

HCL Infosystems Limited

Q2 FY19 Investor Update

26th October 2018

HCL

Disclaimer

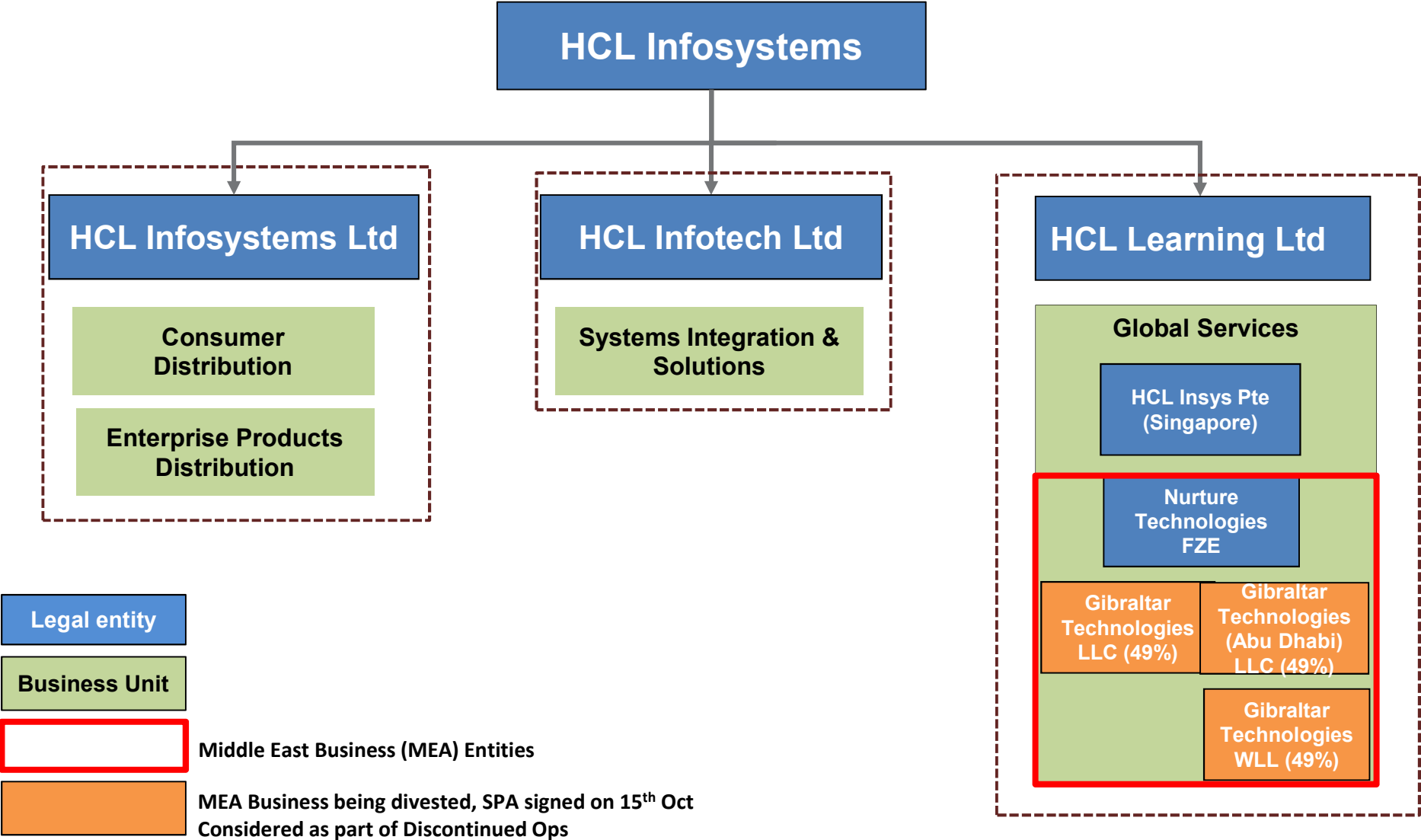
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The enclosed financials provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

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Organisation Structure



Highlights – Q2FY19

Continuing Operations

- Q2 revenue was Rs. 1,084 Crore vs. Rs. 1,129 Crore in Q1FY19 and Rs. 754 Crore in Q2FY18
- Distribution business revenue was Rs. 936 Crore in Q2 vs. Rs. 986 Crore in Q1FY19
 - Enterprise Distribution revenue was Rs. 414 Crore in Q2 vs Rs. 457 Crore in Q1FY19
 - Consumer Distribution revenue was Rs. 522 Crore in Q2 vs. Rs.529 Crore in Q1FY19
- Global Services revenue was Rs. 110 Crore in Q2 vs. Rs 105 Crore in Q1FY19
- In SI projects, the pending order book is down to Rs. 570 Crore and the business continued its focus on project execution and collection of receivables
- Loss before interest & tax was Rs. 5.1 Crore in Q2 vs. Rs. 7.3 Crore in Q1FY19

Discontinued Operations

- The Board of Directors approved to sell most of the company's operations in the Middle East, including Dubai, Abu Dhabi and Qatar for a consideration of AED 3.4 mn (to be adjusted on the date of transfer of shares based on terms and conditions in the transaction documents). The closure of transaction is subject to certain conditions mentioned in the Share Purchase Agreement.
- Revenue from discontinued operations in Q2FY19 was Rs. 9 Crore
- Profit before tax from discontinued operations in Q2FY19 was Rs. 0.6 Crore

Q2 P&L – Snapshot of continuing operations

Unaudited ₹ crores

Q2 FY19	Particulars	Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q1FY19
1	Consolidated Revenue	936	110	3	38	(3)	1,084¹	1,129
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	1.1	4.5	1.4 ⁶	(10.0)	(6.7)	(9.7)	(7.8)
3	Provision for doubtful debts / write-off and expected credit loss	0.7	0.1	0.0	0.3	0.0	1.1²	4.3
4	Other Income	1.1	0.7	0.0	0.0	3.9	5.7	4.8
5	Profit / (Loss) before Interest and Tax (2-3+4)	1.5	5.1	1.4	(10.3)	(2.8)	(5.1)³	(7.3)
6	Net Finance Cost						27.8⁴	32.2
7	Profit / (Loss) before Tax						(32.9)⁵	(39.5)
Q1 FY19	Profit / (Loss) before Interest and Tax (2-3+4)	0.7	3.6	(0.4)	(11.0)	(0.2)	(7.3)	

1. Overall revenue for the quarter was Rs. 1,084 Cr
2. Provisions were at Rs. 1.1 Cr in Q2, lower by Rs. 3.2 Cr vs. previous quarter
3. Loss before interest & tax was Rs. 5.1 Cr in Q2, lower by Rs. 2.2 Cr vs. previous quarter

4. Net Finance Cost was Rs. 27.8 Cr in Q2, lower by Rs. 4.4 Cr vs. previous quarter
5. Loss before tax was down by Rs. 6.6 Cr at Rs. 32.9 Cr in Q2
6. Shared IP monetization of content in the Learning Business for Rs 2 Cr

Q2 P&L – Snapshot of continuing operations

Unaudited ₹ crores

Q2 FY19	Particulars	Consumer Distribution	Enterprise Distribution	Global Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q1FY19
1	Consolidated Revenue	522	414	110	3	38	(3)	1,084¹	1,129
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	3.2	(2.1)	4.5	1.4 ⁶	(10.0)	(6.7)	(9.7)	(7.8)
3	Provision for doubtful debts / write-off and expected credit loss	0.8	(0.1)	0.1	0.0	0.3	0.0	1.1²	4.3
4	Other Income	0.0	1.1	0.7	0.0	0.0	3.9	5.7	4.8
5	Profit / (Loss) before Interest and Tax (2-3+4)	2.4	(0.9)	5.1	1.4	(10.3)	(2.8)	(5.1)³	(7.3)
6	Net Finance Cost							27.8⁴	32.2
7	Profit / (Loss) before Tax & after Exceptional items							(32.9)⁵	(39.5)
Q1 FY19	Profit / (Loss) before Interest and Tax (2-3+4)	(0.9)	1.6	3.6	(0.4)	(11.0)	(0.2)	(7.3)	

1. Overall revenue for the quarter was Rs. 1,084 Cr
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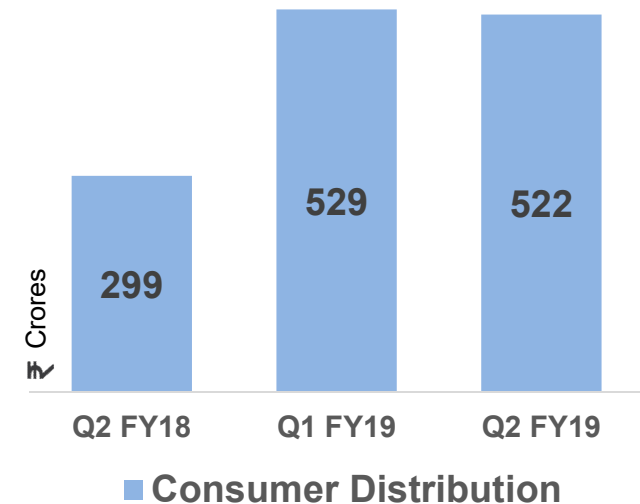
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Consumer Distribution

Consumer Distribution

- Revenue increased 75% Y-o-Y
- The distribution partnership with HMD Global for Nokia handsets again delivered a good performance and was the chief contributor to the revenues in the quarter.
- The multi channel strategy of Consumer Distribution continued to gain traction with both e-Brandstore and MFI channels under Direct to Consumer Segment producing good results. E-commerce channel is a focus segment for this business
- Partnerships with both Samsung and Microsoft Surface also gained ground.
- The contract with Apple India Pvt Ltd ended as of Sept 30, 2018.

Consumer Distribution Revenue

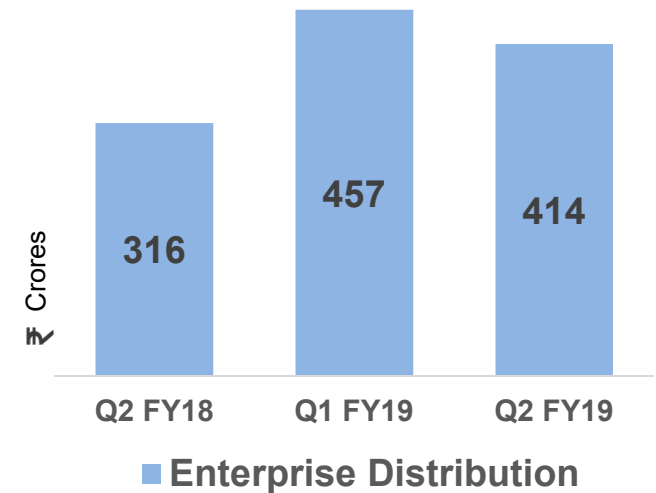


Enterprise Distribution

Enterprise Distribution

- Revenue increased 31% Y-o-Y but decreased 9% Q-o-Q
- Q2 revenue decline was due to weak demand because of rupee devaluation and general market conditions.
- The channel business continued its momentum and did well in the quarter. Existing relationships with OEM's were expanded to enhance the product portfolio of the business such as the new Dell EMC partnership for Storage Solutions
- The business realigned its team and enhanced capabilities to gain traction in emerging digital technologies including the Security and Cloud practice.

Enterprise Distribution Revenue



Distribution

Unaudited ₹ crores

S.No.	Particulars	Q2 FY18 JAS	Q1 FY19 AMJ	Q2 FY19 JAS
1	Consolidated Revenue	615	986	936
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	3.6	1.9	1.1
3	Provisions for doubtful debts / write-off and expected credit loss	(1.0)	1.2	0.7
4	Other Income	0.2	0.0	1.1
5	Profit / (Loss) before Interest and Tax (2-3+4)	4.8	0.7	1.5

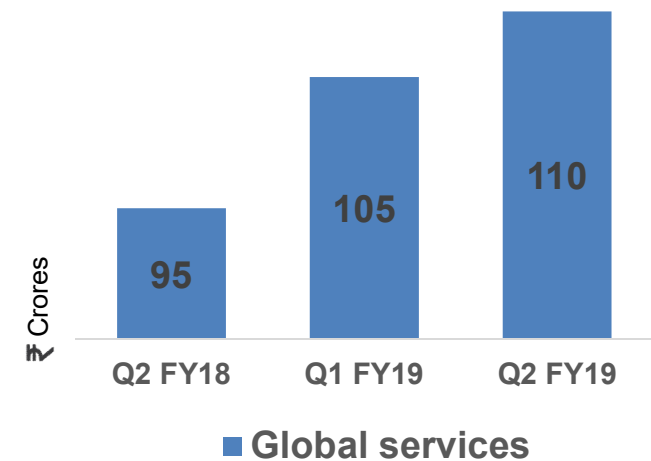
The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

Global Services – continuing operations

Global Services

- Revenue for the Overseas Services business increased 16% Y-o-Y and 5% Q-o-Q
- The focus on automation continued in the End User Computing and Data Center space

Global Services Revenue*



* Revenue from Continuing operations

Global Services – continuing operations

Unaudited ₹ crores

S.No.	Particulars	Q2 FY18 JAS	Q1 FY19 AMJ	Q2 FY19 JAS
1	Consolidated Revenue	95	105	110
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	5.6	3.6	4.5
3	Provisions for doubtful debts / write-off and expected credit loss	0.0	0.0	0.1
4	Other Income	0.2	0.0	0.7
5	Profit / (Loss) before Interest and Tax (2-3+4)	5.8	3.6	5.1

During the quarter we have invested in building capabilities to cater to a new order which is expected to commence by January 2019

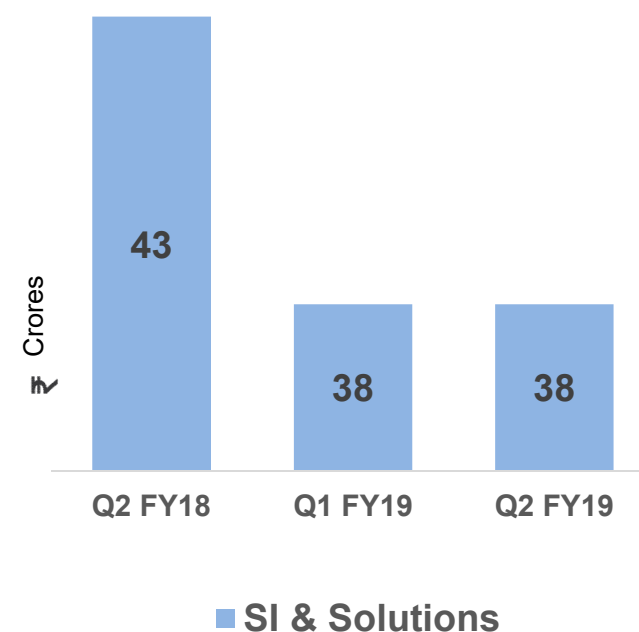
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System Integration and Solutions

Sustained Execution Focus

- Pending order book at ~ Rs.570 Cr
 - Build phase ~ Rs. 70 Cr
 - Managed Services ~ Rs. 120 Cr
 - Support Services & Annuity ~ Rs. 380 Cr
- We have been associated with the Power Projects of certain states under the RAPDRP Programme (Restructured Accelerated Power Development and Reforms Programme). These are System integration projects, an initiative of Ministry of Power, being delivered by the company.
 - The implementation phase is either completed or nearing completion and support phase is starting. Currently, work done is being validated & audited by an independent agency appointed by the customer.
 - We are working closely with the customer, for taking the validation & audit work to closure and expedite payments which are overdue.

SI & Solutions Revenues



System Integration and Solutions

Unaudited ₹ crores

S.No.	Particulars	Q2 FY18 JAS	Q1 FY19 AMJ	Q2 FY19 JAS
1	Consolidated Revenue	43	38	38
2	Profit / (Loss) before provisions for doubtful debts / write-off and expected credit loss	(6.1)	(8.2)	(10.0)
3	Provisions for doubtful debts / write-off and expected credit loss	7.6	3.1	0.3
4	Other Income	0.3	0.3	0
5	Profit / (Loss) before Interest and Tax (2-3+4)	(13.4)	(11.0)	(10.3)

SI & Solutions –

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

Questions?

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