

HCL Infosystems Reports Revenue of Rs 1,310 Crore in Q3 FY 2018

Revenue growth of 49% Q-o-Q and 71% Y-o-Y
Strong growth in Consumer Distribution due to multi-brand business model

January 31, 2018, New Delhi

Business Highlights

- Q3 FY18 revenue at Rs. 1,310 Crore vs. Rs. 881 Crore in Q2 FY18 and Rs. 764 Crore in Q3FY17
- Distribution business revenue increased from Rs. 615 Crore in Q2 to Rs. 1,055 Crore in Q3, a growth of 72% Q-o-Q
- Services business revenue declined 8% Q-o-Q due to rationalization of contracts
- Profit / (Loss) before interest, tax is Rs. (16.4) Crore vs. Rs. (22.5) Crore in the preceding quarter
- Profit / (Loss) before tax and after exceptional items was Rs. (60.6) Crore in Q3 vs. Rs. (454.4) Crore in the preceding quarter. Q2 was impacted by goodwill write-off of Rs. 390 Crore.
- The company successfully concluded a capital raising exercise for ~ Rs. 500 Crore by way of a rights issue to its existing shareholders at a price of Rs. 47 in December 2017. The promoters subscribed to 89% of the issue.

HCL Infosystems, India's pioneer IT Services, Solutions & Distribution Company, today announced its financial results for the quarter ended December 31, 2017.

Mr. Premkumar, Executive Vice-Chairman and Managing Director, HCL Infosystems Ltd., commenting on the results said, *"The transformation focus of expansion in the Distribution business was on track with a strong Q-o-Q growth of 72%. The optimization of the services portfolio continued and the SI projects execution was also on track."*

Distribution Business

The Distribution Business reported robust revenue of Rs. 1,055 Crore in the quarter.

Consumer Distribution gained 121% Q-o-Q as the business underwent a successful transition from a single-brand into a multi-brand distribution model. In the quarter the business reported revenue of Rs. 660 Crore versus revenue of Rs 299 Crore in the preceding quarter. This uptake can be attributed to the revenue contribution from distribution of multi brand consumer technology products of Apple, Nokia, Samsung and Microsoft.

In the telecom segment the business distributed the new iPhone X apart from iPhone 8 & iPhone 8+ in aligned Territories & Channels. Consumer Distributions' partnership with HMD Global continued for Nokia thereby contributing to the overall revenue growth in the quarter. In one of the online marketplace the business tied up with Samsung to sell its products. In the non-telecom space the business started distribution of Apple products like iMac and iPad from October 2017 onwards.

Consumer distribution also added more than 200 distribution channel partners in the quarter to take forward its multi brand distribution strategy.

Enterprise Products Distribution had revenue of Rs. 395 Crore in the quarter with a robust growth of 54% Y-o-Y and 25% Q-o-Q. The channel as well as the direct business posted robust growth. Business units including End User Computing (EUC) and Enterprise Security, Storage and Networks (ESSN) gained traction thereby contributing to the growth of the overall business.

The P3 or Premier Partner Programme launched by Enterprise Distribution has increased its engagement with the target partner community. The programme enables select channel partners to grow their

respective business by offering business aligned new-age technologies to customers. So far 26 Channel Partners have been inducted into the programme.

Services Business

Domestic Enterprise Services has posted a revenue of Rs. 66 Crores with a PBIT loss of Rs. 18 Crores and a revenue decline of 24% Y-o-Y and 18% Q-o-Q despite ongoing business optimization efforts. Basis the performance, the Board reviewed the state of the business and is evaluating all strategic options including divestment of this business. Similarly, the Board reviewed the Middle East (MEA) Business and is evaluating strategic options for divestment.

The board also approved the sale of HCL Care division for a total consideration of Rs. 30 Crores to Qess Corp Limited. The transaction is subject to conditions precedent being met.

System Integration (SI) & Solutions

The SI and Solutions business reported revenue of Rs. 43 Crore in Q3FY18 with focus on project execution. The total order book size stood at Rs. 745 Crore as on 31st December 2017.

Earnings Conference Call

We will hold an earnings conference call on 2nd February at 12:00 p.m. Indian Standard Time to discuss the performance for the quarter. A transcript of the management discussions and the question and answer session will be available online and will be accessible in the Investor Relations section of our website at www.hclinfosystems.in.

For more information, please visit www.hclinfosystems.in

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About HCL Infosystems

HCL Infosystems is an IT Services, Distribution and Digital Solutions Company, enabling organizations attain and sustain competitive advantage by leveraging Information and Communication Technologies. It offers a portfolio of capabilities spanning IT & System Integration services to value-added distribution of technology, mobility and consumer products. For more information, please visit us at www.hclinfosystems.in

About HCL

About HCL Founded in 1976 as one of India's original IT garage start-ups, HCL is a pioneer of modern computing with many firsts to its credit, including the introduction of the 8-bit microprocessor-based computer in 1978 well before its global peers. Today, the HCL Enterprise has a presence across varied sectors that include technology, healthcare and talent management solutions and comprises three companies - HCL Infosystems, HCL Technologies and HCL Healthcare. The enterprise generates annual revenues of over US \$7.5 billion with more than 120,000 employees from 140 nationalities operating across 39 countries, including over 500 points of presence in India. For further information, visit www.hcl.com

CONSOLIDATED RESULTS

Rs crores

	Unaudited			Audited
	Three Months ended			Year ended
	31.12.2017	30.09.2017	31.12.2016	31.03.2017
Income				
Revenue From Operations	1,309.5	880.6	764.1	3,733.7
Other Income	27.8	30.2	39.3	145.7
Total Income	1,337.3	910.8	803.3	3,879.4
Expenses				
Cost of materials consumed	0.0	-	0.1	0.8
Purchase of Stock-in-trade	1,157.6	635.1	466.7	2,348.6
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	(131.4)	(45.8)	1.8	57.1
Employee benefits expense	103.8	114.3	128.3	539.5
Finance costs	44.2	41.9	49.2	190.3
Depreciation and amortisation expense	6.0	6.3	9.9	31.5
Other Expenses	214.8	220.7	210.4	932.7
Total Expenses	1,395.1	972.5	866.4	4,100.4
Profit / (Loss) before exceptional items and Tax from continuing operations	(57.8)	(61.7)	(63.1)	(221.0)
Exceptional Items loss/ (Gain)	-	390.0	-	50.0
Profit / (Loss) before tax from continuing operations	(57.8)	(451.7)	(63.1)	(271.0)
Tax Expense/ (Credit)				
Current tax	0.1	0.6	1.6	11.3
Deferred tax	1.3	0.5	(16.6)	(56.3)
Net Profit / (Loss) for the period from continuing operations	(59.3)	(452.9)	(48.0)	(226.0)
Profit / (Loss) from discontinued operations	(2.8)	(2.7)	(2.7)	(21.6)
Tax expense / (Credit) of discontinued operations	-	-	-	-
Net Profit / (Loss) for the period from Discontinued operations	(2.8)	(2.7)	(2.7)	(21.6)
Net Profit / (Loss) for the period	(62.1)	(455.6)	(50.7)	(247.7)
Other Comprehensive income				
A.(i) Items that will not be reclassified to profit or loss	-	(0.0)	0.0	0.9
(II) Income tax relating to items that will not be reclassified to profit or loss	-	-	0.0	0.1
B.(i) Items that will be reclassified to profit or loss	0.8	1.2	(3.5)	(7.6)
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-
Total other comprehensive income, net of income tax	0.8	1.2	(3.5)	(6.8)
Total comprehensive income for the period	(61.2)	(454.4)	(54.2)	(254.5)
Basic EPS (Not annualised) Rs/share for discontinued & continuing operations	(2.5)	(20.4)	(2.3)	(11.1)

CONSOLIDATED SEGMENT RESULTS

	Unaudited			Rs crores
	Three Months ended			Audited
	31.12.2017	30.09.2017	31.12.2016	Year ended 31.03.2017
Segment Revenue				
-Hardware Products and Solutions	42.7	43.2	60.1	361.6
- Services	216.1	234.6	235.3	945.8
- Distribution	1,055.0	614.6	475.8	2,470.0
- Learning	0.5	0.9	2.1	9.5
Total	1,314.3	893.2	773.3	3,787.0
Less : Intersegment revenue	4.8	12.6	9.3	53.2
Net Sales / Income from Continuing Operations	1,309.5	880.6	764.1	3,733.7
Segment Results (Profit / (Loss) before Tax and Interest from each segment)				
- Hardware Products and Solutions	(10.0)	(13.6)	(10.1)	(5.7)
- Services	(14.3)	(402.8)	(9.5)	(102.1)
- Distribution	10.6	5.0	-	7.1
- Learning	(1.4)	(1.9)	1.1	2.8
Total	(15.1)	(413.3)	(18.6)	(97.9)
Less :				
i) Interest Expense	44.2	41.9	49.2	190.3
ii) Other un-allocable expenditure net off un-allocable (income)	(1.5)	(3.5)	(4.7)	(17.1)
Total Profit / (Loss) before Tax from continuing operations	(57.8)	(451.7)	(63.1)	(271.0)
Segment Assets				
- Hardware Products and Solutions	969.4	1,087.3	1,287.1	1,238.5
- Services	378.7	395.6	899.8	740.5
- Distribution	1,127.4	740.4	388.8	442.0
- Learning	7.5	12.8	49.5	23.8
- Discontinued Operations	44.1	46.1	52.5	50.6
- Unallocated	613.6	616.4	766.2	688.6
Total Assets	3,140.8	2,898.5	3,443.9	3,184.0
Segment Liabilities				
- Hardware Products and Solutions	456.0	510.2	571.8	585.4
- Services	225.6	225.8	230.3	222.2
- Distribution	769.8	725.4	347.8	427.4
- Learning	14.6	13.6	17.4	16.0
- Discontinued Operations	0.4	0.4	0.4	0.4
- Unallocated	1,199.4	1,381.7	1,601.1	1,383.3
Total Liabilities	2,665.7	2,857.2	2,768.9	2,634.6