

# HCL Infosystems Limited

## Q1 FY15 Investor Update

28<sup>th</sup> October 2014



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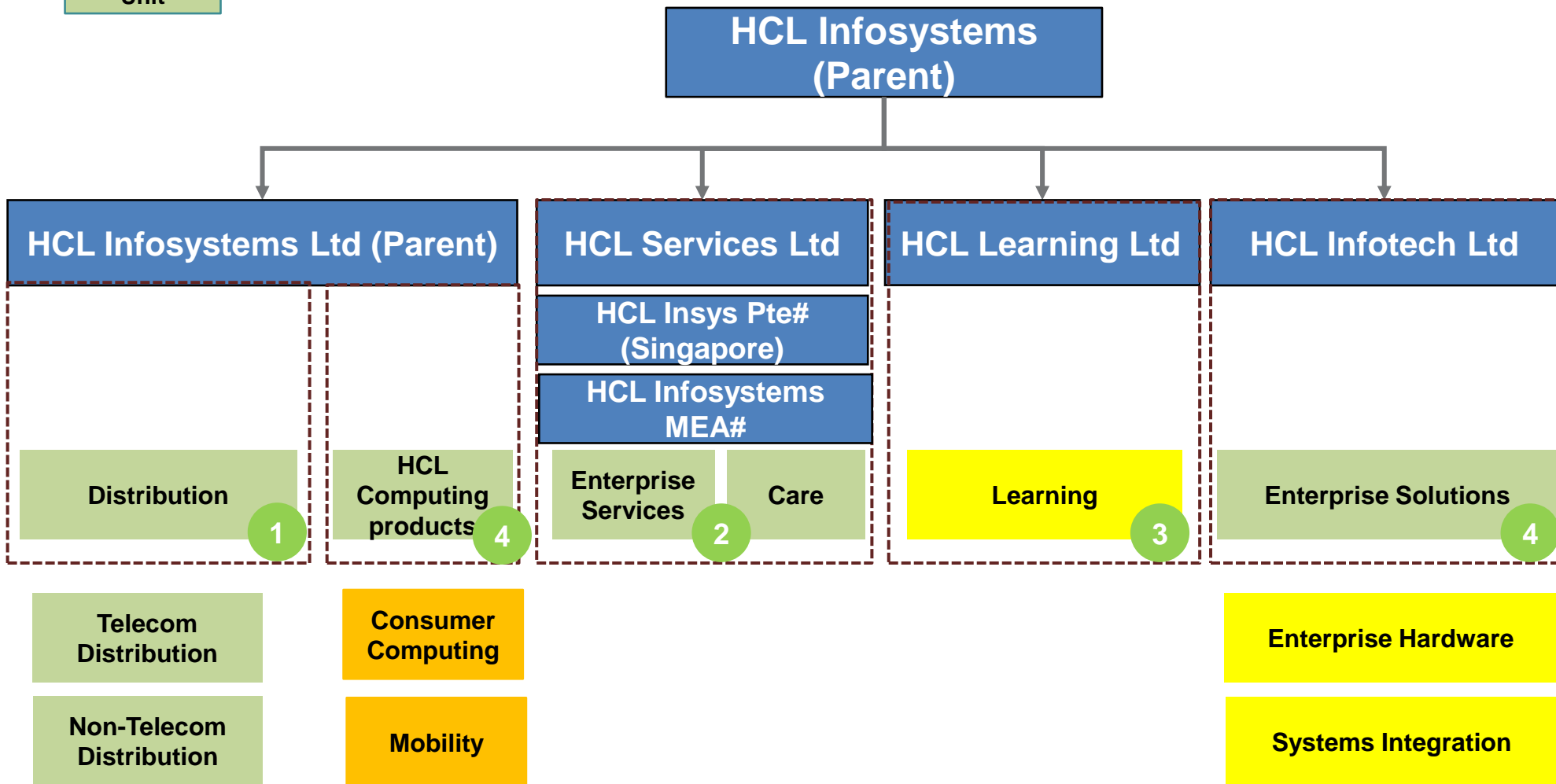
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# Re-structured Organization

Legal entity

Business Unit



# Performance Overview: Business Transformation Progress

- Distribution & Services businesses, the Key Focus Areas, continue to drive growth and profitability
- **Distribution Business**
  - ❖ **Consumer Products (Telecom & Consumer Electronics)**
    - ❖ Despite drop in telecom revenues, margins improve
    - ❖ New Sign ups in CE/HA
  - ❖ **Enterprise and IT**
    - ❖ Signed significant new partnerships
- **Services Business**
  - ❖ Healthy double digit Y-o-Y growth
  - ❖ Robust growth in Enterprise overseas business and Domestic CARE business
- **Learning Business**
  - ❖ Strategic change in Business model
  - ❖ Selective approach to new deals. Addition in no. of Classrooms
- **Hardware Products and Solutions Business**
  - ❖ Own brand PC products business phase out near completion, impacted revenue and profitability.
  - Expect additional few quarters of FY 14-15 to continue to be impacted

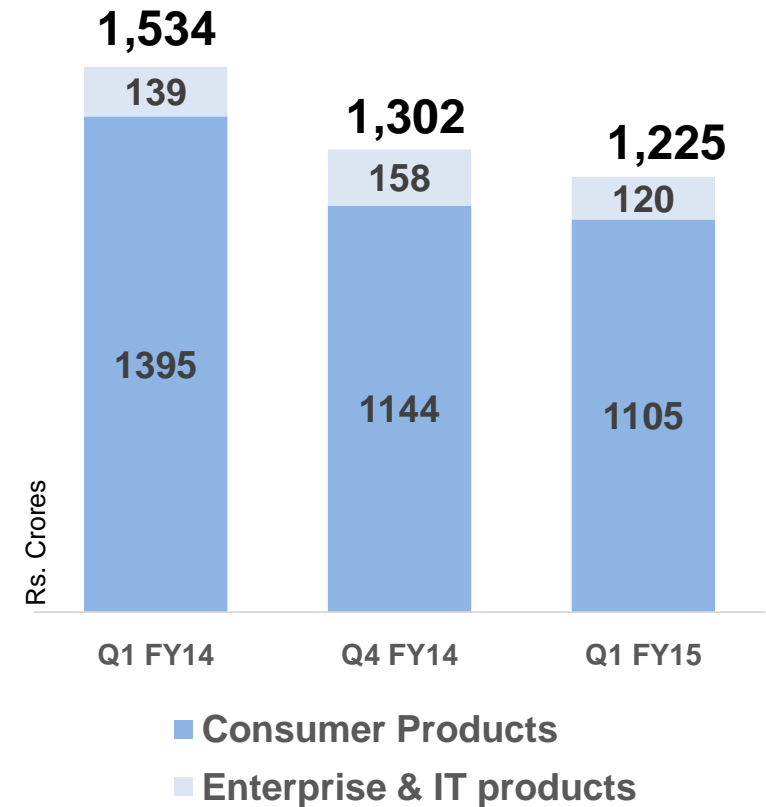
## ❑ Consumer Products (Telecom & Consumer Electronics)

- ❑ New sign ups
- ❑ Gross margin expanded due to operational efficiency and widened scope of engagement.
- ❑ Expanded last mile footprint and strengthened rural presence by adding RRDs.

## ❑ Enterprise & IT

- ❑ Muted on year on year basis
- ❑ Signed new partnerships
- ❑ Expanded reach by signing up 183 SIs and VARs

### Distribution Revenues



	Particulars	Q1 FY14	Q4 FY14	Q1 FY15
1	<b>Consolidated Revenue</b>	<b>1534</b>	<b>1302</b>	<b>1225</b>
2	Profit / (Loss) before Exchange differences and Provisions for doubtful debts / write-off and impairments	24.5	26.0	27.5
3	Exchange differences Loss / (Gain)	1.0	0.2	1.1
4	Provisions for doubtful debts / write-off and impairments	-	2.6	0.8
5	Other Income	0.3	0.2	-
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>23.8</b>	<b>23.4</b>	<b>25.6</b>

- Widened Scope of engagement of distribution network expanded margins
- Distribution business portfolio expanded

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

Unaudited management accounts

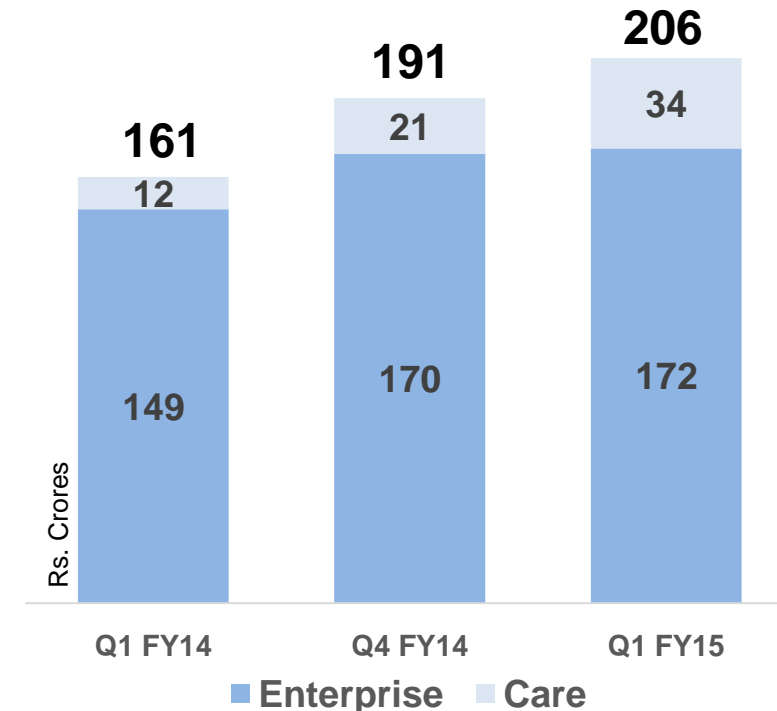
## □ Growth momentum continues

- ❖ 28% Y-o-Y ; 8% Q-o-Q
- ❖ Rs. 500 crores ACV @ Sept 2014
  - ❖ Enterprise ACV @ 445 cr and Consumer ACV@ 55 cr

## □ Care Services (Consumer Electronics & Appliances breakfix services)

- ❖ Consistent growth continues @ 63% Q-o-Q and 178% Y-o-Y
- ❖ Signed up leading OEM brands across Mobility and Consumer Electronics space for world class repair and service centres

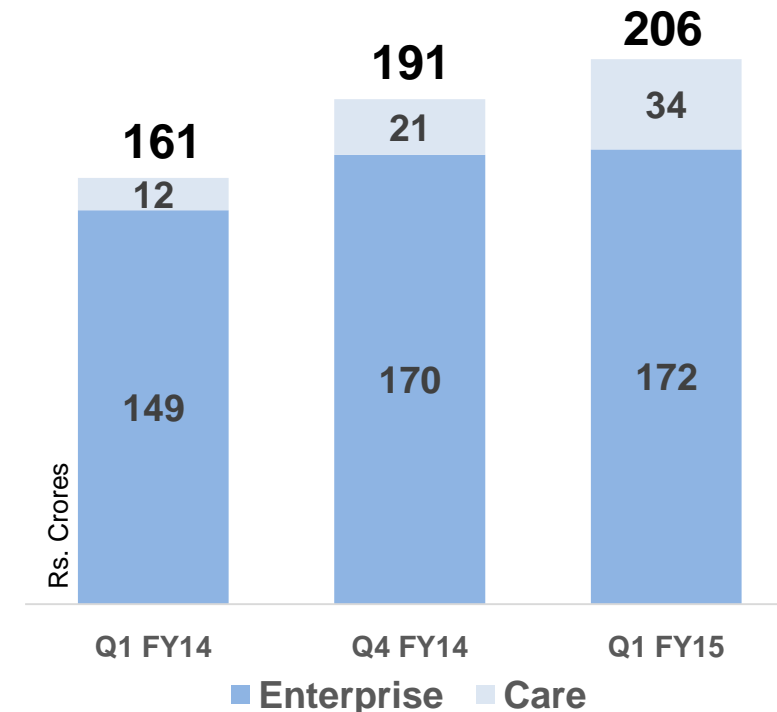
**Services Revenue**



□ **Enterprise Services:** created a brand agnostic market presence coupled with strong technical and support competence

- ❖ **IMS:** Steady progress in MEA and Singapore
  - ❖ Global data center solution rolled out in Dubai
  - ❖ Automated cloud solution implemented for DEWA
- ❖ **Launched new offerings** – Assessment services for enterprise data centre, enterprise storage and enterprise networking.
- ❖ Loss of own PC Services business being seamlessly smoothed

### Services Revenue





In order to achieve our vision to be a **Gold Standard** Service Provider for Services, we have defined a comprehensive transformation plan across Go-to-market, Service Delivery, Operations, Customer Experience and Automation:

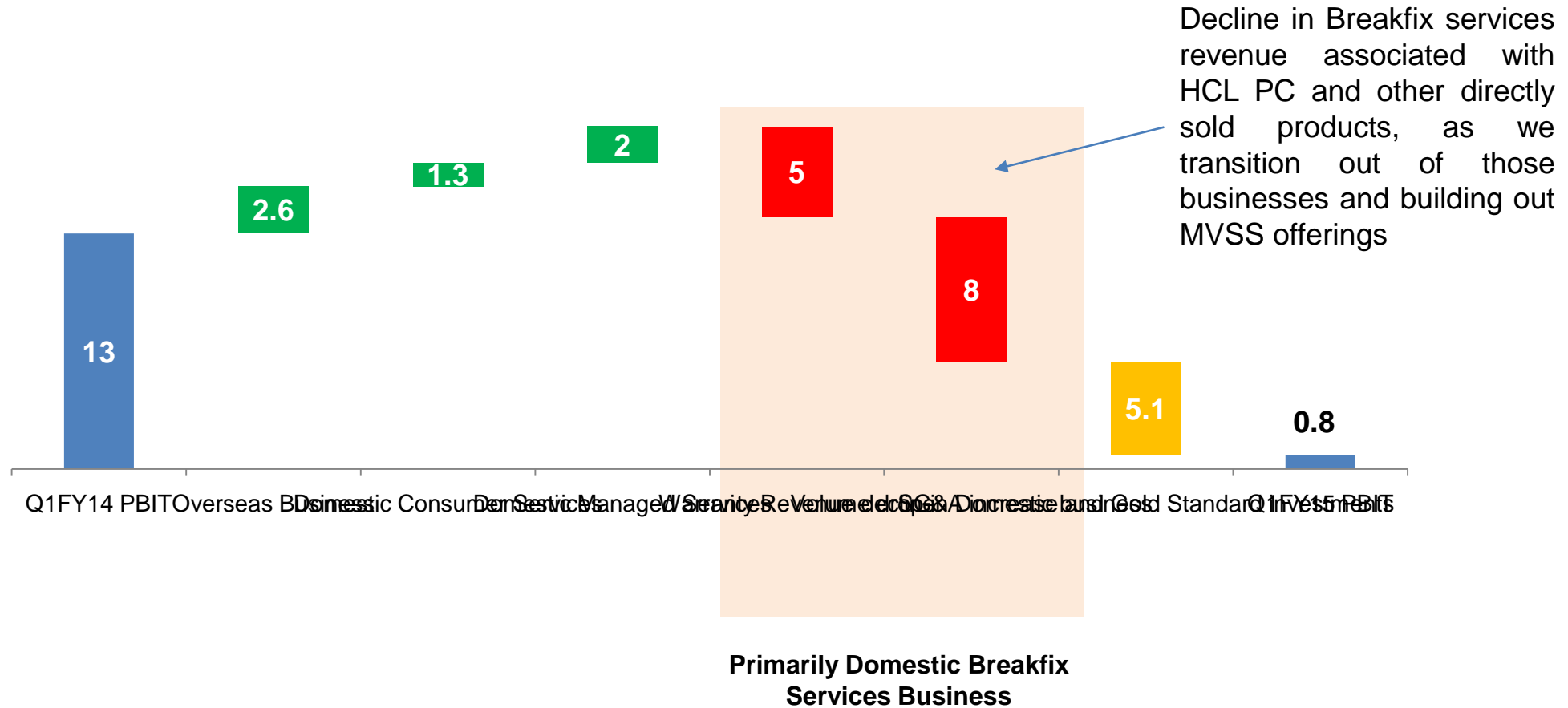
- Investments in **new offerings development** and conscious efforts to **transition service offering portfolio towards higher value-add services**
- Sales and marketing initiatives to give a **renewed thrust to our market reach**
- Process re-engineering and automation related expenses for **service delivery improvement**
- Increased **focus towards new industry verticals and corporate customers**

As we invest in attaining Gold Standard capabilities and building new offerings, such as Multi-vendor Support Services (MVSS), our profitability may be impacted in short-term.

In addition to above investments, certain changes in other businesses impacted the profitability of Services business in this quarter:

- Breakfix services revenue declined due to phase out of HCL PC and other directly sold products, as we transition out of these businesses.

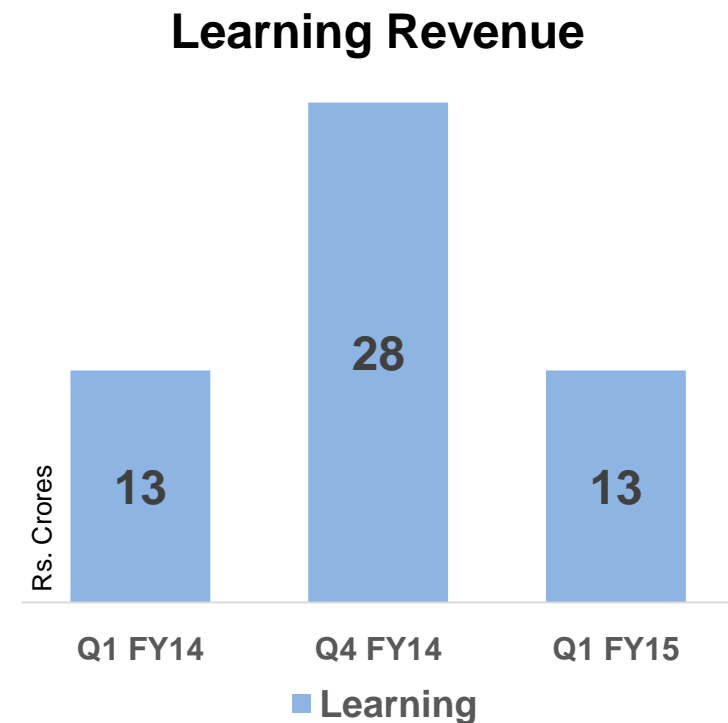
## Services Business PBIT (before exchange fluctuations and provisions) Y-o-Y Walk (Rs cr) Q1'14 to Q1'15



	Particulars	Q1 FY14	Q4 FY14	Q1 FY15
1	<b>Consolidated Revenue</b>	<b>161</b>	<b>191</b>	<b>206</b>
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	13.0	16.2	0.8
3	Exchange differences Loss / (Gain)	0.6	0.1	(0.1)
4	Provision for doubtful debts / write-off and impairments	0.3	3.2	2.2
5	Other Income	-	0.2	0.1
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>12.1</b>	<b>13.1</b>	<b>(1.2)</b>

- Healthy growth in Overseas business
- Positive investments in building a growth platform
- Various productivity and service delivery improvement initiatives underway
- Care business on steady growth track

- ❑ Low market sentiment in Domestic education sector continues
- ❑ Strategic change in business model adopted last quarter
- ❑ Selectively pursuing opportunities for disciplined growth
  - ❑ Added 526 classroom during the quarter, a 20% Y-o-Y growth.
- ❑ Won a special award at IDA (World DIDAC Award) for excellence in K-12 education



	Particulars	Q1 FY14	Q4 FY14	Q1 FY15
1	<b>Consolidated Revenue</b>	<b>13</b>	<b>28</b>	<b>13</b>
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	(1.9)	4.5	-
3	Exchange differences Loss / (Gain)	0.1	0.4	0.1
4	Provision for doubtful debts / write-off and impairments	1.4	1.7	5.8
5	Other Income	0.7	-	-
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>(2.7)</b>	<b>2.4</b>	<b>(5.9)</b>

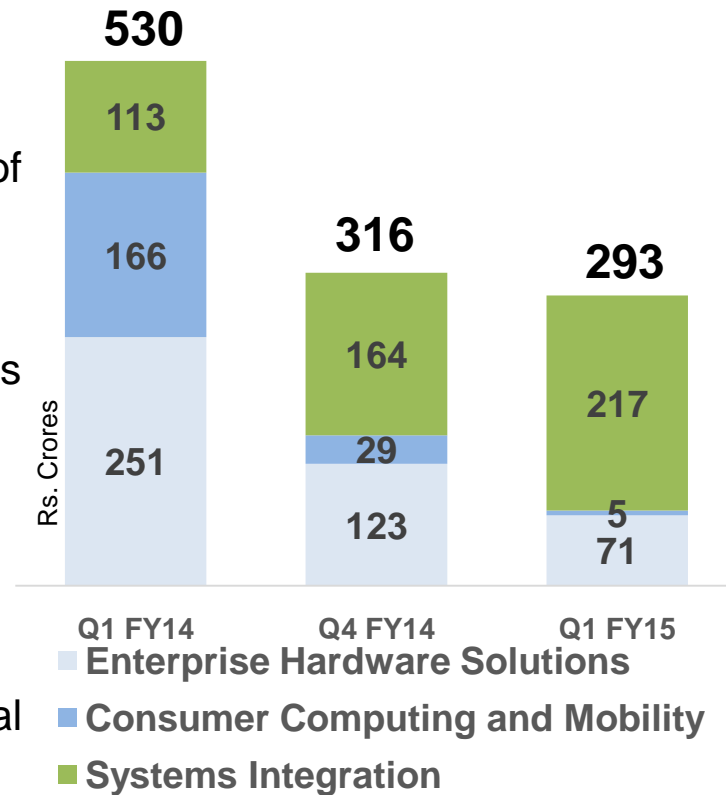
- Low market sentiment in Domestic Market
- Strategic change in Business model

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

Unaudited management accounts

- ❑ Planned phase out of own Brand PC business near completion
- ❑ SI Order backlog @ Rs. 1857 crores in Sept 2014, down from Rs. 2100 crores in June 2014.
- ❑ Focus on Asset light balance sheet by disciplined execution of existing orders and collections of receivables.
- ❑ UIDAI order is progressing well. 68 crore Aadhar cards generated
- ❑ Focus on SI Services orders with
  - Asset-light business model
  - Insulated to FX exposure and minimum working capital lock-in.

## Hardware Products and Solutions Revenue



	Particulars	Q1 FY14	Q4 FY14	Q1 FY15
1	<b>Consolidated Revenue</b>	<b>530</b>	<b>316</b>	<b>293</b>
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	(27.1)	(15.7)	(20.0)
3	Exchange differences Loss / (Gain)	32.1	2.0	1.7
4	Provision for doubtful debts / write-off and impairments	3.9	25.3	25.8
5	Other Income	0.5	0.4	0.5
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>(62.6)</b>	<b>(42.6)</b>	<b>(47.1)</b>

- Transition out of enterprise hardware business continued to drag profitability
- Near completion of the planned phase out of loss making businesses
- Existing SI order back log under steady execution over next 30 months

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Unaudited management accounts

# Q1 FY15 Summary P&L snapshot

Unaudited Rs. crores

Unaudited management accounts

Q1 FY15	Particulars	Distribution	Services	Learning	Hardware Products and Solutions	Unallocated / Eliminations	Total
1	<b>Consolidated Revenue</b>	<b>1225</b>	<b>206</b>	<b>13</b>	<b>293</b>	<b>(53)</b>	<b>1683</b>
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	27.5	0.8	-	(20.0)	(6.8)	1.5
3	Exchange differences Loss / (Gain)	1.1	(0.1)	0.1	1.7	-	2.8
4	Provision for doubtful debts / write-off and impairments	0.8	2.2	5.8	25.8	-	34.6
5	Other Income (including exceptional items)	-	0.1	-	0.5	28.6	29.2
6	<b>Profit / (Loss) before Interest and Tax (2-3-4+5)</b>	<b>25.6</b>	<b>(1.2)</b>	<b>(5.9)</b>	<b>(47.0)</b>	<b>21.8</b>	<b>(6.6)</b>
7	Finance Cost						32.3
8	<b>Profit Before Tax</b>						<b>(39.0)</b>

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***HCL***