



Quarterly Earning Release

Second Quarter FY 12

January 31, 2012

HCL Infosystems Ltd

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CEO'S COMMENTS



Mr. Harsh Chitale, Chief Executive Officer, HCL Infosystems Limited, commenting on the results said: "Due to the ongoing challenging environment, business growth in this quarter has not been as per expectations. We have been affected like the rest of the industry on account of uncontrolled circumstances like rupee depreciation and natural calamities like floods in Thailand which has led to a scarcity of computer components and thereby impacted market availability and also increased prices.

However we are committed to our journey of transformation and confident that persistent efforts through our company wide excellence program 'Aspire' will deliver results in times to come. Multiple steps are being taken for concrete realignments and synergies to shape our internal business processes and workings."

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FINANCIAL HIGHLIGHTS

QUARTERLY HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 2,693 crores**.
- Profit after tax at **Rs. 35 crores**, a sequential growth of 187%
- ❖ Basic EPS at **Rs. 1.6** per share of Rs. 2/- each.

➤ Computer Systems

- ❖ Revenue at **Rs. 712 crores**.
- ❖ PBIT at **Rs. (6) crores** (after foreign exchange loss).

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 1,980 crores**.
- ❖ PBIT at **Rs. 41 crores** (after foreign exchange loss).

The Board of Directors has declared Re.1 second quarterly Interim dividend. This is the 34th continuous quarter for dividends. (50% on an equity share of par value of Rs. 2/- each)

BUSINESS HIGHLIGHTS

Enterprise Business

In our enterprise business segment -

- Government segment, which forms significant part of our enterprise business, continued with the trend of delay in decision making & slowdown in spending, impacted the company's performance. On the other hand company's focus on ramping up the non-Government verticals, especially corporate sector (IT-ITES, Pharma, BFSI, etc) and Small & Medium businesses, yielded positive results with Y-o-Y growth in sales from these segments.
- Services business comprising of Life cycle services & Infrastructure Management services continued to perform well, growing at 10% sequentially.
- There was also an impact due to continued rupee depreciation Rupee depreciated by nearly 19 % during the first half of the current financial year. The company recorded an accounting loss of Rs 12crores on this account during the quarter. Additionally, the rupee depreciation also resulted in contraction of margins where orders were accepted in earlier periods. The company, as a result of steep rise in forex rates, had to refuse/defer certain orders which would have added to our revenue & profitability. As a result of the above, the overall estimated impact on company's margin due to for-ex fluctuation was Rs. 48 crores during the quarter & Rs. 80 crores during the first half of FY12.
- We expect this situation to stabilize in January to March 12 quarter, as the market prices are expected to start reflecting increase in costs
- Due to recent floods in Thailand, Hard disk drives were in short supply resulting in price of this key component firming up by nearly 50%.The HDD supplies are expected to stabilize starting April 2012, till then prices are expected to stay firm
- These factors have severely impacted revenue & profitability in our Computing & Office automation business during the quarter gone.

BUSINESS HIGHLIGHTS

Enterprise Business

Despite above factors some of the key successes included –

- Core Banking, Infrastructure and Financial Inclusion solutions from multiple banks
- Multiple orders from institutions like Corporation Bank, Dena Bank, UCO Bank, Central Bank of India and Himachal Pradesh State Cooperative Bank Ltd. (HPSCB)
- The company has also been empanelled with the National Federation for Urban Co-Op Banks and Credit Societies (NAFCUB) for roll out of core banking solution to urban co-operative
- The company has been awarded some key infrastructure projects including implementation of 22 Automated, Computerised and Integrated Border Check Posts (BCPs) in the State of Maharashtra. New technologies such as a RFID Solution for AVI (Automatic Vehicle Identification) will be implemented in this project
- The company bagged significant orders from organizations like BHEL and Asian Paints for supply of IT equipment
- In the Defense segment the company won a major network expansion project from one of the armed forces. The implementation involves Design, Planning, Engineering, Supply, Installation; Testing & Commissioning of MPLS based IP Network
- In the Healthcare segment the company also won the cloud based New Health Insurance project in Tamil Nadu.

Consumer Computing Business

- The Consumer Computing Division launched the exclusive Ra.One Series of laptops which included HCL ME ICON 1034, XITE 2025 & XITE 2035. The Ra.One High definition Laptop series was power packed to give consumers an exhilarating on the go cinematic experience this festive season.

BUSINESS HIGHLIGHTS

Learning Business

- HCL Learning had some major wins in Digischool and for its Language Labs. Also the business implemented new technologies for customers like its IMS (Institute Management System), which is a cloud based ERP for educational institutes.

Overseas Business

- HCL Infosystems MEA, company’s subsidiary based out of Dubai added new customers like Federal Electricity and Water Authority (FEWA), Dept. of Finance, (Abu Dhabi), Saudi American Bank (SAMBA), Sharjah Municipality, Qatar Islamic Bank(QIB) and Qatar International Islamic Bank(QIIB)

Office Automation Business

- Office Automation Business, won various orders from SBI (All India); LIC Mumbai, Ericsson Global, Delhi, Reliance General Insurance, ABB among others.

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AWARDS and ACCOLADES

- ❖ HCL Learning was awarded the prestigious eIndia Jury Choice Award for its Xcelerate program in the Best Open and Distance Learning Practices in Higher Education category
- ❖ The company regained the second spot for the Greenest companies as per the Greenpeace Survey - Guide to Greener Electronics, November 2011. The company scored well for its GHG emission levels from its entire operations, energy efficient products, hazardous substance free products and sustainable operations
- ❖ The company’s Pondicherry plant won an award in the large scale category of the FICCI Quality System Excellence Awards 2011

CONSOLIDATED RESULTS

Quarterly Results

Rs. crores	Unaudited				
	Q1 FY12	Q2 FY11	Q2 FY12	Y-o-Y %	Q-o-Q %
Consolidated Revenue	2,810	3,154	2,693	-15%	-4%
Consolidated PBT	19	80	34	-57%	78%
Consolidated PAT	12	56	35	-38%	187%

The company reported consolidated revenue of Rs. 2,693 crores for the quarter ended December 31, 2011.

Profit after tax was reported at Rs. 35 crores for the quarter ended December 31, 2011.

Earnings per share:

Basic EPS for the quarter ended December 31, 2011 was **Rs. 1.6 per share** of Rs. 2/- each.

Dividend:

The Board of Directors has recommended Interim dividend of Re. 1/- per fully paid up share (50% on an equity share of par value of Rs 2/- each).

Infinet Business:

Pursuant to Share Purchase Agreement (SPA) dated January 11, 2011, read with addendum to SPA dated August 26, 2011, the Company with effect from October 31, 2011 has sold its entire equity stake in HCL Infinet Limited, the wholly owned subsidiary, reported as Internet & Related Services segment. This transaction has resulted into a loss of Rs. 11.37 crores on standalone basis, out of which Rs. 10.96 crores had already been provided against loans/ investment till September 30, 2011 and the balance loss of Rs. 0.41 crores has been accounted for in current quarter and included in 'Administration, Selling, Repairs & Others'. On consolidated basis, this transaction has resulted in a gain of Rs. 25.54 crores, which has been accounted in current quarter and included in 'Other Income'.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

Computer Systems & Other Related Products and Services

Rs. crores

Unaudited

Revenue	Q1 FY12	Q2 FY11	Q2 FY12	Y-o-Y %	Q-o-Q %
Computing Business	576	717	539	-25%	-6%
Systems Integration	107	222	110	-50%	3%
Learning	13	24	14	-44%	6%
Overseas Operations	80	95	95	0%	18%
Intersegment / Adjustments	-55	-17	-45		
Computer Systems & Other Related Products and Services	722	1,040	712	-32%	-1%

Computer Systems & Other Related Products and Services	Q1 FY12	Q2 FY11	Q2 FY12	Y-o-Y %	Q-o-Q %
PBIT including foreign exchange fluctuation	-1	45	-6	-113%	-776%
PBIT excluding foreign exchange fluctuation	15	43	1	-99%	-96%

TELECOMMUNICATION & OFFICE AUTOMATION

Telecommunication & Office Automation

Rs. crores

Unaudited

Revenue	Q1 FY12	Q2 FY11	Q2 FY12	Y-o-Y %	Q-o-Q %
Telecom Distribution	1,792	1,726	1,662	-4%	-7%
Digital Entertainment	121	202	116	-43%	-4%
Office Automation	121	182	157	-14%	29%
Overseas Operations	42	-	45		7%
Intersegment / Adjustments	-2	-7	1		
Telecommunication & Office Automation (Net)	2,073	2,104	1,980	-6%	-4%

Telecommunication & Office Automation	Q1 FY12	Q2 FY11	Q2 FY12	Y-o-Y %	Q-o-Q %
PBIT including foreign exchange fluctuation	45	57	41	-28%	-9%
PBIT excluding foreign exchange fluctuation	52	56	46	-17%	-10%

CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT	Rs crores					
	Unaudited			Unaudited		Audited
	Q2 FY 12	Q1 FY 12	Q2 FY 11	H1 FY 12	H1 FY 11	FY 11
- Gross Sales / Income from Operations	2,692.6	2,810.4	3,153.7	5,503.0	6,144.5	11,542.1
- Less: Excise Duty	18.9	22.8	38.6	41.7	69.9	122.2
1a. Net Sales / Income from Operations	2,673.7	2,787.6	3,115.1	5,461.3	6,074.5	11,419.9
1b. Other Operating Income	10.3	4.1	5.1	14.4	17.2	30.3
2 Expenditure						
(Increase) / Decrease in Stock in Trade and Work in Progress	(476.6)	180.7	64.8	(296.0)	128.0	226.7
a) Consumption of Raw Materials	276.2	327.7	420.7	603.9	799.9	1,626.6
c) Purchase of Traded Goods	2,532.8	1,929.9	2,178.0	4,462.7	4,334.2	7,985.0
d) Purchase of Services	34.1	44.8	73.5	78.9	128.0	194.2
e) Stores & Spares consumed and Others	48.5	49.4	56.5	98.0	99.0	234.0
f) Employees Cost	124.3	119.4	124.9	243.7	236.4	486.9
g) Administration, Selling, Repairs & Others	108.8	94.6	109.7	203.3	197.3	420.3
h) Exchange Difference (Loss (+)/Gain(-)) #	12.1	21.8	(3.4)	33.9	(10.2)	(10.2)
i) Depreciation	10.9	11.2	9.7	22.1	18.3	38.4
Total Expenditure	2,671.1	2,779.5	3,034.4	5,450.6	5,931.0	11,201.8
3 Profit from Operations before Other Income & Interest (1-2)	12.9	12.2	85.8	25.1	160.7	248.4
4 Other Income	41.4	24.1	14.7	65.5	28.0	60.4
5. Profit before Interest (3+4)	54.3	36.3	100.5	90.6	188.7	308.8
6. Interest Expense	20.1	17.0	20.6	37.2	34.9	79.4
7. Profit (+) / Loss (-) from ordinary activities before Tax (5-6)	34.2	19.2	79.9	53.4	153.9	229.4
8. Tax Expense	(0.3)	8.6	23.4	8.3	49.1	60.1
9. Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)	34.5	10.7	56.5	45.1	104.8	169.3
10. Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-	-
11. Net Profit (+) / Loss (-) for the period before minority interests (9-10)	34.5	10.7	56.5	45.1	104.8	169.3
12 Profit (+) / Loss (-) attributable to Minority Interest	(0.5)	(1.5)	0.6	(2.0)	1.4	1.1
13 Net Profit (+) / Loss (-) for the period (11-12)	34.9	12.2	56.0	47.1	103.4	168.2
Basic EPS (Not annualised) Rs/share	1.6	0.5	2.6	2.1	4.7	7.7
# including unrealised Exchange Difference (Loss (+)/Gain(-))						
- Computer Systems & Other Related Products and Services	2.1	18.2	(1.4)	20.3	(5.6)	(2.4)
- Telecommunication & Office Automation	0.6	5.9	1.0	6.5	(1.8)	(1.1)
- Internet & Related Services (Discontinued Operation)	-	-	-	-	-	-
Total	2.7	24.1	(0.5)	26.8	(7.4)	(3.5)

CONSOLIDATED SEGMENT

Particulars	Unaudited			Unaudited		Audited
	Q2 FY 12	Q1 FY 12	Q2 FY 11	H1 FY12	H1 FY11	FY 11
Rs crores						
1. Segment Revenue						
a) Products and Related Services						
- Computer Systems & Other Related Products & Services(Gross)	711.7	721.5	1,040.2	1,433.2	1,939.1	3,691.4
Less: Excise Duty	18.9	22.8	38.6	41.7	69.9	122.2
- Computer Systems & Other Related Products & Services (Net)	692.8	698.7	1,001.6	1,391.5	1,869.1	3,569.2
- Telecommunication & Office Automation (Net)	1,980.4	2,073.3	2,103.8	4,053.7	4,181.0	7,804.9
b) Internet & Related Services (Discontinued Operations)	5.5	17.6	18.6	23.1	38.0	74.7
Total	2,678.7	2,789.7	3,124.0	5,468.3	6,088.1	11,448.8
Less: Intersegment revenue	5.0	2.1	8.9	7.1	13.5	28.9
Net Sales / Income from Operations	2,673.7	2,787.6	3,115.1	5,461.3	6,074.5	11,419.9
2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)						
a) Products and Related Services						
- Computer Systems & Other Related Products & Services	(6.0)	(0.7)	44.8	(6.6)	80.6	117.8
- Telecommunication & Office Automation	41.3	45.3	57.1	86.6	110.8	192.8
b) Internet & Related Services (Discontinued Operations)	(1.5)	(4.0)	(2.8)	(5.5)	(6.1)	(10.7)
Total	33.8	40.6	99.1	74.4	185.3	299.9
Less:						
i) Interest Expense	20.1	17.0	20.6	37.2	34.9	79.4
ii) Other un-allocable expenditure net off Un-allocable (income)	(20.5)	4.3	(1.4)	(16.2)	(3.4)	(9.0)
Total Profit before Tax	34.2	19.2	79.9	53.4	153.9	229.4
3. Capital Employed (Segment Assets - Segment Liabilities)						
a) Products and Related Services						
- Computer Systems & Other Related Products & Services	1,295.6	1,361.6	1,367.4	1,295.6	1,367.4	1,363.4
- Telecommunication & Office Automation	388.1	287.6	245.3	388.1	245.3	310.0
b) Internet & Related Services (Discontinued Operations)	-	(4.5)	(8.2)	-	(8.2)	(8.0)
c) Unallocated						
- Liquid Assets	428.2	497.7	855.9	428.2	855.9	607.6
- Others	551.2	393.3	288.9	551.2	288.9	266.6
Total Capital Employed	2,663.1	2,535.7	2,749.4	2,663.1	2,749.4	2,539.5

CONSOLIDATED BALANCE SHEET

Statement of Assets and Liabilities		Rs. crores	
Particulars	Consolidated		
	As at December 31, 2012 (Unaudited)	2011 (Unaudited)	
Shareholders' funds			
Share Capital	45	44	
Share Warrant Application Money		18	
Reserves and Surplus	1,889	1,881	
Minority Interest	3	4	
Loan funds			
Secured loans	85	117	
Unsecured loans	641	685	
Total	2,663	2,749	
Fixed Assets	374	340	
Investments	422	856	
Deferred Tax Assets	21	12	
Current assets, loans and advances			
Inventories	915	745	
Sundry Debtors	1,926	2,351	
Cash and Bank Balance	272	206	
Other Current Assets	565	363	
Loans and advances	278	255	
	3,957	3,921	
Less: Current liabilities and provisions			
Current liabilities	2,088	2,328	
Provisions	23	52	
Net Current Assets	1,846	1,541	
Total	2,663	2,749	

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 2.4 billion (Rs.10,901 crores) is India's premier hardware, services and ICT systems 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 organisation. India's leading System Integration and Infrastructure Management Services Organisation, HCL has specialised expertise across verticals including Telecom, BFSI, eGovernance & 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. For more information please visit us at www.hclinfosystems.in

ABOUT HCL ENTERPRISE

HCL is a \$6.2 billion leading global technology and IT enterprise comprising two companies listed in India – HCL Technologies and HCL Infosystems. Founded in 1976, HCL is one of India's original IT garage start-ups. A pioneer of modern computing and a transformational enterprise, HCL's diverse range of hardware and software offerings span a wide array of focused industry verticals. The HCL team consists of 88,000 professionals of diverse nationalities, who operate from 31 countries including over 500 points of presence in India. For more on HCL, please visit www.hcl.com