

HCL Infosystems Limited

Q1 FY20 Investor Update

1st August 2019

HCL

Disclaimer

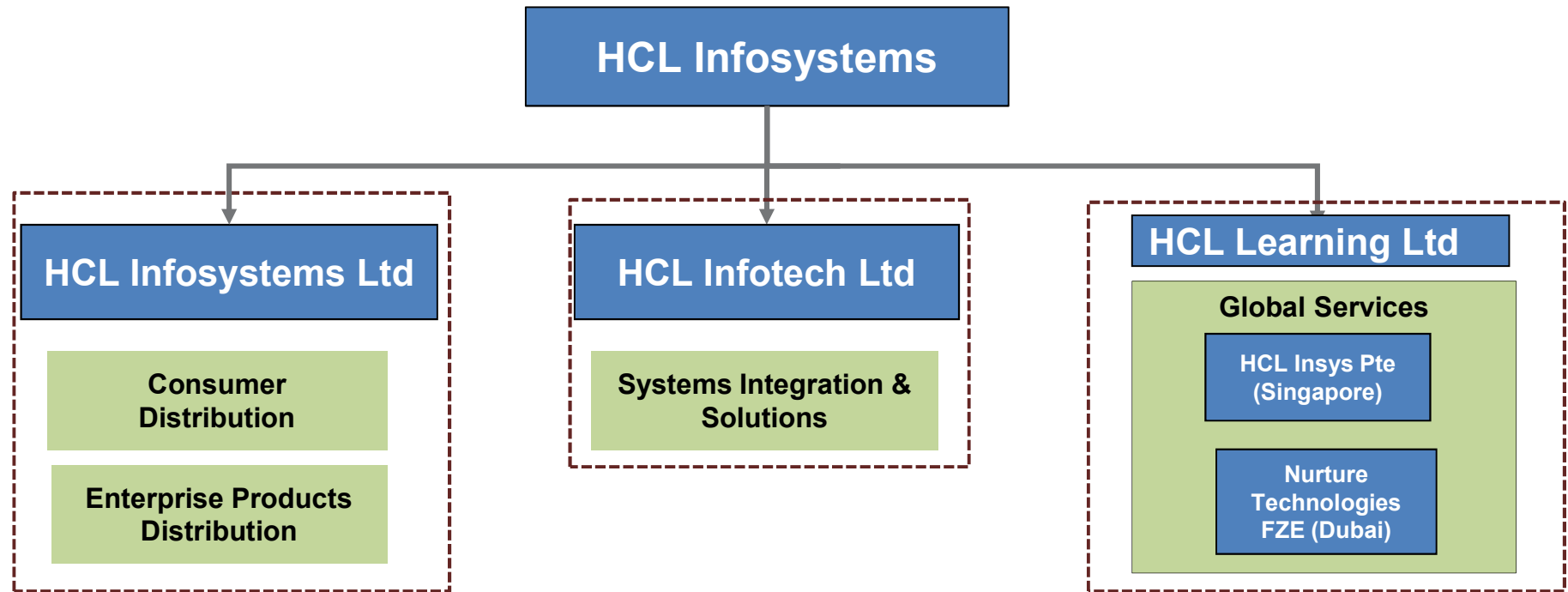
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The enclosed financials provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

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Organisation Structure



Business Unit

Legal entity

Q1FY20 Update

Business Highlights

- Q1FY20 revenue was Rs. 681 Crore vs. Rs. 1,011 Crore in Q4FY19
- Distribution business revenue was Rs. 538 Crore in Q1FY20 vs. Rs. 845 Crore in Q4FY19
 - Enterprise Distribution revenue was Rs. 373 Crore in Q1FY20 vs. Rs. 432 Crore in Q4FY19
 - Consumer Distribution revenue was Rs. 165 Crore in Q1FY20 vs. Rs.413 Crore in Q4FY19
 - Consumer business suffered due to lack of exclusive product line up by the principal in e-commerce space. Enterprise business was impacted by competitive environment and market slowdown
- Global Services business revenue was Rs. 104 Crore in Q1FY20
- Profit / (Loss) before interest, tax & exceptional items was Rs. (21.2) Crore in Q1FY20 vs. Rs. (14.5) Crore in Q4FY19
- The company continues to explore opportunities for monetization & rationalization of its businesses & assets

Q1 P&L – Snapshot of results

Unaudited ₹ crores

Q1 FY20	Particulars	Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q4FY19
1	Consolidated Revenue	538	104	0	39	0	681¹	1,011
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(6.4)	1.3	(0.5)	(5.7)	(6.9)	(18.2)	7.6
3	Provision for doubtful debts / write-off and expected credit loss	0.6	0.2	0.0	8.1	0.1	9.0²	33.6
4	Other Income	1.1	0.2	2.1	1.3	1.3	6.0	11.5
5	Profit / (Loss) before Interest and Tax (2-3+4)	(5.9)	1.3	1.6	(12.5)	(5.7)	(21.2)³	(14.5)
6	Net Finance Cost						24.7⁴	25.0
7	Profit / (Loss) before Tax						(45.9)	(39.5)
8	Exceptional Item						6.2⁵	
9	Profit / (Loss) before Tax & after exceptional items						(39.7)	(39.5)

1. Overall revenue for the quarter was Rs. 681 Cr
2. Provisions were at Rs. 9.0 Cr in Q1
3. Loss before interest & tax was Rs. 21.2 Cr in Q1, vs. Loss of Rs. 14.5 Cr in the previous quarter

4. Net Finance Cost was Rs. 24.7 Cr in Q1 vs. Rs. 25.0 Cr in previous quarter
5. There was an exceptional item of Rs. 6.2 Cr in Q1 due to gain on sale of property

Q1 P&L – Snapshot of results

Unaudited ₹ crores

Q1 FY20	Particulars	Consumer Distribution	Enterprise Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q4FY19
1	Consolidated Revenue	165	373	104	0	39	0	681 ¹	1,011
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(3.4)	(3.0)	1.3	(0.5)	(5.7)	(6.9)	(18.2)	7.6
3	Provision for doubtful debts / write-off and expected credit loss	0.0	0.6	0.2	0.0	8.1	0.1	9.0 ²	33.6
4	Other Income	0.0	1.1	0.2	2.1	1.3	1.3	6.0	11.5
5	Profit / (Loss) before Interest and Tax (2-3+4)	(3.4)	(2.5)	1.3	1.6	(12.5)	(5.7)	(21.2) ³	(14.5)
6	Net Finance Cost							24.7 ⁴	25.0
7	Profit / (Loss) before Tax							(45.9)	(39.5)
8	Exceptional Item							6.2 ⁵	
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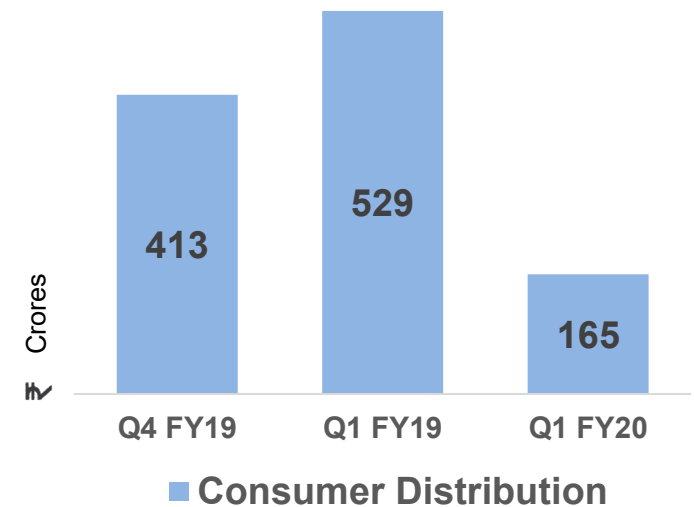
1. Overall revenue for the quarter was Rs. 681 Cr
2. Provisions were at Rs. 9.0 Cr in Q1
3. Loss before interest & tax was Rs. 21.2 Cr in Q1, vs. Loss of Rs. 14.5 Cr in the previous quarter

4. Net Finance Cost was Rs. 24.7 Cr in Q1 vs. Rs. 25.0 Cr in previous quarter
5. There was an exceptional item of Rs. 6.2 Cr in Q1 due to gain on sale of property

Consumer Distribution

- Q1FY20 revenue was Rs. 165 Crore vs. Rs. 413 Crore in Q4FY19
- There was a decline in revenue in comparison to the preceding quarter due to lack of exclusive product line up by the principal

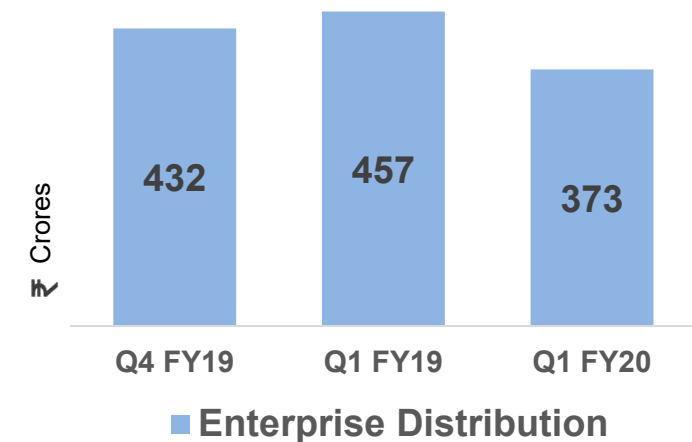
Consumer Distribution Revenue



Enterprise Distribution

- Q1FY20 revenue was Rs. 373 Crore vs. Rs. 432 Crore in Q4FY19
- Revenue in this business was relatively lower as compared to the previous quarter due to competitive environment and market slowdown. There was also some pressure on gross margins due to the revenue mix
- While the channel business was the main contributor to the revenue, the direct business also gained traction with new customer wins

Enterprise Distribution Revenue



Distribution

Unaudited ₹ crores

S.No.	Particulars	Q4 FY19 JFM	Q1 FY19 AMJ	Q1 FY20 AMJ
1	Consolidated Revenue	845	986	538
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	2.0	1.9	(6.4)
3	Provisions for doubtful debts / write-off and expected credit loss	0.1	1.2	0.6
4	Other Income	1.2	0.0	1.1
5	Profit / (Loss) before Interest and Tax (2-3+4)	3.1	0.7	(5.9)

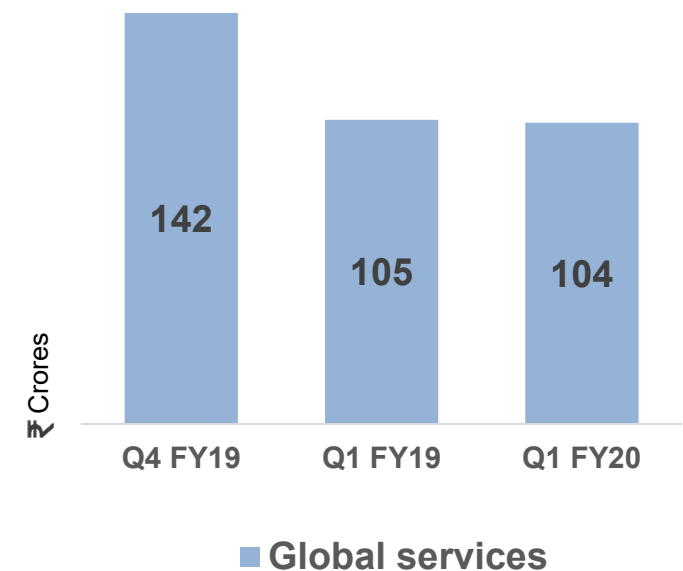
In Q4 FY19, there was a one-time gain on account of scheme settlement with the Principal

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.

Global Services

- Q1FY20 revenue was Rs. 104 Crore vs. Rs. 105 Crore in Q1FY19
- The Global Services business in Singapore maintained its steady business. The business won Government commercial cloud contracts and also successfully completed recertification audit of ISO9000 & 27000

Global Services Revenue



Global Services

Unaudited ₹ crores

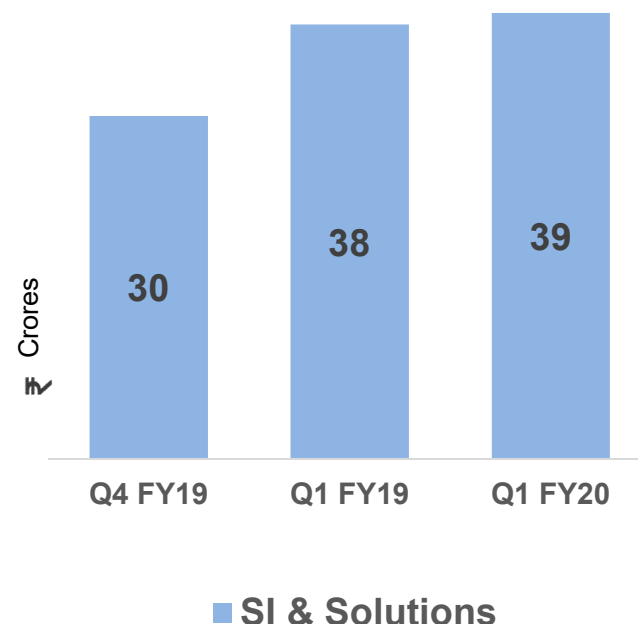
S.No.	Particulars	Q4 FY19 JFM	Q1 FY19 AMJ	Q1 FY20 AMJ
1	Consolidated Revenue	142	105	104
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	12.8	3.6	1.3
3	Provisions for doubtful debts / write-off and expected credit loss	(0.3)	0.0	0.2
4	Other Income	0.5	0.0	0.2
5	Profit / (Loss) before Interest and Tax (2-3+4)	13.6	3.6	1.3

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.

System Integration and Solutions

- Pending order book at ~ Rs. 415 Cr
 - Build phase ~ Rs. 60 Cr
 - Managed Services ~ Rs. 16 Cr
 - Support Services & Annuity ~ Rs. 340 Cr
- The System integration and Solution business continued to focus on the execution of the current order book and collection of receivables.
- We continue to face challenges and delays in customer acceptances and payments, especially in the Power Sector. We are continuously working on obtaining customer acceptances to enable payments.

SI & Solutions Revenues



System Integration and Solutions

Unaudited ₹ crores

S.No.	Particulars	Q4 FY19 JFM	Q1 FY19 AMJ	Q1 FY20 AMJ
1	Consolidated Revenue	30	38	39
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	(5.1)	(8.2)	(5.7)
3	Provisions for doubtful debts / write-off and expected credit loss	33.8	3.1	8.1
4	Other Income	0.0	0.3	1.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	(38.9)	(11.0)	(12.5)

SI & Solutions –

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

Q1FY20 Update

System Integration and Solutions

The delay in realization of SI receivables has impacted the capacity of the Company to invest in other businesses which have the potential for growth. However we continue to derive efficiencies and find alternate ways to the extent possible to overcome such challenges.

Restructuring of Assets

Due to losses during last few years & resulted high debt obligation along with challenging marketing conditions; the company is also constantly exploring the following:

- Monitoring its businesses, to assess requirement of any further restructuring or rationalization required in order to reduce the financial losses.
- Restructuring, re-organization & sale of its select businesses & assets etc. in order to reduce the debt obligations & finance cost burden thereon.

Questions?

Please join Q&A Session on Audio Conference

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