

Quarterly Earning Release

Fourth Quarter & Annual Results FY 11

August 17, 2011

HCL Infosystems Ltd

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CHAIRMAN'S COMMENTS



Mr. Ajai Chowdhry, Founder HCL and Chairman, HCL Infosystems Limited, commenting on the results said, The economy at large has been going through a difficult phase with both enterprises & consumers being cautious in decision making and discretionary spends. Inflationary pressures leading to aggressive interest rate escalation has also played an integral role in slowing down the economy and the desired growth momentum. Led by a volatile environment in the country today, the capacity expansion in most sectors has momentarily taken a back seat with IT sectors like System Integration, IT product and Services been affected in the domestic markets with the slow Government project execution and decision process. But I see this having only a short term impact, as

with the emerging broadband ecosystem, leading to technologies like cloud services, mobility and steps taken by the Government with the new Electronics policy and focus on R&D, have great potential to be big growth drivers in the long run. As HCL Infosystems begins its new year, I am confident that our rigorous execution plans will show results and build a strong organisation over the next 2-3 years for the future.

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CEO'S COMMENTS



Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited, commenting on the results said: "As we had indicated last quarter, Systems Integration business continued to be severely impacted by slow down in projects and customer decision cycles. On the other hand the recently inducted businesses like Learning more than doubled and we also did exceedingly well with successfully establishing presence in new growth areas such as remote services and emerging markets in Middle East and Africa. HCL Infosystems has embarked on a transition phase and with the companywide

business excellence program currently underway, we are putting relentless efforts to re-align the organisation to drive cost and working capital efficiencies and to re-position it for future growth opportunities. Over the next 12-15months we expect these efforts to result in terms of bottom-line as well as cash flow performance."

FINANCIAL HIGHLIGHTS

QUARTERLY HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 2,640 crores.**
- ❖ Profit after tax at **Rs. 11 crores.**
- ❖ Strong free cash flow generation from operations of **Rs. 131 crores.**
- ❖ Basic EPS at **Rs. 0.5** per share of Rs. 2/- each.

➤ Computer Systems

- ❖ Revenue at **Rs. 854 crores.**
- ❖ PBIT at **Rs. (8) crores.**

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 1,768 crores.**
- ❖ PBIT at **Rs. 37 crores.**

HCL Infosystems and Nokia have enjoyed a long and a fruitful partnership. The two companies have signed agreements on Aug 12th 2011 to extend their distribution relationship for Nokia devices. The devices agreement would come up for renewal again on December 31st 2014

ANNUAL HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 11,542 crores.**
- ❖ Profit before tax at **Rs. 229 crores.**
- ❖ Basic EPS at **Rs. 7.7** per share of Rs. 2/- each.

➤ Computer Systems

- ❖ Revenue at **Rs. 3,691 crores.**
- ❖ PBIT at **Rs. 118 crores.**

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 7,805 crores.**
- ❖ PBIT at **Rs. 193 crores.**

Final dividend of Rs 2/- per share (100% on an equity share of par value of Rs. 2/- each), taking total dividend declared during the year 2010-11 to 400%. 32nd consecutive quarterly Dividend Declared.

BUSINESS HIGHLIGHTS

Computing Business

- In the previous quarter release, we had stated that Projects business was adversely impacted by the delays, and that it may continue over a few quarters. During the quarter ended 30th June 11, we continued to see delays in projects in the verticals where we have a significant presence. This has severely impacted the results of the quarter by way of:
 - o Delay in release of payments by our customers resulting in increased borrowing costs, provisions on account of receivables due to delay.
 - o For projects under implementation, delays in achieving milestones have lead to delay in revenue recognition whereas the company continues to incur costs resulting in cost overruns on projects.
 - o Delay in release of fresh orders which were expected to be won impacting revenue growth
- Considering the current environment, with likelihood that delay in projects may continue for some more time, we anticipate that there could be some additional cost impact on the projects business of the company. Hence we are reviewing the possible impact project by project and discussing the same with the customers and the vendors. We shall finalize this assessment by end of Q1 FY 2011-12
- During the quarter, bagged various orders from leading banks like Syndicate Bank, Punjab Sindh Bank etc to undertake Financial Inclusion mandates including banking for the unbanked, UIDAI enrollment across the country apart from other deployments for UIDAI
- 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.
- The company's banking system integration solution BancMate CBS had multiple successes along with deployment across 190 branches of Himachal Pradesh State Cooperative Bank (HPSCB) and bagging other prestigious orders across rural banks Prathama bank sponsored by Syndicate Bank having 212 branches, Rajasthan Gramin Bank (RGB) is the Regional Rural Bank of Punjab National Bank having 210 branches, Vananchal Gr. Bank is the Regional Rural Bank of State Bank of India with around 1300 villages, Shreyash Gr. Bank is the Regional Rural Bank of Canara Bank intends to provide Financial Inclusion Services to 534 villages, Madhya Bihar Gr. Bank is the Regional Rural Bank of Punjab National Bank with around 416 Branches.

BUSINESS HIGHLIGHTS

- The company also introduced its range of and became the first to introduce computing products with Bureau of Energy Efficiency (BEE) star compliance with the introduction of HCL ME Laptop M54
- HCL Cloud Services 'Ozone' added 6 new offerings this quarter including Cloud Mail, Cloud IaaS (IT Infrastructure As A Service), Cloud HRMS (HR Mgmt System), Cloud Backup as a Service, Cloud Storage as a Service, Cloud ERP as a Service, Cloud CRM as a Service. The division recorded early successes with bagging orders in industry verticals like Healthcare, Manufacturing, BFSI, IT/ITES
- Company's subsidiary, HCL Infosystems MEA posted 40% growth YoY in its revenue to \$31.74 million, for the year ended 30th June 2011 in its first year of operations

HCL Learning

- HCL Learning, the education and training division on the company recorded growth of over 103% YoY for the quarter and a growth of 160% YoY for the year ended June 2011
- Over 3100 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 and other introductions included Language Labs

Telecommunication and Office Automation Business

- HCL Infosystems and Nokia have enjoyed a long and a fruitful partnership. The two companies have signed agreements on Aug 12th 2011 to extend their distribution relationship for Nokia devices. The devices agreement would come up for renewal again on December 31st 2014
- The Office automation business recorded YoY growth of 14% for the year ended June 2011.

EMPLOYEE MATRIX

The employee strength has increased from **6731** in 2010 to **7231** in 2011

- The company signed the CII Code of Conduct for Affirmative Action, for details http://www.hclinfosystems.in/Affirmative_Action_HCL.htm
- The company was ranked Top 2 in the Best Employer Survey conducted by IDC-Dataquest
- Top five in IT Industry, in the Best Companies to Work For 2011 conducted by Economic Times and Great Place to Work Institute.
- Introduced a new three-step Performance Management System to enhance Performance Management System and a culture of individual accountability

AWARDS and ACCOLADES

The year that went by witnessed numerous recognitions for your Company as we bagged several awards and accolades as under:

- Mr. Ajai Chowdhry conferred **Padma Bhushan** by the President of India for his outstanding contribution to the industry and also felicitated with 'Honoris Causa Doctorate' of Science for his contribution to the Indian IT Industry by IIT Roorkee
- HCL Learning wins **BEST PUBLIC CHOICE AWARD - TOOL FOR INNOVATIVE TEACHING AND LEARNING** for Digischool by World Education Summit 2011
- 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
- Ranked 2nd in the latest Greenpeace Green Electronics Ranking.
- HCL Green Data Center was awarded 1st Ever LEED Platinum Certification in India by US Green Building Council.
- DQ - IDC ranks your company **#2 Domestic ICT Company**. The Company was also rated among Top 10 ICT Companies in India.
- Awarded Dun & Bradstreet Rolta Corporate Award under Computer Hardware and Peripherals Category
- Selected Business Superbrands of India by the Superbrands Council

CONSOLIDATED RESULTS

Quarterly Results

Rs. crores	Audited		
	Q4 FY10	Q4 FY11	Y-o-Y %
Consolidated Revenue	3,234	2,640	-18%
Consolidated PBT	96	6	-94%
Consolidated PAT	67	11	-83%

Earnings per share:

Basic EPS for the quarter ended June 30, 2011 was **Rs. 0.5 per share** of Rs. 2/- each.

Annual Results

Rs. crores	Audited		
	FY10	FY11	Y-o-Y %
Consolidated Revenue	12,159	11,542	-5%
Consolidated PBT	346	229	-34%
Consolidated PAT	242	168	-31%

Earnings per share:

Basic EPS for the year ended June 30, 2011 was **Rs. 7.7 per share** of Rs. 2/- each.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

Revenue from Computer Systems business for the quarter was **Rs. 854 crores**, taking the revenue for the year to **Rs. 3691 crores**.

Computer Systems & Other Related Products and Services

Rs. crores	Unaudited			Audited		
Revenue	Q4 FY10	Q4 FY11	Y-o-Y %	FY10	FY11	Y-o-Y %
Computing Business	740	720	-3%	2,719	2,716	0%
Systems Integration	370	82	-78%	856	626	-27%
Learning	9	19	103%	32	83	160%
Overseas Operations	18	37	106%	21	317	1375%
Intersegment / Adjustments	6	-3		14	-50	
Computer Systems & Other Related Products and Services	1,143	854	-25%	3,643	3,691	1%
PBIT	Q4 FY10	Q4 FY11	Y-o-Y %	FY10	FY11	Y-o-Y %
Computer Systems & Other Related Products and Services	61	-8	-113%	190	118	-38%

TELECOMMUNICATION & OFFICE AUTOMATION

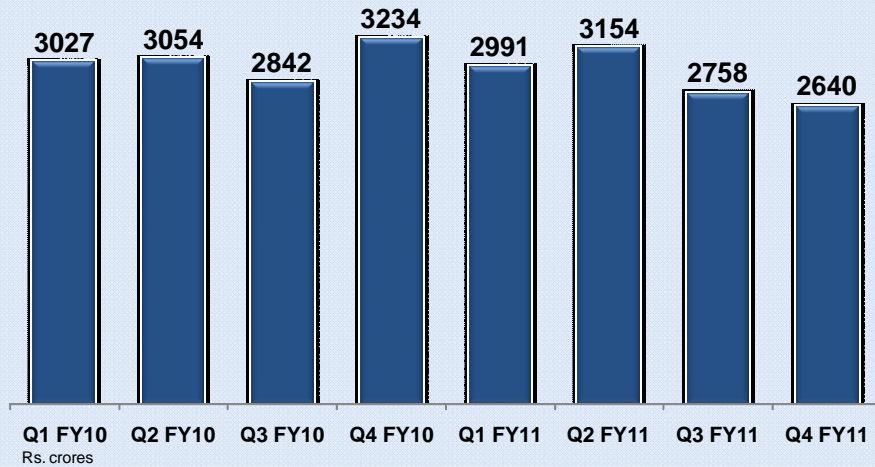
Revenue from Telecommunication and Office Automation business for the quarter was **Rs. 1768 crores**, taking the revenue for year to **Rs. 7805 crores**.

Telecommunication & Office Automation

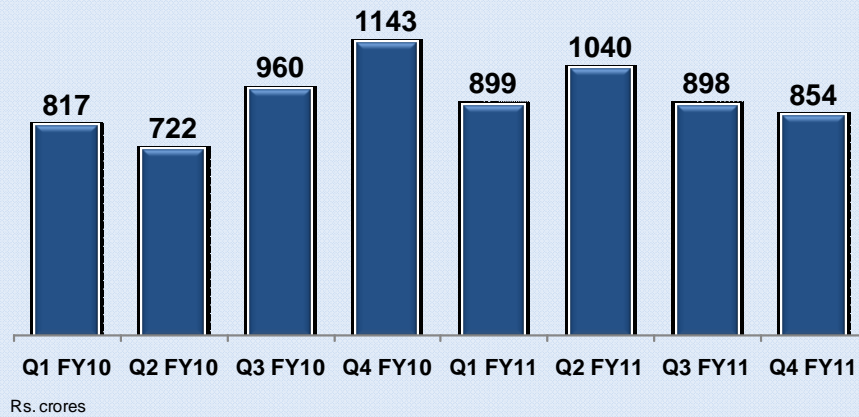
Rs. crores	Unaudited			Audited		
Revenue	Q4 FY10	Q4 FY11	Y-o-Y %	FY10	FY11	Y-o-Y %
Telecom Distribution	1,757	1,415	-19%	7,252	6,324	-13%
Digital Entertainment	172	135	-21%	679	642	-5%
Office Automation	157	124	-21%	553	631	14%
HCL Security	20	14	-28%	39	57	45%
Overseas Operations	-	87		-	147	
Intersegment / Adjustments	-12	-7		6	3	
Telecommunication & Office Automation (Net)	2,094	1,768	-16%	8,529	7,805	-8%
PBIT	Q4 FY10	Q4 FY11	Y-o-Y %	FY10	FY11	Y-o-Y %
Telecommunication & Office Automation	50	37	-26%	216	193	-11%

REVENUE TRENDS

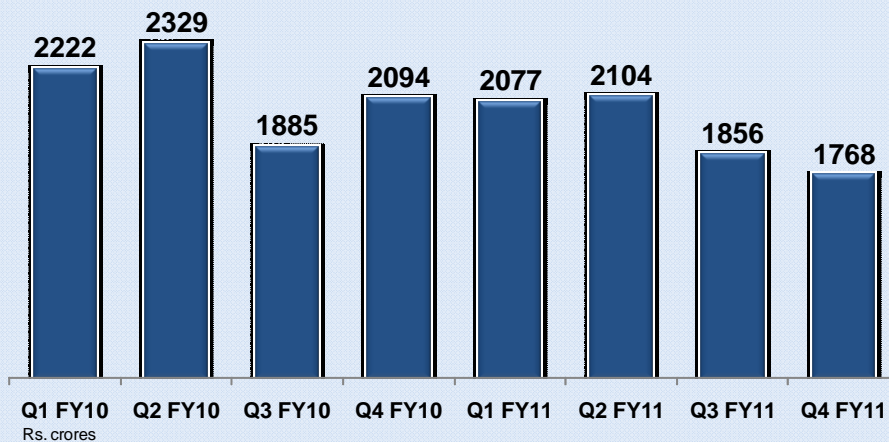
CONSOLIDATED REVENUE



COMPUTER SYSTEMS BUSINESS



TELECOMMUNICATION & OFFICE AUTOMATION BUSINESS



CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Rs crores			
		Unaudited		Audited	
		Q4 FY 11	Q4 FY 10	FY 11	FY 10
	Gross Sales / Income from Operations	2,639.8	3,234.4	11,542.1	12,158.6
	Less: Excise Duty	24.4	29.5	122.2	108.8
1a.	Net Sales / Income from Operations	2,615.4	3,204.9	11,419.9	12,049.8
1b.	Other Operating Income #	5.3	(0.9)	40.5	29.8
2	Expenditure				
	(Increase) / Decrease in Stock in Trade and Work in Progress	89.8	(17.6)	226.7	137.6
a)	Consumption of Raw Materials	491.0	555.8	1,626.6	1,849.0
b)	Purchase of Traded Goods	1,692.2	2,192.6	7,985.0	8,453.1
d)	Purchase of Services	31.5	109.9	194.2	312.9
e)	Stores & Spares consumed and Others	56.2	49.3	234.0	193.5
f)	Employees Cost	121.6	109.7	486.9	391.2
g)	Administration, Selling, Repairs & Others	118.4	104.9	420.3	366.0
h)	Depreciation	10.0	7.2	38.4	25.5
	Total Expenditure	2,610.6	3,111.8	11,212.0	11,728.8
3	Profit from Operations before Other Income & Interest (1-2)	10.1	92.2	248.4	350.9
4	Other Income	16.3	16.0	60.4	34.8
5.	Profit before Interest (3+4)	26.4	108.2	308.8	385.7
6.	Interest Expense	20.4	12.0	79.4	39.2
7.	Profit (+) / Loss (-) from ordinary activities before Tax (5-6)	6.0	96.2	229.4	346.5
8.	Tax Expense	(4.6)	29.0	60.1	104.1
9.	Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)	10.6	67.2	169.3	242.4
10.	Extraordinary items	-	-	-	-
11.	Net Profit (+) / Loss (-) for the period before minority Interests (9-10)	10.6	67.2	169.3	242.4
12	Minority Interests	(0.9)	-	1.1	-
13	Net Profit (+) / Loss (-) for the period (11-12)	11.5	67.2	168.2	242.4
	Basic EPS (Not annualised) Rs/share	0.5	3.1	7.7	11.9
	# includes Exchange Fluctuation Gains / (Losses) (including unrealised gains/ losses on restatement of trade payables and receivables)	(2.7)	(5.2)	10.2	11.9

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KEY RATIOS

Key Ratios	FY11	FY10
Return on Capital Employed %	12%	16%
Return on Net Worth %	9%	13%
Debt / Debt+Equity	0.25	0.22
Debtors Collection period (days) {annualised}	68	63
Inventory turnover (annualised)	19	14
Current ratio	1.7	1.5

CONSOLIDATED SEGMENT

		Rs crores			
	Particulars	Unaudited		Audited	
		Q4 FY 11	Q4 FY 10	FY 11	FY 10
1.	Segment Revenue				
a)	Products and Related Services				
	- Computer Systems & Other Related Products and Services (Gross)	853.9	1,143.2	3,691.4	3,642.8
	Less: Excise Duty	24.4	29.5	122.2	108.8
	- Computer Systems & Other Related Products and Services (Net)	829.5	1,113.7	3,569.2	3,534.0
	- Telecommunication & Office Automation (Net)	1,767.6	2,093.9	7,804.9	8,529.0
b)	Internet & Related Services (Discontinuing Operations)	18.4	17.6	74.7	76.7
	Total	2,615.5	3,225.1	11,448.8	12,139.7
	Less: Intersegment revenue	0.1	20.3	28.9	89.8
	Net Sales / Income from Operations	2,615.4	3,204.9	11,419.9	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	(7.7)	61.2	117.8	190.4
	- Telecommunication & Office Automation	37.0	49.9	192.8	215.9
b)	Internet & Related Services (Discontinuing Operations)	(2.2)	(6.2)	(10.7)	(13.8)
	Total	27.0	104.9	299.9	392.6
	Less:				
	i) Interest Expense	20.4	12.0	79.4	39.2
	ii) Other un-allocable expenditure net off	16.9	12.8	51.5	41.7
	iii) Un-allocable income	16.3	16.0	60.4	34.8
	Total Profit before Tax	6.0	96.2	229.4	346.5
3.	Capital Employed (Segment Assets - Segment Liabilities)				
a)	Products and Related Services				
	- Computer Systems & Other Related Products and Services			1,363.4	1,215.1
	- Telecommunication & Office Automation			310.0	203.4
b)	Internet & Related Services (Discontinuing Operations)			(8.0)	(4.8)
c)	Unallocated				
	- Liquid Assets			607.6	855.8
	- Others			266.6	143.7
	Total Capital Employed			2,539.5	2,413.3

CONSOLIDATED BALANCE

Statement of Assets and Liabilities

Rs. crores

Particulars	Consolidated		Standalone	
	As at June 30, 2011 (Audited)	2010 (Audited)	As at June 30, 2011 (Audited)	2010 (Audited)
Shareholder's funds				
Share Capital	45	44	45	44
Share Warrant Application Money		18		18
Reserves and Surplus	1,863	1,831	1,902	1,861
Minority Interest	4			
Loan funds				
Secured loans	153	163	110	152
Unsecured loans	475	358	467	358
Total	2,540	2,413	2,525	2,432
Fixed Assets	364	287	252	197
Investments	607	854	705	911
Deferred Tax Assets	21	14	17	9
Current assets, loans and advances				
Inventories	614	840	586	835
Sundry Debtors	2,153	2,108	2,084	2,097
Cash and Bank Balance	265	300	235	293
Other Current Assets	392	253	388	249
Loans and advances	278	255	299	283
	3,702	3,755	3,592	3,757
Less: Current liabilities and provisions				
Current liabilities	2,056	2,368	1,938	2,308
Provisions	99	129	103	134
Net Current Assets	1,547	1,259	1,551	1,315
Total	2,540	2,413	2,525	2,432

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 2.6 billion (Rs 11,542 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. For more information please visit us at www.hclinfosystems.in

ABOUT HCL ENTERPRISE

HCL is a \$5.9 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 80,000 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