

# HCL Infosystems Limited

## Q1 FY16 Investor Update

23<sup>rd</sup> October 2015

**HCL**

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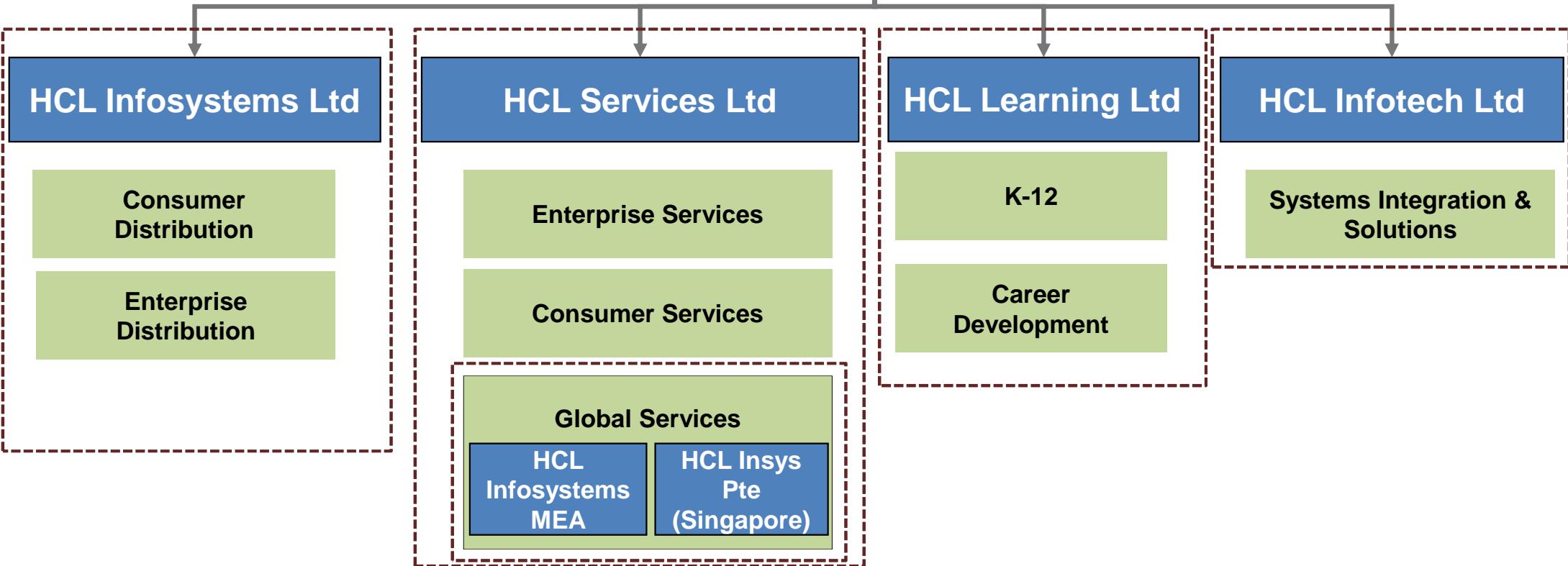
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# Structured for Growth

Legal entity

Business Unit

HCL Infosystems



# Highlights – Q1

## Business Highlights

- Q1 2016 revenue was Rs. 1,471 Cr. vs. Rs. 1,686 Cr. in Q4 2015
  - Enterprise distribution revenue declined 16% Q-o-Q but grew by 68% Y-o-Y
  - Consumer distribution declined 8% Q-o-Q
  - While Services revenues declined 1.2% Q-o-Q it grew by 22% Y-o-Y
    - Enterprise Services registered 23% Y-o-Y revenue growth
    - Consumer Services registered 18% Y-o-Y revenue growth
- Loss before provision for doubt debts/write-off & impairment in Q1 was Rs. 9 Cr (Q4 profit : Rs.19.9 Cr.)
  - The project mix & their timelines in SI projects led to lower profitability during the quarter. This dynamics would continue until major projects move from large build to maintain phase.
  - Consumer Distribution faced volume & margin pressure on account of ongoing product rationalization of the Principal. This would smoothen after another quarter.
- The loss (PBT) for Q1 was Rs. 48.5 Cr. vs loss of Rs. 39.7 Cr. in Q4

## Key Recognitions

- HCL Consumer Services was awarded “**Retailer of the Year**” in ‘**Mobile and Telecom Services**’ category at the **6th CMO Asia Retail Excellence Awards**
- “**Award for Excellence** in Product/Solution in **K12 education**” in India Didactics Association
- HCL Consumer Services was awarded “**Retailer of the year**” at **Asia Retail Congress 2015**

# Q1 FY16 P&L - Snapshot

Unaudited ₹ crores

Q1 FY16	Particulars	Distribution	Services	Learning	SI & Solutions	Unallocated / Eliminations	Sub-total	PC& Mobility (phasing out)	Total	Q4 FY15
1	<b>Consolidated Revenue</b>	<b>1,075</b>	<b>251</b>	<b>7</b>	<b>153</b>	<b>(15)</b>	<b>1,471</b>	<b>0</b>	<b>1,471</b> <sup>1</sup>	<b>1686</b>
2	Profit / (Loss) before provision for doubt debts / write-off and impairments	11.1	1.0	(1.1)	(3.1)	(15.0)	(7.1)	(1.9)	(9.0) <sup>2</sup>	19.9
3	Provision for doubtful debts / write- off and impairments	5.3	3.4	3.9	1.4	0.2	14.2	0.1	14.3 <sup>3</sup>	29.9
4	Other Income (including exceptional items)	0.1	0.1	0.1	0.1	5.9	6.2	0.2	6.5	4.7
5	<b>Profit / (Loss) before Interest and Tax (2-3+4)</b>	<b>5.9</b> <sup>6</sup>	<b>(2.3)</b>	<b>(4.9)</b>	<b>(4.4)</b>	<b>(9.3)</b>	<b>(15.1)</b>	<b>(1.8)</b>	<b>(16.8)</b>	<b>(5.3)</b>
6	Net Finance Cost								31.6 <sup>4</sup>	34.5
7	<b>Profit / (Loss) Before Tax</b>								<b>(48.5)</b> <sup>5</sup>	<b>(39.7)</b>
<b>Q4 FY15</b>	Profit / (Loss) before Interest and Tax (2-3+4)	22.5	(4.3)	(3.6)	(3.4)	(13.2)	(2.0)	(3.3)	(5.3)	

- Overall revenue declined from Rs. 1686 cr. in Q4 to Rs. 1471 cr. in Q1.
- Profit / (Loss) before provision for doubt debts / write-off & impairment decreased from 19.9cr. in Q4 to (9.0)cr. in Q1.
- Provisions lower at Rs. 14.3 cr. in Q1 vs. Rs. 29.9 cr. in Q4

- Net Finance Cost came down from Rs. 34.5 cr. in Q4 to Rs. 31.6 cr. in Q1
- The Loss before tax increased from Rs. 39.7 cr. in Q4 to Rs. 48.5 in Q1
- The distribution PBIT declined from Rs. 22.5 cr. in Q4 to Rs. 5.9 cr. in Q1

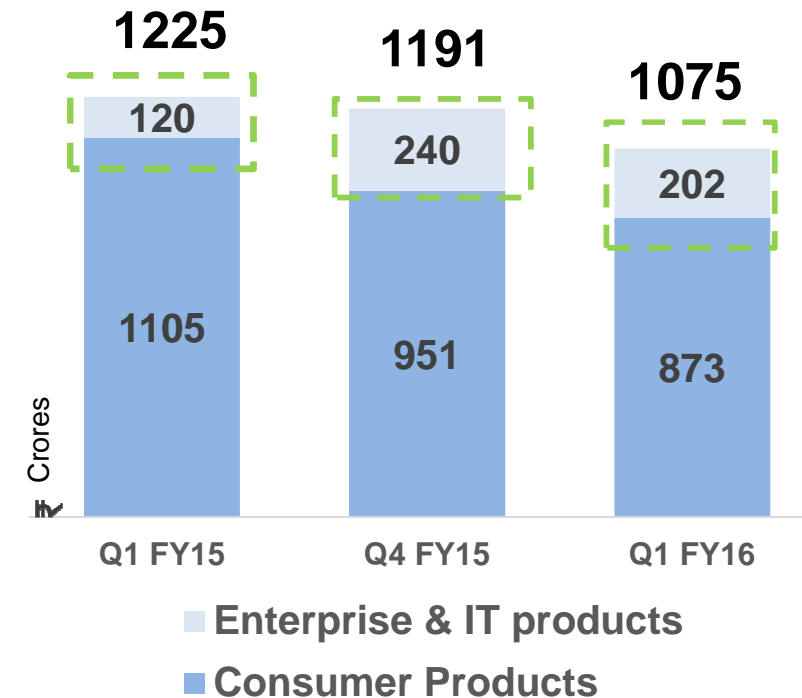
The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

# Distribution : Enterprise (1/3)

## Positive acceleration phase - stabilizing

- Business doubled last year between Q1 & Q4, now entering a stabilization phase, poised for good growth
- Major customer acquisitions continued
  - Customer decisions on big deals delayed
  - Lower market growth for hardware business during the quarter
- Portfolio expansion continued with new OEM tie-ups
- Expanded reach to over 700 SIs and 2000+ VARs
  - 55% business now accruing through Channel Partners

## Distribution Revenues



Unaudited management accounts

# Distribution : Consumer (2/3)

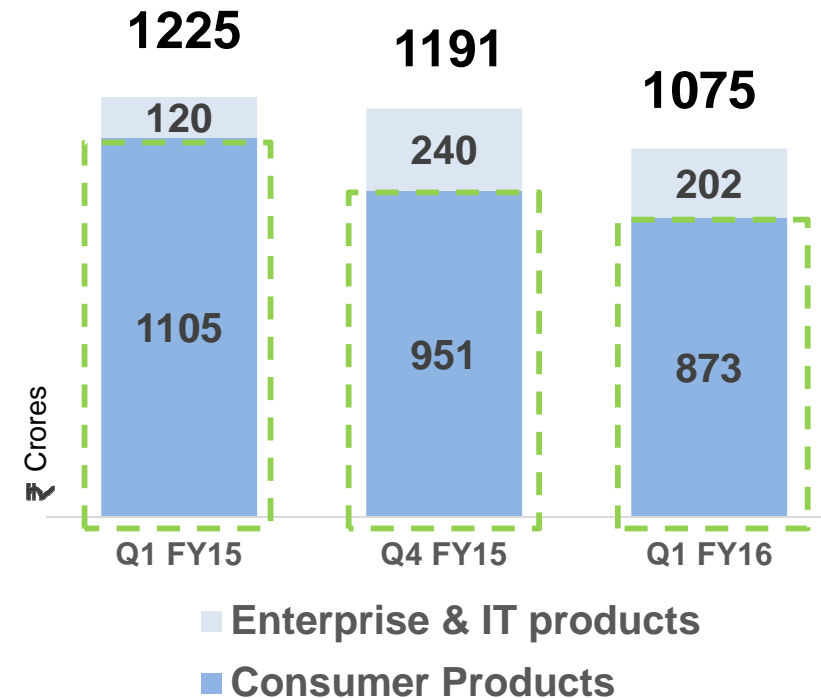
## Telecom

- Windows phone contribution increased to 38% against 29% in Q4
- Momentum catching up in Micro-finance channel
- Q-o-Q Revenue dip by 8% -
  - Continuing product rationalization by Principal led to lower sales & margin pressure
  - Slower offtake of online impacting revenue

## Non Telecom Consumer Business (WIP)

- Go-to market and tie-ups still maturing
- Challenging margin environment requires greater portfolio diligence
- Expanding online presence in many categories to gain entry with large OEMs

## Distribution Revenues



Unaudited management accounts

# Distribution (3/3)

Unaudited ₹ crores

S.No.	Particulars	Q1 FY15	Q4 FY15	Q1 FY16
1	<b>Consolidated Revenue</b>	<b>1225</b>	<b>1191</b>	<b>1075</b>
2	Profit / (Loss) before provisions for doubtful debts / write-off and impairments	26.4	23.3	11.1
3	Provisions for doubtful debts / write-off and impairments	0.8	1.0	5.3
4	Other Income	0.0	0.2	0.1
5	<b>Profit / (Loss) before Interest and Tax (2-3+4)</b>	<b>25.6</b>	<b>22.5</b>	<b>5.9</b>

- One-off impairment / events (Rs. 5.3 cr.) impacted profit compared to last quarter

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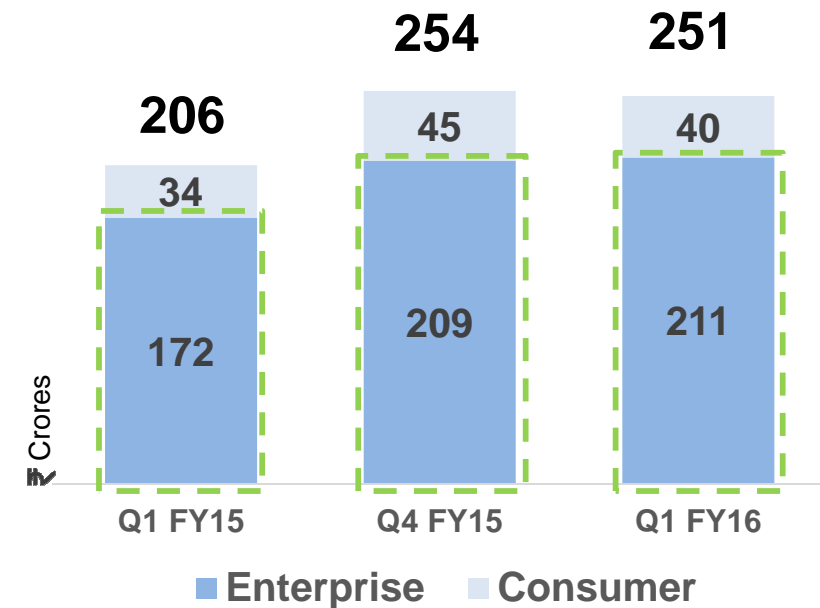
# Services (1/3)

## Continued Growth Momentum

### Enterprise Services:

- 22% Y-o-Y revenue growth
- Continuing momentum in new order booking (23%) & pipeline growth
- Continued focus and investments in service delivery capability enhancement & emerging technologies

## Services Revenue



Unaudited management accounts

# Services (2/3)

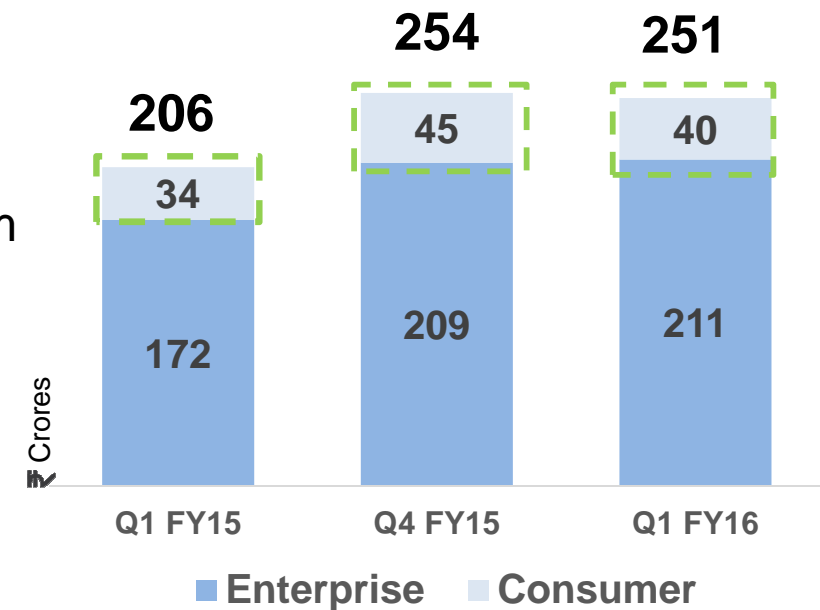
## Consumer Services

- Achieved 18% growth Y-o-Y
- Expansion of service center network for major OEMs
- Repair factory disengagement from October by an OEM being compensated by recent key large customer wins
- New extended warranty product revenues to accrue from end of Q2
- Enhanced focus on service revenues

**‘Best Retailer of the year’** award in **‘Mobile and Telecom Services’** category at CMO Retail Excellence Awards, Singapore 2015

**‘Retailer of the year’** award at Asia Retail Congress 2015

## Services Revenue



■ Enterprise ■ Consumer

Unaudited management accounts

# Services (3/3)

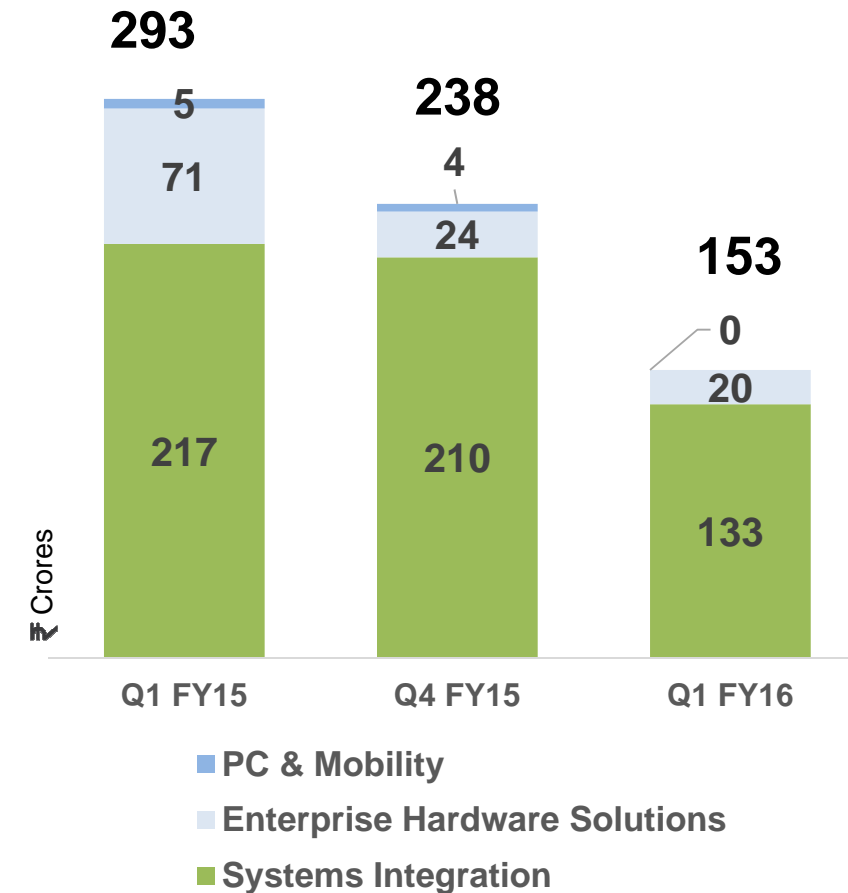
Unaudited ₹ crores

S.No.	Particulars	Q1 FY15	Q4 FY15	Q1 FY16
1	<b>Consolidated Revenue</b>	<b>206</b>	<b>254</b>	<b>251</b>
2	Profit / (Loss) before provisions for doubtful debts / write-off and impairments	0.9	1.2	1.0
3	Provision for doubtful debts / write-off and impairments*	2.2	5.7	3.4
4	Other Income	0.1	0.3	0.1
5	<b>Profit / (Loss) before Interest and Tax (2-3+4)</b>	<b>(1.2)</b>	<b>(4.3)</b>	<b>(2.3)</b>

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# System Integration and Solutions (1/2)

- **Continued focus on execution** – Rs. 74 Cr. projects executed in Q1
- Aadhaar enrollment now at 92 Cr. citizens vs. 87.5 Cr at Q4 end.
- Good sign-offs in key projects
- Collection pressures continue



Unaudited management accounts

# System Integration and Solutions (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q1 FY15	Q4 FY15	Q1 FY16
1	<b>Consolidated Revenue</b>	<b>293</b>	<b>238</b>	<b>153</b>
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	(21.6)	12.0	(5.0)
3	Provision for doubtful debts / write-off and impairments	25.8	18.8	1.5
4	Other Income	0.5	0.1	0.3
5	<b>Profit / (Loss) before Interest and Tax (2-3+4)</b>	<b>(47.0)</b>	<b>(6.7)</b>	<b>(6.2)</b>

SI & Solutions –

Includes PC & Mobility

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

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# Questions?

## **Please join Q&A Session on Audio Conference**

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