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# **HCL Infosystems Ltd**

## **First Quarter FY 2008**

*Investor Release, October 22, 2007*

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## CHAIRMAN'S ADDRESS



**Mr. Ajai Chowdhry, Chairman and CEO**, HCL Infosystems Limited, commenting on the results said, "Our strong focus on system integration and digital lifestyle distribution businesses enabled us to deliver noteworthy results in our first quarter. Media and Entertainment emerged as a new thrust vertical within the System Integration business, while expansion in product portfolio as well as HCL Digilife chain of stores boosted our revenues from digital lifestyle distribution business. HCL further consolidated its training business by offering HCL training programs through tie-ups with leading colleges and universities across the country."

## FINANCIAL HIGHLIGHTS

### Quarterly Highlights

#### ➤ Consolidated

- ❖ Revenue at Rs. **3130.4** crores, up **11%** Y-o-Y.
- ❖ Profit before tax at Rs. **105.6** crores, up **13%** Y-o-Y.
- ❖ Profit after tax at Rs. **72.1** crores, up **8%** Y-o-Y.

#### ➤ Computer Systems

- ❖ Revenue at Rs. **764.6** crores, up **36%** Y-o-Y. PBIT at Rs. **51.9** crores, up **66%** Y-o-Y.

#### ➤ Telecommunication & Office Automation

- ❖ Revenue at Rs. **2365.7** crores. PBIT at Rs. **66.9** crores.

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

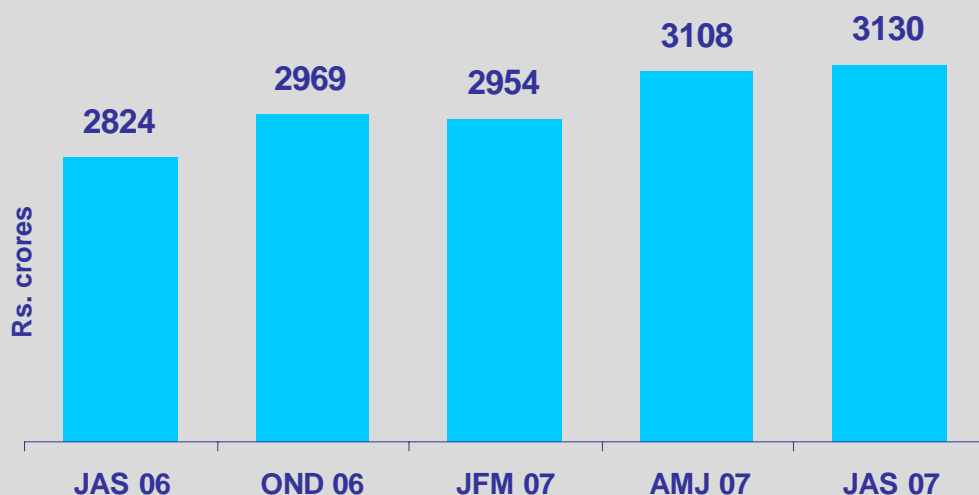
**10<sup>th</sup>** consecutive 100% Dividend Declared.

## BUSINESS HIGHLIGHTS

- ❖ Became the first Indian company to break the One Terabyte storage barrier in PCs with the **launch of HCL 1TB PC**
- ❖ **Launched** first **Quad-Socket High-End Enterprise server**, HCL IGL 4700 FC based on Intel's latest 7300 series of Quad core Xeon MP Processors
- ❖ **ICT Education & Training:** Announced strategic tie-ups with leading international IT training giants as their authorized training partner to deliver the training for their certification programs
- ❖ Ranked among the **top two IT companies** in the annual Dataquest-IDC **Best Employers Survey 2007**
- ❖ Recognized as the '**Most Preferred PC Brand**' at the prestigious **CNBC AWAAZ Consumer Awards 2007**
- ❖ Digilife retail chain won the '**Most Admired Retailer of the Year**' award in Consumer Durables and Electronics category at the **2007 IMAGES Retail Awards**

## CONSOLIDATED RESULTS

The company has reported consolidated revenue of Rs **3130.4** crores during the quarter ended September 30, 2007 as against Rs **2824.0** crores in the corresponding quarter of the previous year, a growth of **11%**.



Profit before tax was reported at Rs **105.6** crores during the quarter ended September 30, 2007 as against Rs **93.5** crores in the corresponding quarter of the previous year, a growth of **13%**.

Profit after tax was reported at Rs **72.1** crores during the quarter ended September 30, 2007 as against Rs **67.1** crores in the corresponding quarter of the previous year, a growth of **8%**.

### Earnings per share:

Basic EPS for the quarter ended September 30, 2007 was Rs. **4.3** per share of Rs. 2/- each as against Rs **4.0** per share in the corresponding period of the previous year.

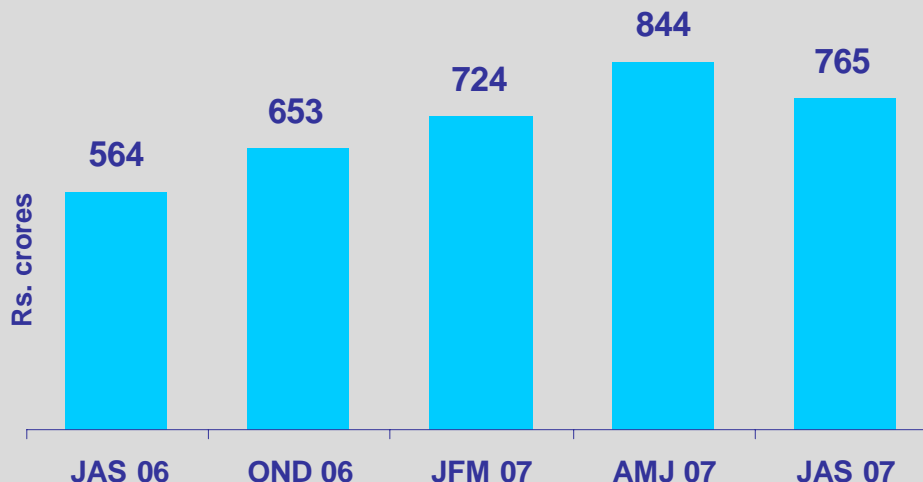
### Dividend:

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

## SEGMENT RESULTS

### Computer Systems & Other Related Products:

Computer Systems business revenues for the quarter was Rs. **764.6** crores as against Rs **563.6** crores in the corresponding quarter of the previous year, a growth of **36%**.



PBIT of Computer Systems business for the quarter was Rs. **51.9** crores as against Rs **31.2** crores in the corresponding quarter of the previous year, a growth of **66%**.

### SYSTEM INTEGRATION

Driving forth its System Integration business, HCL commenced execution of the recently awarded contract worth over Rs. 500 crores for the commissioning of an end to end CDR based customer care & convergent billing system facilitating an overall transition of the existing structure & processes of BSNL. This is the second SI project for HCL within a year from BSNL, subsequent to the Rs. 591 crores contract won late last year. HCL is designing, implementing, operating & managing numerous IT infrastructure solutions across segments like BFSI, Manufacturing, Government, FMCG, Education, Research & Defense, IT /ITeS utilities service providers etc.

In the enterprise space major orders were received from leading names across industry verticals including corporates, government, BFSI segments etc. In the banking vertical, HCL won a major order for rollout of CBS (Core Banking System) infrastructure, which included computing, imaging & printing solutions across 578 branches of a leading nationalized bank. HCL also announced being awarded another order in the banking segment to facilitate the central implementation of the Cash Management Solution for another nationalized bank.

Subsequent to the successful completion of e-procurement order won last year, HCL has once again been awarded a multi-crore national e-procurement system integration order this year. It includes implementation of hardware, software and services.

## SEGMENT RESULTS

### Computer Systems & Other Related Products:

This quarter witnessed another breakthrough win by HCL for the execution of a customized infrastructure solution including computing and security solutions for the largest regulatory body of the country. Another highlight of the quarter was the execution of a major hardware deal by HCL as part of the large System Integration project for UP State Wide Area Network undertaken by a government consultancy.

After the successful conclusion of the pilot phase conducted in 2006-07 this quarter saw the implementation of CIPA (Common Integrated Police Application) by HCL in more than 421 police stations covering Maharashtra, Haryana, Punjab, West Bengal, Meghalaya, A.P., Sikkim and Delhi.

In a drive to empower its regional executives with the unique power of mobility, a major finance outfit present across 400 locations in the country placed with the company a large order of HCL Laptops in the last quarter.

Earlier in the quarter, HCL became the first Indian company to break the One Terabyte storage barrier in PCs with the launch of HCL 1TB PC. A boon for the enterprise customers undertaking data-intensive projects in graphic designing, animation, publishing and video editing etc. one terabyte capacity allows consumers to store 56,000,000 pages of letter-sized text, 333,000 high-resolution (3MB each) jpeg images, 1,000,000 e-Books, 250,000 MP3 songs (4MB each), 500 standard-definition movies, 125 high-definition movies.

The last quarter further reiterated HCL's quest to bring in the latest technology for the Indian enterprise customers as the company heralded the era of quad-core computing in the high-end server market. HCL launched its first Quad-Socket High-End Enterprise server, HCL IGL 4700 FC based on Intel's latest 7300 series of Quad core Xeon MP Processors. This quad-socket server can handle a virtualized application environment with up to 16 virtual Machines, allowing it to single-handedly cater to all infrastructure requirements of emerging businesses.

Next in the series was the launch of HCL Infiniti Xcel Line 2200 LY and 2200 YA Servers, based on Quad-Core AMD Opteron processor, coinciding with the global launch of the processor. The performance versatility offered by HCL's new server line-up makes it the perfect fit for frequency-intense application workloads in multi-threaded, multi-tasked environments, typically experienced in HPC (High Performance Computing), Virtualization, Web Serving, Defence/Military and EDA/CAD/CAE applications. Designed to deliver increased energy efficiency, performance and virtualization support, the new HCL servers powered by Quad-Core AMD Opteron™ processor are targeted at banks, scientific and research labs, animation studios and software solution companies.

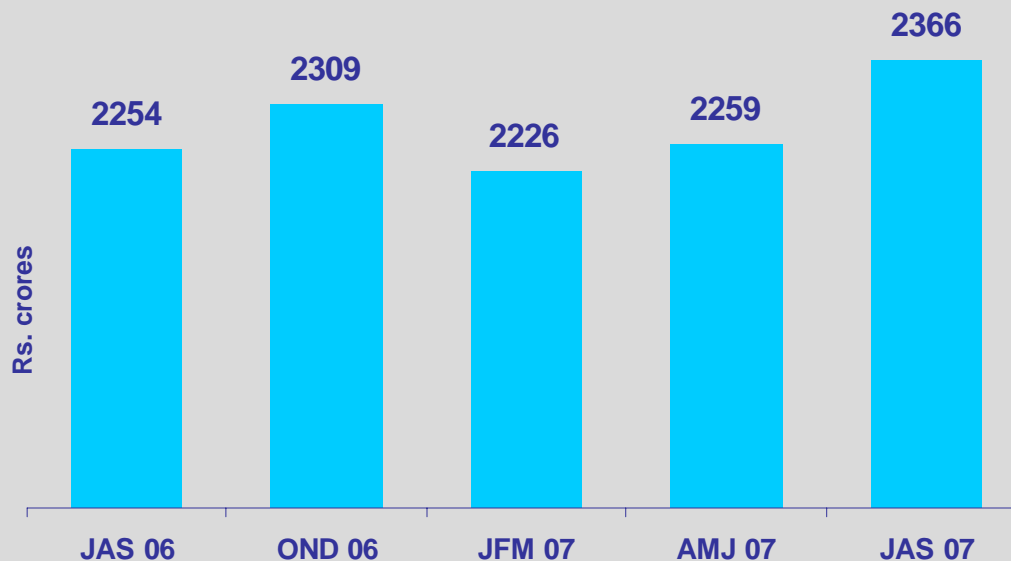
HCL also leveraged Toshiba's superior technology advantage in notebooks with the launch of two new Thin & Light and Ultraportable models – Portege M600 and Portege R500 respectively. The company also moved towards enhanced market penetration for Toshiba by covering 25 (additional) cities across India, apart from ensuring presence of Toshiba's notebook range in all major Large Format Retail Chains – Croma, Next, Jumbo, Vijay Sales, Max Hypermarket, Staples and IT Junction.

Gearing up for the up coming festival season, customized marketing strategies based on unique target customer segments were aimed to create consumer awareness about HCL Laptops & HCL Ezeabee desktops. 10 HCL branded Vans branded as 'Carnival on Wheels' carried these products pan India. An innovative, one of its kind, six-week campaign '**Monsoon Double Dhamaka**' was launched across the country. Customers who bought Intel Core2Duo powered HCL PCs got a scratch card giving them an opportunity to win 45 gold coins, six holidays in Singapore or Malaysia or the mega prize of one holiday in Switzerland for a couple. This doubled the excitement in the market, drawing more customers to experience the superior value offered by HCL desktop and notebook PCs.

## SEGMENT RESULTS

### Telecommunication & Office Automation:

Telecommunication & Office Automation business revenue for the quarter was Rs. **2365.7** crores as against Rs **2254.4** crores in the corresponding quarter of the previous year.



PBIT for the quarter was Rs. **66.9** crores as against Rs **62.3** crores in the corresponding quarter of the previous year.

This quarter saw a high-powered trade promotion activity organized jointly by HCL and Nokia, extended to its trade partners, the qualifying members of which got an opportunity to be a part of Twenty 20 world cup matches in South Africa.

HCL's **Imaging** business saw a steady growth in the previous quarter and continued to do well. HCL won several prestigious orders. The quarter saw HCL foray into production printing segment with a significant order from a progressive and fast growing major in the south of India, requiring high speed, high capacity solution for its large volume utility bill printing project. Another multi-crore win was a large order from a credit company to connect its branches via MPLS & VPN.

The unique '**HCL Digital Signage**' offering was very well received by Large/Medium Format Retail Chains. This cost-effective solution meets the specific needs of the retailers by enabling them to customize their digital signage contents to individual screens from remote location. It helps retailer's productivity and responsiveness, enabling secure access to network resources and applications.

HCL also consolidated its **Media & Entertainment** business during the quarter with two prestigious orders from Cable MSOs (Multiple Service Operators) in Bangalore and Mumbai. HCL also announced its entry into Cable Set Top Boxes (STBs) for Conditional Access System with new orders from MSOs in Kolkata and Bangalore. The company won several new orders from prestigious Television and Radio channels, including Doordarshan. HCL is leveraging its partnerships with global leaders in Media & Entertainment hardware, including Sony\*, BlueFish444\*, Playbox\* and Clyde Broadcast\* among others to offer high-performance solutions for the fast-growth broadcasting industry.

Disclaimer: \* Sony, BlueFish444, Playbox and Clyde Broadcast are all trademarks of respective companies.

## DIGITAL LIFESTYLE

In the retail segment, to expand its reach to the customers HCL implemented a massive retail makeover exercise at its dealer outlets, making use of several innovative and specialized retail branding concepts to make shopping fun and interactive for consumers. The HCL Digilife stores chain also continued its further expansion with the opening of new stores in Haryana, Velachery - Chennai, Jhansi taking the total number of stores to 40.

Earlier this quarter HCL entered into a tie up with Kodak to consolidate HCL's leadership in the digital lifestyle arena and enhanced its Digital Lifestyle focus with the addition of Kodak digital cameras to its portfolio. HCL also registered good revenue growth in Apple iPods with the launch of an exciting range of iPods. The new range includes the 'iPod nano' with video functionality and the revolutionary 'iPod touch'.

## EDUCATION & TRAINING

HCL's high-end **ICT Education & Training** business also announced strategic tie-ups with leading international IT training giants like Microsoft, Red Hat and Oracle as their authorized training partner to deliver the training for their certification programs. HCL CDCs also entered into institutional tie-ups with several engineering colleges all across India, to offer their students courses in cutting edge IT Hardware, Middleware and Networking technologies.

## AWARDS & RECOGNITIONS

- HCL was recognized as the '**Most Preferred PC Brand**' at the prestigious **CNBC AWAAZ Consumer Awards 2007** announced in Mumbai in August 2007.
- HCL Digilife retail chain won the '**Most Admired Retailer of the Year**' award in Consumer Durables and Electronics category at the **2007 IMAGES Retail Awards**, held in Mumbai in August 2007, in recognition of its unique 'consumer experiential zone' offering and its aggressive expansion strategy with the opening of 38 HCL Digilife stores in less than 11 months.
- HCL Infosystems was **ranked among the top two IT companies** in the annual **Dataquest-IDC Best Employers Survey 2007** in a glowing recognition of its industry leading HR practices and the resultant employee satisfaction. HCL has consistently ranked among the 'Top 3 IT employers in the country', for last three years in the Dataquest-IDC Best Employer Survey.
- HCL won awards in '**Environment Management**' and '**Quality**' categories at the **Elcina-Dun & Bradstreet Awards for Excellence in Electronics, 2006-07**.
- Nokia has recognized HCL consecutively for last two years with the '**Nokia Excellence Award**' for Sales & Distribution, Asia Pacific 2007.

## CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Rs crores			
		Unaudited		Audited	Growth
		Q1 FY 08	Q1 FY 07	FY 07	Y-o-Y
<b>1a</b>	<b>Gross Sales / Income from Operations</b>	<b>3130.4</b>	<b>2824.0</b>	<b>11855.4</b>	<b>11%</b>
1b.	Less: Excise Duty	38.7	39.3	170.1	
1.	Net Sales / Income from Operations	3091.8	2784.7	11685.3	
2.	Other Income	17.8	12.7	50.5	
3.	Total Income (1+2)	3109.6	2797.4	11735.8	
4.	Expenditure				
a)	(Increase)/Decrease in Stock in Trade and Work in Progress	-95.5	-151.9	-271.2	
b)	Consumption of Raw Materials	494.2	342.6	1531.1	
c)	Purchase of Traded Goods	2390.5	2360.6	9319.0	
d)	Stores & Spares consumed and Others	55.1	44.4	222.3	
e)	Employees Cost	69.8	49.4	227.2	
f)	Administration, Selling, Repairs & Others	77.9	53.7	253.5	
g)	Depreciation	4.3	3.9	14.8	
	<b>Total Expenditure</b>	<b>2996.3</b>	<b>2702.6</b>	<b>11296.6</b>	
5.	Interest Expense (Net)	7.7	1.3	10.5	
<b>6.</b>	<b>Profit (+)/ Loss (-) from ordinary activities before Tax (3-4-5)</b>	<b>105.6</b>	<b>93.5</b>	<b>428.7</b>	<b>13%</b>
7.	Tax Expense				
	- Current	30.8	25.5	105.9	
	- Deferred	0.3	0.4	2.7	
	- Fringe Benefit	2.4	0.6	4.2	
<b>8.</b>	<b>Profit (+)/ Loss (-) from ordinary activities after Tax (6-7)</b>	<b>72.1</b>	<b>67.1</b>	<b>316.0</b>	<b>8%</b>
9.	Extraordinary items (net of tax expense Rs Nil)	-	-	-	
<b>10.</b>	<b>Net Profit(+)/ Loss (-) for the period (8-9)</b>	<b>72.1</b>	<b>67.1</b>	<b>316.0</b>	<b>8%</b>
<b>11</b>	<b>Basic EPS (Not annualised) Rs/share</b>	<b>4.3</b>	<b>4.0</b>	<b>18.7</b>	
	Other Income includes Exchange Fluctuation Gain/(Loss) (Net)	6.6	1.6	19.0	

## KEY RATIOS

Key Ratios	JAS 07	FY 07
Return on Capital Employed %	36%	40%
Return on Net Worth %	32%	37%
Debt / Debt+Equity	0.27	0.22
Debtors Collection period (days) {annualised}	31	31
Inventory turnover (annualised)	13	15
Current ratio	1.7	1.4

## CONSOLIDATED SEGMENT

Particulars		Rs crores		
		Unaudited		Audited
		Three months ended		year ended
		September 30,		June 30,
		2007	2006	2007
<b>1. Segment Revenue</b>				
a)	Products and Related Services			
	- Computer Systems & Other Related Products (Gross)	764.6	563.6	2784.6
	Less: Excise Duty	38.7	39.3	170.0
	- Computer Systems & Other Related Products (Net)	725.9	524.3	2614.5
	- Telecommunication & Office Automation (Net)	2365.7	2254.4	9049.5
b)	Internet & Related Services	9.8	9.5	39.9
	Total	3101.4	2788.2	11703.9
	Less: Intersegment revenue	9.7	3.5	18.6
	<b>Net Sales / Income from Operations</b>	<b>3091.8</b>	<b>2784.7</b>	<b>11685.3</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	51.9	31.2	174.3
	- Telecommunication & Office Automation	66.9	62.3	267.1
b)	Internet & Related Services	(1.4)	(0.4)	(1.9)
	Total	117.3	93.2	439.6
	Less:			
	i) Interest Expense (Net)	7.7	1.3	10.5
	ii) Other un-allocable expenditure net off	8.7	5.2	20.2
	iii) Un-allocable income	4.6	6.8	19.8
	<b>Total Profit before Tax</b>	<b>105.6</b>	<b>93.5</b>	<b>428.7</b>
<b>3. Capital Employed (Segment Assets - Segment Liabilities)</b>				
a)	Products and Related Services			
	- Computer Systems & Other Related Products	860.4	400.6	653.8
	- Telecommunication & Office Automation	238.1	79.0	124.8
b)	Internet & Related Services	(0.1)	4.3	2.4
c)	Unallocated			
	- Liquid Assets	143.1	295.6	287.5
	- Others Unallocated (including investment in assets given on finance lease)	(1.4)	20.3	27.0
	<b>Total</b>	<b>1240.1</b>	<b>799.8</b>	<b>1095.6</b>

**CONSOLIDATED BALANCE SHEET**

Particulars	Rs crores	
	30.9.07	30.6.07
Net Worth	900.6	859.7
Loans	339.5	235.9
Deferred Tax Liability (Net)	12.8	12.5
Net Fixed Assets	155.2	151.2
Investments and Cash & Bank Balances	347.3	469.2
Inventory	944.4	791.9
Sundry Debtors	1056.9	1005.2
Other Current Assets	215.9	165.8
Current Liabilities & Provisions	(1466.8)	(1475.3)
<b>Total Capital Employed</b>	<b>1252.9</b>	<b>1108.0</b>

**ABOUT HCL INFOSYSTEMS**

HCL Infosystems Ltd, with revenue (TTM) of US \$ 2.9 Bn (Rs. 12162 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](http://www.hclinfosystems.in)

**ABOUT HCL ENTERPRISE**

HCL Enterprise is a leading global technology and IT enterprise with revenues (TTM) of US \$ 4.4 Bn (Rs. 18525 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 51,000 professionals of diverse nationalities, who operate from 18 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 please visit [www.hcl.in](http://www.hcl.in)