

HCL Infosystems Limited

Q4 & FY18 Investor Update

31st May 2018

HCL

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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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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

HCL Infotech Ltd


Systems Integration &
Solutions

HCL Learning Ltd

Global Services

HCL
Infosystems
MEA

HCL Insys
Pte
(Singapore)

 The Domestic Services business is being divested & the Care business has been divested to strategic buyers. These are considered as part of discontinued operations

Highlights – Q4

Continuing Operations

- Q4 FY18 revenue was Rs. 1,067 Crore vs. Rs. 705 Crore in Q4FY17, an increase of 51% Y-o-Y
- Distribution business revenue increased from Rs. 504 Crore in Q4FY17 to Rs. 908 Crore in Q4FY18, a growth of 80% Y-o-Y
 - Enterprise Distribution revenue stood at Rs. 444 Crore in Q4 FY18 vs. Rs.338 Crore in Q4FY17, an Y-o-Y increase of 31%
 - Consumer Distribution clocked revenue of Rs. 464 Crore in Q4FY18 vs. Rs.166 Crore in Q4FY17, an increase of 179%
- In SI projects, we continue to focus on execution of projects & collections, we executed orders of Rs. 55 Crore in the quarter.
- In Learning business, as a result of termination of its agreement with M/s Everest Edusys & Solutions Pvt Ltd the company has written off goodwill amounting to Rs. 31.4 Crores and Intangible Assets (Content) of Rs 10.80 crore during Q4FY18
- Profit / (Loss) before interest, tax & exceptional items is Rs. (17.1) Crore in Q4FY18 vs. Rs. (8.6) Crore in Q4FY17.
- Profit / (Loss) before tax and after exceptional items was Rs. (80.1) Crore in the quarter vs. Rs. (59.2) Crore in the corresponding quarter in the last financial year. Exceptional item for the quarter was Rs. 31.4 Crore towards Goodwill impairment for Learning business.

Discontinued Operations

Revenue from discontinued operations in Q4 FY18 was Rs. 102 Crore and Profit / (Loss) before tax and after exceptional items was Rs. (47) Crore. Exceptional item of Rs. 22 Crore is towards Goodwill impairment for Services business.

Q4 P&L– Snapshot of continuing operations

₹ crores

Q4 FY18	Particulars	Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q3	Q2	Q1
1	Consolidated Revenue	908	110	(1)	56	(6)	¹ 1067	1202	767	576
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(2.2)	5.4	(9.6)	(10.4)	(7.8)	(24.6)	2.8	0.4	(5.5)
3	Provision for doubtful debts / write-off and expected credit loss	(1.6)	0.8	0.0	9.4	1.2	² 9.8	4.5	11.2	10.0
4	Other Income	0	1.9	7.5	2.5	5.4	17.3	4.3	2.2	3.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	(0.6)	6.5	(2.1)	(17.3)	(3.6)	(17.1)	2.6	(8.5)	(12.2)
6	Net Finance Cost						³ 31.6	36.1	33.3	34.0
7	Profit / (Loss) Before Tax						⁴ (48.7)	(33.5)	(41.8)	(46.2)
8	Exceptional Item (Incl Goodwill write-off for Learning)						31.4	0.0	0.0	0.0
9	Profit / (Loss) Before Tax & after Exceptional Items						(80.1)	(33.5)	(41.8)	(46.2)
Q3	Profit / (Loss) before Interest and Tax (2-3+4)	10.1	6.1	(4.2)	(9.7)	0.2	2.6			
Q2	Profit / (Loss) before Interest and Tax (2-3+4)	4.8	5.7	(4.9)	(13.4)	(0.8)	(8.5)			
Q1	Profit / (Loss) before Interest and Tax (2-3+4)	(2.7)	5.3	(3.4)	(7.3)	(4.1)	(12.2)			

- Overall revenue for the quarter is Rs. 1067 cr
- Provisions were higher at Rs. 9.8 cr in Q4

- Net Finance Cost decreased to Rs. 31.6 cr in Q4
- The Profit / (Loss) before tax & exceptional items is Rs. (48.7) cr in Q4

Q4 P&L – Snapshot of continuing operations

₹ crores

Q4 FY18	Particulars	Consumer Distribution	Enterprise Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q3	Q2	Q1
1	Consolidated Revenue	464	444	110	(1)	56	(6)	¹ 1,067	1202	767	576
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	(5.5)	3.3	5.4	(9.6)	(10.4)	(7.8)	(24.6)	2.8	0.4	(5.5)
3	Provision for doubtful debts / write-off and expected credit loss	0.0	(1.6)	0.8	0.0	9.4	1.2	² 9.8	4.5	11.2	10.0
4	Other Income	0.0	0.0	1.9	7.5	2.5	5.4	17.3	4.3	2.2	3.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	(5.5)	4.9	6.5	(2.1)	(17.3)	(3.6)	(17.1)	2.6	(8.5)	(12.2)
6	Net Finance Cost							³ 31.6	36.1	33.3	34.0
7	Profit / (Loss) Before Tax							⁴ (48.7)	(33.5)	(41.8)	(46.2)
8	Exceptional Item (Goodwill write-off for Learning)							31.4	0.0	0.0	0.0
9	Profit / (Loss) Before Tax & after Exceptional Items							(80.1)	(33.5)	(41.8)	(46.2)
Q3	Profit / (Loss) before Interest and Tax (2-3+4)	6.5	3.6	6.1	(4.2)	(9.7)	0.2	2.6			
Q2	Profit / (Loss) before Interest and Tax (2-3+4)	3.2	1.7	5.7	(4.9)	(13.4)	(0.8)	(8.5)			
Q1	Profit / (Loss) before Interest and Tax (2-3+4)	(3.1)	0.4	5.3	(3.4)	(7.3)	(4.1)	(12.2)			

1. Overall revenue for the quarter is Rs. 1067 cr
2. Provisions were higher at Rs. 9.8 cr in Q4

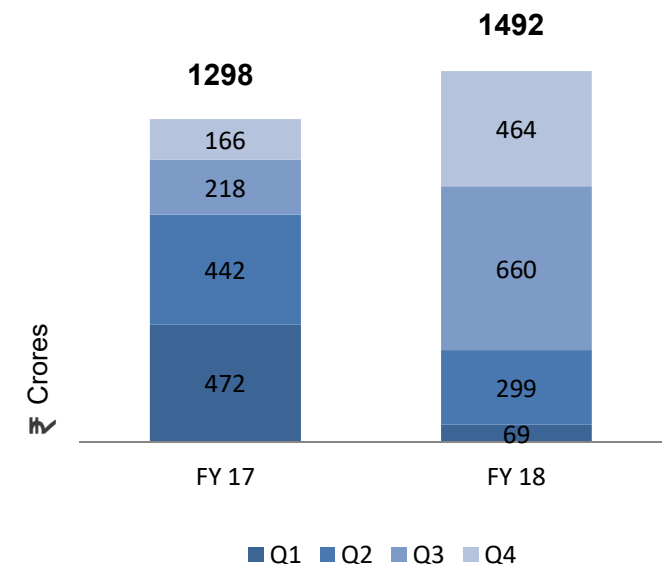
3. Net Finance Cost decreased to Rs. 31.6 cr in Q4
4. The Profit / (Loss) before tax & exceptional items is Rs. (48.7) cr in Q4

Consumer Distribution

Consumer Distribution

- Revenue in Q4FY18 was Rs 464 Crore vs. Rs. 166 Crore in Q4FY17
- The business progressed in new lines of businesses
 - Successful transition from single brand to multi-brand model.
 - Direct to Consumer (D2C) kick started with fulfillment carried out through Nokia.com
 - MFI & online marketplace - the business gained traction through alignment with Samsung
- However, Q4FY18 witnessed supply mismatch of new products launched and lower demand of new models

Consumer Distribution Revenues

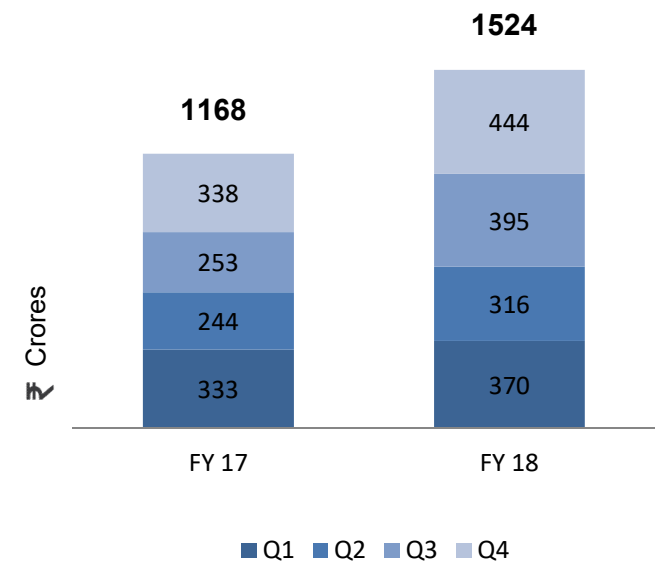


Enterprise Distribution

Enterprise Distribution

- During Q4, Revenue increased by 12% Q-o-Q
- Revenue increased by 30% Y-o-Y
- Special emphasis being laid on driving and building emerging technology businesses like Cloud, Security, Hybrid Infra and Collaboration.
- Launch of the P3 or Premier Partner Programme which led to increased engagement with the target partner community.

Enterprise Distribution Revenues



Distribution

₹ Crores

S.No.	Particulars	Q1	Q2	Q3	Q4	FY 18
1	Consolidated Revenue	439	615	1055	908	3017
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	(5.7)	3.6	10.1	(2.2)	5.8
3	Provisions for doubtful debts / write-off and expected credit loss	(2.0)	(1.0)	0.0	(1.6)	(4.6)
4	Other Income	1.0	0.3	0.0	0.0	1.2
5	Profit / (Loss) before Interest and Tax (2-3+4)	(2.7)	4.8	10.1	(0.6)	11.6

Gross margin of Consumer Distribution dropped in Q4FY18 due to supply mismatch of new products launched and lower demand of new models.

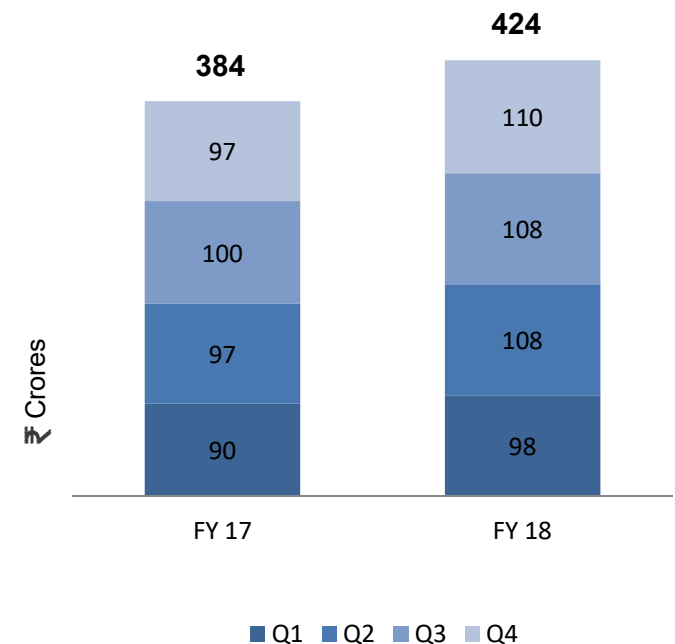
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Global Services

Global Services

- Singapore services posted decent growth in the quarter and year ending FY 18.
- In Q4FY18 the business posted an 18% Y-o-Y growth over Q4FY17.
- In FY18 the business grew 16% Y-o-Y over FY17 with good profitability.

Global Services Revenue*



*Includes revenue of Singapore & Middle east

Global Services

₹ Crores

S.No.	Particulars	Q1	Q2	Q3	Q4	FY 18
1	Consolidated Revenue	98	108	108	110	423
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	5.0	5.5	4.9	5.4	20.9
3	Provisions for doubtful debts / write-off and expected credit loss	0.0	0.0	(0.1)	0.8	0.8
4	Other Income	0.3	0.2	1.1	1.9	3.5
5	Profit / (Loss) before Interest and Tax (2-3+4)	5.3	5.7	6.1	6.5	23.6

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**

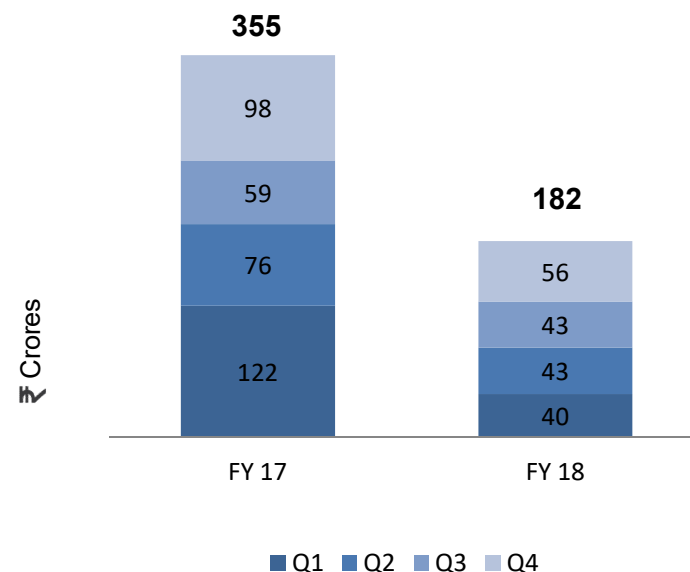
- In SI projects, we continue to focus on execution of projects & collections, we executed orders of Rs. 55 Crore in the quarter.

- Pending order book at ~ Rs.690 Cr

- Build phase ~ Rs. 85 Cr
- Managed Services ~ Rs. 185 Cr
- Support Services & Annuity ~ Rs. 420 Cr

- Collected ~84 Cr in Q4 and ~360 Cr in FY18

SI & Solutions Revenues



System Integration and Solutions

₹ crores

S.No.	Particulars	Q1	Q2	Q3	Q4	FY 18
1	Consolidated Revenue	40	43	43	56	182
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	1.6	(6.1)	(6.6)	(10.4)	(21.5)
3	Provisions for doubtful debts / write-off and expected credit loss	9.0	7.6	3.8	9.4	29.8
4	Other Income	0.1	0.3	0.7	2.5	3.6
5	Profit / (Loss) before Interest and Tax (2-3+4)	(7.3)	(13.4)	(9.7)	(17.3)	(47.7)

SI & Solutions –

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

Discontinued Operations

Domestic Services & Care Business

- The Board of Directors in its meeting held on January 31, 2018 approved the sale of CARE business, a division of HCL Services Limited on slump sale basis, to Qdigi Services Limited and then transfer of entire shareholding of Qdigi Services Limited to M/s Quess Corp Limited. The Care Business division has been transferred to Qdigi Services Limited on March 31, 2018 and entire shareholding of Qdigi Services Limited has been transferred to M/s Quess Corp Limited on 11th April 2018.
- The Board of Directors in its meeting held on 9th February, 2018 had approved, sale of HCL Services Limited (consisting of Domestic Enterprise Services Business) to M/s Karvy Data Management Services Limited for a consideration of approximately Rs.108 (including tax refunds payable to the extent received)
- Revenue from discontinued operations in Q4 FY18 was Rs. 102 Crore and Profit / (Loss) before tax & after exceptional items was Rs. (47) Crore. Exceptional item of Rs. 22 Crore is towards Goodwill impairment for Services
- Revenue from discontinued operations in FY18 was Rs. 434 Crore and Profit / (Loss) before tax & after exceptional items was Rs. (507) . Exceptional item of Rs. 412 Crore is towards Goodwill impairment for Services

FY18 P&L – Snapshot of continuing operations

₹ crores

FY18	Particulars	Consumer Distribution	Enterprise Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	FY17
1	Consolidated Revenue	1492	1524	423	3	182	(13)	3611	3225
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit losses	0.9	4.9	20.9	(19.4)	(21.5)	(12.7)	(26.9)	33.9
3	Provision for doubtful debts / write-off and expected credit losses	(0.1)	(4.5)	0.8	4.6	29.8	4.9	35.5	22.0
4	Other Income (including exceptional items)	0.1	1.2	3.5	9.4	3.6	9.4	27.1	16.3
5	Profit / (Loss) before Interest and Tax (2-3+4)	1.1	10.6	23.6	(14.6)	(47.7)	(8.2)	(35.3)	28.2
6	Net Finance Cost							135.0	150.2
7	Profit / (Loss) Before Tax							(170.2)	(122.0)
8	Exceptional Item (Goodwill write-off for Learning)							31.4	11.0
9	Profit / (Loss) Before Tax & after Exceptional Items							(201.6)	(133.0)
FY17	Profit / (Loss) before Interest and Tax (2-3+4)	15.6	(8.9)	26.7	(8.4)	(4.7)	7.9	28.2	

- Unallocated / eliminations in Q4 includes one-time costs related to divestment. Previous year includes certain one-time write-backs.
- In learning business, the company has written off Intangible Assets (Content) of Rs 10.80 crore during Q4 due to termination of agreement with M/s Everest Edusys & Solutions Pvt Ltd

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.

Questions?

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