

HCL Infosystems

Quarter Results OND 08

Press Release

Noida, NCR, India, January 27, 2009

HCL Infosystems reports consolidated revenue of Rs. 3140 crores (USD 646 Mn) for the quarter ended 31st December 2008.

- The Board of Directors declared 75% quarterly dividend.
- Launch of 'HCL Touch' a new benchmark in laptop service.
- The company bags over Rs. 300 crores worth of System Integration orders, during OND 08.
- HCL inaugurates software development centre at Jaipur
- Launch of 'HCL Security Ltd'. Integrated technology solutions for infrastructure security & safety
- Announces a series of proactive business enabling initiatives
- Launch of 'HCL Store'. Online purchase portal for customers
- HCL Adjudged '*The Best Desktop PC Brand*' by Computer Active Magazine
- Ranks among top three in the '*Best Companies to Work for in India*' survey conducted by BT, TNS, Mercer.

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Overview

Commenting at the results announcement Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Ltd said “...In these times it is imperative for an organization to keep working on its long term vision and at HCL we have taken a number of path breaking initiatives and continue to invest for tomorrow. I am also very proud that HCL Infosystems has been recognized among the best three companies to work for in India.”

Commenting on the quarter results **Mr. J.V.Ramamurthy, Chief Operating Officer, HCL Infosystems said** “...Challenges throw up opportunities and the strength of HCL is its ability to innovate itself to address these opportunities. This quarter we have taken a series of steps to integrate supply chain and logistics, which is translating into better efficiencies. Our strategy of focussing on core defensive sectors has enabled us to address new businesses possibilities in growth areas and a number of initiatives taken by us in expanding our business, has enabled us in this period to ensure stability.”

Over the last six months, as the global slowdown has deepened, various business verticals and segments in India have adopted a cautious outlook. SMEs and enterprises have delayed investments, and impact on the consumer sentiment & confidence is resulting in lower off takes in the consumer segment. According to IDC, 2009 will witness an evolution in the way business has been done till now. This change will be dominated by issues like productivity, cost savings and customer retention.

During the last quarter, the company **launched its 100% subsidiary ‘HCL Security Ltd’** that brings core competency of design and implementation of integrated solutions for security and safety of critical installations, infrastructure, public places etc. Bringing the best of breed technology & solutions, HCL Security has architected a unique concept named HCL **‘Safe State’**. The **‘Safe State’** architecture offers an integrated framework from policy to design, to implementation and operations, customized for the Indian environment.

This quarter the company inaugurated its **Software Development Centre at Jaipur**. A three hundred seater facility, this centre develops products for the banking and e-Governance verticals. This centre has developed bilingual products, which is a key factor for the adoption of these programs by citizens across the country.

In its core business of Personal Computers HCL unveiled a path breaking service initiative called **HCL Touch. HCL Touch offers 24X7 lifetime support to its Laptop customers**. The company has set up technology help desk centres that will offer support in 11 regional languages. HCL has also set up a network of 505 company owned customer touch points and enhanced service capacity that reaches out to over **4000 towns** across the country.

On the distribution and marketing service front the **company expanded its reach to over 9000 towns**. The quarter saw the revenues from the distribution and marketing services to be steady with various product categories which HCL take to market continue to hold a market leadership position. This quarter HCL introduced world largest selling gaming consoles 'Nintendo Wii', in the Indian market.

Results Highlights

The company has reported consolidated revenue of Rs. 3140.1 crores (USD 646.1 Mn) for the quarter ended December 31, 2008.

Consolidated services revenue for the quarter was Rs. 172.4 crores (USD 35.5 Mn), a growth of 41% over the corresponding quarter of the previous year.

Consolidated profit before tax for the quarter was Rs. 81.0 crores (USD 16.7 Mn).

Consolidated profit before tax & exchange rate impact (including unrealised impact on restatement at the period end rate) for the quarter was Rs. 90.6 crores (USD 18.6 Mn). Provisions include a provision against receivables of a customer in the current quarter of Rs. 9 crores (USD 1.8 Mn), which has impacted the operating margin by 30 bps.

Revenue from Computer Systems business for the quarter was Rs. 818.2 crores (USD 168.4 Mn). Profit before interest & taxes for Computer Systems business for the quarter was Rs. 36.6 crores (USD 7.5 Mn).

Revenue from Telecommunication and Office Automation business for the quarter was Rs. 2325.3 crores (USD 478.5 Mn). Profit before interest & taxes for Telecommunication and Office Automation business for the quarter was Rs. 61.0 crores (USD 12.6 Mn).

Consolidated EPS for the year ended 31st December 2008 was Rs. 3.2 per share.

The Board of Directors has declared second quarterly interim dividend of Rs. 1.5/- per share

(75 % on an equity share of par value of Rs. 2/- each)

Conversion Rate 1 USD = 48.60 INR

Business Highlights for the quarter

ICT Hardware

In the enterprise space **HCL bagged orders to deploy desktops, servers and networking products** from the leading names across industry verticals including **corporates, government, education and the BFSI segments**

The quarter saw HCL wining prestigious **Audio Visual System Integration** orders from leading corporates for installation of solutions for the Video Conferencing Rooms and Board Rooms including setting up of complete high-end integrated solutions for Data Walls and Digital Signage's.

In the Telecom Business, HCL saw wins to set up **Video Conferencing & Voice Solutions** from the government and corporate sector including a global retail major.

Products Initiatives

HCL was awarded the *'The Best PC Brand – Business Purpose'* from VarIndia , the leading IT magazine. The company also won the **'Best PC Brand'** by Computer Active Magazine, India's leading PC magazine. This is a result of a series of leadership initiatives taken by the company.

This quarter saw the launch of 'HCL Leaptop **Series 39**' with **unique ATE technology**. Developed under its **"Design for India"** program, this product offers comfort under long working hours in non air-conditioned environment. HCL brings three decades of experience in designing computing products for India, into the design of its Leaptop range of products.

It's a constant endeavour at HCL to bring the best and the latest in technology to Indian Customers. HCL has been the first to introduce the HCL Infiniti Challenger Series workstations for Media, Gaming and Animation industry, based on Intel's Quad core technology.

The company also launched this quarter a pioneering initiative in the Indian ICT sector to further strengthen its customer care services. In an unprecedented move, HCL announced the launch of **'HCL Touch'** its 24X7 round the clock, service & support for its Leaptop customers. 'HCL Touch' sets a new benchmark for laptop service in the country and offers the support that today's users need. A laptop user of today uses their machine both at work and at home, or while travelling and looks for round the clock support with the facility to service his laptop anywhere he travels in India or abroad.

Consumer Sector Initiatives

In the consumer space **HCL introduced MTV Leaptops**, designed especially for today's youth. These limited edition laptops come with a MTV skin to flaunt around. The laptop is powered by latest NVIDIA Geforce graphics engine, for perfect gaming and multimedia applications, plus they come with a stylish MTV Bag pack with built in speakers.

Celebrating the festive sprit this quarter HCL launched *'HCL Ghar Lao Winner Ban Jao'* contest. The consumer promo was launched in the month of October 08, with attractive gifts like wrist watch, MP3 Players and vacuum cleaners on purchase of HCL Leaptops and Desktops. The campaign period

was 1st October to 15th November 2008. HCL also introduced its new website, wherein apart from having complete range on display, customer can purchase online.

Keeping its focus on its channel partnerships HCL launched a series of dealer meets in the month of October, showcasing latest products from HCL. HCL also rolled out its **Channel partner scheme** wherein channel partners were incentivised under various categories.

Further to facilitate information among channel Partners, this quarter **HCL introduced a new portal**. This portal provides channel partners, a comprehensive information on HCL's latest products & services, events and schemes. This will also act as a partner portal for managing sales.

System Integration

HCL's System integration and services initiative's, saw the company winning and executing projects in a number of sectors namely Railways, Infrastructure, eGovernance, Telecom, Media & Entertainment, BFSI Co-op and BFSI.

Demonstrating its leadership in the **Telecom System Integration** space, HCL bagged major orders this quarter from the telecom sector for implementation and Integration of WiMAX Systems.

This quarter the company won orders in the **Infrastructure vertical** for design and installation of **Highway Traffic Management** systems. This state of the art turnkey solution that will assist in better management and flow of traffic on national highways consists of Emergency Call Box, Metrological Data Systems, Variable Message Signs, CCTV, Control Centre, Automatic Traffic Counter cum Classifier and Mobile Communication System.

The company also won orders in **BFSI Co-op System Integration Vertical**. The orders include deployment of core banking solutions for a leading co-operative bank. The company also received orders in the BFSI vertical to deploy branch rollout solutions. The company bagged orders to set up the IT infrastructure for the image based loan processing and credit worthiness processing from a leading bank of the country.

This quarter HCL inaugurated its **Software Development Centre**, 'Centre of Excellence for BFSI & e-Governance' at Jaipur. HCL has established the centre with the objective of designing & developing Products and Solutions for the Banking, Financial Services and Insurance (BFSI) Segment and the e-Governance sector. Currently with 300 professionals, the 'HCL Centre of Excellence ' is the first software development centre to be opened by any of the major ICT companies, in the state of Rajasthan.

This quarter the **e-Governance system integration** space saw the company win major orders. Among the orders won by HCL is the High Performance Computing Datacenter Solution for Weather forecasting, a Smart Card based project for rural development projects, a solution for field survey and data collection and computerization of municipal corporations. In **Media and Entertainment Vertical**, the company bagged orders to set up television channels and FM stations from the private sector & two of the leading universities of the country.

In the **Railways System Integration** Vertical, HCL bagged an order for Network design, supply and implementation of state of the art DWDM equipments that will cater over 187 railway stations across the country.

This quarter HCL Launched '**HCL Security Ltd**', a 100% subsidiary of HCL Infosystems, HCL also introduced the unique concept of a 'Safe State'. The Safe State is an architecture that leverages technology to build a security framework that will safe guard life, infrastructure & society. 'Safe State' is an integrated technology solution that can help secure a state , city and critical / vulnerable area, building or facilities like Hotels, Hospitals, educational institutions, Transport, Railways, IT - ITeS establishments, Utilities, SEZs etc.

Distribution & Marketing Services

The digital lifestyle market is a growing at a tremendous pace in India. HCL's strategy has been to focus and consolidate on the offerings range of Digital Lifestyle products. In new distribution tie up this quarter HCL tied up with Samurai Games to **bring Nintendo Gaming products in India**. Nintendo Corp is one of the leading players worldwide in Gaming consoles and handheld gaming devices. With 73 stores across the country, HCL Digilife stores offer consumers a complete digital experience.

ICT Education

This quarter HCL CDC enrolled a leading bank of the country to provide IT training to its offices **HCL CDC won recognition from its partners** like Largest Network Training Partner for RHCE Enrolments 07-08 from Red Hat and Best Implementation Partner for MS Virtual Tech Days Program from Microsoft.

HCL's education initiatives have grown its presence rapidly over the last quarter taking ICT education to the various corners of India. HCL today has 72 centres across the country. HCL CDC tied up with IBM as a partner for education and certification services.

Employee Matrix

HCL Infosystems continues to invest in strong people management initiatives. The total employee strength is 6165. HCL was rank **no.3 in Best Companies to Work For in India** conducted by BT, TNS, Mercer.

Employee engagement continues to be a key focus area with many initiatives organized during this quarter were towards '**Celebrating Diversity**' & **encouraging appreciation for individual strengths**. In response to modern day lifestyle changes, various programmes have been adopted to improve the wellbeing & fitness of employees.

Sustained Environment Initiatives

HCL has always been focused in developing a sustainable future through environment friendly green computing. In recognition of various initiatives HCL has been **recognized as the greenest company among Indian ICT manufacturing companies by a leading global NGO**. This led to introduction of Green desktops, equipped with the unique DES technology, that cut overall power consumption from 20-35%. HCL amalgamated its various environment protection initiatives under the comprehensive 'HCL ecoSafe' program. Under the 'HCL ecoSafe' initiative, HCL Desktops, Servers and Laptops are RoHS (Restriction of Hazardous Substances) compliant.

HCL also has a comprehensive e-waste recycling policy, wherein HCL facilitates its consumers to recycle / dispose their 'end of life' products manufactured by HCL in an environmentally safe manner. In addition, the HCL Best Assured Campaign, an initiative against the counterfeit electronic products has created consumer awareness and is helping in preventing the dumping of these into India.

About HCL Infosystems

HCL Infosystems Ltd, with revenue (LTM) of US \$ 2.8 billion (Rs. 12,439 crores) is India's premier information enabling and ICT System Integration company offering a wide spectrum of ICT products that includes Computing, Storage, Networking, Security, Telecom, Imaging and Retail. HCL is a one-stop-shop for all the ICT requirements of an organization.

India's leading System Integration and Infrastructure Management Services Organization, HCL has specialized expertise across verticals including Telecom, BFSI, E-Governance & Power.

HCL has India's largest distribution and retail network, taking to market a range of Digital Lifestyle products in partnership with leading global ICT brands, including Apple, Cisco, Ericsson, Kingston, Kodak, Konica Minolta, Microsoft, Nokia, Toshiba, and many more.

HCL today has India's largest vertically integrated computer manufacturing facility with over three decades of electronic manufacturing experience & HCL desktops is the largest selling brand into the enterprise space.

With India's largest ICT services network that reaches to every corner of India, HCL's award winning Support Services makes it the preferred choice of enterprise and consumers alike.

HCL Infosystems has a 100% subsidiary that addresses the physical security technology system integration market. The subsidiary leverages technology to build a security framework called 'Safe State' that will safe guard life, infrastructure & society. For more information please visit us at www.hclinfosystems.in

About HCL Enterprise

HCL Enterprise is a \$ 5 billion leading Global Technology and IT Enterprise that comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is one of India's original IT garage start-ups. Its range of offerings spans Product Engineering, Custom & Package Applications, BPO, IT Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products. The HCL team comprises over 59,000 professionals of diverse nationalities, who operate from 20 countries including over 500 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms. For more information, please visit www.hcl.in

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