

HCL Infosystems Limited

Q2 FY15 Investor Update

23rd January 2015

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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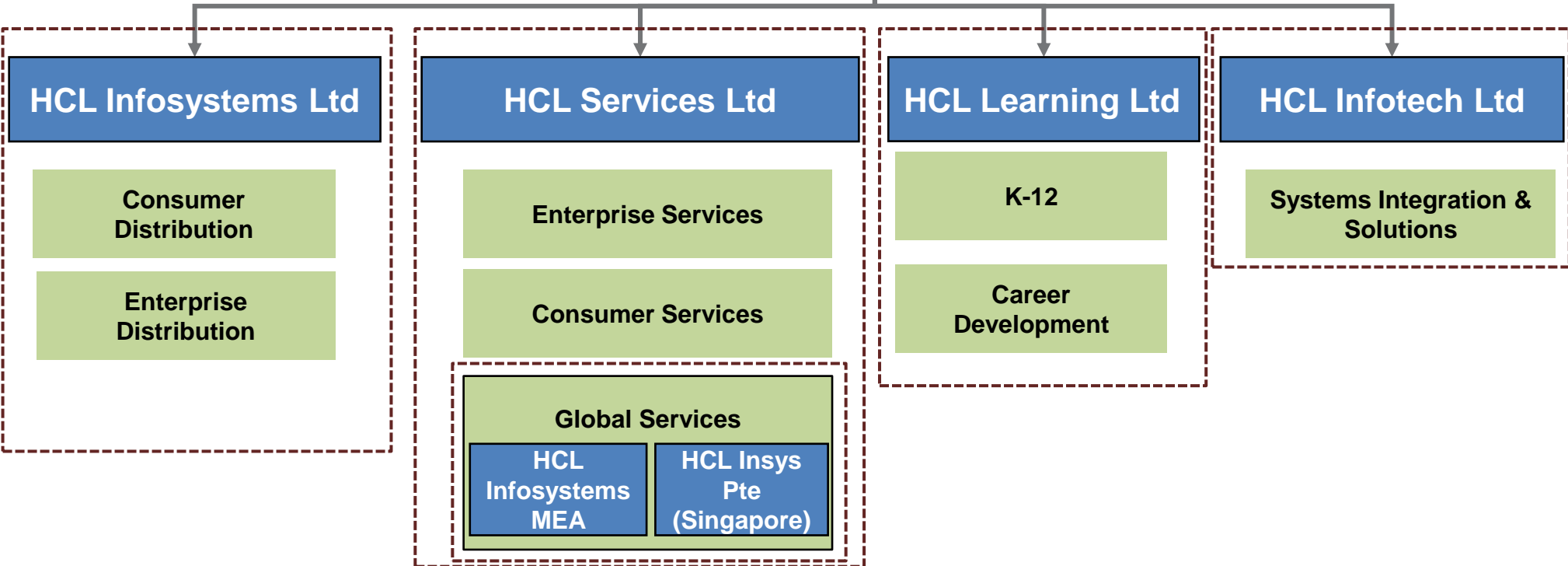
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Structured for Growth

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Business Unit

HCL Infosystems



Q2 FY15 Summary P&L Snapshot (1/2)

Unaudited ₹ crores

S.No	Particulars	Distribution	Services	Learning	SI & Solutions	Unallocated/ Eliminations	Sub-Total	PC& Mobility (being phased out)	Total	Q1 FY15
1	Consolidated Revenue	1,028	223	7	197	(10)	1445²	5	1450³	1683¹
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	18.3	3.5	0.3	17.4	(9.9)	29.6⁶	(18.2)	11.4	1.5
3	Exchange differences Loss / (Gain)	0.4	-	0.2	(0.3)	1.8	2.1	(0.2)	1.9	2.8
4	Provision for doubtful debts / write-off and impairments	-	7.8	5.4	8.7	-	21.9	9.9	31.8	34.6
5	Other Income (including exceptional items)	0.1	-	-	-	7.3	7.4	-	7.4	29.2
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	18.0	(4.3)	(5.3)	9.1	(4.4)	13.1⁵	(28.0)	(14.9)	(6.7)⁴
7	Finance Cost								34.7	32.3
8	Profit Before Tax								(49.6)⁷	(39.0)
Q1 FY15	Profit / (Loss) before Interest and Tax						22.0	(28.7)	(6.7)	

- PBIT before Provisions/ Exceptional items
 - Q2'15 is at ₹11.4 cr as against ₹ 1.5 cr in Q1'15.
 - Q2'15 excluding PC& Mobility business is ₹ 29.6 cr.
- PBIT Q2'15 excluding PC& Mobility business is ₹13.1 cr

Particulars	Q2'15	Q1'15
PBIT - Excluding PC & Mobility	13.1	22.0
Exceptional Gains	1.5	19.2
Adjusted PBIT- Excluding PC & Mobility	11.6	2.8

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.

Q2 FY15 Summary P&L Snapshot (2/2)

Unaudited ₹ crores

S.No	Particulars	Distribution	Services	Learning	SI & Solutions	Unallocated/ Eliminations	Sub-Total	PC& Mobility (being phased out)	Total	Q1 FY15
1	Consolidated Revenue	1,028	223	7	197	(10)	1445	5	1450	1683
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	18.3	3.5	0.3	17.4	(9.9)	29.6	(18.2)	11.4	1.5
3	Exchange differences Loss / (Gain)	0.4	-	0.2	(0.3)	1.8	2.1	(0.2)	1.9	2.8
4	Provision for doubtful debts / write-off and impairments	-	7.8	5.4	8.7	-	21.9	9.9	31.8	34.6
5	Other Income (including exceptional items)	0.1	-	-	-	7.3	7.4	-	7.4	29.2
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	18.0	(4.3)	(5.3)	9.1	(4.4)	13.1	(28.0)	(14.9)	(6.7)
7	Finance Cost								34.7	32.3
8	Profit Before Tax								(49.6)	(39.0)

- **Distribution:** Product rationalization impact in the Telecom business which started in Q1'15 continued in Q2'15. Launch of new models enhanced product demand towards the end of Q2'15.
- **Services:** Growth momentum in Revenue & Margin
- **SI:** Order back log under steady and effective execution;
- **Learning :** Positive indicators of partner led content centric strategy. Key partnerships in place.
- **Own Brand Products:** Planned business phase out near completion.
- **A1 ICRA** rating for short term & commercial paper limit of ₹200 cr
- **Organization Leadership Enhancement**

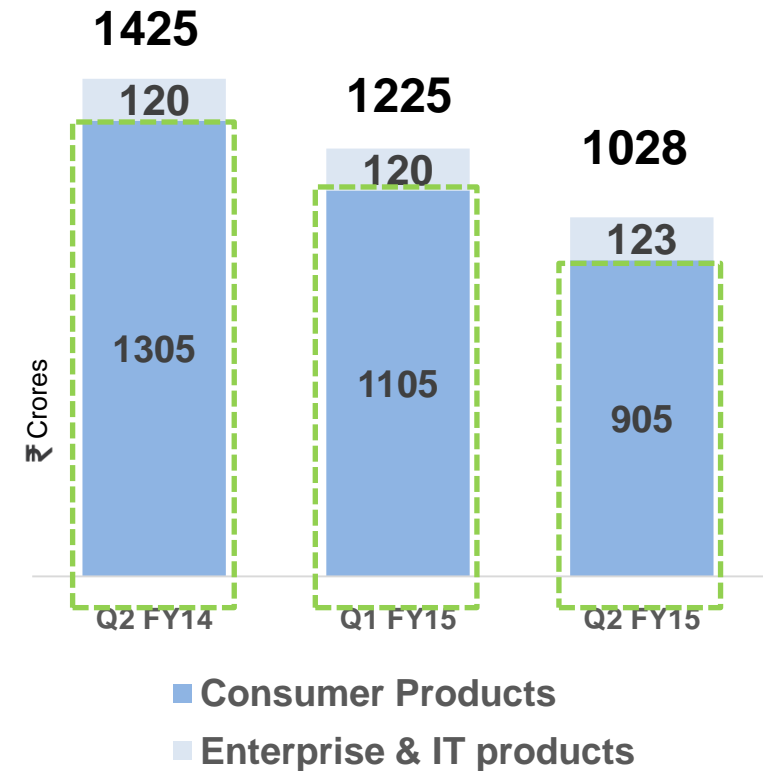
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Distribution : Consumer (1/4)

Telecom

- Microsoft agreement extended for 3 years
- Windows phones recorded an 80% value growth over Q1'15
 - End Q2 launch of Lumia 535 & 730 has enhanced product demand
 - Rural contribution (value) of Lumia increased from 9% (Q1'15) to 20% (Q2'15)
 - Lumia contributed 25% in Dec'14
- Online Channel risk mitigated by entry into this high growth segment

Distribution Revenues

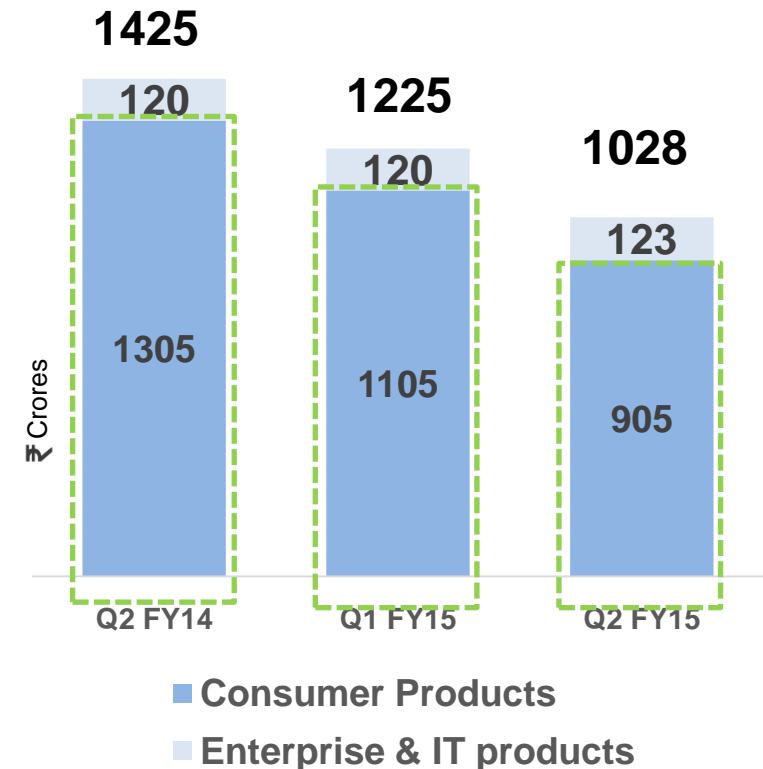


Distribution : Consumer (2/4)

Non Telecom Consumer Business

- New agreement signed with global Memory OEM major
- New tie-ups enabled by our extensive channel presence across OT/ GT & Online
- Successful 'pilots' with major consumer durable/ electronics brands.
- Channel Ramp up
 - Distributors: Increased from 17 to 24
 - Dealers : Number increased by 63%

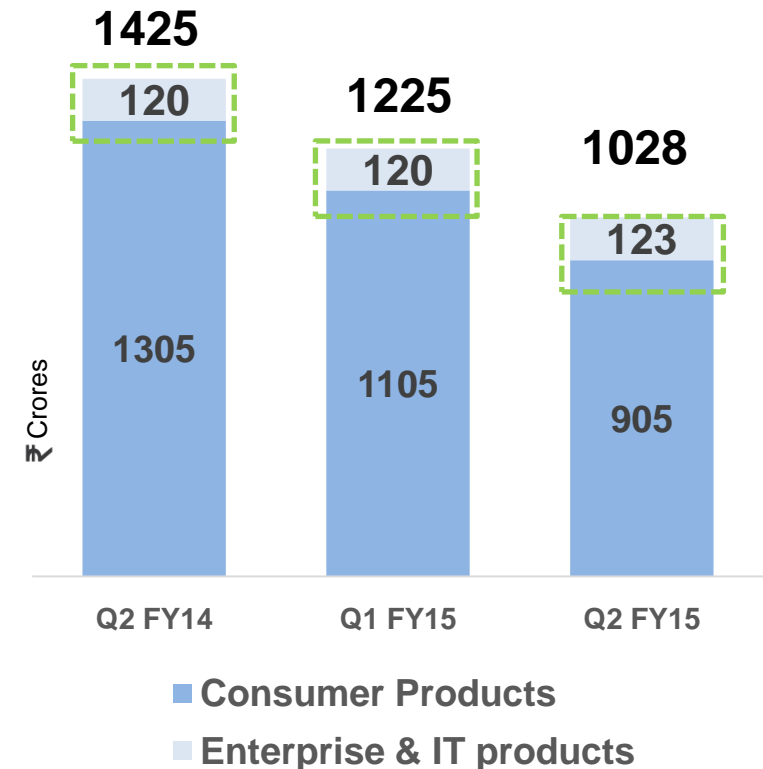
Distribution Revenues



Distribution : Enterprise (3/4)

- Gained significant momentum in Q2'15 of transitioning the business model from Direct-to-Customer to Partner-to-Customer.
- Despite the low start-up pipeline, volumes were maintained.
- Continued Channel Investment to enhance scope and reach
- Expanded reach by signing up 183 SIs and VARs
- Our Partner sign-up momentum continues. Strong Global Brands signed up
- Warehousing and Supply chain optimization.

Distribution Revenues



Distribution (4/4)

Unaudited ₹ crores

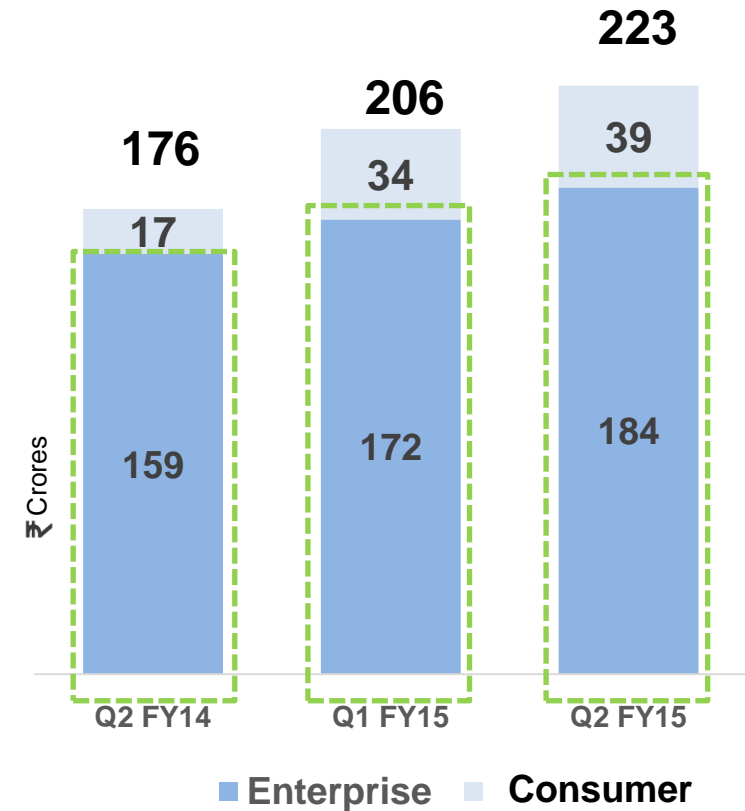
S.No.	Particulars	Q2 FY14	Q1 FY15	Q2 FY15
1	Consolidated Revenue	1425	1225	1028
2	Profit / (Loss) before Exchange differences and Provisions for doubtful debts / write-off and impairments	23.3	27.5	18.3
3	Exchange differences Loss / (Gain)	(0.4)	1.1	0.4
4	Provisions for doubtful debts / write-off and impairments	-	0.8	0.0
5	Other Income	0.2	-	0.1
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	23.9	25.6	18.0

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 (1/3)

- Continued momentum both in Enterprise and Consumer Services.
- Healthy growth in Overseas business.
- Pipeline momentum across Infra Consulting/ Cloud services.
- Positive indicators from Productivity and Service delivery initiatives.
- Proprietary tools offer differentiation and margin improvement lever.

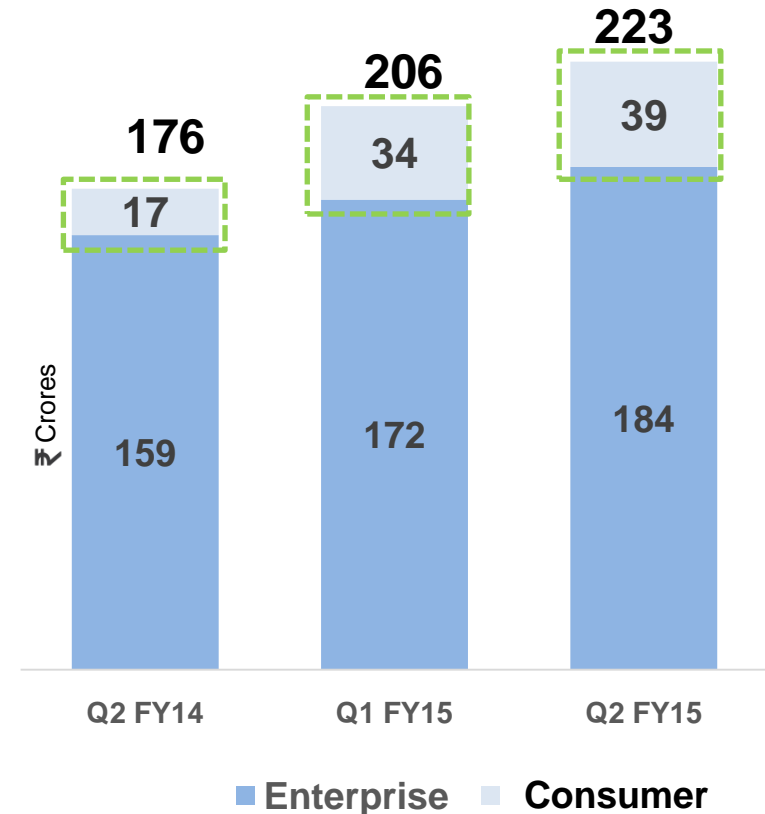
Services Revenue



Consumer Services

- Momentum in sign up of leading OEM customers.
- All verticals (response centre, walk-in , web, repair factory and emerging services) showing growing pipeline.
- Significant activity in innovative service offerings.
- Business ready for globalization

Services Revenue



Services (3/3)

Unaudited ₹ crores

S.No.	Particulars	Q2 FY14	Q1 FY15	Q2 FY15
1	Consolidated Revenue	176	206	223
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	15.9	0.8	3.5
3	Exchange differences Loss / (Gain)	(0.7)	(0.1)	-
4	Provision for doubtful debts / write-off and impairments*	0.3	2.2	7.8
5	Other Income	(0.1)	0.1	-
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	16.2	(1.2)	(4.3)

* Given the structural transformation in this business with channels and portfolio change we have taken a charge of ₹7.8 cr in Q2'15.

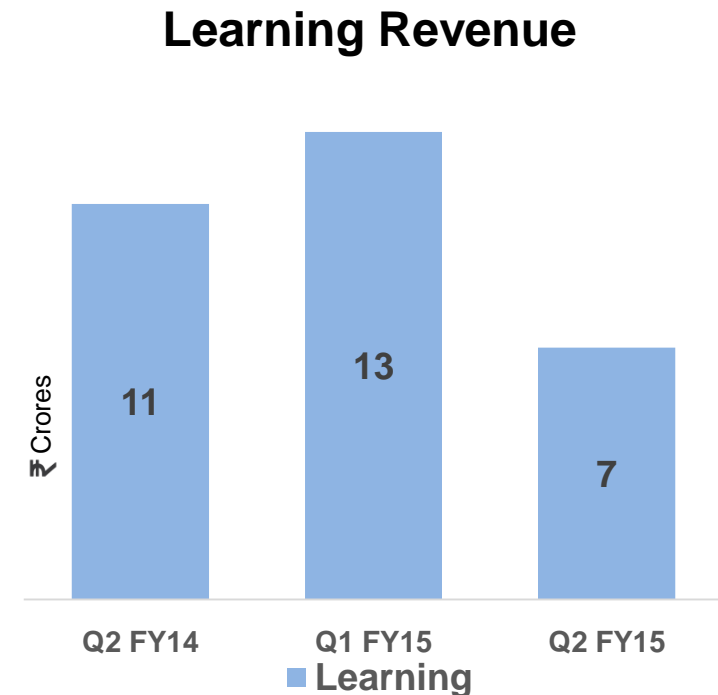
There is drop in profit on Y-o-Y basis, mainly due to :-

- High margin warranty business of HCL branded products declining due to phasing out of own branded products business.
- Additional costs due to expansion of Go-to-Market capability building

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HCL Learning (1/2)

- Business Model – Asset Light - encouraging response
- New Partnerships in place
- Career Development Centre rebooted
- Significant adjacencies emerging
- Enhanced Customer delivery capabilities are helping in better customer satisfaction.



HCL Learning (2/2)

Unaudited ₹crores

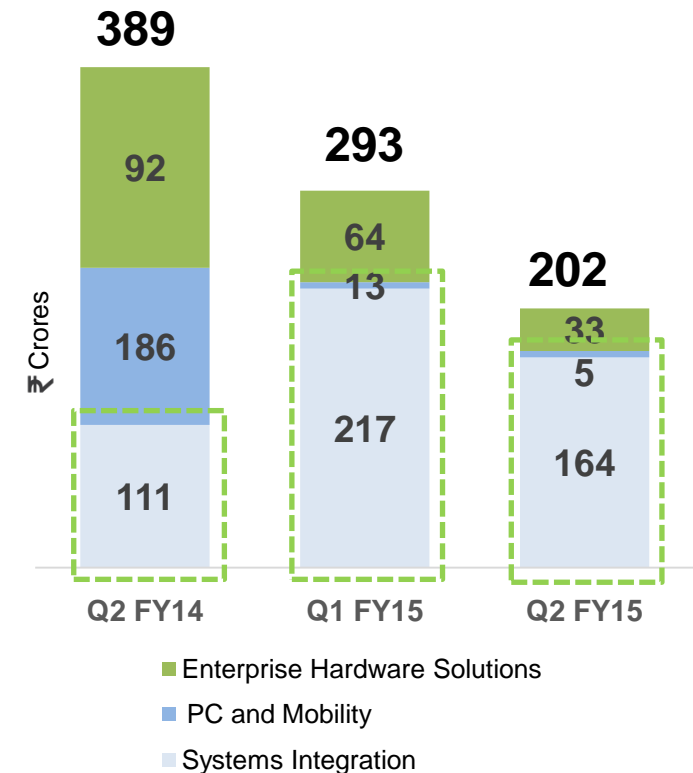
S.No.	Particulars	Q2 FY14	Q1 FY15	Q2 FY15
1	Consolidated Revenue	11	13	7
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	(1.6)	-	0.3
3	Exchange differences Loss / (Gain)	0.2	0.1	0.2
4	Provision for doubtful debts / write-off and impairments *	0.6	5.8	5.4
5	Other Income	0.8	-	-
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	(1.6)	(5.9)	(5.3)

*In continuation with our existing policy, we have provided for aged receivables and lease rent recoverable.

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System Integration and Solutions (1/2)

- Focus on Asset light balance sheet by timely execution of orders and collections of receivables.
- SI Order backlog @ ₹1730 crores in Dec 2014, down from ₹1857 crores in Sept 2014. (Revenue recognition is based on AS7.ie. % completion of the contract)
- UIDAI order is progressing well. 73.25 crs Aadhar cards vs. 68 Crs in Q1'15
- Near completion of the planned phase out of loss making Products (PC & Mobility) businesses



System Integration and Solutions (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q2 FY14	Q1 FY15	Q2 FY15
1	Consolidated Revenue	389	293	202
2	Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments	(20.5)	(20.0)	(0.8)
3	Exchange differences Loss / (Gain)	20.7	1.7	(0.5)
4	Provision for doubtful debts / write-off and impairments	0.8	25.8	18.6
5	Other Income	1.0	0.5	-
6	Profit / (Loss) before Interest and Tax (2-3-4+5)	(41.1)	(47.1)	(18.9)
	PC & Mobility (Loss) included above		(28.7)	(28.0)
	SI & Solutions Profit/ (Loss)		(18.4)	9.1

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