

Quarterly Earning Release

Third Quarter FY 11

April 28, 2011

HCL Infosystems Ltd

Table of Contents

Chairman and CEO's Comments	2
Financial Highlights	3
Business Highlights	4
Awards and Accolades	5
Consolidated Results	6
Segment Results	7
Financials	8

CHAIRMAN'S COMMENTS



Mr. Ajai Chowdhry, Founder HCL and Chairman, HCL Infosystems Limited, commenting on the results said, “HCL Infosystems has been strongly focusing on building an organisation for tomorrow. As we further strengthen our teams, expertise and consolidate, we need to prepare and build capacity to cater to the demand that the much awaited IT boom in domestic market that National initiatives like Aadhar, financial inclusion, right to quality education and rollout of broadband etc. will generate across the country. I am also enthused with the New Electronic Manufacturing Policy that is expected to be a reality soon and am hopeful that it would lead to greater thrust to R&D and investments in electronic manufacturing in India.”

He added “As the IT industry touch an exciting inflection point where Broadband, Mobility, Cloud is converging to define the future of domestic IT business, we at HCL Infosystems are committed to consistently invest in the future.”

2

CEO'S COMMENTS



Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited, commenting on the results said: “During the quarter the System Integration business was adversely impacted by the delays in the decision making in various Government and Public Sector Undertaking led projects. Our distribution business also experienced a significant decline with a leading telecom brand in our portfolio recording a dip in revenues. However, our Computer Services, Office Automation and Education & Learning business continued to register a healthy growth.”

This quarter we also kick-started a companywide business excellence program with an objective to re-align the organisation to drive cost and working capital efficiencies and to re-position it for future growth opportunities. These programs are expected to start showing results in terms of bottom-line as well as cash flow performance over the next 12-15months”

FINANCIAL HIGHLIGHTS

QUARTERLY HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 2,758 crores.**
- ❖ Profit before tax at **Rs. 70 crores.**
- ❖ Basic EPS at **Rs. 2.4** per share of Rs. 2/- each.

➤ Computer Systems

- ❖ Revenue at **Rs. 898 crores.**
- ❖ PBIT at **Rs. 45 crores.**

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 1,856 crores.**
- ❖ PBIT at **Rs. 45 crores.**

Declared Third Interim dividend of Rs. 2/- per share (100% on an equity share of par value of Rs. 2/- each). 31st consecutive quarterly Dividend Declared.

YEAR TO DATE (9 Months) HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 8,902 crores.**
- ❖ Profit before tax at **Rs. 223 crores.**
- ❖ Basic EPS at **Rs. 7.2** per share of Rs. 2/- each.

➤ Computer Systems

- ❖ Revenue at **Rs. 2,838 crores.**
- ❖ PBIT at **Rs. 126 crores.**

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 6,037 crores.**
- ❖ PBIT at **Rs. 156 crores.**

BUSINESS HIGHLIGHTS

HCL Infosystems bagged Systems Integration Orders of over Rs. 750 crores during the quarter

Systems Integration

System Integration (SI) business opened the quarter with a healthy backlog and added to the same as Rs 750 cr of additional orders (TCV) were booked during the quarter. However, the division recorded a sharp decline in revenue during the quarter due to the delays in conversion of backlog to revenue on account of delays in decision making in certain Government and other Public Sector Undertaking led projects in the last 3 months. Sharp decline in the revenue recognition in the high margin SI Business did suppress profits of the company for the quarter and this may continue over a few quarters.

- o Company is now carrying a significant order book of long term contracts where revenue would be recognized over 5-10 years based on periodic or transaction based billing. However they will take time to reflect in the performance due to a billing gestation period spread over next 2-3 quarters.
- o During the quarter, SI Business bagged various orders from leading banks like PNB, PSB, SBI, Canara Bank etc to undertake Financial Inclusion mandates including banking for the unbanked, UIDAI enrollment across the country apart from other deployments for UIDAI
- o SI Business was awarded with prestigious orders across sectors like Indian Railways for a broadband deployment, over Rs.138cr RAPDRP project for deployment in Jharkhand, project from Indian Air Force over Rs. 300cr to deploy the Wideband CDMA based Portable Wireless Network covering many Air Force Stations across India. Under homeland security the company got projects from leading financial institutes, Airport authority, City police etc.

HCL Learning (Education & Learning division of HCL Infosystems)

HCL Learning, the education and training division on the company recorded growth of over 233% yoy for the quarter ended March 2011 and a growth of 183% YoY over the last 9 months. Over 2200 classrooms have been signed up for the DigiSchool Solution of this business. This division also launched an innovative program called 'Xcelerate' for Test Prep Coaching into Schools through interactive distance learning across the country.

BUSINESS HIGHLIGHTS

Enhancing PC adoption

The Computer Services business continued to grow recording positive growth of 20% YoY for the quarter ended March 2011 and 13% over the last 9 months.

- HCL Cloud Services 'Ozone' added new offerings in the area of Infrastructure as a service, HRM, Mail and Hospital information systems (HIS) and registered many wins including one of the largest Cloud order in India from a leading healthcare institution for implementation of HIS
- The company also introduced its range of HCL ME Tablets and became the first to introduce computing products with Bureau of Energy Efficiency (BEE) star compliance with the introduction of HCL ME Laptop M54

Digital lifestyle – New products added to the portfolio

- Distribution Business, recorded an overall YoY dip in profits on account of decline in telecom distribution business
 - HCL Infosystems' completed in Feb, acquisition of 20% equity stake and management control in Dubai based Techmart Telecom Distribution FZCO. This investment contributed to Rs. 61 cr of sales and Rs. 1.2 cr of Profit in the consolidated P&L of HCL Infosystems, upon line by line consolidation as a JV
- The Office automation business recorded a 7% growth YoY for the quarter ended March 2011 and over the last 9 months, a growth of 28% YoY.

AWARDS and ACCOLADES

- Mr. Ajai Chowdhry has been conferred **Padma Bhushan** by the President of India for his outstanding contribution to the industry
- Ranked #1 in **IDC-Dataquest Customer Satisfaction Survey 2011**; Third year in a row
- HCL Infosystems awarded '**Most Promising New Technology for Urban Applications**' at the Municipalika 2011

CONSOLIDATED RESULTS

Quarterly Results

Rs. crores	Unaudited		
	Q3 FY10	Q3 FY11	Y-o-Y %
Consolidated Revenue	2,842	2,758	-3%
Consolidated PBT	89	70	-22%
Consolidated PAT	60	53	-11%

Earnings per share:

Basic EPS for the quarter ended March 31, 2011 was **Rs. 2.4 per share** of Rs. 2/- each.

Year to Date Results

Rs. crores	Unaudited		
	9M FY10	9M FY11	Y-o-Y %
Consolidated Revenue	8,924	8,902	0%
Consolidated PBT	250	223	-11%
Consolidated PAT	175	157	-11%

Earnings per share:

Basic EPS for the nine months ended March 31, 2011 was **Rs. 7.2 per share** of Rs. 2/- each.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

Computer Systems & Other Related Products and Services

Rs. crores

	Unaudited		
Revenue	Q3 FY10	Q3 FY11	Y-o-Y %
Computing Business	714	695	-3%
Systems Integration	239	129	-46%
Learning	9	29	233%
Overseas Operations	4	74	
Intersegment / Adjustments	-5	-28	
Computer Systems & Other Related Products and Services	960	898	-6%

Revenue	Q3 FY10	Q3 FY11	Y-o-Y %
Computer Systems & Other Related Products and Services	53	45	-15%

Unaudited

	Unaudited		
Revenue	9M FY10	9M FY11	Y-o-Y %
Computing Business	2,001	2,014	1%
Systems Integration	486	544	12%
Learning	23	65	183%
Overseas Operations	4	255	
Intersegment / Adjustments	-14	-40	
Computer Systems & Other Related Products and Services	2,500	2,838	14%

Revenue	9M FY10	9M FY11	Y-o-Y %
Computer Systems & Other Related Products and Services	129	126	-3%

TELECOMMUNICATION & OFFICE AUTOMATION

Telecommunication & Office Automation

Rs. crores

	Unaudited		
Revenue	Q3 FY10	Q3 FY11	Y-o-Y %
Telecom Distribution	1,549	1,433	-7%
Digital Entertainment	164	153	-7%
Office Automation	165	177	7%
HCL Security	6	23	253%
Overseas Operations	-	61	
Intersegment / Adjustments	1	11	
Telecommunication & Office Automation (Net)	1,885	1,856	-2%

Revenue	Q3 FY10	Q3 FY11	Y-o-Y %
Telecommunication & Office Automation	54	45	-16%

Unaudited

	Unaudited		
Revenue	9M FY10	9M FY11	Y-o-Y %
Telecom Distribution	5,509	4,920	-11%
Digital Entertainment	507	507	0%
Office Automation	396	508	28%
HCL Security	19	42	118%
Overseas Operations	-	61	
Intersegment / Adjustments	4	0	
Telecommunication & Office Automation (Net)	6,435	6,037	-6%

Revenue	9M FY10	9M FY11	Y-o-Y %
Telecommunication & Office Automation	166	156	-6%

CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT	Unaudited		Unaudited		Rs crores
	Q3 FY 11	Q3 FY 10	9M FY 11	9M FY 10	Audited FY 10
	Gross Sales / Income from Operations	2,757.9	2,842.5	8,902.4	8,924.2
Less: Excise Duty	27.9	28.0	97.8	79.3	108.8
1a. Net Sales / Income from Operations	2,730.0	2,814.5	8,804.5	8,845.0	12,049.8
1b. Other Operating Income #	7.9	16.4	35.2	30.7	29.8
2 Expenditure					
a) (Increase)/Decrease in Stock in Trade and Work in Progress	9.0	99.5	137.0	155.1	137.6
b) Consumption of Raw Materials	335.7	564.5	1,135.6	1,293.2	1,849.0
c) Purchase of Traded Goods	1,958.5	1,751.6	6,292.8	6,280.6	8,473.2
d) Purchase of Services	34.6	72.7	162.7	203.0	312.9
e) Stores & Spares consumed and Others	78.9	51.4	177.8	124.1	173.3
f) Employees Cost	128.9	97.4	365.3	281.6	391.2
g) Administration, Selling, Repairs & Others	104.6	96.4	301.9	261.2	366.0
h) Depreciation	10.0	5.6	28.4	18.3	25.5
Total Expenditure	2,660.2	2,739.1	8,601.4	8,617.0	11,728.8
3 Profit from Operations before Other Income & Interest (1-2)	77.7	91.8	238.4	258.7	350.9
4 Other Income	16.0	6.7	44.1	18.8	34.8
5. Profit before Interest (3+4)	93.7	98.5	282.4	277.5	385.7
6. Interest Expense	24.1	9.1	59.0	27.2	39.2
7. Profit (+) / Loss (-) from ordinary activities before Tax (5-6)	69.6	89.3	223.4	250.3	346.5
8. Tax Expense	15.6	29.3	64.7	75.1	104.1
9. Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)	54.0	60.1	158.8	175.1	242.4
10. Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-
11. Net Profit (+) / Loss (-) for the period before minority interests (9-10)	54.0	60.1	158.8	175.1	242.4
12 Minority Interests	0.7	-	2.1	-	-
13 Net Profit (+) / Loss (-) for the period (11-12)	53.3	60.1	156.7	175.1	242.4
Basic EPS (Not annualised) Rs/share	2.4	2.8	7.2	8.8	11.9
Other Operating Income includes Exchange Fluctuation Gain/(Loss) (Net)	2.7	12.3	12.9	17.1	11.9

KEY RATIOS

Key Ratios	Q3 FY11
Return on Capital Employed %	13%
Return on Net Worth %	11%
Debt / Debt+Equity	0.32
Debtors Collection period (days) {annualised}	72
Inventory turnover (annualised)	16
Current ratio	1.8

CONSOLIDATED SEGMENT

Particulars	Rs crores						
	Unaudited			Unaudited			Audited
	Q3 FY 11	Q3 FY 10	Y-o-Y %	9MFY 11	9MFY 10	Y-o-Y %	FY 10
1. Segment Revenue							
a) Products and Related Services							
- Computer Systems & Other Related Products and Services (Gross)	898.5	960.4	-6%	2,837.5	2,499.6	14%	3,642.8
Less: Excise Duty	27.9	28.0		97.8	79.3		108.8
- Computer Systems & Other Related Products and Services (Net)	870.6	932.4	-7%	2,739.7	2,420.3	13%	3,534.0
- Telecommunication & Office Automation (Net)	1,856.3	1,884.7	-2%	6,037.2	6,435.1	-6%	8,529.0
Internet & Related Services (Discontinuing Operations)	18.4	17.7	4%	56.4	59.1	-5%	76.7
Total	2,745.2	2,834.8	-3%	8,833.3	8,914.5	-1%	12,139.7
Less: Intersegment revenue	15.2	20.3		28.8	69.6		89.8
Net Sales / Income from Operations	2,730.0	2,814.5	-3%	8,804.5	8,845.0	0%	12,049.8
2. Segment Results (Profit +) / Loss (-) before Tax and Interest from each segment							
a) Products and Related Services							
- Computer Systems & Other Related Products and Services	44.9	52.9	-15%	125.6	129.2	-3%	190.4
- Telecommunication & Office Automation	45.0	53.5	-16%	155.8	166.1	-6%	215.9
Internet & Related Services (Discontinuing Operations)	(2.4)	(3.4)	-30%	(8.5)	(7.6)	11%	(13.8)
Total	87.6	103.0	-15%	272.9	287.6	-5%	392.6
Less:							
i) Interest Expense	24.1	9.1		59.0	27.2		39.2
ii) Other un-allocable expenditure net off	9.9	11.3		34.5	29.0		41.7
iii) Un-allocable income	16.0	6.7		44.1	18.8		34.8
Total Profit before Tax	69.6	89.3	-22%	223.4	250.3	-11%	346.5
3. Capital Employed (Segment Assets - Segment Liabilities)							
a) Products and Related Services							
- Computer Systems & Other Related Products and Services				1,441.6	1,182.3		1215.1
- Telecommunication & Office Automation				352.9	297.8		203.4
Internet & Related Services (Discontinuing Operations)				(8.1)	(5.6)		(4.8)
b) Unallocated							
- Liquid Assets				775.2	793.2		855.8
- Others				305.5	143.1		143.7
Total Capital Employed				2,867.2	2,410.8		2413.3

CONSOLIDATED BALANCE

Particulars	Rs crores	
	Unaudited 31.03.11	Unaudited 31.12.10
Net Worth	1944.6	1942.8
Loans	917.7	802.3
Minority Interest	4.9	4.2
Net Fixed Assets	357.5	339.9
Investments and Cash & Bank Balances	1062.0	1062.3
Deferred Tax Asset	15.7	12.3
Inventory	702.3	745.4
Sundry Debtors	2170.7	2351.3
Other Current Assets	669.7	618.1
Current Liabilities & Provisions	(2110.7)	(2379.9)
Total Capital Employed	2867.2	2749.4

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 2.6 billion (Rs 12,137 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

10

ABOUT HCL ENTERPRISE

HCL is a \$5.7 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 79,000 professionals of diverse nationalities, who operate from 31 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