



HCL Infosystems Ltd

Fourth Quarter and Annual Results 2006-07

Investor Release, August 23, 2007

CHAIRMAN'S ADDRESS



Announcing the results, **Mr. Ajai Chowdhry**, Chairman and CEO, HCL Infosystems, said, "HCL leveraged its strengths in ICT technology leadership & System Integration capability to deliver another year of noteworthy growth. Our focus on System Integration business has resulted in large contracts for the company and our continued thrust on technological innovations was rewarded by a sustained market leadership in multiple product segments. Further the enhancement of HCL's digital lifestyle portfolio, with several new strategic tie-ups, and the launch of our new venture in high-end education rounded off an exciting year. HCL is today the leading ICT provider to both enterprises and consumers in India and we are confident of growing this leadership in a future of accelerated growth."

FINANCIAL HIGHLIGHTS

Annual Highlights

➤ Consolidated

- ❖ Revenue at Rs **11855.4** crores.
- ❖ Profit before tax at Rs **428.7** crores, up **11%** Y-o-Y. Profit after tax at Rs. **316.0** crores, up **13%** Y-o-Y.
- ❖ EPS is Rs. **18.7** per share.

➤ Computer Systems

- ❖ Revenue at Rs **2784.6** crores, up **17%** Y-o-Y. PBIT at Rs **174.3** crores, up **39%** Y-o-Y.

➤ Telecommunication & Office Automation

- ❖ Revenue at Rs. **9049.5** crores. PBIT at Rs. **267.1** crores, up **9%** Y-o-Y.

Quarterly Highlights

➤ Consolidated

- ❖ Revenue at Rs **3108.3** crores.
- ❖ Profit before tax at Rs **123.6** crores, up **24%** Y-o-Y. Profit after tax at Rs. **84.9** crores, up **21%** Y-o-Y.

➤ Computer Systems

- ❖ Revenue at Rs **843.8** crores, up **29%** Y-o-Y, up **16%** sequentially. PBIT at Rs **56.3** crores, up **67%** Y-o-Y.

➤ Telecommunication & Office Automation

- ❖ Revenue at Rs. **2259.5** crores. PBIT at Rs. **74.2** crores, up **18%** Y-o-Y.

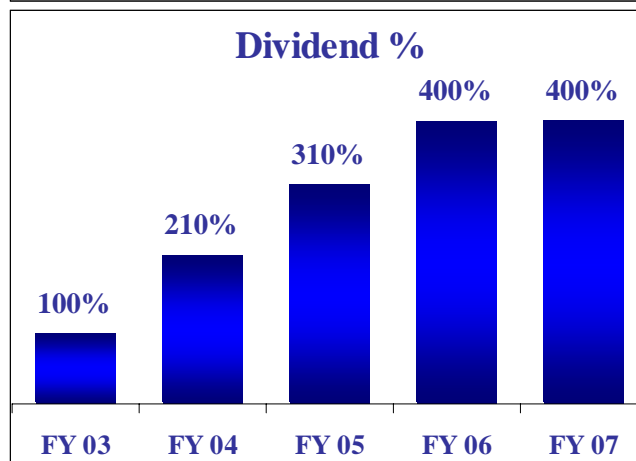
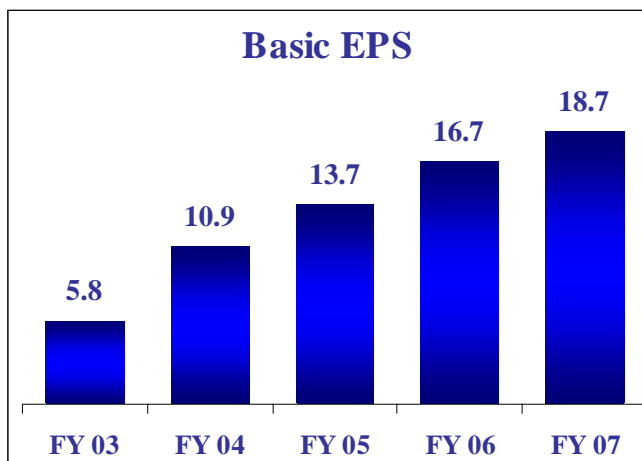
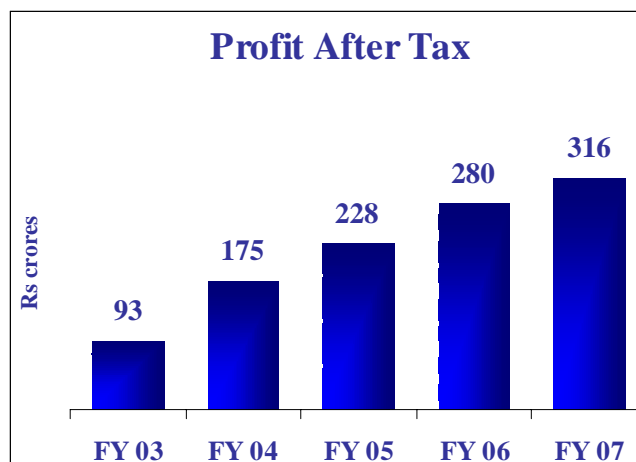
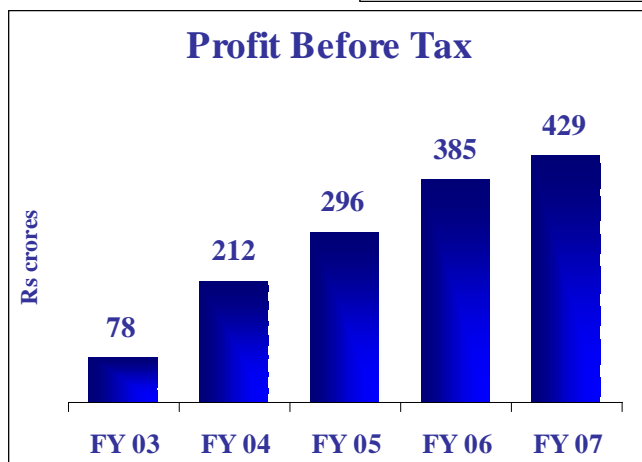
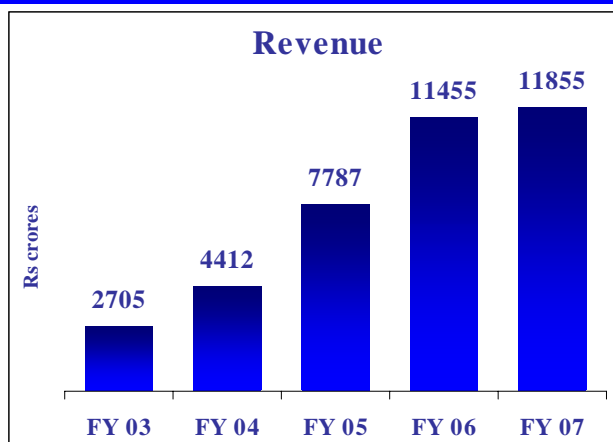
Final dividend of Rs 2/- per share (100 % on an equity share of par value of Rs. 2/- each). taking total dividend declared during the year 2006-07 to 400%.

9th consecutive 100% Dividend Declared.

BUSINESS HIGHLIGHTS

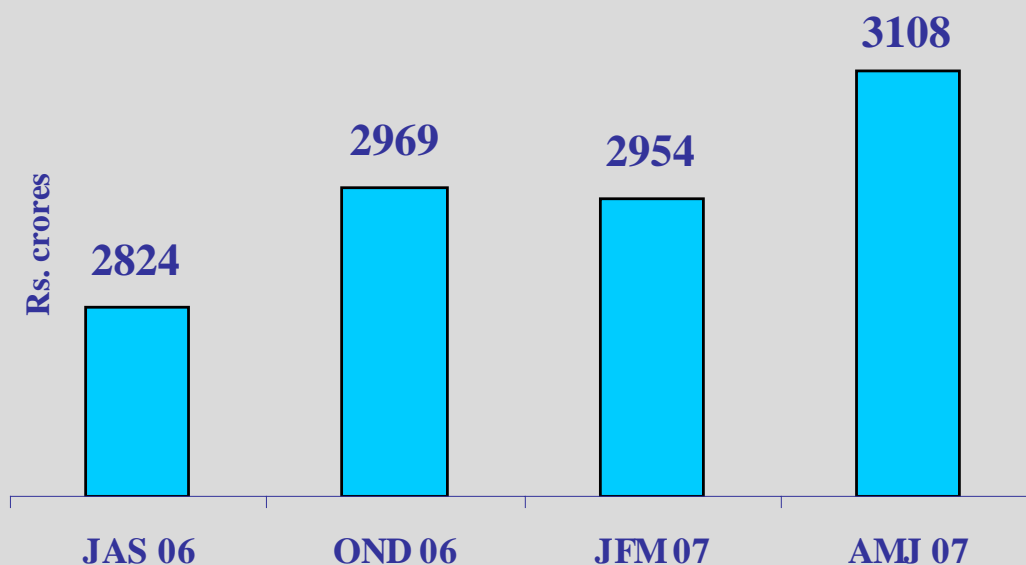
- ❖ Awarded multi technology, multi- year System Integration contract worth over Rs 500 crores from BSNL for Convergent Billing & Customer Relationship Management, which will enable BSNL to roll out services for its subscribers
- ❖ ICT education & training: 7 HCL CDC's were opened in the quarter taking the total to 27 centres.
- ❖ Strategic tie-up for nationwide distribution of the leading digital camera brand Kodak.

FINANCIAL SNAPSHOT



CONSOLIDATED RESULTS

The company has reported consolidated revenue of Rs 3108.3 crores during the quarter ended June 30, 2007 taking consolidated revenues for the year to Rs. 11855.4 crores.



Profit before tax was reported at Rs 123.6 crores during the quarter ended June 30, 2007 taking consolidated PBT for the year to Rs. 428.7 crores, a growth of 11%.

Profit after tax was reported at Rs. 84.9 crores during the quarter ended June 30, 2007 taking consolidated PAT for the year to Rs. 316.0 crores, a growth of 13%.

Earnings per share:

Basic EPS for the quarter ended June 30, 2007 was Rs. 5.0 per share of Rs. 2/- each as against Rs 4.2 per share in the corresponding quarter of the previous year.

Basic EPS for the year ended June 30, 2007 was Rs. 18.7 per share of Rs. 2/- each as against Rs 16.7 per share in the previous year, a growth of 12%.

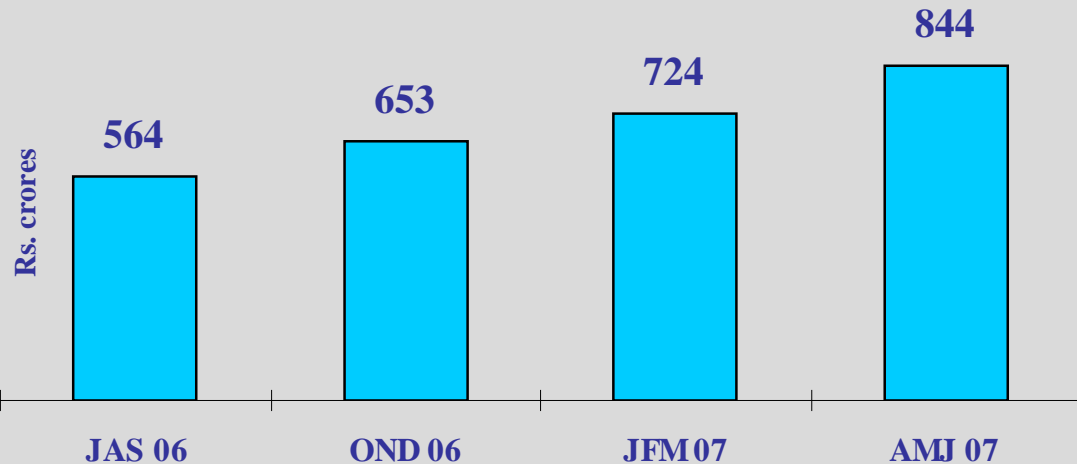
Dividend:

The Board of Directors has recommended Final dividend of Rs. 2/- per fully paid up share (100% on an equity share of par value of Rs 2/- each), taking the total Dividend Declared for the year to 400%.

SEGMENT RESULTS

Computer Systems & Other Related Products:

Computer Systems business revenues for the quarter was Rs. 843.8 crores, up 16% sequentially, taking the revenues for the year to Rs. 2784.6 crores, a growth of 17 % over the previous year.



PBIT of Computer Systems business for the quarter was Rs. 56.3 crores, a growth of 67% over corresponding period of the previous year.

PBIT for the year ended 30th June 2007 was Rs. 174.3 crores, a growth of 39% over the previous year.

SYSTEM INTEGRATION

HCL also announced being awarded multi technology, multi- year System Integration contract worth over Rs 500 crores from BSNL, the country's leading telecom operator.

This major System Integration project for Convergent Billing & Customer Relationship Management for BSNL, involves the implementation of multiple technologies in computing & communications apart from setting up of two state of the art data centres at Kolkata and Hyderabad. Each of the data centres will function as a disaster recovery site for the other. This project will help BSNL roll out various value added services for its subscribers and provide it a technology lead in the market.

HCL's strong focus on System Integration business yielded good dividends with the company winning a number of prestigious projects. HCL Infosystems has successfully designed, implemented, operated and managed a number of IT infrastructure solutions across industries like Telecom, E- Governance, BFSI & Power.

SEGMENT RESULTS

Computer Systems & Other Related Products:

HCL's consistent thrust on innovation and offering world-class technologies to Indian customers helped the company retain its market leadership in commercial desktops for the sixth year in a row, according to IDC figures for the financial year 2006-07. HCL emerged as India's largest desktop vendor according to IDC quarterly tracker, JFM 2007 figures.

In the Enterprise business space HCL showed good growth, winning new customers from leading corporates, education, defense, insurance majors, private & public sectors, banks etc.

HCL "Leaptops" were ranked amongst the top three selling laptop brands, in its first year of launch, witnessing an exciting growth of 176%. (Source IDC India Quarterly PC Tracker 1Q07). HCL Leaptops were rated the BEST by various publications, recognizing the efforts of HCL to provide the best to its customers. HCL Leaptops won Chip best value award (April 2007), PC Quest Editor's Choice Award (April 2007) and Computer Active Reader's Choice Award (June 2007).

HCL launched India's first RoHS compliant range of notebooks earlier this year & announced significant progress on its voluntary RoHS (Restriction of Hazardous Substances) implementation program.

During the year, HCL launched the next-generation of Desktop computers in its 'Beanstalk 2007' collection, spearheading the transition of desktop PCs from workstations to epicenters of 'digital entertainment'. HCL also introduced India's first One Terabyte personal computer.

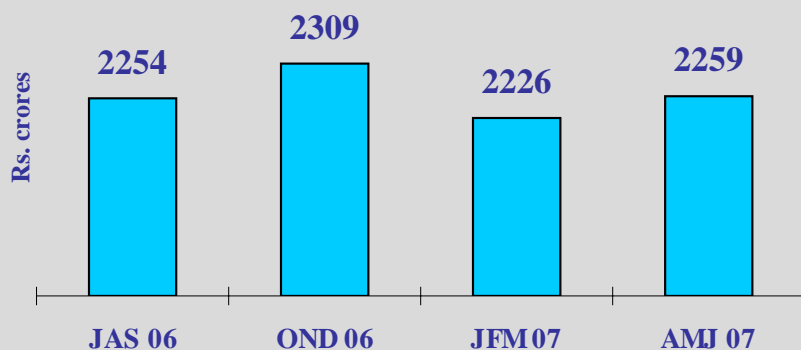
Identifying SMEs as a key growth segment, the company unveiled the one-of-its-kind 'HCL Datacentre in a Box' solution that delivers complete IT infrastructure solution in a compact package bundled with Enterprise Class Remote Support, integrating a host of hardware products including servers, switches, storage and power management.

HCL increased its stronghold in the growing Indian retail industry by emerging as the number one vendor of 'Point of Sales '(PoS) solutions in India. HCL continued to be the 'nation's first' for simultaneous global launches of advanced computing technologies into the country. HCL became India's first hardware vendor to introduce products such as Intel Core 2 Duo-powered PCs, Intel vPro based PCs, Dual-core Itanium processor-based enterprise servers, Windows Vista-loaded desktops and notebooks.

SEGMENT RESULTS

Telecommunication & Office Automation:

Telecommunication & Office Automation business revenue for the quarter was Rs. 2259.5 crores, taking the revenues for the year to Rs. 9049.5 crores.



PBIT for the quarter was Rs. 74.2 crores, taking the PBIT for the year to Rs. 267.1 crores, a growth of 9% over previous year.

In the mobile hand set business Nokia continued to do well this quarter too. The highlight of the quarter was extensive retail and trade promotions coupled with a series of new model launches.

The Telecom business of HCL reported good traction. HCL launched new products like HCL Palamino, the next-generation IP-PBX solution, while it received prestigious orders for Audio-Video and broadcasting integration from large media and entertainment companies. The company bagged order for largest deployment of 'Dial 100' solution comprising of tracking of more than 400 vehicles & manned by 100 call centre agents. The unique 'HCL Dial 100' police control room automation solution also received significant traction with several new orders from cities across India.

HCL's Printing and Imaging business continued its leadership in the product segments it takes to the market.

In the Networking & Managed services business, HCL reported major contract wins from leading corporates, airlines, microfinance industries among many others.

DIGITAL LIFESTYLE

HCL further enhanced its Digital Lifestyle offerings by announcing a strategic tie-up for nationwide distribution of the leading digital camera brand Kodak. HCL, with its extensive reach across channels and organized retail (including the HCL DigiLife Stores) will be a major force multiplier for Kodak.

The company sustained its focused thrust on HCL DigiLife stores, positioned as a one-stop shop for a comprehensive range of digital lifestyle products and solutions, quickly ramping up the number of stores to 39 across the country.

EDUCATION & TRAINING

The year also marked HCL's foray into high-end ICT Education & Training with the launch of HCL Career Development Centres across India. With an objective to meet the increasing demand for skilled professionals, HCL CDCs impart students' real world practical training on enterprise-wide ICT deployment and integration assignments to transform them into industry-ready professionals. In the last quarter, seven new centres were opened taking the total to 27 centres. HCL CDCs offer specially designed courses in high-end infrastructure hardware, middleware and networking integration.

AWARDS & RECOGNITIONS

- HCL bagged the 'IMM Top Organization Award 2007' for excellence
- HCL bagged the 'Amity Corporate Excellence Award 2007' for its distinct vision, innovation, competitiveness and sustenance
- HCL ranked amongst the 'Top 3 IT Hardware Companies' in India's 100 Most Valuable Brands by Planman Consulting & ICMR Research
- HCL bagged the 'Channels Choice Award' 2007 for Relationship Management and After Sales Support by IDC DQ Channels based on the IDC channel satisfaction survey
- HCL wins 2007 PC World Best Buy Awards for HCL Ezeebie Core 2 Duo Vista
- HCL received 'Brand of Excellence Award' in the VARIndia IT Forum - 2007.
- HCL Amongst the 'Top 3 Most Preferred Brands' in CNBC Awaaz Survey, 2006
- Recognized by Deloitte & Touche as winners in
 - Top 500 Fastest Growing Technology Companies in Asia Pacific" 2006
 - Top 50 Fastest Growing Technology Companies in India" 2006
- HCL bagged the Dun & Bradstreet Awards 2006 for 'Top Performance In The Computer Hardware & Peripherals Sector'.
- HCL Amongst the 'Top 5 Groups' as ranked in the DQ Top 20, 15th July, 2006
- India's 'No. 1 Vendor' for sales of A3 size Toshiba Multi Functional Devices for the year 2005-06 by IDC Dataquest.
- HCL Infosystems ranked amongst Top 21 companies in Business Standard 1000 Ranking 2006.
- HCL ranked amongst 'Top 50 in ET Top 500 Companies' Listings for 2006.

CONSOLIDATED PROFITABILITY

Profit and Loss Account - Consolidated						Rs crores
	Particulars	Unaudited			Audited	
		Nine months ended	Three months ended		Year ended	
		March 31,	June 30,		June 30,	
		2007	2007	2006	2007	2006
1a	Gross Sales / Income from Operations	8,747.1	3108.3	3,149.7	11855.4	11455.0
1b	Less: Excise Duty	126.3	43.8	51.6	170.1	86.7
1	Net Sales / Income from Operations	8,620.8	3064.5	3,098.1	11685.3	11368.3
2	Total Expenditure					
a)	(Increase)/Decrease in Stock in Trade	-226.9	(44.4)	61.2	(271.2)	(125.3)
b)	Cost of Sales (Net)	8,220.0	2852.4	2,826.2	11072.4	10714.7
c)	Staff Cost	164.7	62.5	49.6	227.2	180.9
d)	Administration, Selling, Repairs & Others	175.1	78.4	58.3	253.5	220.6
3	Depreciation	10.7	4.2	3.1	14.8	12.4
4	Operating Profit (1-2-3)	277.3	111.4	99.7	388.7	365.0
5	Exchange Fluctuation Gain/(Loss) (Net)	12.3	6.6	-6.5	19.0	(14.4)
6	Other Income	22.2	9.3	6.6	31.5	33.9
7	Interest (Net)	6.7	3.8	0.0	10.5	(0.9)
8	Profit before Tax (4+5+6-7)	305.1	123.6	99.8	428.7	385.3
9	Tax Expense					
	- Current	67.3	38.6	27.8	105.9	98.5
	- Deferred	4.7	(2.0)	1.4	2.7	3.4
	- Fringe Benefit	2.0	2.1	0.6	4.2	3.0
10	Net Profit after Tax (PAT) (8-9)	231.1	84.9	70.0	316.0	280.4
11	Basic EPS (Not annualised) Rs/share	13.7	5.0	4.2	18.7	16.7

KEY RATIOS

Key Ratios	FY 07	FY 06
Return on Capital Employed %	40%	49%
Return on Net Worth %	37%	40%
Debt / Debt+Equity	0.22	0.11
Debtors Collection period (days) { annualised}	31	22
Inventory turnover (annualised)	15	24
Current ratio	1.4	1.3

CONSOLIDATED SEGMENT

		Rs crores			
Particulars	Unaudited		Audited		
	Three months ended		year ended		
	June, 30		June 30,		
	2007	2006	2007	2006	
1. Segment Revenue					
a) Products and Related Services					
- Computer Systems & Other Related Products (Gross)	843.8	653.0	2784.6	2381.4	
Less: Excise Duty	43.8	51.6	170.0	86.7	
- Computer Systems & Other Related Products (Net)	800.0	601.4	2614.5	2294.7	
- Telecommunication & Office Automation	2259.5	2489.7	9049.5	9049.8	
b) Internet & Related Services	10.7	9.2	39.9	37.1	
Total	3070.1	3100.3	11703.9	11381.6	
Less: Intersegment revenue	5.7	2.2	18.6	13.3	
Net Sales / Income from Operations	3064.5	3098.1	11685.3	11368.3	
2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)					
a) Products and Related Services					
- Computer Systems & Other Related Products	56.3	33.8	174.3	125.5	
- Telecommunication & Office Automation	74.2	63.0	267.1	244.0	
b) Internet & Related Services	0.5	2.0	(1.9)	4.5	
Total	131.0	98.8	439.6	373.9	
Less:					
i) Interest (Net)	3.8	(0.0)	10.5	(0.9)	
ii) Other un-allocable expenditure net of un-allocable income	3.6	(1.1)	0.4	(10.5)	
Total Profit before Tax	123.6	99.8	428.7	385.3	
3. Capital Employed (Segment Assets - Segment Liabilities)					
a) Products and Related Services					
- Computer Systems & Other Related Products			653.8	386.7	
- Telecommunication & Office Automation			124.8	(1.2)	
b) Internet & Related Services			2.4	4.6	
c) Unallocated					
- Liquid Assets			287.5	353.6	
- Others Unallocated (including investment in assets given on finance lease)			27.0	38.7	
Total			1095.6	782.3	

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as on		Rs crores	
Particulars	30.6.07	31.3.07	30.6.06
Net Worth	859.7	813.3	697.7
Loans	235.9	84.4	84.6
Deferred Tax Liability (Net)	12.5	14.5	10.8
Net Fixed Assets	151.2	134.9	98.4
Investments and Cash & Bank Balances	469.2	344.9	509.9
Inventory	791.9	733.6	469.6
Sundry Debtors	1005.2	931.3	705.3
Other Current Assets	165.8	170.3	152.7
Current Liabilities & Provisions	(1475.3)	(1402.8)	(1142.8)
Total Capital Employed	1108.0	912.2	793.1

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd. with annual revenues of US\$ 2.7 billion (Rs. 11,855 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 Nokia, Apple, Casio, Kodak, Toshiba, Bull, Ericsson, Cisco, Microsoft, Konica Minolta 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 further information, please visit www.hclinfosystems.in

ABOUT HCL ENTERPRISE

HCL Enterprise is a leading global technology and IT enterprise with annual revenues of US \$4.1 billion (Rs. 17,889 crores). The HCL Enterprise comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is India's original IT garage start-up. Its range of offerings span Product Engineering, Technology and Application Services, BPO, Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products. The HCL team comprises over 47,000 professionals of diverse nationalities, who operate from 17 countries including 300 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