



# **Quarterly Earning Release**

## **First Quarter FY 10**

**October 29, 2009**

# **HCL Infosystems Ltd**

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## CHAIRMAN'S ADDRESS



Commenting at the results announcement **Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Ltd** said, "The year gone by has witnessed a major turmoil in the global economic scenario across the globe as well as in India. The ICT market in India has since de-grown due to a host of reasons including global slowdown, currency fluctuation and the political situation. However, with improving sentiments across the world, we have seen the Indian ICT market picking up sequentially over the last two quarters. HCL today is one of the largest India facing ICT companies, with diverse business portfolio's, each with its specific growth trajectory and this has helped the company to tide over the recent challenging times. The quarter witnessed HCL unveiling pathbreaking initiatives like 'Bharat PC' and has seen us investing in our brand through our new youth centric 'ME' campaign, which we intend to continue to invest in as we go forward. I am also proud to share that this quarter we were rated as the 'Best Employer' in the Indian IT sector by a DQ - IDC survey."

## FINANCIAL HIGHLIGHTS

### QUARTERLY HIGHLIGHTS

#### ➤ Consolidated

- ❖ Revenue at **Rs. 3027 crores**. Services revenue at **Rs. 147 crores**.
- ❖ Profit before tax at **Rs. 83 crores**. Profit after tax at **Rs. 59 crores**.
- ❖ Basic EPS at **Rs. 3.4** per share of Rs. 2/- each.

#### ➤ Computer Systems

- ❖ Revenue at **Rs. 817 crores**. PBIT at **Rs. 48 crores**.

#### ➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2222 crores**, a sequential growth of **2%**. PBIT at **Rs. 56 crores**.

Interim dividend of **Rs. 1.5/-** per share (**75 %** on an equity share of par value of **Rs. 2/-** each).

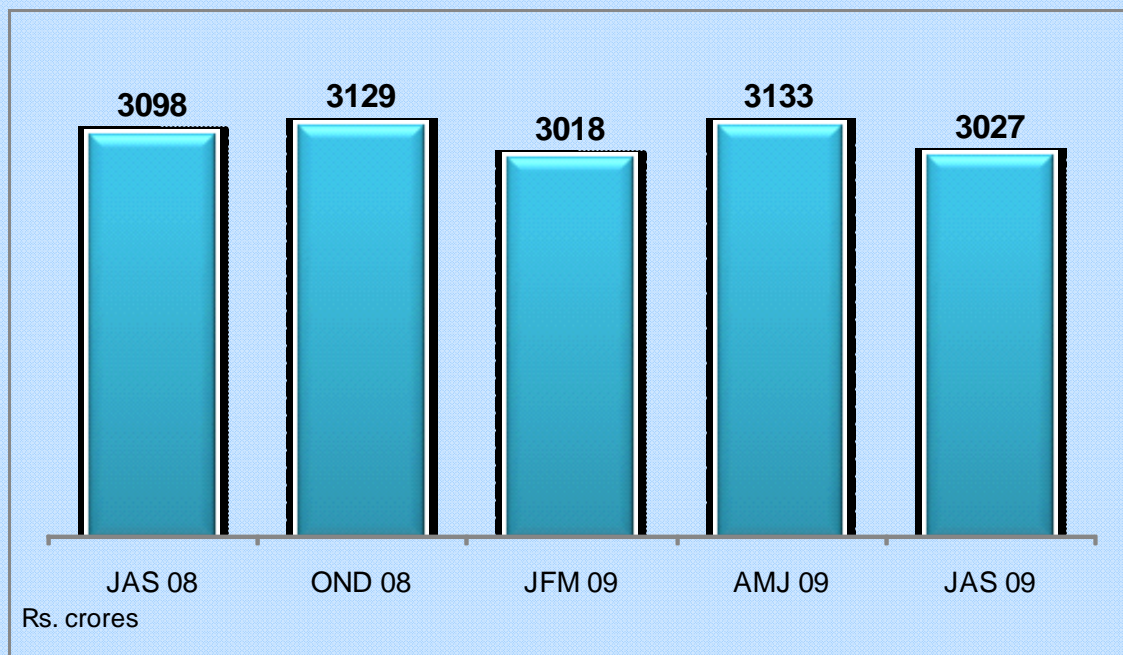
**25th consecutive quarterly Dividend Declared.**

## BUSINESS HIGHLIGHTS

- Bags India's First RAPDRP order of over **Rs. 500 crs** to implement a state wide power solution in Rajasthan.
- Launched 'Bharat PC' as a part of National Broadband Penetration Program (NBPP).
- Rolled out new marketing initiative 'Mobile Excitement', a multi dimension initiative with more focused marketing strategy towards today's youth.
- Ranked **No.1** by DQ -IDC 'Best Employers 2008 -09'.

# CONSOLIDATED RESULTS

The company has reported consolidated revenue of Rs. 3027.5 crores for the quarter ended September 30, 2009.



Consolidated services revenue for the quarter was Rs. 146.7 crores as against Rs.131.3 crores in the corresponding quarter of the previous year.

Consolidated profit before tax for the quarter was Rs. 83.0 crores.

Consolidated profit after tax for the quarter was Rs. 59.0 crores.

### Earnings per share:

Basic EPS for the quarter ended September 30, 2009 was Rs. 3.4 per share of Rs. 2/- each.

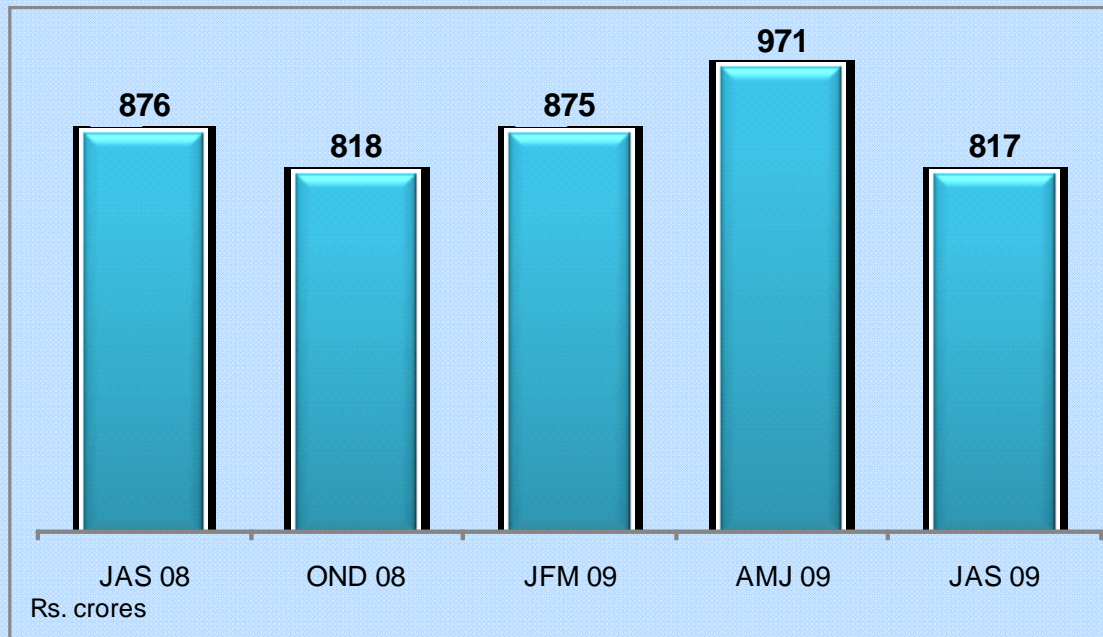
### Dividend:

The Board of Directors has recommended 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.

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

Revenue from Computer Systems business for the quarter was Rs. 817.4 crores.



Profit before interest & taxes for Computer Systems business for the quarter was Rs. 48.3 crores.

### SYSTEMS INTEGRATION

HCL's Systems integration business saw the company executing projects in a number of verticals like Telecom, Power, eGovernance, Infrastructure, Railways, Retail and BFSI & coop.

Typical Systems Integration projects are characterized by lumpy revenues and long gestation periods.

This quarter HCL bagged a contract of over Rs.500 crs to implement a state wide solution involving integration of IT GIS AMR & the associated technologies. The state is also the first in India to facilitate implementation of power reforms by the ministry of power under Re-structured Accelerated Power Development and Reform Program (RAPDRP). The project involves consultancy, design, development & implementation encompassing business process applications, CRM, Billing, GIS, AMR. The project involves setting up of a wide area network, data center with a disaster recovery back-up centre. The project will also implement a state wide differential GPS to map all the electrical assets of the three distribution companies of the state. The project involves creation of baseline data, energy audit, accountability & efficiency improved consumer services & satisfaction. This is the largest order in the power sector till date.

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

In Infrastructure area this quarter, HCL bagged an order from a leading airport of the country to deploy Airport control centre solution. This quarter HCL also undertook Network rollout for unreserved ticketing system under its Railways vertical. In Retail, this quarter saw wins to deploy retail solutions from a leading hospitality chain of the country and Milk Unions & private Dairies across Maharashtra. In the BFSI this quarter, HCL bagged order from a leading financial & banking institution of the country to deploy financial inclusion and infrastructure solutions.

In the eGovernance space, this quarter saw the company bag a project from Uttar Pradesh (UP) State Government, in-order to facilitate disbursement of wages to workers under NREGA project. In order to create an electronic monitoring and payment system, State Government of Uttar Pradesh has partnered with HCL Infosystems to implement technology for issuing e-job cards to workers in Aliya Block Under Sitapur district in UP.

The project will be implemented in multiple phases. These e-job cards also provide demographic and biometric details of all the family members willing to do unskilled work, online record of the workers attendance and the record of wages (both accrued and disbursed). These e-job cards are expected to completely eliminate bogus enrollments and transactions through simultaneous use of e-job cards and biometric authentication, authenticate and capture correct data at job site using handheld terminals and update it at block level database through internet/GSM connectivity.

#### Enterprise Products & Services

In the enterprise space HCL bagged orders to deploy desktops, servers and networking products from the leading names across industry verticals including government, education and BFSI.

HCL also saw wins in High Performance Computing space as the company bagged orders from leading universities and research institutions of the country. The company also bagged orders for deploying servers from leading Banks, Educational Institutions and Corporates.

HCL is committed to bring the best and the latest in technology to the Indian Customers. This quarter, the company launched a host of products and solutions designed especially for the enterprise market. HCL introduced a new desktop model Neutron PC with Optical Disk Drive (ODD) & Trim Top. On the notebooks front, company this quarter, launched ME Series 43 based on CULV SKU Intel GS40 chipset with 7 hours battery backup & multi touch gesture touch pad. In the server space, HCL this quarter introduced a new server series based on the latest Intel Nehalem architecture.

## SEGMENT RESULTS

### COMPUTER SYSTEMS & OTHER RELATED PRODUCTS

This quarter, HCL bagged a strategic IT outsourcing deal from Fortis Healthcare Ltd, the leading healthcare company in the country. The deal is a part of the five year agreement under which HCL will undertake complete outsourcing of IT systems and processes of the Fortis Healthcare Ltd. HCL will deploy Hospital Information Systems (HIS) & Enterprise Resource Planning (ERP) solutions to standardize operations across hospitals. HCL also bagged another IT outsourcing deal from a large player in logistics industry.

#### Consumer Business

The company this quarter continued its focus on Brand building through innovative and effective methods. This quarter three consumer promotion campaigns for HCL desktops and laptops were rolled out. 'Young India Offer' was launched in July, 'Freedom To Win' offer for August and 'Tick and Click' offer for Onam in September were successfully launched in different parts of the country.

To promote channel business, HCL successfully launched its Channel Loyalty Program "Star's Club" August'09 with an objective to cultivate loyalty among channel partners and provide sustainable mutual growth. The program elicited a very positive response from the channel community.

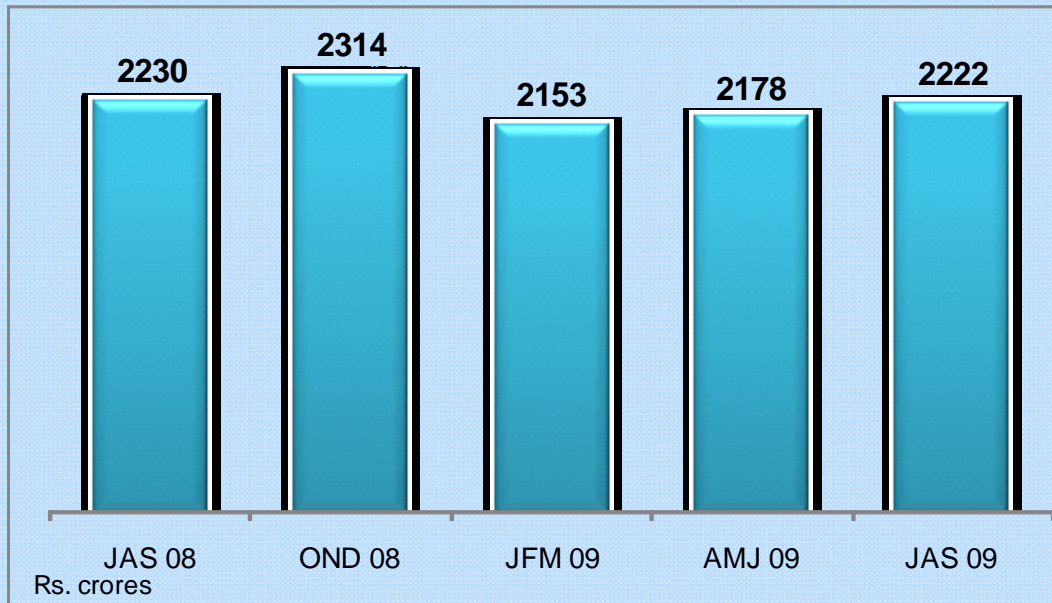
This quarter, the company also rolled out successfully its new marketing initiative 'Mobile Excitement'. The multi dimension initiative includes more focused marketing strategy towards today's nomadic customer and saw the launch of a new logo and TV commercial focused around Mobility and life-on-the-go. HCL ME campaign has been designed around the concept 'It's all about ME' thereby reaching out to the largest emerging consumer group – the youth & the young executives.

This quarter HCL along with BSNL launched HCL broadband PC under the National Broadband Penetration Program (NBPP). The program is a nationwide initiative to accelerate IT proliferation in rural India. The project aims to accelerate PC and broadband penetration by offering a complete solution and to create new markets in the interiors of the country. The NBPP project, believed to be the largest government program to promote rural connectivity till date, aims to break through the affordability barrier. The project aims to power the next million PC+ Broadband connections in untapped market space.

## SEGMENT RESULTS

### TELECOMMUNICATION & OFFICE AUTOMATION

Revenue from Telecommunication and Office Automation business for the quarter was Rs. 2221.6 crores, a sequential growth of 2%.



Profit before interest & taxes for Telecommunication and Office Automation business for the quarter was Rs. 55.6 crores.

With consumer sentiments picking up and festival season around the corner, the digital lifestyle business showed better growth in JAS 09 over corresponding quarter last year. As a part of rebranding exercise, HCL Digilife stores have been rebranded post the new brand launch of ME. The Multi category stores offering a range of ICT products including laptops, mobiles, cameras, MP3 Players and gaming consoles have been branded as "ME-Zones" and the Computing Stores selling desktops, laptops and netbooks are called "ME-Xclusives". In the distribution business, the market trend in this quarter has been positive compared to the previous quarters. New product launches by Nokia like Nokia 2323, 2700, 6303 and 6700 have been well accepted.

This quarter HCL bagged a turnkey contract from Bharti Airtel for establishing their network operation centre. The company also won an order from Commonwealth Games for installing and commissioning of the public announcements at the Indira Gandhi Indoor stadium.

## HCL SECURITY

In the security area this quarter company bagged an order for deploying Wireless IP Surveillance Solutions for monitoring purposes at the Khumb Mela in Haridwar and another order from Tutucorin Port Trust, Tutucorin for installing Wireless IP Surveillance Solutions for monitoring activities at the port area. HCL also bagged order from Indian Space Research Organization, Bangalore for installation of Perimeter Intrusion Detection Systems for detecting unauthorized entries inside the premises and projects for installing of X ray based Baggage Screeners to scan parcels & baggage of visiting guests at a major hotel in Mumbai. Also received was an order for installation of Under Vehicle Surveillance System for identification of hidden & concealed objects at the bottom chassis of the vehicles passing by.

## EDUCATION & TRAINING

This quarter saw the launch of 'HCL DigiSchool', state-of-the-art solutions designed for Indian schools that offer modern multimedia classroom with world class content. HCL announced this new initiative at 'eIndia', a three day international conference on ICT applications being held at Hyderabad. HCL DigiSchool solutions are designed & customized as per Indian school curriculum including all K12 boards.

Build on the latest eLearning standards, the state of the art module effectively integrates Sharable Content Object Reference Model (SCORM) which is a collection of standards and specifications for web-based e-learning. SCORM compliant Learning Management Systems (LMS) helps in effective lesson planning and content management and seamless integration of various features like interactive white board, student response system and online examination module.

HCL's Training initiatives have grown its presence rapidly over the last quarter taking ICT education to the various corners of India. This quarter HCL CDC announced Yuva Pratibha Scholarship Exam. The initiative saw good response nationally with over 15,000 participants taking the online assessment test. This quarter HCL CDC also tied up with world's leading independent IT management software company to provide training on network management & security products.

## EMPLOYEE MATRIX

HCL Infosystems continues to invest in strong people management initiatives. The total employee strength as on 30th Sep 09 was 6105. This quarter the company has also been ranked as 'Best Employer 2008-09' in the Indian IT sector by IDC DQ survey.

## ENVIRONMENT INITIATIVES

HCL has always been focused in developing a sustainable future through environment friendly green computing. 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

CONSOLIDATED PROFIT & LOSS ACCOUNT		Rs crores		
		Unaudited		Audited
		Q1 FY 10	Q1 FY 09	FY 09
	<b>Gross Sales / Income from Operations</b>	3,027.5	3,098.5	12,378.5
	Less: Excise Duty	28.5	39.7	126.1
1a.	Net Sales / Income from Operations	2,999.0	3,058.8	12,252.4
1b.	Other Operating Income #	2.3	(12.6)	(4.6)
2	Expenditure			
	(Increase) / Decrease in Stock in Trade and Work in Progress			
a)	110.6	(93.2)	(18.6)	
b)	Consumption of Raw Materials	389.5	549.6	1,860.3
c)	Purchase of Traded Goods	2,147.0	2,251.7	8,928.4
d)	Purchase of Services	55.2	44.8	256.4
e)	Stores & Spares consumed and Others	33.1	29.2	136.5
f)	Employees Cost	89.6	81.0	338.2
g)	Administration, Selling, Repairs & Others	83.2	78.1	344.8
h)	Depreciation	5.9	4.7	21.3
	Total Expenditure	2,913.9	2,945.9	11,867.2
3	<b>Profit from Operations before Other Income &amp; Interest (1-2)</b>	87.3	100.3	380.5
4	Other Income	4.1	5.3	15.4
5.	<b>Profit before Interest (3+4)</b>	91.4	105.7	396.0
6.	Interest Expense	8.4	9.6	44.7
7.	<b>Profit (+) / Loss (-) from ordinary activities before Tax (5-6)</b>	83.0	96.0	351.3
8.	Tax Expense	24.0	30.0	111.4
9.	<b>Net Profit (+) / Loss (-) from ordinary activities after Tax (7-8)</b>	59.0	66.1	239.9
10.	Extraordinary items (net of tax expense Rs Nil)	-	-	-
11.	<b>Net Profit(+) / Loss (-) for the period (8-9)</b>	59.0	66.1	239.9
12	<b>Basic EPS (Not annualised) Rs/share</b>	3.4	3.9	14.0
	Other Operating Income includes Exchange Fluctuation Gain/(Loss) (Net)	(1.7)	(16.5)	(26.4)

## KEY RATIOS

Key Ratios	Q1 FY 10	FY 09
Return on Capital Employed %	25%	29%
Return on Net Worth %	21%	21%
Debt / Debt+Equity	0.23	0.17
Debtors Collection period (days) {annualised}	49	44
Inventory turnover (annualised)	15	14
Current ratio	1.6	1.4

## CONSOLIDATED SEGMENT

		Rs crores		
Particulars		Unaudited		Audited
		Q1 FY 10	Q1 FY 09	FY 09
<b>1.</b>	<b>Segment Revenue</b>			
a)	Products and Related Services			
	- Computer Systems & Other Related Products and Services (Gross)	817.4	875.9	3,540.0
	Less: Excise Duty	28.5	39.7	126.1
	- Computer Systems & Other Related Products and Services (Net)	788.9	836.3	3,413.9
	- Telecommunication & Office Automation (Net)	2,221.6	2,229.8	8,874.5
b)	Internet & Related Services	16.7	9.4	46.1
	Total	3,027.2	3,075.4	12,334.5
	Less: Intersegment revenue	28.2	16.7	82.1
	<b>Net Sales / Income from Operations</b>	<b>2,999.0</b>	<b>3,058.8</b>	<b>12,252.4</b>
<b>2.</b>	<b>Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)</b>			
a)	Products and Related Services			
	- Computer Systems & Other Related Products and Services	48.3	47.6	177.3
	- Telecommunication & Office Automation	55.6	62.7	246.2
b)	Internet & Related Services	(5.4)	(1.4)	(17.8)
	Total	98.4	108.9	405.7
	Less:			
	i) Interest Expense	8.4	9.6	44.7
	ii) Other un-allocable expenditure net off	11.1	8.5	25.1
	iii) Un-allocable income	4.1	5.3	15.4
	<b>Total Profit before Tax</b>	<b>83.0</b>	<b>96.0</b>	<b>351.3</b>
<b>3.</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>			
a)	Products and Related Services			
	- Computer Systems & Other Related Products and Services	1082.2	981.1	875.6
	- Telecommunication & Office Automation	216.9	314.0	187.5
b)	Internet & Related Services	(10.7)	(2.2)	(8.8)
c)	Unallocated			
	- Liquid Assets	200.0	115.4	268.5
	- Others Unallocated (including investment in assets given on finance lease)	(7.7)	12.5	25.9
	<b>Total Capital Employed</b>	<b>1480.8</b>	<b>1420.8</b>	<b>1,348.8</b>

## CONSOLIDATED BALANCE SHEET

Particulars	Rs crores	
	Unaudited 30.09.09	Audited 30.06.09
Net Worth	1134.6	1121.9
Loans	346.2	226.8
Deferred Tax Liability (Net)	(9.9)	(5.6)
Net Fixed Assets	188.4	185.2
Investments and Cash & Bank Balances	418.5	470.1
Inventory	787.9	889.1
Sundry Debtors	1620.2	1506.3
Other Current Assets	353.9	306.1
Current Liabilities & Provisions	(1898.1)	(2013.8)
<b>Total Capital Employed</b>	<b>1470.8</b>	<b>1343.1</b>

## ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US \$ 2.6 billion (Rs. 12,307 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 60,000 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)

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