

HCL Infosystems Limited

Q2 FY18 Investor Update

26th Oct 2017

HCL

Disclaimer

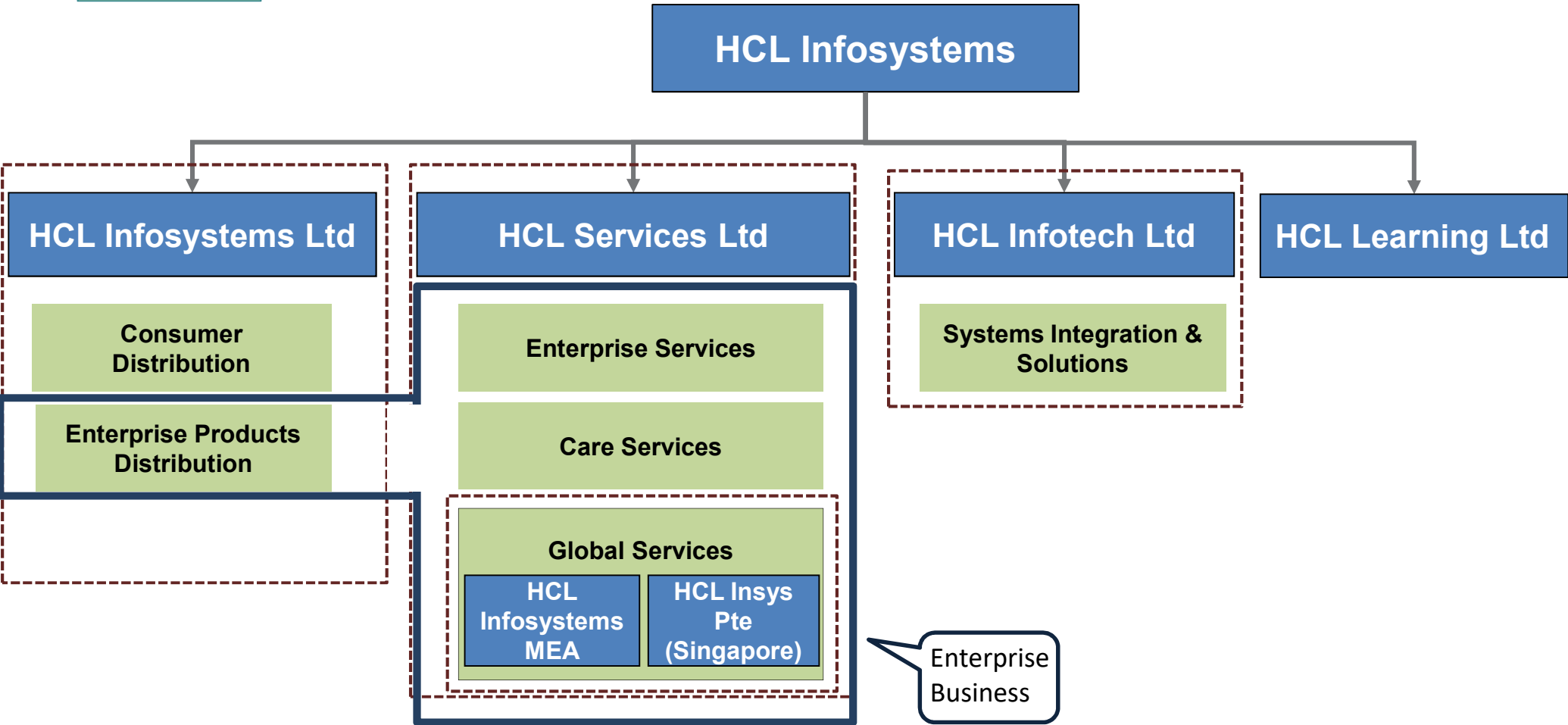
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The enclosed financials provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

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Structured for Growth



Highlights – Q2

Business Highlights

- Q2 FY18 revenue was Rs. 881 Cr. vs. Rs. 685 Cr. in Q1 FY18, registering an increase of 29% Q-o-Q
- Consumer business witnessed revenue of Rs. 299 Cr in Q2 vs Rs 69 Cr in Q1
 - The new multi brand business model gained traction
- Enterprise business witnessed revenue of Rs. 551 Cr, a decline of 5% Q-o-Q & increase of 13% Y-o-Y
 - Enterprise products distribution revenue declined 15% Q-o-Q as certain orders got deferred to next quarter due to non availability of material from OEM
 - Enterprise Services revenue increased 11% Q-o-Q as we started executing new orders in Q2
- SI – Execution on track & pending order book at Rs. 816 Cr at close of Q2
- Profit / (Loss) before interest and tax for Q2 was Rs. (24.3) Cr vs. Rs. (24.9) in Q1
- Exceptional items for the quarter include impairment of goodwill for Rs. 390 crores for Services business. As part of its strategy, the Company continues to review and streamline including right size, disengage or wind-down of components of its service offerings, segments and geographies. This has led to an impairment of goodwill in current quarter for the services business.
- Profit / (Loss) before tax and after exceptional items for Q2 was Rs. (454.4) Cr vs. Rs. (66.5) in Q1

Q2 P&L - Snapshot

Unaudited ₹ crores

Q2 FY18	Particulars	Consumer Business	Enterprise Business	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q1FY18
1	Consolidated Revenue	299	551	1	43	(13)	881 ¹	685
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	3.0	(10.0)	(4.0)	(6.1)	5.4	(11.7) ²	(18.2)
3	Provision for doubtful debts / write-off and expected credit loss	(0.1)	2.9	0.9	7.6	3.7	15.0 ³	11.0
4	Other Income	0.1	0.6	(0.0)	0.3	1.5	2.4	4.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	3.2	(12.3)	(4.9)	(13.4)	3.2	(24.3)	(24.9)
6	Net Finance Cost						40.1 ⁴	41.6
7	Profit / (Loss) Before Tax & Exceptional Items						(64.4) ⁵	(66.5)
8	Exceptional item (Goodwill write-off for Services business)						390.0	0.0
9	Profit / (Loss) before Tax & after Exceptional items						(454.4)	(66.5)
Q1 FY18	Profit / (Loss) before Interest and Tax (2-3+4)	(3.1)	(10.2)	(3.4)	(7.3)	(0.9)	(24.9)	

- Overall revenue increased from Rs. 685 cr in Q1 FY18 to Rs. 881 cr in Q2 FY18, up 29%
- Loss before provision for doubtful debts / write-off & expected credit loss decreased from Rs.18.2 cr in Q1 FY18 to Rs. 11.7 cr in Q2 FY18
- Provisions increased from Rs. 11 cr in Q1 FY18 to Rs. 15.0 cr in Q2 FY18

- Net Finance Cost decreased from Rs. 41.6 cr in Q1 FY18 to Rs. 40.1 cr in Q2 FY18.
- The Loss before tax & exceptional items decreased from Rs. 66.5 cr in Q1 FY18 to Rs. 64.4 cr in Q2 FY18.



Q2 P&L - Snapshot

Unaudited ₹ crores

Q2 FY18	Particulars	Consumer Distribution	Enterprise Distribution	Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q1FY18
1	Consolidated Revenue	299	316	235	1	43	(13)	881 ¹	685
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	3.0	0.6	(10.6)	(4.0)	(6.1)	5.4	(11.7) ²	(18.2)
3	Provision for doubtful debts / write-off and expected credit loss	(0.1)	(0.9)	3.8	0.9	7.6	3.7	15.0 ³	11.0
4	Other Income	0.1	0.2	0.4	(0.0)	0.3	1.5	2.4	4.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	3.2	1.7	(14.0)	(4.9)	(13.4)	3.2	(24.3)	(24.9)
6	Net Finance Cost							40.1 ⁴	41.6
7	Profit / (Loss) Before Tax & Exceptional Items							(64.4) ⁵	(66.5)
8	Exceptional item (Goodwill write-off for Services business)							390.0	0.0
9	Profit / (Loss) before Tax & after Exceptional items							(454.4)	(66.5)
Q1 FY18	Profit / (Loss) before Interest and Tax (2-3+4)	(3.1)	0.4	(10.6)	(3.4)	(7.3)	(0.9)	(24.9)	

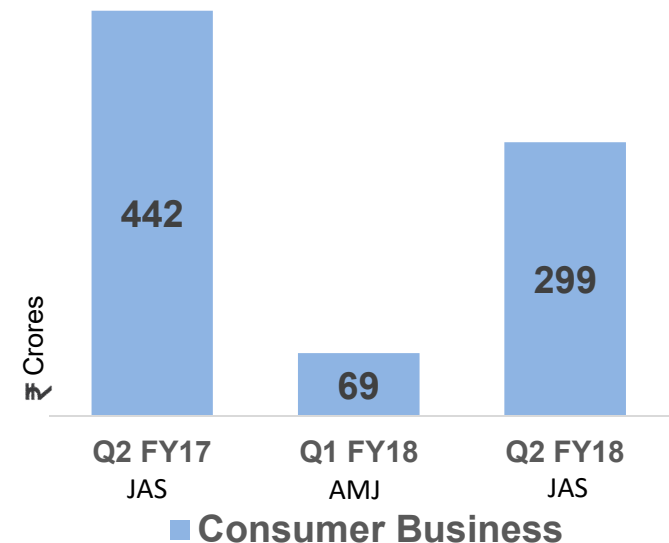
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- Loss before provision for doubtful debts / write-off & expected credit loss decreased from Rs.18.2 cr in Q1 FY18 to Rs. 11.7 cr in Q2 FY18
- Provisions increased from Rs. 11 cr in Q1 FY18 to Rs. 15.0 cr in Q2 FY18

- Net Finance Cost decreased from Rs. 41.6 cr in Q1 FY18 to Rs. 40.1 cr in Q2 FY18.
- The Loss before tax & exceptional items decreased from Rs. 66.5 cr in Q1 FY18 to Rs. 64.4 cr in Q2 FY18.

Consumer Business – Consumer Distribution (1/2)

- Robust revenue growth in early transition period
 - Impact of multi-brand OEM strategy
 - Full impact of business transition will take few more quarters
- Tie-ups with leading telecom OEMs like HMD Global and release of new Nokia models enabled the business to report a robust growth.
- We also signed a Distributor Agreement for distribution of iPhone and other Apple products with M/s Apple India Private Limited (M/s Apple) in the quarter. The business also distributed the iPhone 8 & iPhone 8+ in aligned Territories & Channels.
- The business witnessed increased traction in strategic channels like Ecommerce

Consumer Distribution Revenues



Unaudited management accounts

Consumer Business (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q2 FY17 JAS	Q1 FY18 AMJ	Q2 FY18 JAS
1	Consolidated Revenue	442	69	299
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	3.1	(3.1)	3.0
3	Provisions for doubtful debts / write-off and expected credit loss	(0.2)	0.0	(0.1)
4	Other Income	0.0	0.0	0.1
5	Profit / (Loss) before Interest and Tax (2-3+4)	3.3	(3.1)	3.2

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

Enterprise Business (1/2)

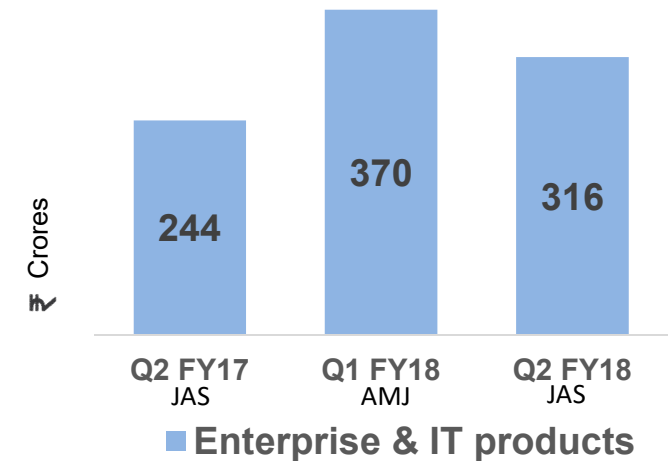
Enterprise Products Distribution

- Q-o-Q Revenue decline was 15%
- Y-o-Y Revenue growth was 30%
- Market demand temporarily impacted due to GST rollout
- Temporary delay in billings due to GST certifications
- Continued focus on building channel partner relationships

Enterprise Services*

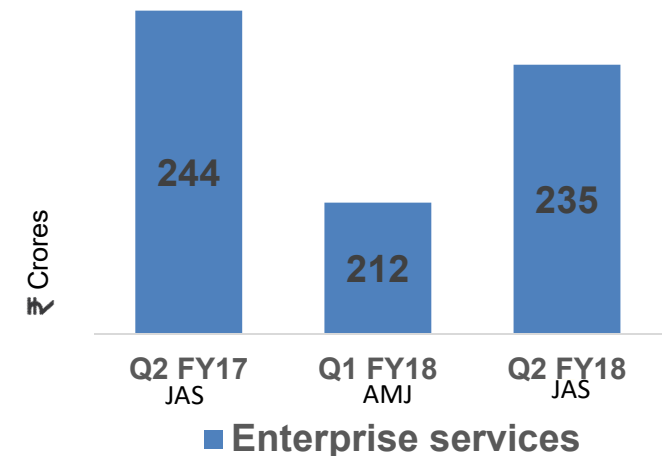
- Q-o-Q Revenue growth was 11%
- Y-o-Y Revenue decline was 4%
- In Singapore we executed a major command center implementation comprising of Remote Infra platform for a major Government project
- We have taken a goodwill impairment charge of Rs. 390 Cr in Services, as explained on slide 4

Products Distribution Revenue



Enterprise Services Revenue

*Includes HCL Care business



Enterprise business (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q2 FY17 JAS	Q1 FY18 AMJ	Q2 FY18 JAS
1	Consolidated Revenue	488	582	551
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	(11.6)	(12.6)	(10.0)
3	Provisions for doubtful debts / write-off and expected credit loss	7.4	(1.0)	(2.9)
4	Other Income	0.5	1.4	0.6
5	Profit / (Loss) before Interest and Tax (2-3+4)	(18.5)	(10.2)	(12.3)

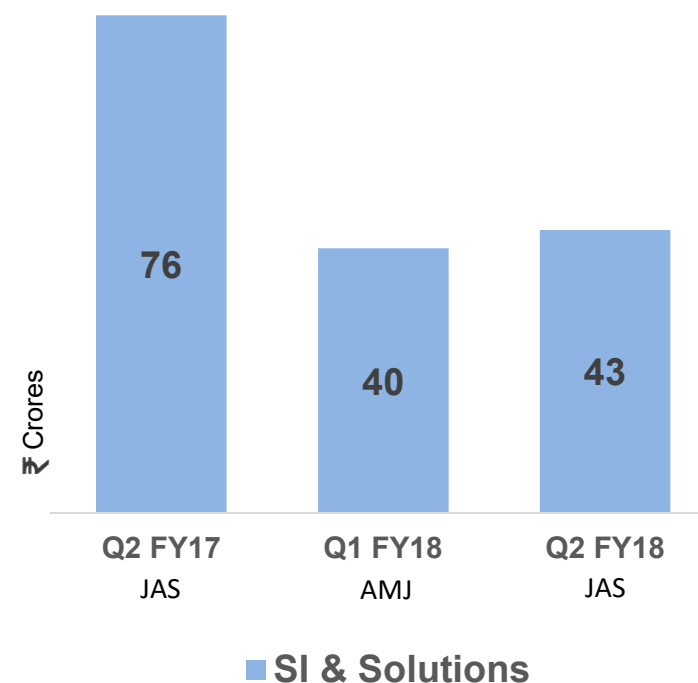
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System Integration and Solutions (1/2)

Sustained Execution Focus

- Pending order book at ~ Rs.816 Cr
 - Build phase ~ Rs. 89 Cr
 - Managed Services ~ Rs. 272 Cr
 - Support Services & Annuity ~ Rs. 455 Cr
- Project execution largely on track

SI & Solutions Revenues



Unaudited management accounts

System Integration and Solutions (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q2 FY17 JAS	Q1 FY18 AMJ	Q2 FY18 JAS
1	Consolidated Revenue	76	40	43
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	10.7	1.6	(6.1)
3	Provisions for doubtful debts / write-off and expected credit loss	0.4	9.0	7.6
4	Other Income	0.9	0.1	0.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	11.2	(7.3)	(13.4)

SI & Solutions –

SI revenue and margins vary based on achievement of project milestones and project mix

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Questions?

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HCL Infosystems - Investor Relations

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