

# Quarterly Earning Release

## Third Quarter FY 13

May 09, 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, “The decline in our revenues this quarter was primarily due to a dip in our telecom distribution business as also a stagnant Personal Computer Industry which impacted our revenues in this segment. However all our growth businesses registered healthy growth in the quarter. Enterprise Services grew by 11%, Non-Telecom Distribution grew by 34%, Mobility numbers rose by 50% and Learning by 33% q-o-q.

In today's challenging environment, an organization has to be agile and implement changes in strategy at a rapid pace in order to remain competitive. We at HCL Infosystems are creating such an agile and lean organization which can respond quickly and effectively to changing market conditions and chart a rapid growth path. The restructuring of our businesses that we had announced in the beginning of this calendar year is on track. I am happy to note that we have been able to create a leaner organisation as there is a significant improvement in terms of efficiency and cost optimization to the tune of around Rs. 40 crores on an annualized basis.”

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## BUSINESS HIGHLIGHTS

### Solutions Business

#### Hardware and Solutions Business

Our Hardware and Solutions Business, has registered robust traction despite a challenging competitor landscape and market conditions -

- Our Personal Computing (PC) business has won large bids from CHiPS (Chhattisgarh Infotech and Biotech Promotion Society), Punjab Education Society and SBI (State Bank of India). HCLI has been selected by CHiPs for the Government of Chhattisgarh project - Free Distribution of Laptops to final year engineering and medical students of Government-aided and Private Colleges across the state. This is the first phase of the project, where HCL Infosystems is supplying 14,000 laptops.
- The business also launched three new models of HCL Beanstalk All-In-One (AIO) PCs. The range offers India's first 21.5 inch HD LED AIO and an in-built battery with over 1.5 hrs power back up.
- As part of its global growth journey the Mobility Business made its foray into the Turkey market with its G1 model. The business also made its presence felt in the Middle East region with growing presence in eight countries. New initiatives included pre-embedded applications which were made available on ME tablets such as the 1Mobile App Store with more than 200000 free Applications. In the B2B space, the business won a substantial order from Worldvision for Mobile Device Management (MDM) along with ME Tablets. A Product Catalogue application for enterprises with rich multimedia content and other features was also created.

# BUSINESS HIGHLIGHTS

- **Office Automation (OA) business** achieved wins including the prestigious Interactive Whiteboard (IWB) order from Himachal Pradesh- Higher Education Board, Audio-Video Systems Integration (AVSI) orders from Securities and Exchange Board of India and Larsen & Toubro, Multi Function Display (MFD) order from Reliance Communications among others.
- The **Infrastructure Solutions (ISS) business** achieved a 30% revenue growth Y-o-Y. The business won a Security Solution (Anti DDoS – Distributed Denial of Service) order from a department under the MoC&IT (Ministry of Communications and Information Technology, Government of India). The business also became a Platinum Partner for HP networking and obtained HP's MASE (HP Master Accredited Systems Engineer) certification.

## Systems Integration Business

- Our **Systems Integration (SI) business** has gained new order pipeline of Rs. 600 crores and now is carrying forward a total order backlog of Rs. 4084 crores as on date. Two prestigious projects won by the business were the DCN (Defence Communications Network) project and the ePDS project from the Union Territory of Andaman and Nicobar.
- The Company's Unique Identification Authority of India (UIDAI) engagement as the Managed Service Provider is on track and significant progress was made in the quarter in this engagement.
- The company's Financial Inclusion business had robust traction this quarter with multiple orders from leading institutions such as Central Bank of India (RRB), Punjab National Bank, Dena Bank (RRB), Sarv UP Gramin Bank and Gurgaon Gramin Bank.

## Services Business

- Our **Services business**, which is one of our focused growth businesses continue to register substantial traction – Our Infrastructure Management Services (IMS) business has driven excellence in key accounts in the private enterprise space. The business won more than 10 large deals in IMS and FMS (Facility Management Service) across the country with robust traction also in Singapore with three significant wins. Other significant achievements for the IMS Business included:
  - ACV of Infrastructure Managed Services grew from Rs. 70 crores at the start of the year to Rs. 161 crores.
  - The Company has been recommended for ISO20000:2011 Certification in Service Management System
  - HCL's Public Cloud has expanded its footprint with a new facility coming up in Mumbai
  - Value added services on MDM (Mobile Device Management) was launched with key partners

# BUSINESS HIGHLIGHTS

- Our **Enterprise Application Services (EAS) business** recorded wins both in India and MEA. Other highlights for the business were the commissioning of the Maharashtra Border Check Post project, launch of NBA (National Board of Accreditation) application created by the EAS team and a successful implementation of SAP in Process Manufacturing for NOCIL (National Organic Chemical Industries Ltd.).
- **HCL Care** won major orders from Samsung, ZTE, the Mobile Store among others for services such as repair, after sales servicing and L1 & L2 support. HCL Care also launched 8 “Touch” stores, multi-brand service centers across Delhi/NCR.

## Learning Business

- HCL Learning won major orders from various prestigious educational institutions including schools from across the country. The number of classrooms added by the business this quarter stood at around 1900. The division also launched EasySchool, an unique integrated multimedia classroom infrastructure that is easy to use, mobile and affordable. The business also bagged its first international content licensing deal in South Africa.
- In the “direct to student” space, HCL Learning to gain more traction for MyEduWorld signed up with Hypercity and Mahindra Retail. Also the business increased the online presence of MyEduWorld in websites such as snapdeal.com and schoolstuff.com and carried out activation across 60 schools.

## Distribution Business

- Our Distribution business made significant progress in both its IT and Digital Lifestyle products distribution segments. The IT products distribution business had a robust Q-o-Q revenue growth on the back of major order wins from various customers such as Agmatel, Eastern Logica, Stalco Consultancy & Systems, ACS Technologies, VAMA Industries and Bloom Electronics. The IT products business also signed new partnerships with Molex, Pantum, Edgecore, Huawei, Tyco, D-link, Unistall, Viewsonic, Sukam UPS and Simmtronics.
- In the Digital Entertainment (DE) vertical the business gained significant traction by signing on new partners such as ZTE for data cards and Penta & Simmtronics for distribution of tablets. Our Nokia Business registered robust growth in the Smartphone category. The business focused on adding feet on the street and increasing traction in various tier 2 and 3 towns and cities.
- The IT and DE Distribution revenue grew by a healthy 83% y-o-y while on the other hand the telecom distribution business registered a decline of 25% q-o-q.

## AWARDS & ACCOLADES

- HCL Infosystems wins **CA Technologies' Partner of the Year Award** for the Asia Pacific & Japan region
- **HCL Learning** won the prestigious **Shiksha Ratan Award** for Best Smart Class Service Provider for its flagship product DigiSchool.
- **Office Automation (OA) Business** won the **Silver Award for Technical Proficiency** in Color Category at the 15th Quality Service Campaign conducted by Toshiba-APAC among 29 participants from various countries.

### Quarterly Results

The company reported consolidated revenue of **Rs. 2,095 crores** for the quarter ended March 31, 2013.

Particulars	Rs. crores	
	Q3 FY13	Q2 FY13
Consolidated Revenue	<b>2,095</b>	<b>2,606</b>
Consolidated PBIT	<b>17</b>	<b>(18)</b>
Consolidated PBT	<b>(20)</b>	<b>(52)</b>
Consolidated PAT	<b>(12)</b>	<b>(38)</b>

Consolidated net profit /(loss) from ordinary activities before finance cost and provision for doubtful debts grew to Rs. 39.3 crores for the quarter ended March 31, 2013 from Rs. 0.4 crores in last quarter.

The Board of Directors had at its meeting held on January 14, 2013, approved a business restructuring plan 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 the Hardware Solutions Business, Services business and Learning Business (collectively the "Transferred Undertakings") 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. The Company will carry on business and activities in relation to the transferred undertakings on account of and in trust for the respective transferee companies until all the requisite approval and formalities are completed.

### CONSOLIDATED BUSINESS RESULTS

Rs. crores	Unaudited		
	Q3 FY 13	Q2 FY 13	QoQ Growth
<b>Consolidated Revenue</b>			
- Enterprise Hardware	393	646	-39%
- Systems Integration	213	267	-20%
- Consumer Computing & Mobility	172	156	10%
- Overseas	39	22	73%
Solutions	816	1092	-25%
Services	147	136	8%
Learning	18	14	33%
- Telecom Distribution	955	1276	-25%
- Digital Entertainment	194	145	34%
Distribution	1,149	1,421	-19%
Intersegment / Adjustments	-35	-56	
<b>Total Revenue</b>	<b>2,095</b>	<b>2,606</b>	<b>-20%</b>

## STANDALONE PROFITABILITY

STANDALONE PROFIT & LOSS ACCOUNT		Unaudited			Rs crores
					Audited
		Q3 FY 13	Q2 FY 13	Q3 FY 12	FY 12
-	<b>Gross Sales / Income from Operations</b>	<b>1,884.1</b>	<b>2,472.2</b>	<b>2,519.5</b>	<b>10,375.5</b>
-	Less: Excise Duty	14.2	14.2	23.3	86.2
1a.	Net Sales / Income from Operations	1,869.8	2,458.0	2,496.2	10,289.3
1b.	Other Operating Income	0.9	7.3	5.6	22.3
2.	Expenses				
	Changes in Inventories of finished goods, work-in-progress and stock-in-trade				
a)		(14.4)	(115.0)	87.4	(36.9)
b)	Cost of materials consumed	338.1	375.7	353.3	1,273.3
c)	Purchases of Stock-in-trade	1,197.5	1,863.2	1,668.3	7,617.6
d)	Purchases of Services	37.7	45.2	43.4	179.6
e)	Stores & Spares consumed and Others	75.0	61.3	72.6	222.4
f)	Employee benefits expense	124.6	128.5	121.0	458.8
g)	Administration, Selling, Repairs & Others	113.4	115.2	117.0	428.9
h)	Exchange Differences Loss / (Gain) #	6.4	6.5	(2.9)	64.3
i)	Depreciation and amortisation expense	11.9	12.4	10.4	43.1
	Total Expenses	1,890.2	2,493.0	2,470.5	10,250.9
	<b>Profit / (Loss) from Operations before Other Income &amp; finance costs (1-2)</b>	<b>(19.5)</b>	<b>(27.6)</b>	<b>31.3</b>	<b>60.7</b>
4.	Other Income	32.3	17.7	15.5	80.9
	<b>Profit / (Loss) from ordinary activities before finance costs (3+4)</b>	<b>12.8</b>	<b>(9.9)</b>	<b>46.8</b>	<b>141.6</b>
6.	Finance costs	35.8	32.9	21.6	80.1
	<b>Profit / (Loss) from ordinary activities before Tax (5-6)</b>	<b>(23.0)</b>	<b>(42.8)</b>	<b>25.2</b>	<b>61.5</b>
8.	Tax Expense	(8.0)	(14.2)	5.1	13.7
	<b>Net Profit / (Loss) from ordinary activities after Tax (7-8)</b>	<b>(15.0)</b>	<b>(28.7)</b>	<b>20.0</b>	<b>47.9</b>
10.	Extraordinary items (net of tax expense)	-	-	-	-
	<b>Net Profit / (Loss) for the period (9-10)</b>	<b>(15.0)</b>	<b>(28.7)</b>	<b>20.0</b>	<b>47.9</b>
	<b>Basic EPS (Not annualised) Rs/share</b>	<b>-0.67</b>	<b>-1.29</b>	<b>0.90</b>	<b>2.15</b>
	<b># including unrealised Exchange Difference Loss / (Gain)</b>				
	- Computer Systems & Other Related Products and Services			(11.7)	27.1
	- Telecommunication & Office Automation			(1.8)	7.5
	- Hardware Products and Solutions	(7.1)	(5.9)		
	- Services	0.1	0.4		
	- Distribution	(0.0)	0.0		
	- Learning	0.2	0.1		
	<b>Total</b>	<b>(6.7)</b>	<b>(5.3)</b>	<b>(13.5)</b>	<b>34.6</b>

## STANDALONE SEGMENT

Rs crores					
	Particulars	Unaudited			Audited
		Q3 FY 13	Q2 FY 13	Q3 FY 12	FY 12
<b>1.</b>	<b>Segment Revenue</b>				
	Products and Related Services				
	- Computer Systems & Other Related Products and Services (Gross)			829.2	3,076.8
	Less: Excise Duty			23.3	86.2
	- Computer Systems & Other Related Products and Services (Net)			805.8	2,990.6
	- Telecommunication & Office Automation (Net)			1,690.3	7,306.7
	- Hardware Products and Solutions (Gross)	724.2	988.0		
	Less: Excise Duty	14.2	14.2		
	- Hardware Products and Solutions (Net)	710.0	973.8		
	- Services	144.7	134.6		
	- Distribution	998.2	1,337.0		
	- Learning	18.2	13.6		
	Total	1,871.2	2,459.0	2,496.2	10,297.3
	Less : Intersegment revenue	1.3	1.0		8.0
	<b>Net Sales / Income from Operations</b>	<b>1,869.8</b>	<b>2,458.0</b>	<b>2,496.2</b>	<b>10,289.3</b>
<b>2.</b>	<b>Segment Results (Profit / (Loss) before Tax and Interest from each segment) #</b>				
	Products and Related Services				
	- Computer Systems & Other Related Products and Services			0.5	(11.9)
	- Telecommunication & Office Automation			47.9	158.0
	- Hardware Products and Solutions	(21.8)	(26.5)		
	- Services	14.9	14.4		
	- Distribution	19.7	24.4		
	- Learning	(2.5)	(5.2)		
	Total	10.2	7.1	48.4	146.1
	Less:				
	i) Interest Expense	35.8	32.9	21.6	80.1
	ii) Other un-allocable expenditure net off un-allocable (income)	(2.6)	17.1	1.6	4.5
	<b>Total Profit before Tax</b>	<b>(23.0)</b>	<b>(42.8)</b>	<b>25.2</b>	<b>61.5</b>
<b>3.</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>				
a)	Products and Related Services				
	- Computer Systems & Other Related Products and Services			1,192.2	1,067.7
	- Telecommunication & Office Automation			345.6	376.4
	- Hardware Products and Solutions	1,187.6	1,160.6		
	- Services	185.7	184.1		
	- Distribution	122.4	125.7		
	- Learning	20.7	22.6		
b)	Unallocated				
	- Liquid Assets	768.6	596.9	461.3	438.4
	- Others	860.0	858.5	671.6	699.0
	<b>Total Capital Employed</b>	<b>3,145.1</b>	<b>2,948.3</b>	<b>2,670.8</b>	<b>2,581.5</b>



# CONSOLIDATED BALANCE SHEET

Q3 FY13 RESULTS

Particulars	Rs crores	
	Unaudited 31.03.13	Unaudited 31.12.12
Net Worth	1861	1877
Loans	1283	1079
Net Fixed Assets	411	411
Investments and Cash & Bank Balances	1129	940
Deferred Tax Asset	50	42
Inventory	850	841
Sundry Debtors	1172	1184
Other Current Assets	1712	1558
Long Term Debtors/ Lease Rent Receivables	508	503
Current Liabilities & Provisions	(2688)	(2524)
<b>Total Capital Employed</b>	<b>3143</b>	<b>2956</b>

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd. with revenue (LTM) of US\$ 1.8 billion (Rs. 9,882 crores) is 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)

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## 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](http://www.hcl.com)