

# Quarterly Earning Release

## Second Quarter FY 13

February 14, 2013

# HCL Infosystems Ltd

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## CEO's COMMENTS

Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited, commenting on the results said, "We had some positive developments this quarter with our enterprise PC business and Tablet business registering healthy growth. Our Services business including Infrastructure Management Services, Facility Management Services and Enterprise Application Services continued to witness positive traction in the market. Also I am happy to note that our UIDAI engagement as the Managed Service Provider has got off to a good start. Our Learning Business too notched up focused growth with the addition of a number of Digischool classrooms as well as with the foray into the B2C space.

On the other hand our Hardware Solutions and System Integration business has been severely impacted due to continued delays in government decision making and economic slowdown. Consequently, few of our projects witnessed cost over-runs and delayed payments. An increase in receivables impairment of Rs 18 crores and interest cost of Rs 5 crores sequentially impacted our profitability this quarter.

We have also recently announced the restructuring of the company wherein we are reorganizing our business into various subsidiaries. This company wide transformation will provide for focused management orientation to each of the businesses which are at various stages of maturity and create a leaner organization for the Hardware business. Each of the businesses will be un-constrained to chart their own respective growth paths. I am confident that the restructuring strategy will show positive results in the coming quarters and we will be able to register robust growth and profitability across our businesses", Mr. Chitale added.

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## BUSINESS HIGHLIGHTS

### Solutions

#### Enterprise Hardware

- Subdued economic growth, delayed government decision making and muted IT spends were the challenges faced by our Hardware & Solutions Business as by rest of the industry. This translated in project delays, cost-over runs and high interest costs for our Hardware & Solutions business.
- Consequently, a significant hit due to receivables impairment and high interest burden because of capital locked in some of our government projects severely impacted our profitability this quarter.
- Despite the challenging environment, our Enterprise PC business won major orders from State Bank of Bikaner and Jaipur, State Bank of India, Dena Bank among others. However, our profitability in this quarter suffered due to an unfavorable exchange rate while servicing the large-size PC order from a state government this quarter.



## BUSINESS HIGHLIGHTS

### Enterprise Hardware

- Like the rest of the Hardware business, our Office Automation business also confronted challenging market conditions. The company's OA Business added new customers such as Tata Global Beverages Ltd., Bridgestone, L&T Special Steel and Forgings etc and won major orders from Accenture, BHEL, Eastern Command of the Indian Army, HT Media and Director General of Signals. The business also exhibited technological expertise by implementing 3D Light Depth based Visualization Technology at IIT Hyderabad, launched Avaya Voice Portfolio and formed an exclusive partnership for Intec specialty production printers. Some of the breakthrough orders won included Bank of Indonesia & Central Excise for Multi Function Display and LIC & Dena Bank for Audio Video SI.

### Systems Integration

- The System Integration (SI) business of the company has a healthy order book for the next few quarters that will ensure robust growth. However, project delays have led to cost overruns and high interest burden.
- The BFSI segment in our System Integration Business recorded a robust growth over the last quarter. There were also substantial orders for the company in the Financial Inclusion space which has increased its market share. Some of the key achievements in the BFSI segment also include:-
  - The company's Jaipur Development Centre (JDC) initiated the testing of a Financial Inclusion Platform to enable Banks for Direct Cash Transfer using Aadhar (UIDAI)
  - JDC also developed the Technology Platform for the Financial Inclusion Gateway which would enable various Technology Service Providers to provide Financial Inclusion services
  - The company bagged significant orders from UCO Bank, Bank of India, Dena Bank RRB, Prathma Bank in the BFSI and Financial Inclusion segment

### Overseas

- HCL Infosystems MEA, the company's subsidiary based out of Dubai won major orders from DEWA (Dubai Electricity & Water Authority) for a data center virtualization solution and an Enterprise network & security solution. The business also won orders from RAK Ceramics, FEWA (Federal Electricity & Water Authority) for support services for SAP back-up test environment and UASC (United Arab Shipping Company) for a storage solution.



# BUSINESS HIGHLIGHTS

## Consumer Computing and Mobility

- Our mobility business continued to grow strongly with the market. In addition to launch of three new tablets in India, the business expanded its retail reach in India to 4500 outlets. The Mobility business also expanded its operations in the global emerging market by launching new tablet models in Middle East as well as in Africa. Market share of ME Tablets reached 15% in UAE market strengthening the company's foothold in the MEA region. Unmukt Chand, who gained fame as the U-19 Indian cricket team skipper and who led the team to victory in the ICC U-19 World Cup 2012 has been signed as the worldwide brand ambassador for ME Tablets. The business is well on target for achieving a fivefold growth by the end of the company's FY 2012-13 (ending June 2013) in comparison to the last FY 2011-12.

## Services Business

- One of our growth focus areas, Services business, continued to gain traction by winning seven large deals in the IMS (Infrastructure Management Services) and FMS (Facility Management Services) space in the Indian market. The Singapore business also showed good progress. The IMS practice launched value added services like ITIL & Data Center Infrastructure Management Consulting with key partners.
- The company gained new customers in the EAS (Enterprise Application Services) space such as IRS (Indian Register of Shipping), Lava, PPL (Positive Packaging Ltd), JSPL (Jindal Steel and Power), SBQ Steels Ltd. among others.
- Our after-sales support services business, HCL Care, won new engagements such as the DELL field Services. The business also expanded its Blackberry operations from 3 stores to 50 stores in North and East India.
- The cloud computing business also gained new engagements in the Mobility, Field Force Automation and Intranet space. Also new partnerships were formed with Kryptos and EMC.



## BUSINESS HIGHLIGHTS

### Learning Business

- The Learning Business also registered growth with more than 400 classrooms added by our Digischool offering in this quarter. As part of our focus to advance into the B2C space, the business tied up with Big Bazaar to make available MyEduWorld products in 118 stores across the country. The business bagged an international content licensing deal in South Africa. The business also launched EasySchool - a unique integrated multimedia classroom infrastructure with HCL Learning content that is easy to use, accessible and affordable. We expect our Learning business to turn profitable soon as it reaches a credible scale in B2B and also due to our push in B2C domain.

### Distribution Business

- Our efforts to diversify product portfolio of our Distribution business have yielded encouraging results. Our Digital Entertainment Distribution grew with signing of new partners such as De Longhi, HCL Learning and a leading tablet brand. The IT Distribution Business is poised to deliver handsome growth in the upcoming quarters with the addition of new partnerships such as Dell, Huawei and Edgecore. The business also added new products such as Battery, Powerpack and Bluetooth models to its portfolio.



# CONSOLIDATED RESULTS

## Quarterly Results

The company reported consolidated revenue of **Rs. 2,606 crores** for the quarter ended December 31, 2012.

Particulars	Q2 FY13	Q1 FY13
Consolidated Revenue	<b>2,606</b>	2,456
Consolidated PBT	<b>-52</b>	2
Consolidated PAT	<b>-38</b>	2

While the telecom distribution revenue declined 17% sequentially, the rest of the business grew 44% sequentially.

Consolidated loss before tax was **Rs. 52 crores** for the quarter ended December 31, 2012. The profitability for the quarter was significantly impacted due to various transient factors including receivables impairment, unfavorable exchange rate fluctuation while executing a large size PC order from a state government, interest cost on working capital on government projects and increase in branding expenses. These factors together had a total impact of around Rs.40 crores sequentially this quarter.

The Board of Directors had at its meeting held on January 14, 2013, approved a business restructuring plan recommended by the Finance Committee consisting of a Composite Scheme of Arrangement (the Scheme) under the provisions of Section 391 and 394 of the Companies Act, 1956. The Scheme inter-alia envisages transfer of Hardware Solutions Business, Services business and Learning Business of the Company to separate wholly owned subsidiaries namely HCL System Integration Limited, HCL Care Limited and HCL Learning Limited respectively. The Scheme also envisages merger of HCL Infocom Limited, a wholly owned subsidiary with the Company. January 1, 2013 has been fixed as the Appointed Date. The Scheme is subject to requisite consent/ approval of the shareholders, lenders, creditors of the Company and sanction of the Hon'ble High Court of Judicature at Delhi and other statutory or regulatory authorities.

In the previous year/periods, the Company was reporting "Computer Systems and Other Related Products and Services" and "Telecommunication and Office Automation" as its primary segments. Considering the existing internal reporting structure, the Company has now reorganised its primary business segments as "Hardware Products and Solutions business" (comprising of Hardware Solutions business, Computing products manufacturing and Channel business), "Services business", "Learning business" and "Distribution business", consequent to which segment disclosures for the quarter and half year ended December 31, 2012 are presented based on revised segments. In accordance with the requirements of AS 17, segment disclosures for the previous quarter ended September 30, 2012 are restated in line with the revised segment structure, however, prior year/periods comparatives for the quarter/half year ended December, 2011 and year ended June 2012 for new reportable segments are not disclosed as it is impracticable to compute strictly comparable numbers. Accordingly, "Computer Systems and Other Related Products and Services" and "Telecommunication and Office Automation" have been reported as segments for the quarter/half year ended December, 2011 and year ended June 2012.

There is no change in the secondary segment reporting, which continues to be based upon geographical location of the customers.



# CONSOLIDATED BUSINESS RESULTS

## BUSINESS RESULTS

Rs. crores	Unaudited				
	Q2 FY 13	Q1 FY 13	Q2 FY 12	QoQ Growth	YoY Growth
<b>Consolidated Revenue</b>					
- Enterprise Hardware	646	379	446	71%	45%
- Systems Integration	267	141	118	90%	126%
- Consumer Computing & Mobility	156	133	130	17%	20%
- Overseas	22	42	30	-47%	-26%
Solutions	1,092	695	724	57%	51%
Services	136	127	137	7%	-1%
Learning	14	16	14	-14%	-3%
- Telecom Distribution	1,276	1532	1707	-17%	-25%
- Digital Entertainment	145	130	116	11%	25%
Distribution	1,421	1,662	1,822	-15%	-22%
Infinet	-	-	5		
Intersegment / Adjustments	-56	-43	-12	29%	383%
<b>Total Revenue</b>	<b>2,606</b>	<b>2,456</b>	<b>2,691</b>	<b>6%</b>	<b>-3%</b>



## STANDALONE PROFITABILITY

STANDALONE PROFIT & LOSS ACCOUNT		Unaudited			Rs crores
		Q2 FY 13	Q1 FY 13	Q2 FY 12	Audited
		FY 12			
-	Gross Sales / Income from Operations	2,472.2	2,355.8	2,583.4	10,375.5
-	Less: Excise Duty	14.2	14.1	18.9	86.2
1a.	Net Sales / Income from Operations	2,458.0	2,341.7	2,564.5	10,289.3
1b.	Other Operating Income	7.3	3.6	7.5	22.3
2.	Expenses				
	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	(115.0)	(21.7)	(462.7)	(36.9)
a)	Cost of materials consumed	375.7	216.6	243.0	1,273.3
c)	Purchases of Stock-in-trade	1,863.2	1,802.4	2,460.7	7,617.6
d)	Purchases of Services	45.2	59.9	30.1	179.6
e)	Stores & Spares consumed and Others	61.3	48.9	48.2	222.4
f)	Employee benefits expense	128.5	120.9	117.0	458.8
g)	Administration, Selling, Repairs & Others	115.2	84.0	101.9	428.9
h)	Exchange Differences Loss / (Gain) #	6.5	12.9	11.6	64.3
i)	Depreciation and amortisation expense	12.4	11.8	10.3	43.1
	Total Expenses	2,493.0	2,335.8	2,560.0	10,250.9
3.	Profit / (Loss) from Operations before Other Income & finance costs (1-2)	(27.6)	9.4	11.9	60.7
4.	Other Income	17.7	22.1	15.6	80.9
5.	Profit / (Loss) from ordinary activities before finance costs (3+4)	(9.9)	31.5	27.5	141.6
6.	Finance costs	32.9	28.6	18.9	80.1
7.	Profit / (Loss) from ordinary activities before Tax (5-6)	(42.8)	2.9	8.6	61.5
8.	Tax Expense	(14.2)	0.4	(0.5)	13.7
9.	Net Profit / (Loss) from ordinary activities after Tax (7-8)	(28.7)	2.5	9.1	47.9
10.	Extraordinary items (net of tax expense)	-	-	-	-
11.	Net Profit / (Loss) for the period (9-10)	(28.7)	2.5	9.1	47.9
	Basic EPS (Not annualised) Rs/share	-1.29	0.11	0.41	2.15
	# including unrealised Exchange Difference Loss / (Gain)				
	- Computer Systems & Other Related Products and Services	-	-	2.1	27.1
	- Telecommunication & Office Automation	-	-	0.9	7.5
	- Hardware Products and Solutions	(5.9)	(7.2)		
	- Services	0.4	(1.3)		
	- Distribution	0.0	0.1		
	- Learning	0.1	0.1		
	Total	(5.3)	(8.3)	3.0	34.6



## STANDALONE SEGMENT

		Rs crores		
Particulars	Unaudited			Audited
	Q2 FY 13	Q1 FY 13	Q2 FY 12	FY 12
<b>1. Segment Revenue</b>				
Products and Related Services				
- Computer Systems & Other Related Products and Services (Gross)			662.4	3,076.8
Less: Excise Duty			18.9	86.2
- Computer Systems & Other Related Products and Services (Net)			643.5	2,990.6
- Telecommunication & Office Automation (Net)			1,925.6	7,306.7
- Hardware Products and Solutions (Gross)	988.0	624.7		
Less: Excise Duty	14.2	14.1		
- Hardware Products and Solutions (Net)	973.8	610.6		
- Services	134.6	131.1		
- Distribution	1,337.0	1,586.2		
- Learning	13.6	15.7		
Total	2,459.0	2,343.6	2,569.1	10,297.3
Less : Intersegment revenue	1.0	1.9	4.5	8.0
<b>Net Sales / Income from Operations</b>	<b>2,458.0</b>	<b>2,341.7</b>	<b>2,564.5</b>	<b>10,289.3</b>
<b>2. Segment Results (Profit / (Loss) before Tax and Interest from each segment) #</b>				
Products and Related Services				
- Computer Systems & Other Related Products and Services			(8.2)	(11.9)
- Telecommunication & Office Automation			40.8	158.0
- Hardware Products and Solutions	(26.5)	(7.7)		
- Services	14.4	21.6		
- Distribution	24.4	30.2		
- Learning	(5.2)	(2.6)		
Total	7.1	41.3	32.6	146.1
Less:				
i) Interest Expense	32.9	28.6	18.9	80.1
ii) Other un-allocable expenditure net off un-allocable (income)	17.1	9.8	5.1	4.5
<b>Total Profit before Tax</b>	<b>(42.8)</b>	<b>2.9</b>	<b>8.6</b>	<b>61.5</b>
<b>3. Capital Employed (Segment Assets - Segment Liabilities)</b>				
a) Products and Related Services				
- Computer Systems & Other Related Products and Services			1,243.4	1,067.7
- Telecommunication & Office Automation			343.4	376.4
- Hardware Products and Solutions	1,160.6	1,352.5		
- Services	184.1	140.3		
- Distribution	125.7	19.7		
- Learning	22.6	21.0		
b) Unallocated				
- Liquid Assets	596.9	411.5	428.2	438.4
- Others	858.5	864.6	608.5	699.0
<b>Total Capital Employed</b>	<b>2,948.3</b>	<b>2,809.6</b>	<b>2,623.4</b>	<b>2,581.5</b>



## BALANCE SHEET

Statement of Assets and Liabilities		Rs. crores	
Particulars	Standalone		
	As at 31.12.2012 (Unaudited)	As at 30.06.2012 (Audited)	
<b>A. EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	45	45	
Reserves and surplus	1,846	1,873	
<b>Sub-Total - Shareholders' funds</b>	<b>1,891</b>	<b>1,917</b>	
<b>Non Current Liabilities</b>			
Long term Borrowings	183	123	
Other Long term Liabilities	157	149	
Long term Provisions	23	24	
<b>Sub-Total - Non Current Liabilities</b>	<b>363</b>	<b>296</b>	
<b>Current Liabilities</b>			
Short-term borrowings	815	477	
Trade payables	1,838	1,638	
Other current liabilities	457	523	
Short-term provisions	16	16	
<b>Sub-Total - Current Liabilities</b>	<b>3,125</b>	<b>2,654</b>	
<b>Total - EQUITY AND LIABILITIES</b>	<b>5,380</b>	<b>4,867</b>	
<b>B. ASSETS</b>			
<b>Non-current assets</b>			
Fixed Assets	302	298	
Non-current investments	140	118	
Deferred tax assets (net)	37	23	
Long-term loans and advances	85	59	
Trade receivables	12	23	
Other non-current assets	363	337	
<b>Sub-Total - Non Current assets</b>	<b>939</b>	<b>857</b>	
<b>Current Assets</b>			
Current investments	595	432	
Inventories	775	659	
Trade receivables	1,210	1,181	
Cash and bank balances	291	224	
Short-term loans and advances	311	298	
Other current assets	1,260	1,217	
<b>Sub-Total - Current assets</b>	<b>4,441</b>	<b>4,010</b>	
<b>Total Assets</b>	<b>5,380</b>	<b>4,867</b>	



## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd. with revenue (LTM) of US\$ 2.0 Billion (Rs 10,401 crores) India's Premier Technology Company and offers a wide spectrum of IT Services and Products ranging from Cloud to Learning Solutions. As a complete IT solutions provider the company offers comprehensive offerings in Enterprise Application Services, IT Infrastructure Managed Services, System Integration, Office Automation Products and Services, Distribution and Support Services. The company operates in both the Consumer and the Enterprise space – offering the latest mobility products and operating in verticals like BFSI, Telecom, and Healthcare respectively.

HCL Care, the support and service division of the company has one of the largest and most extensive service networks across the country and provides end to end support services for various IT, Telecom and Consumer Electronics products. HCL Infosystems has one of the largest distribution network of digital lifestyle global brands and an unparalleled robust service network in the country including Tier 2 and 3 cities. Digilife Distribution and Marketing Services (DDMS), a 100% subsidiary of HCL Infosystems focuses on multi brand

distribution and offers value added distribution for its partners including strategic consulting services, last mile connect and support in marketing and promotions. HCL Learning a division of the company covers the entire spectrum of education and training requirements across schools, colleges, individuals and enterprises and offers rich learning solutions across these segments. HCL Infosystems MEA (Middle East and Africa), a fully owned subsidiary of HCL Infosystems is part of the emerging markets outreach of the company and focuses on expanding the business in the Middle East and African geographies and provides comprehensive IT solutions to customers across verticals in the region. The company also has robust operations in Singapore with its subsidiary HCL Insys Pte. Ltd. gaining traction in the region with its Enterprise solutions including a strong offering in Infrastructure Managed Services.

For more information please visit us at [www.hclinfosystems.in](http://www.hclinfosystems.in)

## ABOUT HCL ENTERPRISE

HCL is a \$6.2 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 500 points of presence in India.

For more information, please visit [www.hcl.com](http://www.hcl.com)