of our key projects, Managed Services for Unique Identification Authority of India (UIDAI) is progressing as per plan, and the technology platform migration for the world's largest biometric database has been completed even as 73.25 Crs Aadhaar cards have been generated.
- The rigorous thrust on execution excellence and collections is helping in accelerated project implementation and selective pursuit of new opportunities that has resulted in expanding relationships with existing customers.

Financial Inclusion (FI) Business:

- Financial Inclusion business achieved a landmark of 50 lac enrollments since its inception and the execution model transition here is gaining momentum.
- The Financial Inclusion business won a major order for covering more than 900 villages from Uttar Bihar Gramin Bank. The business developed tools for enabling inter-operability between bank branches and e-KYC implementation

Other Updates

- **HCL Infosystems** achieved an ICRA Rating of A1 for short term and commercial paper borrowing of Rs 200 Crs.

CONSOLIDATED RESULTS

Rs. crores

PROFIT & LOSS ACCOUNT		Consolidated Unaudited			Audited
		Q2 FY 15	Q1 FY 15	Q2 FY 14	FY 14
-	Gross Sales / Income from Operations	1,450.5	1,682.7	1,937.6	7,852.4
-	Less: Excise Duty	-	-	0.5	4.1
1a.	Net Sales / Income from Operations	1,450.5	1,682.7	1,937.1	7,848.3
1b.	Other Operating Income	1.6	-	0.0	10.6
2.	Expenses				
a)	Cost of materials consumed	4.5	7.7	84.7	401.5
b)	Purchases of Stock-in-trade	1,027.0	1,271.5	1,417.2	6,031.0
c)	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	50.2	67.1	58.2	53.3
d)	Employee benefits expense	136.2	136.7	145.6	571.9
e)	Exchange Differences Loss/ (Gain)	1.9	2.8	19.1	70.6
f)	Depreciation and amortisation expense	12.7	13.4	13.1	52.5
g)	Other Expenses	251.1	224.0	220.8	818.7
	Total Expenses	1,483.6	1,723.2	1,958.7	7,999.5
3.	Profit / (Loss) from Operations before Other Income, finance costs and exceptional items(1-2)	(31.5)	(40.5)	(21.6)	(140.6)
4.	Other Income	15.3	14.6	22.1	96.4
5.	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	(16.3)	(25.9)	0.5	(44.2)
6.	Finance costs	34.7	32.3	41.2	156.0
7.	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(51.0)	(58.2)	(40.7)	(200.2)
8.	Exceptional Items loss/ (Gain)	(1.5)	(19.2)	-	(14.4)
9.	Profit / (Loss) from ordinary activities before Tax (7+8)	(49.6)	(39.0)	(40.7)	(185.8)
10.	Tax Expense/ (Credit)	1.3	6.3	3.5	28.7
11.	Net Profit / (Loss) from ordinary activities after Tax (9-10)	(50.8)	(45.3)	(44.1)	(214.5)
12.	Extraordinary items (net of tax expense)	-	-	-	-
13.	Net Profit / (Loss) for the period (11+12)	(50.8)	(45.3)	(44.1)	(214.5)
	Basic EPS (Not annualised) Rs/share	(2.3)	(2.0)	(2.0)	(9.6)

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CONSOLIDATED SEGMENT RESULTS

Rs. crores

	Particulars	Unaudited			Audited
		Q2 FY 15	Q1 FY 15	Q2 FY 14	FY 14
1.	Segment Revenue				
	- Hardware Products and Solutions (Gross)	202.5	293.3	402.3	2,004.1
	Less: Excise Duty	-	-	0.5	4.1
	- Hardware Products and Solutions (Net)	202.5	293.3	401.7	2,000.0
	- Services	230.4	211.3	189.6	745.7
	- Distribution	1,028.0	1,224.8	1,447.9	5,333.3
	- Learning	7.5	12.6	11.0	66.6
	Total	1,468.3	1,742.0	2,050.3	8,145.6
	Less : Intersegment revenue	17.8	59.3	113.3	297.3
	Net Sales / Income from Operations	1,450.5	1,682.7	1,937.0	7,848.3
2.	Segment Results (Profit / (Loss) before Tax and Interest from each segment)				
	- Hardware Products and Solutions	(23.9)	(47.9)	(53.4)	(224.1)
	- Services	(4.3)	(1.2)	20.4	55.7
	- Distribution	16.8	20.5	24.0	86.3
	- Learning	(8.4)	(9.2)	(4.2)	(14.9)
	Total	(19.8)	(37.8)	(13.2)	(96.9)
	Less :				
	i) Interest Expense	34.7	32.3	41.1	156.0
	ii) Other un-allocable expenditure net off un-allocable (income)	(4.9)	(31.1)	(13.7)	(67.1)
	Total Profit / (Loss) before Tax	(49.5)	(39.0)	(40.7)	(185.8)
3.	Capital Employed (Segment Assets - Segment Liabilities)				
	- Hardware Products and Solutions	903.4	841.8	695.5	830.9
	- Services	262.7	225.8	207.1	248.4
	- Distribution	(71.7)	(4.3)	83.5	(79.3)
	- Learning	15.2	12.7	12.3	24.7
	Unallocated				
	- Liquid Assets	265.8	276.8	311.7	309.5
	- Others unallocated	1,069.1	1,142.2	1,328.7	1,220.7
	Total Capital Employed	2,444.5	2,495.0	2,639.0	2,554.9

BALANCE SHEET

Rs. crores

Particulars	Consolidated	
	Unaudited as at 31.12.2014	Audited as at 30.06.2014
A EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	45	45
Reserves and surplus	1,303	1,398
Sub-Total - Shareholders' funds	1,347	1,443
Non Current Liabilities		
Long term Borrowings	283	388
Deferred tax Liabilities	1	-
Other Long term Liabilities	30	32
Long term Provisions	12	13
Sub-Total - Non Current Liabilities	326	434
Current Liabilities		
Short-term borrowings	404	294
Trade payables	1,144	1,436
Other current liabilities	732	874
Short-term provisions	28	30
Sub-Total - Current Liabilities	2,307	2,634
Total - EQUITY AND LIABILITIES	3,981	4,511
B ASSETS		
Non-current assets		
Fixed Assets	254	344
Goodwill on consolidation	578	577
Non-current investments	-	-
Deferred tax assets (net)	0	5
Long-term loans and advances	91	54
Trade receivables	-	-
Other non-current assets	207	242
Sub-Total - Non Current assets	1,131	1,222
Current Assets		
Current investments	233	175
Inventories	325	436
Trade receivables	731	865
Cash and bank balances	134	347
Short-term loans and advances	244	284
Other current assets	1,181	1,182
Sub-Total - Current assets	2,850	3,289
Total Assets	3,981	4,511

ABOUT HCL INFOSYSTEMS

With (LTM) revenues of Rs. 6864 Crs, HCL Infosystems is India's Premier Distribution and IT Services and Solutions Company. The Company has one of the largest sales & distribution networks in India and provides value added distribution for partners in Telecom, IT, Office Automation and Consumer Electronics products. The Company's distribution business has an unparalleled network that reaches more than 100,000 retail outlets, over 800 Direct and Micro Distributors and over 12,400 Channel Partners across 15,000 towns and 664 districts in the country. The Company is also a leader in IT Services and Solutions with 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

HCL is a business enterprise with presence in the fields of Technology, Healthcare and Talentcare. Founded in 1976 as one of India's original IT garage start-ups, the HCL enterprise currently comprises four companies in India - HCL Technologies, HCL Infosystems, HCL Healthcare and HCL Talentcare , with annual revenues of US\$ 6.5 billion and over 100,000 professionals from diverse nationalities operating across 31 countries including over 500 points of presence in India. In the technology space, HCL's offerings span a wide range of software and hardware services and solutions including R&D, Technology Services, Enterprise and Applications Consulting, Remote Infrastructure Management, IT Hardware, Systems Integration, Distribution of Technology and Telecom Products. HCL Healthcare, aims to provide innovative medical services, products and training to meet the growing demand for quality Healthcare in India. HCL Talentcare is focused on providing Professional Vocational Employability solutions through an innovative signature learning experience.

For further information, visit www.hcl.com