

Quarterly Earning Release

Third Quarter FY 14

April 28, 2014

HCL Infosystems Ltd

Table of Contents

CEO's Comments	2
Business Highlights	3
Standalone Results	5
Consolidated Results	7

CEO's COMMENTS

Mr. Harsh Chitale, Chief Executive Officer and Managing Director, HCL Infosystems Limited, commenting on the results said, "Our transformation story is progressing well and is now taking roots. Distribution and Services, our focused growth areas have registered healthy traction. Our portfolio diversification strategy in Distribution continues to yield results as our non-telecom distribution business achieved a 12% Q-o-Q and 25% Y-o-Y growth. Though our Telecom Distribution business did register a decline in topline, the gross margin expanded on account of increase in scope of engagement. As part of a new initiative, the Telecom Distribution business enrolled 88 new rural distributors in JFM Quarter that will further strengthen its footprint in the country.

Our Enterprise Services also grew by 8% Q-o-Q and 9% Y-o-Y on account of growth in our order book across India, MEA and South-East Asia. While our Break fix Services gained positive traction as a provider of multi-vendor technology support services, our Managed Services expanded its overseas foothold with a large contract in South East Asia.

Our hardware-solutions businesses which we had decided to reduce focus on, are transitioning as per plan. However, business model transitions for these businesses led to repositioning charges in the current quarter and may impact next quarter as well."

BUSINESS HIGHLIGHTS

Distribution Business

- **Telecom distribution business** remained flat on a Y-o-Y basis while registering a decline on a Q-o-Q basis. However, our widened scope of engagement with the Principal and layering of our distribution channel to shorten the time-to-market resulted in significant increase in gross margin percentage for the business. The business also expanded its coverage footprint and strengthened its rural presence by adding 88 RRDs (Regional Rural Distributors) and as part of the new initiative enrolled 2345 'champion' outlets in this quarter.
- **Non-Telecom Distribution business** continued its growth trajectory with new Principal sign-ups and volume expansion with existing Principals in IT Hardware, Office Automation, Software Products and Consumer Electronics. This business segment achieved a 12% Q-o-Q growth and signed many important partnerships in this quarter such as Philips and HP. Office Automation and Software Product categories registered impressive quarterly growth with healthy margins.

BUSINESS HIGHLIGHTS

Enterprise Services Business

Enterprise Services business, registered an 8% Q-o-Q and 9% Y-o-Y growth. Our Services contract bank across India and Overseas geographies continues to expand and showed a sequential growth in ACV from Rs. 400 Crore as on December 31st, 2013 to Rs. 487 Crore as on March 31st, 2014.

The **Infrastructure Management Services (IMS) business** registered a healthy 20% Q-o-Q growth. In India, the business signed many new deals with many prestigious clients across automotive, defence, steel and industrial equipment sectors. In Singapore, the IMS business registered robust growth with a large win (from an existing account) of US\$ 9 mn ACV.

MVTS (Multi Vendor Technology Support) service offerings of our **IT and Office Automation Breakfix business** has received an encouraging response from various OEMs. Concurrently, our Field Force Automation initiative has gone live which is designed to yield higher productivity and better customer service levels.

Services business registered wins in MEA from large organizations such as Emirates National Oil Company, Dubai Airport and Etisalat

New **Infrastructure Service** offerings were also launched like Enterprise Mobility Services, EMS (Enterprise Management Services) & HCL Smart Enterprise Network Services.

HCL Care Business

HCL Care, which provides after-sales and support services to end consumers and OEMs in Telecom, consumer electronics and appliances space, continued its expansion with near doubling of revenues of a Y-o-Y basis and 13% Q-o-Q growth. The business, with one of the most extensive service networks across the country, has expanded scope of OEM relationships with Delonghi, Lenovo and Lava. It also added 14 Walk-in-Centers under the "TOUCH" brand taking the total number of TOUCH walk-in centers to 268 across India.

BUSINESS HIGHLIGHTS

Learning Business

The Jan-Mar Quarter is a lean season for Learning business and hence it registered modest classroom additions in this quarter. An important development in this quarter was international breakthrough in winning more than 200 classrooms from DPS Ghana, Ullens School Nepal and Indian School Al Wadi. MyEduWorld, HCL Learning's interactive self-learning plug and play tool for students was also introduced into Nepal in this quarter.

Hardware and Solutions Business

Systems Integration business, continued on disciplined execution of existing hardware centric large projects. Our order backlog of SI Projects, stands at Rs 2400 crores as on March 31 2014 (down from Rs. 2650 crores as on December 31 2013). As announced earlier, this business is executing on its strategy of transitioning to a new asset-light business model of Services in future. One of the key projects, Unique Identification Authority of India (UIDAI) Managed Services, continues to progress well and reached the milestone of generating 60 crore Aadhaar Cards.

Infrastructure Solutions (Server, Storage, Security and Networking products) business has started transitioning to the new Distribution oriented business model, where it pursues opportunities along with our network of channel partners, to bring together our strength of solution design and pre-sales consulting and extensive reach provided by channel partners. This transition is beginning to pay-off as the business turned profitable in this quarter. In this new business model, the business registered important wins from a State Wide Area Network in Eastern India, leading Pharma Players and a Housing Finance Company. This Infrastructure Solutions business also implemented the first open source cloud for a reputed technical institute.

STANDALONE RESULTS

Quarterly Results

The company reported Standalone revenue of **Rs. 1,317 crores** for the quarter ended March 31, 2014.

Particulars	Unaudited	
	Q3 FY 14	Q2 FY 14
	Rs. crores	
Revenue	1,317	1,438
Profit / (Loss) from ordinary activities before Other Income, Exchange differences and Finance Cost **	7	18
Other Income	6	11
Profit / (Loss) from ordinary activities before Exchange differences & Finance Cost	14	28
Exchange Differences Loss / (Gain)	10	7
Finance Cost	19	18
Exceptional Items	22	-
PBT	6	4
Tax Expense / (Credit)	3	1
PAT	3	2

The company reported Standalone profit after tax of **Rs. 3 crores** for the quarter ended March 31, 2014.

** Profit from the business was impacted due to working capital liquidation costs and other provisions on account of some product lines that we plan to transition out in next 3-6 months.

The Hon'ble High Court of Delhi has sanctioned the Composite Scheme of Arrangement (the "Scheme") under the provisions of section 391 to 394 of the Companies Act, 1956, vide its order dated September 18, 2013 received on October 30, 2013. The Scheme has become effective from November 1, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana and is applicable from January 1, 2013 (the "Appointed date"). According to the Scheme, the Hardware Solutions Business, Services Business and Learning Business (collectively the "Transferred Undertakings") of the Company stand transferred to HCL Infotech Limited (formerly known as HCL System Integration Limited), HCL Services Limited (formerly known as HCL Care Limited) and HCL Learning Limited (collectively the "Transferee Companies") respectively, the wholly owned subsidiaries. According to the Scheme, HCL Infocom Limited (HCL I), the wholly owned subsidiary of the Company, stands merged with the Company.

The standalone financial results of the Company for the quarter ended March 31, 2014 and quarter/nine months ended March 31, 2014 have been prepared after considering the accounting treatment specified under the Scheme.

STANDALONE RESULTS

PROFIT & LOSS ACCOUNT		Rs crores	
		Standalone Unaudited	
		Q3 FY 14	Q2 FY 14
-	Gross Sales / Income from Operations	1,317.0	1,438.1
-	Less: Excise Duty	0.5	0.5
1a.	Net Sales / Income from Operations	1,316.5	1,437.6
1b.	Other Operating Income	4.3	0.1
2.	Expenses		
a)	Cost of materials consumed	131.7	93.6
b)	Purchases of Stock-in-trade	1,093.1	1,300.3
c)	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	7.7	(38.4)
d)	Employee benefits expense	22.7	20.6
e)	Exchange Differences Loss	10.3	7.3
f)	Depreciation and amortisation expense	2.1	2.1
g)	Other Expenses	56.2	41.7
	Total Expenses	1,323.8	1,427.1
3.	Profit / (Loss) from Operations before Other Income & finance costs and exceptional items (1-2)	(3.0)	10.6
4.	Other Income	6.4	10.7
5.	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	3.4	21.2
6.	Finance costs	19.1	17.6
7.	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(15.7)	3.6
8.	Exceptional Items	21.6	0.0
9.	Profit / (Loss) from ordinary activities before Tax (7+8)	5.8	3.6
10.	Tax Expense / (Credit)	3.3	1.3
11.	Net Profit / (Loss) from ordinary activities after Tax (9-10)	2.6	2.3
	Basic EPS (Not annualised) Rs/share	0.12	0.10

CONSOLIDATED BUSINESS RESULTS

UNAUDITED MANAGEMENT ACCOUNTS

	Particulars	Unaudited		Rs. crores
		Q3 FY 14	Q2 FY 14	Q3 FY 13
	Distribution	1230	1425	1186
	- Telecom	995	1215	998
	- Non Telecom	236	210	188
	Services	178	165	157
	Learning	15	11	18
	Enterprise Solutions	430	277	637
	Consumer Computing & Mobility	149	122	172
	Intersegment / Elimination	(28)	(19)	(76)
1	Consolidated Revenue	1976	1982	2095
	Profit / (Loss) from ordinary activities before			
2	Exchange differences and Provision for doubtful debts	1	9	14
3	Exchange differences Loss / (Gain)	16	19	6
4	Provision for Doubtful Debts	2	2	24
5	Profit / (Loss) from ordinary activities before Other Income & Finance costs (2-3-4)	(17)	(12)	(16)
6	Other Income (including Exceptional Items)	34	12	32
7	Finance Cost	40	41	36
8	Profit / (Loss) from ordinary activities before Tax (5+6-7)	(22)	(41)	(20)

- Distribution Business
 - Telecom distribution business declined 18% sequentially. Delaying of distribution network and increase in scope of engagement expanded the gross margins for the quarter.
 - Non Telecom Distribution business registered a 12% sequentially in this quarter due to addition of new principals and volume growth across office automation and software products.
- Services business continued its growth momentum with 8% Q-o-Q growth in this quarter. Net addition of Rs. 87 crores of annual contract value during the quarter to services contract bank.
- Further to strategic shift from our branded computing products to third party distribution, working capital liquidation charges and other provisions on some product lines that we plan to transition out in next 3-6 months significantly impacted the profitability for the quarter.

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd. with revenue (LTM) of Rs. 8,297 crores (USD\$ 1.4 Bn) is India's Premier Distribution and IT Services and Solutions Company. HCL Infosystems' has one of the largest sales & distribution network in the country and provides value added distribution for partners including last mile connect and support in marketing and promotions for Telecom, IT , Office Automation and Consumer Electronics products covering more than 15000 towns across 664 districts in India. Our distribution business has an unparalleled network that reaches more than 100,000 retail outlets, over 800 Direct and Micro Distributors and over 12400 Channel Partners across India. In the services space the Company has robust services offerings such as 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 ENTERPRISE

HCL is a business enterprise with presence in the fields of technology and healthcare. Founded in 1976 as one of India's original IT garage startups, the HCL enterprise currently comprises of three companies in India - HCL Technologies, HCL Infosystems and HCL Healthcare with annual revenues of US\$ 6.4 billion and over 90,000 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. A new entrant in healthcare, HCL aims to provide innovative medical services, products and training to meet the growing demand for quality healthcare in India.

For further information, visit www.hcl.in