

# HCL Infosystems Limited

## **Q3 & FY16 (9 months) Investor Update**

**26th May 2016**

Change of Current Financial Year by shortening it to 9 months i.e. to end on March 31, 2016 (from July 01, 2015 to March 31, 2016) to comply with the requirement of the Companies Act.

The HCL logo is located in the bottom right corner of the slide. It consists of the letters 'HCL' in a bold, blue, sans-serif font. The 'H' and 'C' are connected, and the 'L' is separate. The logo is positioned in the bottom right corner of the slide.

## **Disclaimer**

This may contain "forward-looking" information including statements concerning HCL's outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. The forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those that may be inferred to be expressed in, or implied by, the statements. HCL assumes no obligation to publicly update or revise these forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize. All Trademarks are the sole property of their respective owners.

The enclosed financials provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

## **Legal Notice**

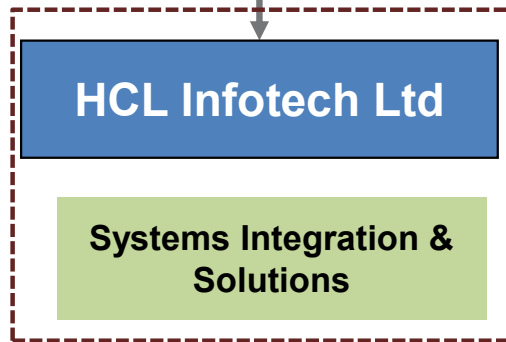
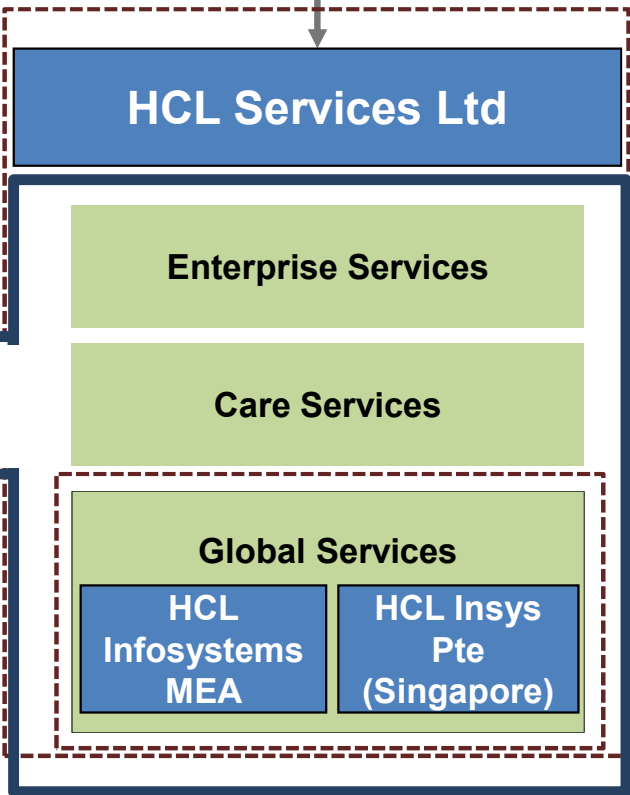
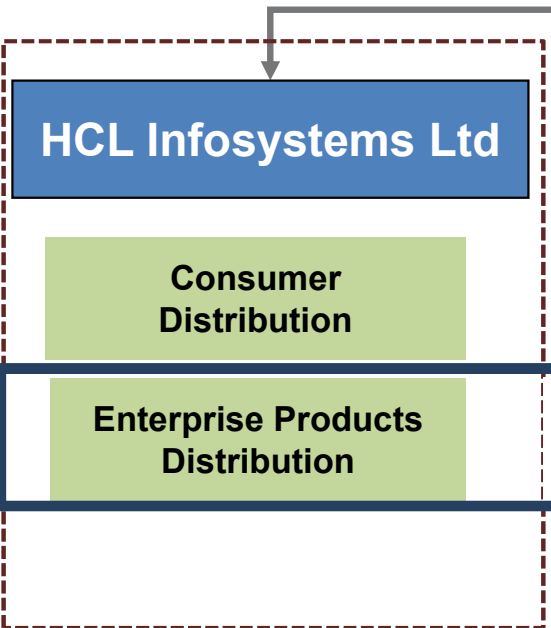
Although considerable care has been taken in preparing and maintaining the information and material contained herein, HCL makes no representation nor gives any warranty as to the currency, completeness, accuracy or correctness of any of the elements contained herein. Facts and information contained herein are believed to be accurate at the time of posting. However, information may be superseded by subsequent disclosure, and changes may be made at any time without prior notice. HCL shall not be responsible for, or liable in respect of, any damage, direct or indirect, or of any nature whatsoever, resulting from the use of the information contained herein.

# Structured for Growth

Legal entity

Business Unit

HCL Infosystems



HCL Learning Ltd

Enterprise Business

# Highlights – Q3 & FY16 (9M)

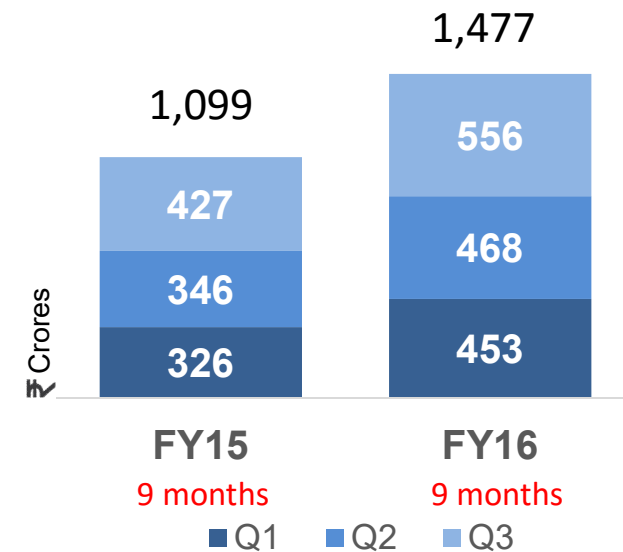
## Business Highlights

- Q3 2016 revenue was Rs. 1,101 Cr. vs. Rs. 1,147 Cr. in Q2 2016, contraction restricted to 4% despite 20% Q-o-Q reduction in Consumer Distribution
- Consumer Business revenue contracted 20% Q-o-Q
  - Weak demand environment for the product portfolio and sector going through significant brand entries and exits
- Enterprise Business revenue increased 34% Y-o-Y on 9 month basis and 19% Q-o-Q
  - Enterprise Products Distribution recorded highest ever revenue growth of 72% Y-o-Y and 48% Q-o-Q
  - Enterprise Services grew 11% Y-o-Y, while Q-o-Q it declined by 5% consequent to contract rationalisation
- SI – Key projects moving towards commercial closure, pending order book at Rs. 1,180 Cr
- Profit / (Loss) before interest, taxes and exceptional items for Q3 was Rs. (30.4) Cr and for FY16 was Rs. (79.8) Cr
- Exceptional item is mainly on account of Non-Cash impairment of goodwill in respect to Learning Business of Rs. 70 Cr.
- Profit / (Loss) before tax and after exceptional items for Q3 was INR (140.6) Cr and for FY16 was Rs. (253.1) Cr

# Enterprise Business

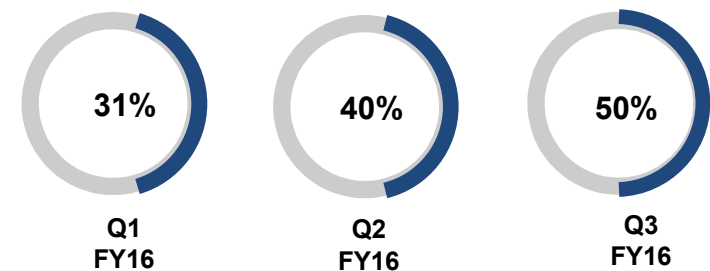
## Enterprise Business

- Enterprise Products Distribution
- Enterprise Services
  - Domestic
  - Global
  - Care (B2B2C)



## Conscious focus on Enterprise Business yielding results

- The overall value proposition around Technology Lifecycle Partnership seeing client traction
- The share of overall Enterprise business now at 50%
- Investments in Emerging Technology areas like IoT, Cloud, Mobility on track



# Q3 P&L - Snapshot

Unaudited ₹ crores

| Q3 FY16 | Particulars   | Consumer Business | Enterprise Business | Learning | SI & Solutions | Unallocated / Eliminations | Total               | Q2FY16 |
|---------|---|-------------------|---------------------|----------|----------------|----------------------------|---------------------|--------|
| 1       | <b>Consolidated Revenue</b>   | 453               | 556                 | 5        | 111            | (24)                       | 1,101 <sup>1</sup>  | 1,147  |
| 2       | Profit / (Loss) before provision for doubt debts / write-off and impairments            | 9.0               | (15.3)              | (2.3)    | (0.6)          | (10.2)                     | (19.4) <sup>2</sup> | (20.6) |
| 3       | Provision for doubtful debts / write-off and impairments                                | 0.3               | 2.9                 | 3.2      | 9.0            | 0.8                        | 16.2 <sup>3</sup>   | 10.3   |
| 4       | Other Income  | 0.0               | 1.8                 | 0.2      | 0.7            | 2.4                        | 5.1                 | 2.1    |
| 5       | <b>Profit / (Loss) before Interest and Tax (2-3+4)</b>                                  | 8.7               | (16.4)              | (5.3)    | (8.9)          | (8.6)                      | (30.4)              | (28.8) |
| 6       | Net Finance Cost  |                   |                     |          |                |                            | 39.1 <sup>4</sup>   | 35.2   |
| 7       | <b>Profit / (Loss) Before Tax &amp; Exceptional Items</b>                               |                   |                     |          |                |                            | (69.6) <sup>5</sup> | (64.0) |
| 8       | <b>Exceptional item (includes Goodwill write-off for learning business – Rs. 70 cr)</b> |                   |                     |          |                |                            | 71.1                | -      |
| 9       | <b>Profit / (Loss) before Tax &amp; after Exceptional items</b>                         |                   |                     |          |                |                            | (140.6)             | (64.0) |
| Q2 FY16 | Profit / (Loss) before Interest and Tax (2-3+4)   | 13.9              | (12.5)              | (5.0)    | (4.8)          | (20.4)                     | (28.8)              |        |

- Overall revenue declined from Rs. 1147 cr. in Q2 to Rs. 1101 cr. in Q3
- Loss before provision for doubt debts / write-off & impairment decreased from 20.6 cr. in Q2 to 19.4 cr. in Q3
- Provisions higher at Rs. 16.2 cr. in Q3 vs. Rs. 10.3 cr. in Q2

- Net Finance Cost increased from Rs. 35.2cr. in Q2 to Rs. 39.1 cr. in Q3
- The Loss before tax & exceptional increased from Rs. 64.0 cr. in Q2 to Rs. 69.6 cr. in Q3



# Q3 P&L - Snapshot

Unaudited ₹ crores

| Q3<br>FY16 | Particulars  | Consumer<br>Distribution | Enterprise<br>Distribution | Services      | Learning     | SI &<br>Solutions | Unallocated /<br>Eliminations | Total                      | Q2FY16        |
|------------|--|--------------------------|----------------------------|---------------|--------------|-------------------|-------------------------------|----------------------------|---------------|
| 1          | <b>Consolidated Revenue</b>  | <b>453</b>               | <b>316</b>                 | <b>240</b>    | <b>5</b>     | <b>111</b>        | <b>(24)</b>                   | <b>1,101</b> <sup>1</sup>  | <b>1,147</b>  |
| 2          | Profit / (Loss) before provision for doubt debts / write-off and impairments     | <b>9.0</b>               | <b>(1.8)</b>               | <b>(13.5)</b> | <b>(2.3)</b> | <b>(0.6)</b>      | <b>(10.2)</b>                 | <b>(19.4)</b> <sup>2</sup> | <b>(20.6)</b> |
| 3          | Provision for doubtful debts / write-off and impairments                         | <b>0.3</b>               | <b>0.0</b>                 | <b>2.9</b>    | <b>3.2</b>   | <b>9.0</b>        | <b>0.8</b>                    | <b>16.2</b> <sup>3</sup>   | <b>10.3</b>   |
| 4          | Other Income   | <b>0.0</b>               | <b>0.2</b>                 | <b>1.6</b>    | <b>0.2</b>   | <b>0.7</b>        | <b>2.4</b>                    | <b>5.1</b>                 | <b>2.1</b>    |
| 5          | <b>Profit / (Loss) before Interest and Tax (2-3+4)</b>                           | <b>8.7</b>               | <b>(1.6)</b>               | <b>(14.8)</b> | <b>(5.3)</b> | <b>(8.9)</b>      | <b>(8.6)</b>                  | <b>(30.4)</b>              | <b>(28.8)</b> |
| 6          | Net Finance Cost   |                          |                            |               |              |                   |                               | <b>39.1</b> <sup>4</sup>   | <b>35.2</b>   |
| 7          | <b>Profit / (Loss) Before Tax &amp; Exceptional Items</b>                        |                          |                            |               |              |                   |                               | <b>(69.6)</b> <sup>5</sup> | <b>(64.0)</b> |
| 8          | Exceptional item (includes Goodwill write-off for learning business – Rs. 70 cr) |                          |                            |               |              |                   |                               | <b>71.1</b>                | <b>-</b>      |
| 9          | <b>Profit / (Loss) before Tax &amp; after Exceptional items</b>                  |                          |                            |               |              |                   |                               | <b>(140.6)</b>             | <b>(64.0)</b> |
| Q2<br>FY16 | Profit / (Loss) before Interest and Tax (2-3+4)                                  | 13.9                     | (4.3)                      | (8.2)         | (5.0)        | (4.8)             | (20.4)                        | (28.8)                     |               |

- Overall revenue declined from Rs. 1147 cr. in Q2 to Rs. 1101 cr. in Q3
- Loss before provision for doubt debts / write-off & impairment decreased from 20.6 cr. in Q2 to 19.4 cr. in Q3
- Provisions higher at Rs. 16.2 cr. in Q3 vs. Rs. 10.3 cr. in Q2

- Net Finance Cost increased from Rs. 35.2cr. in Q2 to Rs. 39.1 cr. in Q3
- The Loss before tax & exceptional items increased from Rs. 64.0 cr. in Q2 to Rs. 69.6 cr. in Q3



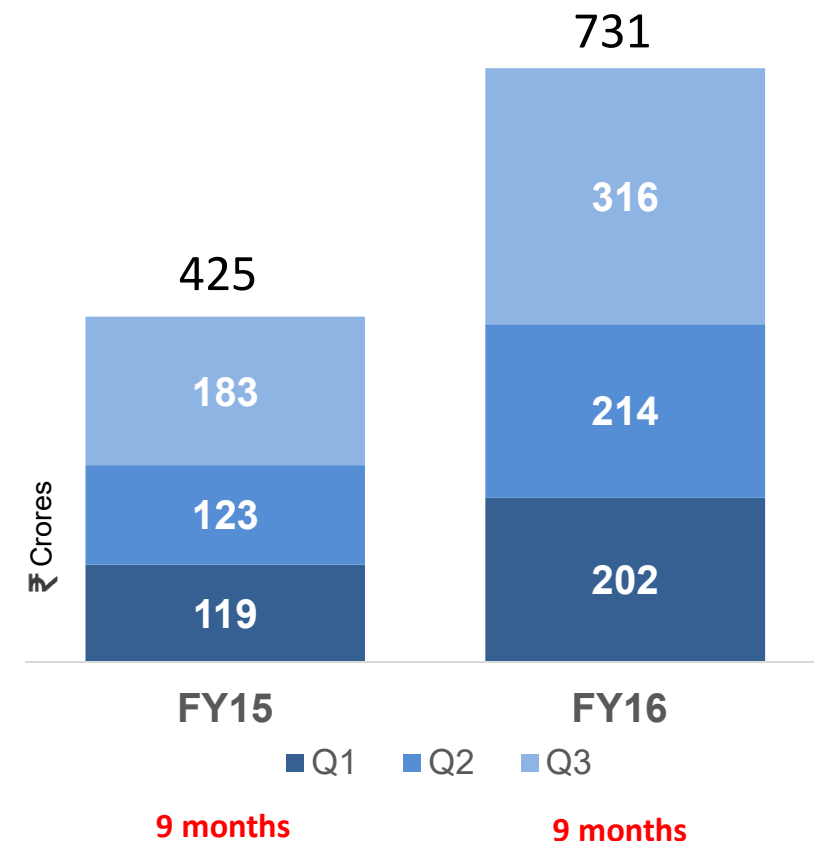
# Enterprise Business - Enterprise Products Distribution (1/3)

- **Highest ever Revenue growth -**
  - 48% Q-o-Q and 72% Y-o-Y
- Signed up with New OEMs
- ISO 9001 Certification has been successfully completed for Sales Distribution & Services
- Integrated Go-to Market across partner and enterprise organization, structured for operational and client synergies

Enterprise Distribution won the Global System Integrator Award in the recently concluded Dell Partner meet.

Won “Operational Excellence Award” for Order Management Process – Enterprise Distribution in National Quality Excellence Award ceremony Feb-2016

## Enterprise Products Distribution Revenue



Unaudited management accounts

**HCL**

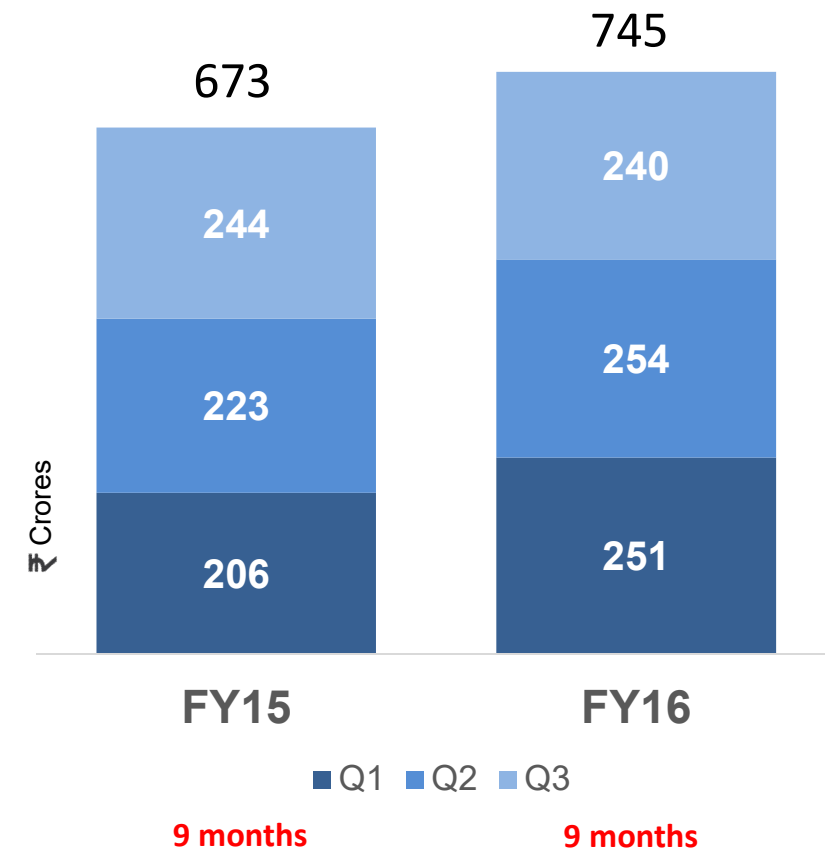


# Enterprise Business – Enterprise Services (2/3)

## Enterprise Services\*:

- 11% Y-o-Y revenue growth, 5% decline Q-o-Q
- Contract Rationalization & Productivity Improvement initiatives continue
- Pipeline of Global business healthy

## Enterprise Services Revenue



Unaudited management accounts

\*Includes HCL Care business

# Enterprise business (3/3 )

Unaudited ₹ crores

| S.No. | Particulars   | Q1 FY16       | Q2 FY16       | Q3 FY16       | FY16*         |
|-------|---|---------------|---------------|---------------|---------------|
| 1     | <b>Consolidated Revenue</b>   | <b>453</b>    | <b>468</b>    | <b>556</b>    | <b>1477</b>   |
| 2     | Profit / (Loss) before Exchange differences and Provisions for doubtful debts / write-off and impairments | (7.2)         | (8.0)         | (15.3)        | (30.5)        |
| 3     | Provisions for doubtful debts / write-off and impairments   | 8.3           | 5.2           | 2.9           | 16.3          |
| 4     | Other Income  | 0.2           | 0.6           | 1.8           | 2.6           |
| 5     | <b>Profit / (Loss) before Interest and Tax (2-3+4)</b>  | <b>(15.3)</b> | <b>(12.5)</b> | <b>(16.4)</b> | <b>(44.2)</b> |

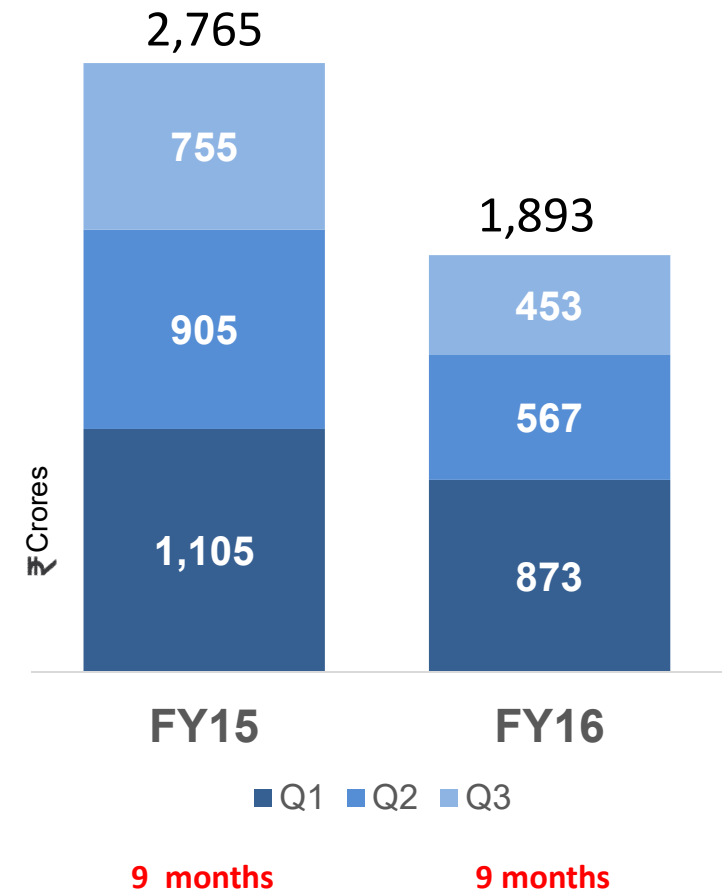
\* FY16 comprises 9 months (Q1+Q2+Q3) due to change in current financial year in this reporting

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

# Consumer Business – Consumer Distribution (1/2)

- Q3 revenue declined 20%:
  - Weak demand environment for the product portfolio
  - Sector going through significant brand entries and exits
- Rationalized costs commensurate with declining volumes

## Consumer Distribution Revenues



# Consumer Business (2/2)

Unaudited ₹ crores

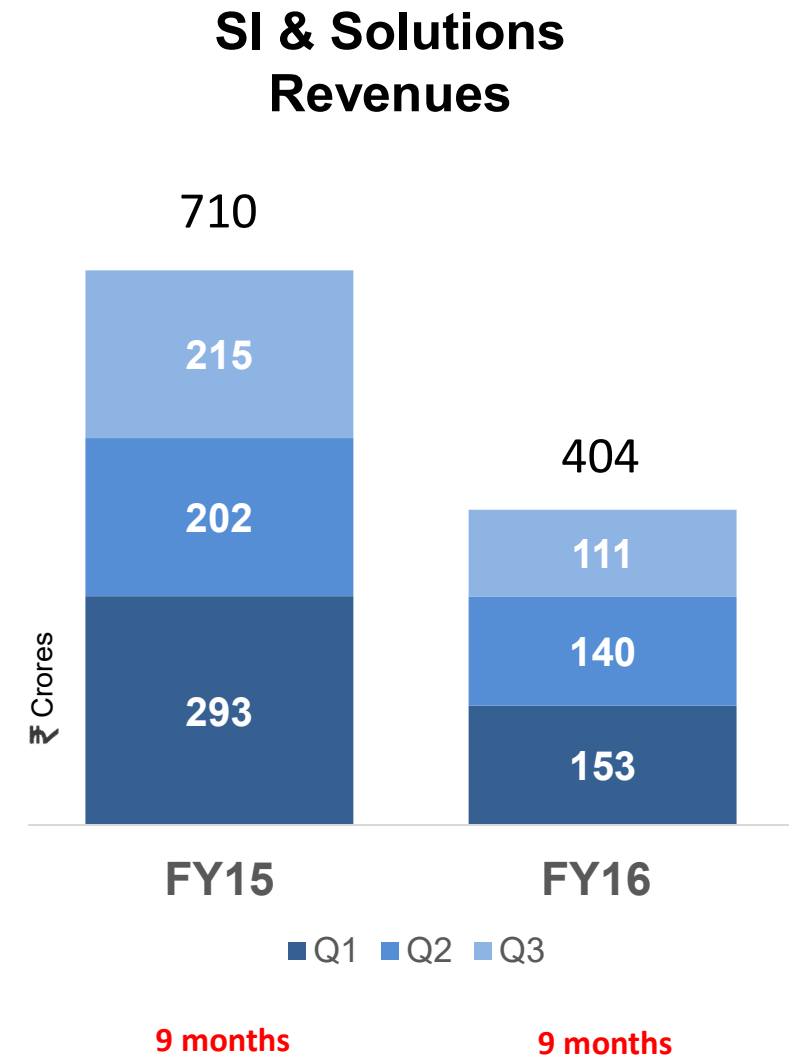
| S.No.    | Particulars  | Q1 FY16     | Q2 FY16     | Q3 FY16    | FY16*       |
|----------|--|-------------|-------------|------------|-------------|
| <b>1</b> | <b>Consolidated Revenue</b>  | <b>873</b>  | <b>567</b>  | <b>453</b> | <b>1893</b> |
| 2        | Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments | 19.2        | 13.9        | 9.0        | 42.2        |
| 3        | Provision for doubtful debts / write-off and impairments   | 0.4         | 0.0         | 0.3        | 0.7         |
| 4        | Other Income   | 0.0         | 0.0         | 0.0        | 0.0         |
| <b>5</b> | <b>Profit / (Loss) before Interest and Tax (2-3+4)</b>   | <b>18.9</b> | <b>13.9</b> | <b>8.7</b> | <b>41.5</b> |

\* FY16 comprises 9 months (Q1+Q2+Q3) due to change in current financial year in this reporting

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

# System Integration and Solutions (1/2)

- **Continued focus on execution – Projects** executed in Q3 - Rs. 81 Cr and pending order book is Rs. 1,180 Cr (Build phase ~ Rs. 500 Cr, Support services & Annuity ~ Rs. 700 Cr)
- The build phase of most of the projects nearing completion this year (FY17)
- The UIDAI project achieved 1 billion enrolment, a globally acclaimed milestone



# System Integration and Solutions (2/2)

Unaudited ₹ crores

| S.No.    | Particulars  | Q1 FY16      | Q2 FY16      | Q3 FY16      | FY16*         |
|----------|--|--------------|--------------|--------------|---------------|
| <b>1</b> | <b>Consolidated Revenue</b>  | <b>153</b>   | <b>140</b>   | <b>111</b>   | <b>404</b>    |
| 2        | Profit / (Loss) before Exchange differences and Provision for doubtful debts / write-off and impairments | (5.0)        | (2.1)        | (0.6)        | (7.7)         |
| 3        | Provision for doubtful debts / write-off and impairments   | 1.5          | 2.7          | 9.0          | 13.2          |
| 4        | Other Income   | 0.3          | 0.0          | 0.7          | 1.1           |
| <b>5</b> | <b>Profit / (Loss) before Interest and Tax (2-3+4)</b>   | <b>(6.1)</b> | <b>(4.8)</b> | <b>(8.9)</b> | <b>(19.8)</b> |

SI & Solutions –

SI revenue and margins vary based on achievement of project milestones and project mix

\* FY16 comprises 9 months (Q1+Q2+Q3) due to change in current financial year in this reporting

The above numbers provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

# FY 16 P&L – Snapshot (9 Months)

Unaudited ₹ crores

| FY16 Particulars   | Consumer Distribution | Enterprise Distribution | Services      | Learning      | SI & Solutions | Unallocated / Eliminations | Total                       | 9M FY15        | FY15           |
|--|-----------------------|-------------------------|---------------|---------------|----------------|----------------------------|-----------------------------|----------------|----------------|
| <b>1 Consolidated Revenue</b>  | <b>1893</b>           | <b>731</b>              | <b>745</b>    | <b>17</b>     | <b>404</b>     | <b>(71)</b>                | <b>3718 <sup>1</sup></b>    | <b>4510</b>    | <b>6195</b>    |
| 2 Profit / (Loss) before provision for doubt debts / write-off and impairments     | <b>42.2</b>           | <b>(14.6)</b>           | <b>(15.9)</b> | <b>(6.2)</b>  | <b>(7.7)</b>   | <b>(46.8)</b>              | <b>(49.0) <sup>2</sup></b>  | <b>1.7</b>     | <b>21.7</b>    |
| 3 Provision for doubtful debts / write-off and impairments                         | <b>0.7</b>            | <b>4.9</b>              | <b>11.4</b>   | <b>9.3</b>    | <b>13.2</b>    | <b>1.2</b>                 | <b>40.7 <sup>3</sup></b>    | <b>81.5</b>    | <b>111.4</b>   |
| 4 Other Income   | <b>0.0</b>            | <b>0.6</b>              | <b>2.0</b>    | <b>0.3</b>    | <b>1.1</b>     | <b>5.9</b>                 | <b>9.9</b>                  | <b>8.9</b>     | <b>10.2</b>    |
| <b>5 Profit / (Loss) before Interest and Tax (2-3+4)</b>                           | <b>41.5</b>           | <b>(18.9)</b>           | <b>(25.3)</b> | <b>(15.3)</b> | <b>(19.8)</b>  | <b>(42.1)</b>              | <b>(79.8)</b>               | <b>(70.9)</b>  | <b>(79.5)</b>  |
| 6 Net Finance Cost   |                       |                         |               |               |                |                            | <b>106.1 <sup>4</sup></b>   | <b>88.5</b>    | <b>123.0</b>   |
| <b>7 Profit / (Loss) Before Tax &amp; Exceptional Items</b>                        |                       |                         |               |               |                |                            | <b>(185.9) <sup>5</sup></b> | <b>(159.4)</b> | <b>(202.5)</b> |
| 8 Exceptional item (includes Goodwill write-off for learning business – Rs. 70 cr) |                       |                         |               |               |                |                            | <b>67.2</b>                 | <b>(25.4)</b>  | <b>(28.9)</b>  |
| <b>9 Profit / (Loss) before Tax &amp; after exceptional items</b>                  |                       |                         |               |               |                |                            | <b>(253.1)</b>              | <b>(133.8)</b> | <b>(173.5)</b> |
| <b>FY15 Profit / (Loss) before Interest and Tax (2-3+4)</b>                        | <b>98.9</b>           | <b>(16.1)</b>           | <b>(10.1)</b> | <b>(17.3)</b> | <b>(90.8)</b>  | <b>(44.0)</b>              | <b>(79.5)</b>               |                |                |

- Overall revenue declined from Rs. 4510 cr. in 9M15 to Rs. 3718 cr. in 9M16.
- Profit / (Loss) before provision for doubt debts / write-off & impairment moved from 1.7 cr. in 9M15 to (49.0) cr. in 9M16.
- Provisions lower at Rs. 40.7 cr. in 9M16 vs. Rs. 81.5 cr. in 9M15

- Net Finance Cost increased from Rs. 88.5 cr. in 9M15 to Rs. 106.1 cr. in 9M16
- The Loss before tax & exceptional items increased from Rs. 159.4 cr. in 9M15 to Rs. 185.9 cr. in 9M16

***HCL***