



# **Quarterly Earning Release**

## **Second Quarter FY 10**

**January 25, 2010**

# **HCL Infosystems Ltd**

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## CHAIRMAN'S ADDRESS



Commenting at the results announcement **Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Ltd** said, "With global markets getting better and the domestic market responding favorably, the year ahead looks promising. The quarter witnessed realignment of our vision and mission in line with our transformation journey that we undertook a few years back. The new youth centric campaign 'ME' has received a positive response so far and I am sure with sustained investments and aggressive marketing, we will continue to build excitement for products and grow our market share. The quarter had our focus on introducing innovative products however; the PC hardware growth remained below expectations. I am confident that the steps taken and our refreshed vision will bear greater results in the near future."

## FINANCIAL HIGHLIGHTS

### QUARTERLY HIGHLIGHTS

#### ➤ Consolidated

- ❖ Revenue at **Rs. 3054 crores**. Services revenue at **Rs. 180 crores**.
- ❖ Profit before tax at **Rs. 78 crores**. Profit after tax at **Rs. 56 crores**.
- ❖ Basic EPS at **Rs. 2.7** per share of Rs. 2/- each.

#### ➤ Computer Systems

- ❖ Revenue at **Rs. 722 crores**. PBIT at **Rs. 28 crores**.

#### ➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2329 crores**, a sequential growth of **5%**. PBIT at **Rs. 57 crores**.

**Second Interim dividend of Rs. 2/- per share (100 % on an equity share of par value of Rs. 2/- each).**

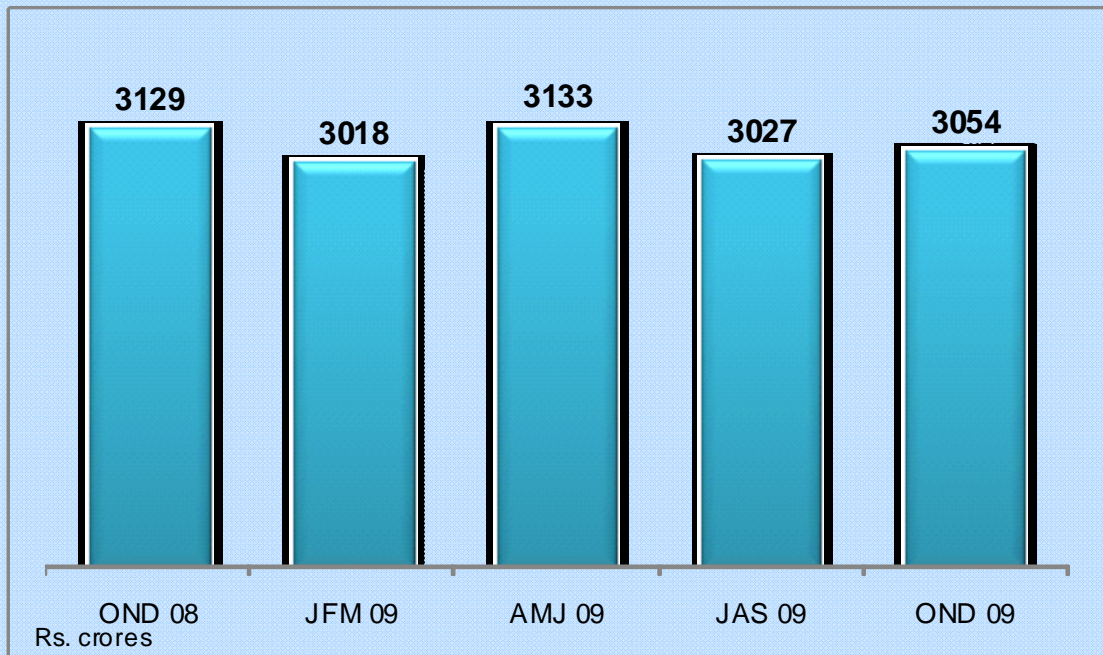
**26th consecutive quarterly Dividend Declared.**

## BUSINESS HIGHLIGHTS

- Won a contract from Gujarat Government to deploy IT educational solutions for the development of the tribal districts schools.
- Bagged nation building project from Delhi Government to roll out country's first Government Radio Network.
- Announced global collaboration with Cisco to help enable Safer and more secure communities around the world.
- Awarded EFY 'Electronics Company of the Year 2009'.

# CONSOLIDATED RESULTS

The company has reported consolidated revenue of Rs. 3054.3 crores for the quarter ended December 31, 2009.



Consolidated services revenue for the quarter was Rs. 179.8 crores as against Rs.161.6 crores in the corresponding quarter of the previous year.

Consolidated profit before tax for the quarter was Rs. 77.9 crores.

Consolidated profit after tax for the quarter was Rs. 56.1 crores.

### Earnings per share:

Basic EPS for the quarter ended December 31, 2009 was Rs. 2.7 per share of Rs. 2/- each.

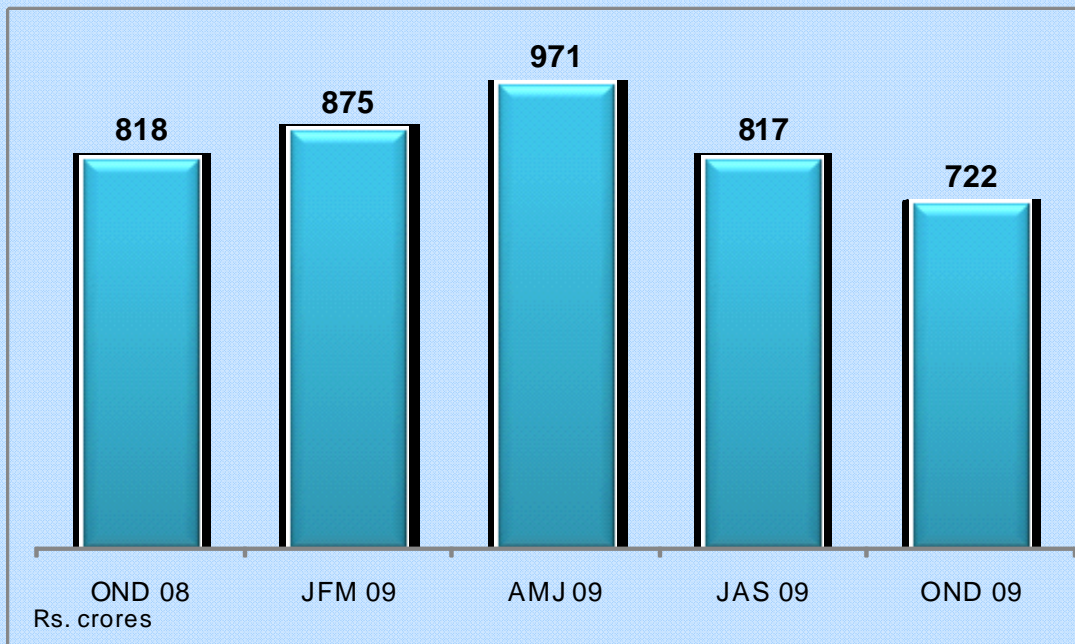
### Dividend:

The Board of Directors has recommended Second Interim dividend of Rs. 2/- per fully paid up share (100% on an equity share of par value of Rs 2/- each) for the quarter.

# SEGMENT RESULTS

## COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

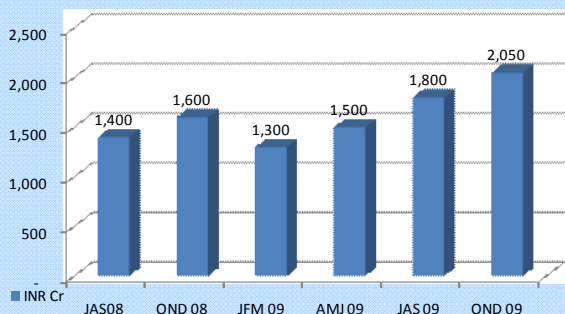
Revenue from Computer Systems business for the quarter was Rs. 721.8 crores.



Profit before interest & taxes for Computer Systems business for the quarter was Rs. 28.0 crores.

## SYSTEMS INTEGRATION

### SI – Backlog of Orders



HCL Infosystems has a proven track record of conceptualizing and executing large projects designed to fuel India's growth story. In this quarter too, HCL Infosystems growing standings in the System Integration sector was backed by a host of project wins across verticals.

The **eGovernance vertical** won a project from Gujarat Government to deploy IT educational solution for the development of the tribal districts schools in the state of Gujarat.

HCL Infosystems also bagged a prestigious project from the Delhi Government to establish country's first exclusive Government Radio Network (GRN). This TETRA based (Terrestrial Trunked Radio) communication network will facilitate swift and secure communication among various Government agencies like the Delhi Police, Fire Services, Hospitals, Public Works Department and the Delhi Transport Corporation during the Commonwealth Games and beyond.



## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

HCL Infosystems's **Railways vertical** bagged another project for development and managed services of Sybase Database Clusters. The project also involves managing unreserved ticketing applications for the Indian railways.

#### Enterprise Products & Services

In the enterprise space HCL Infosystems bagged orders to deploy desktops and servers from the leading names across industry verticals including education and BFSI. The company also received orders from the education sector for its new laptop range.

HCL saw wins in High Performance Computing (HPC) space as the company bagged orders from leading universities and research institutions of the country. The company during the quarter also organized various HPC workshops at renowned research institutes across the country.

Keeping its commitment to bring the best and the latest in technology, HCL Infosystems this quarter launched a host of products and solutions ranging from sleek netbooks to latest servers. The new laptops introduced by HCL Infosystems this quarter included '**HCL ME Laptop 43**' based on Intel's latest Consumer Ultra Low Voltage SKU S40 chipset with 7 hours battery backup & multi touch gesture touch pad and '**HCL ME Laptop 45**' with 15.6" LED Backlit panel. HCL Infosystems also introduced a 3G capable '**HCL ME Netbook 06**' with 10.1" LED Backlit panel based on Intel Atom architecture. The new netbook was launched in three colors: red, black and blue.

In the desktop space, HCL introduced new products based on latest Intel Q45 and G41 chipset with DDR3 memory support. HCL also launched new server models based on the latest Intel Tylersburg platform.

HCL Infosystems with the introduction of Enterprise Commercial Channel (ECC) presented a new enterprise channel strategy, offering a unique business proposition for partners. ECC has been designed to enable channel partners grow their business and move up in the value chain to offer a complete ICT solutions portfolio.

HCL Infosystems leadership role and consistent performance was recognised by honorable jury members from renowned bodies like CII, DIT, ELCINA, MAIT, CEAMA and TEMA with an award for the **EFY 'Electronics Company of the Year 2009'**.

#### Consumer Business

This quarter, HCL Infosystems unveiled its new range of 3G capable ME series Netbook '**HCL ME Netbook 06**', the new netbook is specially designed to match the persona of today's youth and support the on-the-go lifestyle of business executives. A new notebook '**HCL ME Laptop 45**', equipped with multi touch gesture touchpad that helps user to expand, shrink & rotate the picture through the movement of fingers on touchpad was also introduced. Along with the launch of these products a special limited period festival season campaign the '**Winter Carnival Festival**' was also kick started.

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

The notebook brand 'ME' that was launched in Sept '09 received favorable consumer acceptance and saw focus from the company in terms of investments and aggressive promotion & marketing. Promotions during festivals of Diwali and Christmas had a positive impact on sales. Numerous local activation programs were deployed which received encouraging responses. In the emerging gaming market in the country, HCL Infosystems under the 'ME' philosophy introduced a range of 'ME Gaming Consoles'.

#### Environment Initiatives

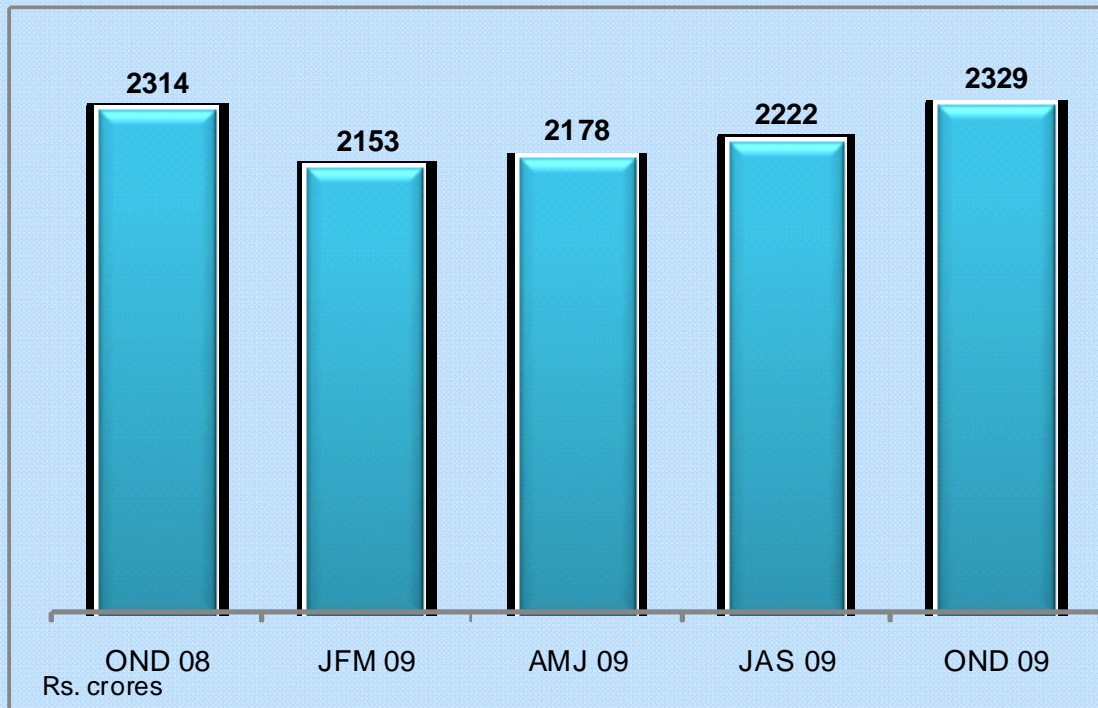
HCL Infosystems has always been focused on developing a sustainable future through environment friendly green computing. HCL Infosystems amalgamated its various environment protection initiatives under the comprehensive 'HCL ecoSafe' program. Under the 'HCL ecoSafe' initiative, HCL Desktops, Servers and Laptops are RoHS (Restriction of Hazardous Substances) compliant.

HCL Infosystems also has a comprehensive e-waste recycling policy, wherein HCL Infosystems 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.

## SEGMENT RESULTS

### TELECOMMUNICATION & OFFICE AUTOMATION

Revenue from Telecommunication and Office Automation business for the quarter was Rs. 2328.8 crores, a sequential growth of 5%.



Profit before interest & taxes for Telecommunication and Office Automation business for the quarter was Rs. 57.0 crores.

HCL Infosystem's distribution business witnessed a positive market trend this quarter with Nokia's continued dominance of the GSM mobile phone market. New launches including N97, N97Mini, E72, 5230 during the quarter by Nokia played a crucial role in driving growth. Capitalizing on the festive season the digital entertainment business clocked growth during the quarter.

Office Automation business won orders for deploying voice solutions from Corporate, Defense & Police establishments, Railways and Infrastructure companies. The company also bagged prestigious orders for deploying its video solutions from leading multi-national companies in infrastructure and BFSI sectors to Railways and other companies in IT, oil & gas and banking.

This quarter, HCL Infosystems received an order from a leading manufacturing firm to deploy an end to end solution, which involved ERP solutions designing, hardware deployment, network consolidation on MPLS VPN and server collocation at its Tier3++ datacenter. HCL Infosystems also bagged an order from a leading shipping company to deploy MPLS VPN connectivity at multiple locations spread across the country thus enabling complete automation resulting in reducing paper work and related expenditures.

## EDUCATION & TRAINING

HCL Infosystem's training initiatives have been gaining presence rapidly across the country through ICT based learning. The quarter saw HCL CDC (Career Development Centre) take swift steps in reaching out to the grass root levels of the country by getting into an alliance with Confederation of NGOs of Rural India (CNRI) for a nationwide rollout of Centre for Development of Employable Skills (CDES). The Centre for Development of Employable Skills (CDES) has been formed to impart job oriented skills and induce self-employment skills among youth in rural India. The training program would cover Basic Communication Skills, English Language Learning, Sales Orientation, Basics of Computer Hardware and Networking, Business Applications and Basic Accounting Process.

HCL CDC also announced a tie-up with CA, Inc., world's leading independent IT management software company. HCL CDC will provide 'CA technology' training as a part of various student career development programmes enabling students develop skills for CA products.

Expanding its footprint, HCL CDC also tied up with the Railways. Under the agreement, the Railways will nominate its employees to receive IT training including hardware and software for more than 40 modules.

HCL Infosystems also announced signing of a strategic business partnership with SANAKO Corporation, a leading global education technology company developing language teaching solutions. With extensive joint expertise in serving the educational sector this collaboration will provide innovative and localized solutions.

HCL Infosystems this quarter launched an eClassroom solution '**Wizarddesk**', an innovative electronic lectern which combines furniture and electronics, audio and visual equipments to manage and control presentation needs in a conference room or classroom. The product offers a complete integrated solution for training centers, classrooms, lecture halls and auditoriums.

## HCL SECURITY

HCL Infosystems's **Homeland Security vertical**, registered growth and won many contracts to deploy state of the art surveillance systems from leading religious trusts, government institutions, Indian railways, oil and hospitality companies.

Given the current security situation, it is now imperative for a growing economy like India to bring best global practices to the country. HCL Infosystems in the first ever US-India collaboration for homeland security signed a MoU with Cisco during India Prime Minister's recent visit to United States of America. This collaboration will deliver IP-based safety and security solutions to help enable safer and more secure communities. The alliance will also combine the strengths of Cisco's Smart + Connected Communities leadership with HCL Security's 'Safe State' architecture to deliver safety and security solutions in India initially and later in other countries.

## EMPLOYEE MATRIX

HCL Infosystems with its continued focus and investments in strong people management initiatives recorded total employee strength of over 6,400 as on 31st Dec 09. This quarter the company also revisited its Vision and Mission statements, aligning them to the transformational journey the company has taken over the last few years. With the unveiling of the Vision statement, HCL Infosystems became one of the few companies to extend public commitment to sustainability.

Mr. J.V. Ramamurthy took on as the President and Chief Operating Officer (COO) in this quarter. Prior to which he was the Chief Operating officer of HCL Infosystems, a role he took on in 2005.

# CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Unaudited		Unaudited		Audited
		Q2 FY 10	Q2 FY 09	H1 FY 10	H1 FY 09	FY 09
		Rs crores				
	<b>Gross Sales / Income from Operations</b>	<b>3,054.3</b>	<b>3,128.9</b>	<b>6,081.7</b>	<b>6,227.4</b>	<b>12378.5</b>
	Less: Excise Duty	22.8	32.2	51.3	71.9	126.1
1a.	Net Sales / Income from Operations	3,031.5	3,096.7	6,030.5	6,155.5	12252.4
1b.	Other Operating Income #	12.1	(3.4)	14.4	(16.0)	(4.6)
2	Expenditure					
	(Increase) / Decrease in Stock in Trade and Work in Progress	(54.9)	32.8	55.7	(60.4)	(18.6)
a)	Consumption of Raw Materials	339.2	413.4	728.7	963.0	1860.3
c)	Purchase of Traded Goods	2,382.0	2,283.4	4,529.0	4,535.1	8928.4
d)	Purchase of Services	75.1	61.5	130.3	106.3	256.4
e)	Stores & Spares consumed and Others	39.6	35.3	72.7	64.5	136.5
f)	Employees Cost	94.6	86.5	184.2	167.4	338.2
g)	Administration, Selling, Repairs & Others	81.6	85.1	164.7	163.2	344.8
h)	Depreciation	6.9	5.1	12.8	9.7	21.3
	Total Expenditure	2,964.0	3,003.0	5,877.9	5,948.9	11867.2
3	<b>Profit from Operations before Other Income &amp; Interest (1-2)</b>	<b>79.6</b>	<b>90.2</b>	<b>166.9</b>	<b>190.6</b>	<b>380.5</b>
4	Other Income	8.1	3.6	12.1	8.9	15.4
5.	<b>Profit before Interest (3+4)</b>	<b>87.6</b>	<b>93.8</b>	<b>179.0</b>	<b>199.4</b>	<b>396.0</b>
6.	Interest Expense	9.7	12.8	18.1	22.4	44.7
7.	<b>Profit (+) / Loss (-) from ordinary activities before Tax (5-6)</b>	<b>77.9</b>	<b>81.0</b>	<b>160.9</b>	<b>177.0</b>	<b>351.3</b>
8.	Tax Expense	21.9	25.7	45.9	55.7	111.4
9.	<b>Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)</b>	<b>56.1</b>	<b>55.3</b>	<b>115.1</b>	<b>121.3</b>	<b>239.9</b>
10.	Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-
11.	<b>Net Profit(+)/ Loss (-) for the period (8-9)</b>	<b>56.1</b>	<b>55.3</b>	<b>115.1</b>	<b>121.3</b>	<b>239.9</b>
12	<b>Basic EPS (Not annualised) Rs/share</b>	<b>2.7</b>	<b>3.2</b>	<b>6.1</b>	<b>7.1</b>	<b>14.0</b>
	Other Operating Income includes Exchange Fluctuation Gain/(Loss) (Net)	6.5	(9.6)	4.8	(26.0)	(26.4)

## KEY RATIOS

Key Ratios	Q2 FY 10
Return on Capital Employed %	15%
Return on Net Worth %	12%
Debt / Debt+Equity	0.17
Debtors Collection period (days) {annualised}	48
Inventory turnover (annualised)	14
Current ratio	1.6

Q2 FY10 ratios have been calculated on enhanced capital base.

# CONSOLIDATED SEGMENT

		Rs crores				
Particulars	Unaudited		Unaudited		Audited	
	Q2 FY 10	Q2 FY 09	H1 FY 10	H1 FY 09	FY 09	
<b>1. Segment Revenue</b>						
a) Products and Related Services						
- Computer Systems & Other Related Products and Services (Gross)	721.8	818.2	1,539.2	1,694.1	3,540.0	
Less: Excise Duty	22.8	32.2	51.3	71.9	126.1	
- Computer Systems & Other Related Products and Services (Net)	699.0	786.0	1,487.9	1,622.2	3,413.9	
- Telecommunication & Office Automation (Net)	2,328.8	2,314.2	4,550.4	4,544.0	8,874.5	
b) Internet & Related Services	24.8	9.9	41.4	19.3	46.1	
Total	3,052.5	3,110.0	6,079.8	6,185.4	12,334.5	
Less: Intersegment revenue	21.1	13.3	49.3	30.0	82.1	
<b>Net Sales / Income from Operations</b>	<b>3,031.5</b>	<b>3,096.7</b>	<b>6,030.5</b>	<b>6,155.5</b>	<b>12,252.4</b>	
<b>2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)</b>						
a) Products and Related Services						
- Computer Systems & Other Related Products and Services	28.0	36.6	76.3	84.2	177.3	
- Telecommunication & Office Automation	57.0	61.0	112.6	123.7	246.2	
b) Internet & Related Services	1.2	(2.4)	(4.2)	(3.8)	(17.8)	
Total	86.2	95.2	184.6	204.1	405.7	
Less:						
i) Interest Expense	9.7	12.8	18.1	22.4	44.7	
ii) Other un-allocable expenditure net off	6.6	5.0	17.7	13.5	25.1	
iii) Un-allocable income	8.1	3.6	12.1	8.9	15.4	
<b>Total Profit before Tax</b>	<b>78.0</b>	<b>81.0</b>	<b>160.9</b>	<b>177.0</b>	<b>351.3</b>	
<b>3. Capital Employed (Segment Assets - Segment Liabilities)</b>						
a) Products and Related Services						
- Computer Systems & Other Related Products and Services			1108.6	948.9	875.6	
- Telecommunication & Office Automation			168.4	311.1	187.5	
b) Internet & Related Services			(2.8)	(6.7)	(8.8)	
c) Unallocated						
- Liquid Assets			881.6	45.2	268.5	
- Others Unallocated (including investment in assets given on finance lease)			147.8	54.5	25.9	
<b>Total Capital Employed</b>			<b>2303.5</b>	<b>1352.9</b>	<b>1,348.8</b>	

## CONSOLIDATED BALANCE SHEET

	Rs crores	
	Unaudited	Unaudited
Particulars	31.12.09	30.09.09
Net Worth	1918.2	1134.6
Loans	385.4	346.2
Deferred Tax Liability (Net)	(6.6)	(9.9)
Net Fixed Assets	269.9	188.4
Investments and Cash & Bank Balances	1038.9	418.5
Inventory	878.4	787.9
Sundry Debtors	1603.6	1620.2
Other Current Assets	349.9	353.9
Current Liabilities & Provisions	(1843.7)	(1898.1)
<b>Total Capital Employed</b>	<b>2297.0</b>	<b>1470.8</b>

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US \$ 2.5 billion (Rs. 12,233 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](http://www.hclinfosystems.in)

## ABOUT HCL ENTERPRISE

HCL is a \$5 billion leading global Technology and IT Enterprise that comprises two companies listed in India – HCL Technologies & HCL Infosystems. Founded in 1976, HCL is one of India's original IT garage startups, a pioneer of modern computing, and a global transformational enterprise today. Its range of offerings spans Product Engineering, Custom & Package Applications, BPO, IT Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products across a wide range of focused industry verticals. The HCL team comprises over 62,000 professionals of diverse nationalities, who operate from 26 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](http://www.hcl.in)