

HCL Infosystems Limited

Q3 FY18 Investor Update

2nd Feb 2018

HCL

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Structured for Growth

Legal entity

Business Unit

HCL Infosystems

HCL Infosystems Ltd

Consumer Distribution

Enterprise Products Distribution

HCL Services Ltd

Domestic Enterprise Services

Care Services

Global Services

HCL Infosystems MEA

HCL Infosystems Pte (Singapore)

HCL Infotech Ltd

Systems Integration & Solutions

HCL Learning Ltd

Highlights – Q3

Business Highlights

- Q3 recorded revenue growth of 49% Q-o-Q, revenue increased from Rs 881 Cr in Q2 to Rs. 1310 Cr in Q3
- Distribution business revenue increased from Rs. 615 Cr in Q2 to Rs. 1,055 Cr in Q3, a growth of 72% Q-o-Q
- Domestic Services posted revenue of Rs. 66 Cr with a PBIT loss of Rs. 18 Cr 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 approved sale of HCL Care division for a total consideration of Rs. 30 Cr to Quesada Corp Limited. The transaction is subject to conditions precedent being met.
- SI – Execution on track & pending order book at Rs.745 Cr at close of Q3
- Profit / (Loss) before interest, tax & exceptional items for Q3 was Rs. (18.4) Cr vs. Rs. (24.3) Cr in Q2
- The company successfully concluded a capital raising exercise for ~ Rs. 500 Cr 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.

Q3 P&L - Snapshot

Unaudited ₹ crores

Q3 FY18	Particulars	Distribution	Services	Learning	SI & Solutions	Unallocated / Eliminations	Q3 Total	Q2FY18
1	Consolidated Revenue	1055	216	1	43	(5)	1,310¹	881
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	10.1	(13.7)	(3.5)	(6.6)	(2.2)	(15.9)²	(11.7)
3	Provision for doubtful debts / write-off and expected credit loss	0.0	1.2	0.7	3.8	0.0	5.7³	15.0
4	Other Income	0.0	0.0	0.0	0.7	2.4	3.2	2.4
5	Profit / (Loss) before Interest and Tax (2-3+4)	10.1	(14.9)	(4.2)	(9.7)	0.2	(18.4)	(24.3)
6	Net Finance Cost						42.2⁴	40.1
7	Profit / (Loss) Before Tax & Exceptional Items						(60.6)	(64.4)
8	Exceptional item (includes Goodwill write-off)						0.0	390.0
9	Profit / (Loss) before Tax & after Exceptional items						(60.6)⁵	(454.4)
Q2 FY18	Profit / (Loss) before Interest and Tax (2-3+4)	4.8	(14.0)	(4.9)	(13.4)	3.2	(24.3)	

- Overall revenue increased from Rs. 881 cr in Q2 FY18 to Rs. 1310 cr in Q3 FY18
- Loss before provision for doubtful debts / write-off & expected credit loss increased from Rs.11.7 cr in Q2 FY18 to Rs. 15.9 cr in Q3 FY18
- Provisions reduced from Rs. 15.0 cr in Q2 FY18 to Rs. 5.7 cr in Q3 FY18

- Net Finance Cost increased from Rs. 40.1 cr in Q2 FY18 to Rs. 42.2 cr in Q3 FY18.
- The Loss before tax & after exceptional items decreased from Rs. 454.4 cr in Q2 FY18 to Rs. 60.6 cr in Q3 FY18.



Q3 P&L - Snapshot

Unaudited ₹ crores

Q3 FY18	Particulars	Consumer Distribution	Enterprise Distribution	Services	Learning	SI & Solutions	Unallocated / Eliminations	Q3 Total	Q2FY18
1	Consolidated Revenue	660	395	216	1	43	(5)	1,310¹	881
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	6.5	3.6	(13.7)	(3.5)	(6.6)	(2.2)	(15.9)²	(11.7)
3	Provision for doubtful debts / write-off and expected credit loss	0.0	0.0	1.2	0.7	3.8	0.0	5.7³	15.0
4	Other Income	0.0	0.0	0.0	0.0	0.7	2.4	3.2	2.4
5	Profit / (Loss) before Interest and Tax (2-3+4)	6.5	3.6	(14.9)	(4.2)	(9.7)	0.2	(18.4)	(24.3)
6	Net Finance Cost							42.2⁴	40.1
7	Profit / (Loss) Before Tax & Exceptional Items							(60.6)	(64.4)
8	Exceptional item (includes Goodwill write-off)							0.0	390.0
9	Profit / (Loss) before Tax & after Exceptional items							(60.6)⁵	(454.4)
Q2 FY18	Profit / (Loss) before Interest and Tax (2-3+4)	3.2	1.7	(14.0)	(4.9)	(13.4)	3.2	(24.3)	

- Overall revenue increased from Rs. 881 cr in Q2 FY18 to Rs. 1310 cr in Q3 FY18
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Distribution

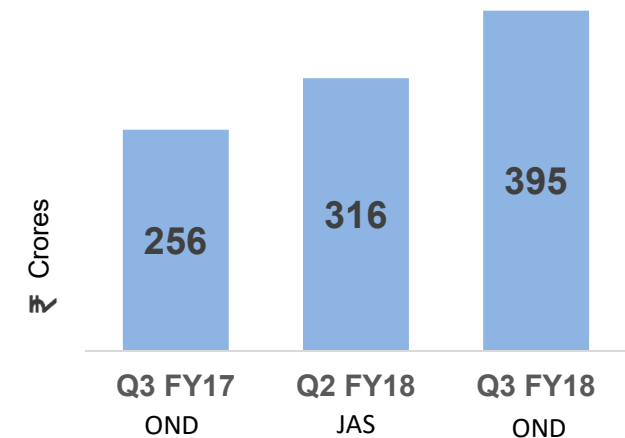
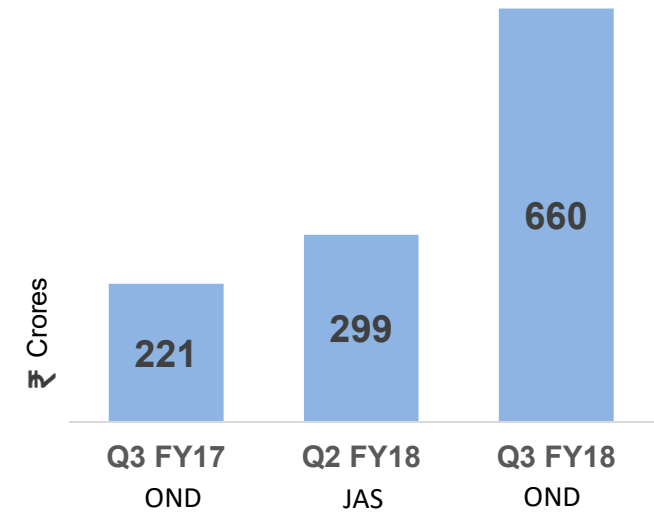
Consumer Distribution

- Robust revenue growth of 121% Q-o-Q
- Successful implementation of Multi-brand OEM strategy
- 200+ Partners signed for new OEMs within a quarter
- In one of the online marketplace the business tied up with Samsung to sell its products

Enterprise Products Distribution

- Q-o-Q Revenue increased by 25%
- Y-o-Y Revenue increased by 54%
- Continued focus on building channel partner relationships led to substantial growth
- 3 large orders won in Q3

Consumer Distribution Revenues



■ Enterprise & IT products

Distribution

Unaudited ₹ Crores

S.No.	Particulars	Q3 FY17 OND	Q2 FY18 JAS	Q3 FY18 OND
1	Consolidated Revenue	477	615	1055
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(0.9)	3.6	10.1
3	Provisions for doubtful debts / write-off and expected credit loss	(0.5)	(1.0)	0.0
4	Other Income	0.1	0.2	0.0
5	Profit / (Loss) before Interest and Tax (2-3+4)	(0.3)	4.8	10.1

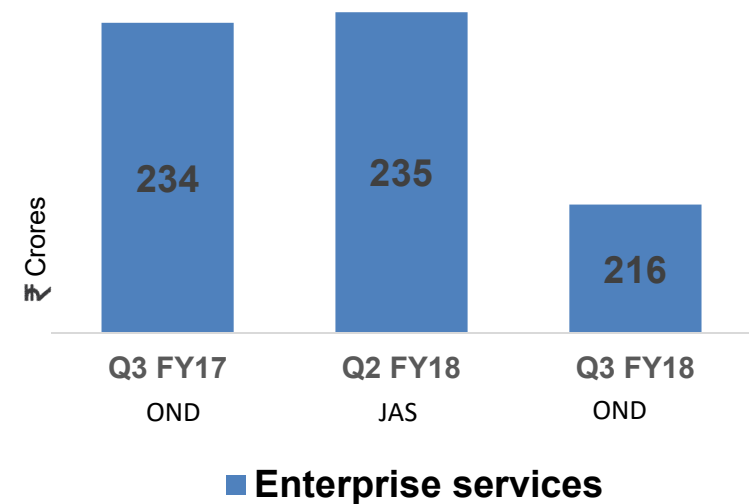
The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

Services

Services

- Q-o-Q Revenue declined by 8%
- Y-o-Y Revenue declined by 8%
- Decline can be attributed to ongoing business optimization
- Singapore services business focusing on automation to improve profitability
- Sale of HCL Care division has been approved by the board of directors for a total consideration of Rs. 30 Cr to Qess Corp Limited. The transaction is subject to conditions precedent being met.

Enterprise Services Revenue*



*Enterprise Services includes Domestic Services, Global Services (MEA & Singapore) and HCL Care business

Services

Unaudited ₹ Crores

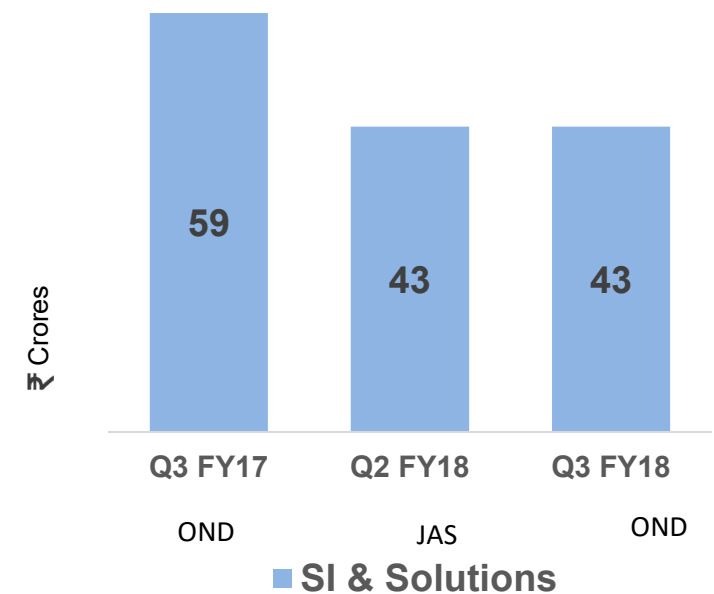
S.No.	Particulars	Q3 FY17 OND	Q2 FY18 JAS	Q3 FY18 OND
1	Consolidated Revenue	234	235	216
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(7.2)	(10.6)	(13.7)
3	Provisions for doubtful debts / write-off and expected credit loss	2.5	3.8	1.2
4	Other Income	0.8	0.4	0.0
5	Profit / (Loss) before Interest and Tax (2-3+4)	(8.9)	(14.0)	(14.9)

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

- **Sustained Execution Focus**
 - Orders for ~ Rs. 70 Cr executed in Q3
 - Pending order book at ~ Rs.745 Cr
 - Build phase ~ Rs. 85 Cr
 - Managed Services ~ Rs. 220 Cr
 - Support Services & Annuity ~ Rs. 440 Cr
- Project execution largely on track

SI & Solutions Revenues



Unaudited management accounts

System Integration and Solutions

Unaudited ₹ crores

S.No.	Particulars	Q3 FY17 OND	Q2 FY18 JAS	Q3 FY18 OND
1	Consolidated Revenue	59	43	43
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(7.3)	(6.1)	(6.6)
3	Provisions for doubtful debts / write-off and expected credit loss	3.7	7.6	3.8
4	Other Income	0.0	0.3	0.7
5	Profit / (Loss) before Interest and Tax (2-3+4)	(11.0)	(13.4)	(9.7)

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

Sumeet Ahluwalia

sumeet.ahluwalia@hcl.com

