
HCL Infosystems Ltd

Second Quarter FY 09

Investor Release, January 27, 2009

Table of Contents

Financial & Business Highlights	2
Consolidated Results	3
Segment Results	4
Employee Matrix & Environment Initiatives	8
Financials	9

CHAIRMAN'S ADDRESS



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 Ltd** 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 focusing 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."

FINANCIAL HIGHLIGHTS

QUARTERLY HIGHLIGHTS

➤ Consolidated

- ❖ Revenue at **Rs. 3140 crores.**
- ❖ Services revenue at **Rs. 172 crores**, a growth of **41% Y-o-Y.**
- ❖ Profit before tax at **Rs. 81 crores.**
- ❖ Profit after tax at **Rs. 55 crores.**
- ❖ EPS at **Rs. 3.2** per share.

➤ Computer Systems

- ❖ Revenue at **Rs. 818 crores.** PBIT at **Rs. 37 crores.**

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2325 crores.** PBIT at **Rs. 61 crores.**

Second Interim dividend of Rs. 1.5/- per share (75%% on an equity share of par value of Rs. 2/- each) declared for the quarter.

BUSINESS HIGHLIGHTS

- ❖ HCL bagged over **Rs. 300 crores** worth of SI orders during the quarter.
- ❖ Launched "**HCL Touch**", 24X7 lifetime support to Leaptop customers.
- ❖ **Ranked No. 3** in Best Companies to Work For in India conducted by BT, TNS, Mercer.
- ❖ '**HCL Security Ltd**' (100% subsidiary) brings core competency of design and implementation of integrated solutions for security and safety of critical installations, infrastructure, public places, etc.
- ❖ **Software Development Centre inaugurated** at Jaipur: Three hundred seater facility, develops products and solutions for banking and eGovernance verticals.

CONSOLIDATED RESULTS

The company has reported consolidated revenue of **Rs. 3140 crores** during the quarter ended December 31, 2008.



Consolidated services revenue was reported at **Rs. 172 crores** during the quarter ended December 31, 2008 as against Rs. 122 crores in the corresponding quarter of the previous year, a growth of **41%**.

Profit before tax was reported at **Rs. 81 crores** during the quarter ended December 31, 2008.

Consolidated profit before tax & exchange rate impact (including unrealised impact on restatement at the period end rate) for the quarter was **Rs. 91 crores**. The results consider a provision against receivables of a customer in the current quarter of Rs. 9 crores, which has impacted the operating margin by 30 bps.

Profit after tax was reported at **Rs. 55 crores** during the quarter ended December 31, 2008.

Earnings per share:

Basic EPS for the quarter ended December 31, 2008 was **Rs. 3.2** per share of Rs. 2/- each.

Dividend:

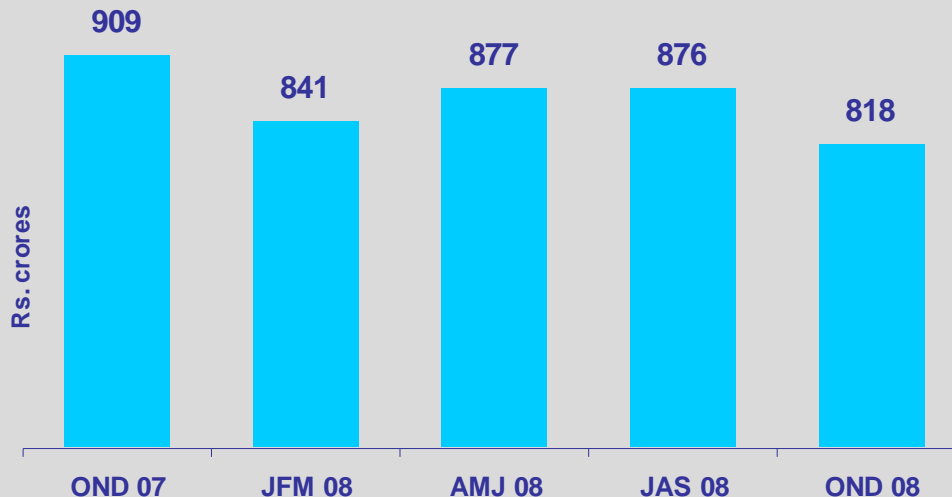
The Board of Directors has recommended Second Interim dividend of **Rs. 1.5** per fully paid up share (**75%** on an equity share of par value of Rs 2/- each) for the quarter.

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.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

Revenue from Computer Systems business during the quarter was **Rs. 818 crores**.



Profit before interest & taxes (PBIT) for the quarter was **Rs. 37 crores**.

SYSTEM INTEGRATION

During the quarter, company bagged **over Rs. 300 crores** worth of SI orders.

HCL's System Integration and services initiatives, 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 HCL **inaugurated** its Software Development Centre, '**Centre of Excellence for BFSI & eGovernance**' 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 eGovernance. 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.

HCL 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.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

This quarter the **eGovernance 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, Smart Card based project for rural development, solution for field survey and data collection and computerization under municipal corporation.

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 to over 187 railway stations across the country.

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.

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.

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.

COMPUTING PRODUCTS & SOLUTIONS

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 BFSI segments.

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.

HCL was also awarded '**The Best PC Brand – Business Purpose**' from VarIndia , the leading IT magazine. The company was also awarded 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.

SEGMENT RESULTS

COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

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.

In the consumer space HCL **introduced MTV Leaptops**, designed especially for today's youth. These limited edition leaptops come with a MTV skin. 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 spirit 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 incentivized 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.

EDUCATION & TRAINING

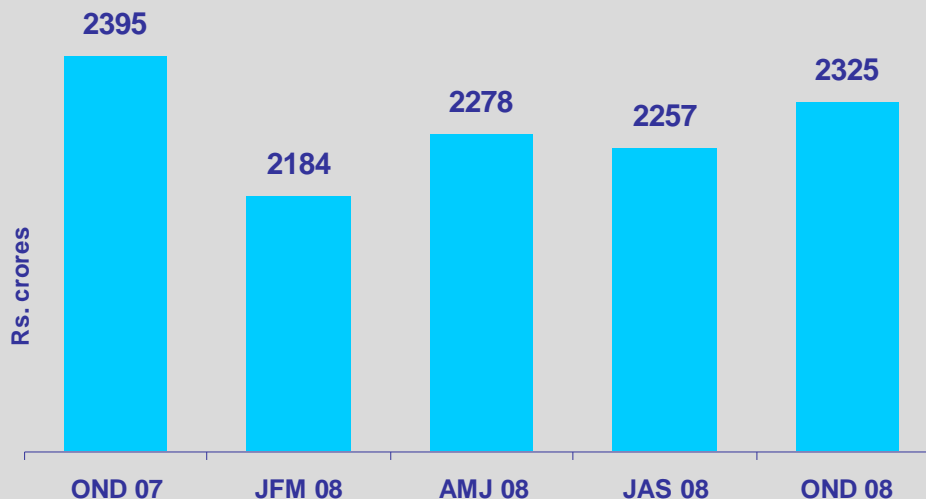
This quarter HCL CDC enrolled a leading bank of the country to provide IT training to its offices. HCL CDC won recognition from its partners like Largest Network Training Partner for RHCE Enrolments 07-08 from Red Hat and Best Implementation Partner for MS Virtual Tech Days Program from Microsoft.

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.

SEGMENT RESULTS

TELECOMMUNICATION & OFFICE AUTOMATION

Revenue from Telecommunication & Office Automation business during the quarter was **Rs. 2325 crores.**



PBIT for the quarter was **Rs. 61 crores.**

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.

The digital lifestyle market is 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.

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.

EMPLOYEE MATRIX

HCL Infosystems continues to invest in strong people management initiatives. The total employee strength was 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 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 the employees.

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.

CONSOLIDATED PROFITABILITY

Rs crores

CONSOLIDATED PROFIT & LOSS ACCOUNT		Unaudited		Unaudited		Audited
		Q2 FY 09	Q2 FY 08	H1 FY 09	H1 FY 08	FY 08
	Gross Sales / Income from Operations	3140.1	3305.1	6265.8	6432.4	12605.3
	Less: Excise Duty	32.2	39.3	71.9	80.0	158.0
1a	Net Sales / Income from Operations	3107.8	3265.7	6193.9	6352.3	12447.3
1b.	Other Operating Income #	-3.4	12.1	-16.0	22.0	22.5
2.	Expenditure					
a)	(Increase) / Decrease in Stock in Trade and Work in Progress	32.7	18.3	-60.4	-77.1	-89.8
b)	Consumption of Raw Materials	401.9	496.2	935.9	915.4	1753.8
c)	Purchase of Traded Goods	2296.2	2424.2	4580.9	4885.7	9447.3
d)	Purchase of Services (Net)	61.5	25.2	106.3	46.2	114.3
e)	Stores & Spares consumed and Others	45.1	33.4	84.2	69.7	167.9
f)	Employees Cost	86.5	75.4	167.4	145.2	301.2
g)	Administration, Selling, Repairs & Others	85.1	80.6	163.2	151.6	306.2
h)	Depreciation	5.1	4.4	9.7	8.7	18.6
	Total Expenditure	3014.2	3157.6	5987.4	6145.4	12019.5
3.	Profit from Operations before Other Income & Interest (1-2)	90.2	120.2	190.6	228.9	450.3
4.	Other Income	1.4	5.5	4.9	10.1	19.5
5.	Profit before Interest (3+4)	91.7	125.8	195.5	239.0	469.9
6.	Interest Expense (Net)	10.7	10.3	18.4	17.9	39.7
7.	Profit (+) / Loss (-) from ordinary activities before Tax (5-6)	81.0	115.5	177.0	221.1	430.1
8.	Tax Expense					
	- Current	29.3	35.4	56.9	66.2	131.5
	- Deferred	-3.3	-0.9	-1.9	-0.5	-5.6
	- Fringe Benefit	(0.3)	-0.5	0.7	1.9	4.1
9.	Profit (+) / Loss (-) from ordinary activities after Tax (7-8)	55.3	81.4	121.3	153.5	300.1
10.	Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-
11.	Net Profit(+) / Loss (-) for the period (9-10)	55.3	81.4	121.3	153.5	300.1
12.	Basic EPS (Not annualised) Rs/share	3.2	4.8	7.1	9.0	17.6
	# includes Exchange Fluctuation Gains (+) / Losses (-) (including unrealised gains/ losses on re-instatement of trade payable and receivables	-9.6	5.0	-26.0	11.6	1.3

KEY RATIOS

Key Ratios	Q2 FY 09	Q1 FY 09
Return on Capital Employed %	27%	29%
Return on Net Worth %	21%	25%
Debt / Debt+Equity	0.21	0.27
Debtors Collection period (days) {annualised}	42	43
Inventory turnover (annualised)	13	13
Current ratio	1.7	1.6

CONSOLIDATED SEGMENT

						Rs crores
	Particulars	Unaudited		Unaudited		Audited
		Q2 FY 09	Q2 FY 08	H1 FY 09	H1 FY 08	FY 08
1.	Segment Revenue					
a)	Products and Related Services					
	- Computer Systems & Other Related Products	818.2	909.5	1694.1	1670.9	3388.9
	Less: Excise Duty	32.2	39.2	71.9	79.9	157.8
	- Computer Systems & Other Related Products (Net)	786.0	870.3	1622.2	1591.0	3231.1
	- Telecommunication & Office Automation (Net)	2325.3	2395.1	4582.4	4760.9	9222.8
b)	Internet & Related Services	9.9	10.4	19.3	20.2	40.6
	Total	3121.2	3275.8	6223.9	6372.0	12494.5
	Less: Intersegment revenue	13.3	10.1	30.0	19.7	47.2
	Net Sales / Income from Operations	3107.8	3265.7	6193.9	6352.3	12447.3
2.	Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)					
a)	Products and Related Services					
	- Computer Systems & Other Related Products	36.6	61.2	84.2	113.0	199.5
	- Telecommunication & Office Automation	61.0	66.1	123.7	132.9	285.4
b)	Internet & Related Services	(2.4)	(1.7)	(3.8)	(3.1)	(4.1)
	Total	95.2	125.5	204.1	242.8	480.9
	Less:					
	i) Interest Expense (Net)	10.7	10.3	18.4	17.9	39.7
	ii) Other un-allocable expenditure net off	5.0	5.3	13.5	14.0	30.5
	iii) Un-allocable income	1.4	5.5	4.9	10.1	19.5
	Total Profit before Tax	81.0	115.5	177.0	221.1	430.1
3.	Capital Employed (Segment Assets - Segment Liabilities)					
a)	Products and Related Services					
	- Computer Systems & Other Related Products			953.3	937.9	953.4
	- Telecommunication & Office Automation			311.1	165.1	177.8
b)	Internet & Related Services			(6.7)	(0.3)	(2.3)
c)	Unallocated					
	- Liquid Assets			45.2	182.3	216.4
	- Others Unallocated (including investment in assets given on finance lease)			54.5	52.5	25.4
	Total Capital Employed			1357.3	1337.5	1370.7

CONSOLIDATED BALANCE SHEET

	Rs crores	
Particulars	Unaudited	Unaudited
	31.12.08	30.9.08
Net Worth	1067.4	1042.2
Loans	285.5	378.6
Deferred Tax Liability (Net)	4.8	8.1
Net Fixed Assets	179.4	177.5
Investments and Cash & Bank Balances	231.3	354.7
Inventory	932.4	979.0
Sundry Debtors	1449.8	1460.8
Other Current Assets	299.9	308.8
Current Liabilities & Provisions	(1735.1)	(1851.8)
Total Capital Employed	1357.7	1429.0

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 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 360 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms.

For more information, log in at <http://www.hcl.in>