

HCL Infosystems Limited

Q2 FY17 Investor Update

1st November 2016

HCL

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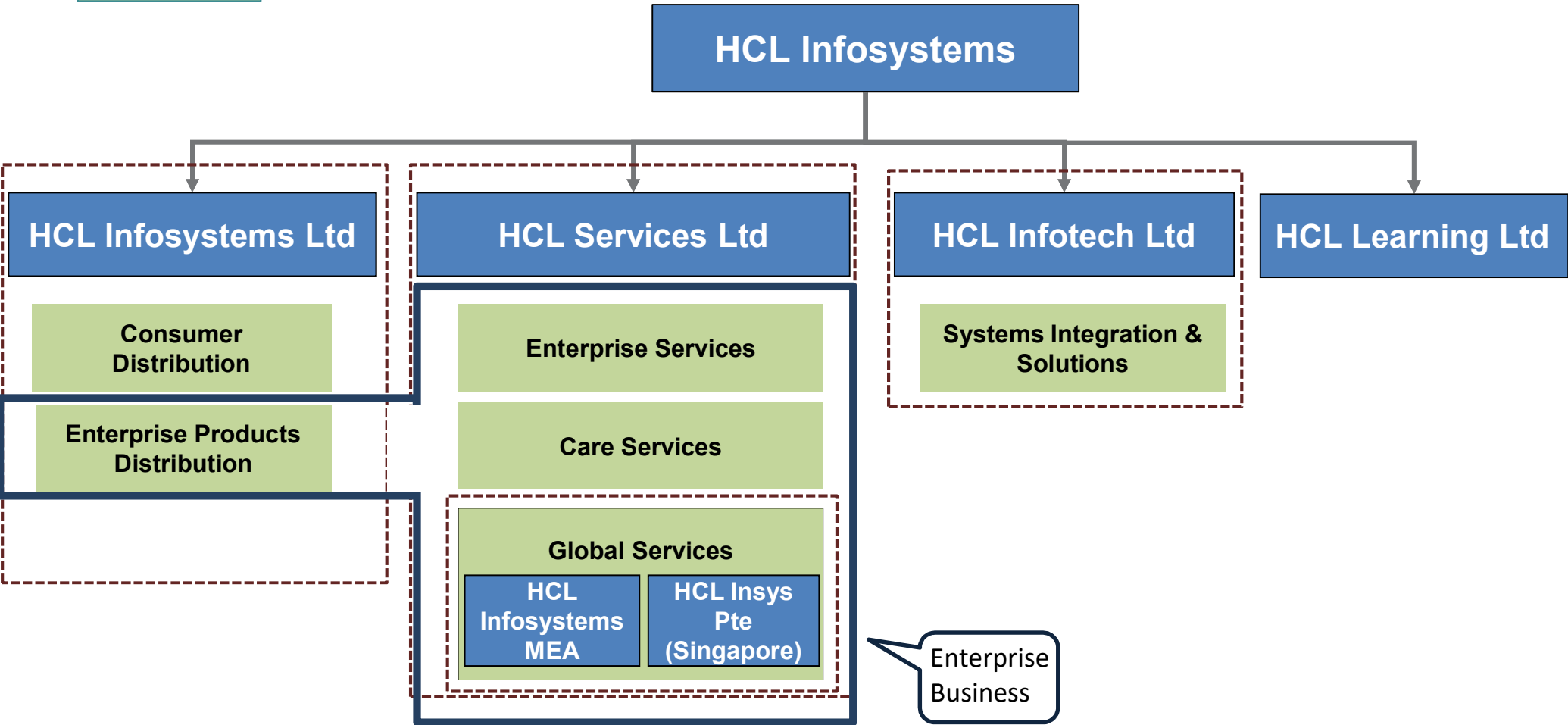
The enclosed financials provide a line of business wise view based on unaudited management accounts to provide more granularity and are not as per reported segments.

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The Indian Accounting Standards (Ind-AS), as notified under the Companies (Indian Accounting Standards) Rules, 2015, are applicable to HCL Infosystems Limited (the "Company") and its subsidiaries and a jointly controlled entity (collectively referred to as the "Group") for the accounting period commencing from April 1, 2016. According to Ind AS 101 "First time adoption of the Indian Accounting Standards", the transition date for adoption of Ind AS by the Group is July 1, 2015 and hence, the Group has adopted the notified Ind AS effective the transition date.

Structured for Growth



Highlights – Q2

Business Highlights

- Q2 FY17 revenue was Rs. 1,002 Cr. vs. Rs. 1,148 Cr. in Q1 FY17, a decline of 13% Q-o-Q
- Enterprise Business revenue increased 8% Y-o-Y but declined 15% Q-o-Q
 - Enterprise Products Distribution - revenue growth of 21% Y-o-Y but declined 27% Q-o-Q
 - Enterprise Services - revenue decline of 3% Y-o-Y and growth of 2% Q-o-Q
- Consumer Business revenue declined 6% Q-o-Q
 - Demand in feature phones segment let down by supply side constraints
- System Integration : Valuable Digital Credential as we executed “ e-PDS Solution” – Smart Rations
- Profit / (Loss) before interest and tax for Q2 was Rs. (3.3) Cr vs. Rs. (4.5) Cr in Q1
- Profit / (Loss) before tax and after exceptional items for Q2 was Rs. (49.1) Cr vs. Rs. (45.8) Cr in Q1

Key Recognition

- HCL Infosystems won the CMO Asia Award for Brand Excellence in the Telecom Service Category
- HCL Infosystems was recertified as ‘Gold Partner’ by Cisco

Q2 P&L - Snapshot

Unaudited ₹ crores

Q2 FY17	Particulars	Consumer Business	Enterprise Business	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q1FY17
1	Consolidated Revenue	442	488	4	76	(8)	1,002¹	1,148
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	3.1	(11.6)	(0.5)	10.7	(0.4)	1.3²	4.0
3	Provision for doubtful debts / write-off and expected credit loss	(0.2)	7.4	0.0	0.4	0.7	8.3³	11.2
4	Other Income	0.0	0.5	0.0	0.9	2.3	3.7	2.7
5	Profit / (Loss) before Interest and Tax (2-3+4)	3.3	(18.5)	(0.5)	11.2	1.2	(3.3)	(4.5)
6	Net Finance Cost						45.8⁴	41.3
7	Profit / (Loss) before tax						(49.1)⁵	(45.8)
Q1 FY17	Profit / (Loss) before Interest and Tax (2-3+4)	10.7	(28.0)	(2.4)	13.3	1.9 ⁶	(4.5)	

- Overall revenue decreased from Rs. 1148 cr in Q1 FY17 to Rs. 1002 cr in Q2 FY17
- Profit / (Loss) before provision for doubtful debts / write-off & expected credit loss decreased from Rs.4 cr in Q1 FY17 to 1.3 cr in Q2 FY17
- Provisions decreased from Rs. 11.2 cr in Q1 FY17 to Rs. 8.3 cr in Q2 FY17

- Net Finance Cost increased from Rs. 41.3 cr in Q1 to Rs. 45.8 cr in Q2
- The Loss before tax increased from Rs. 45.8 cr in Q1 to Rs. 49.1 cr in Q2
- Common costs have been allocated to the respective businesses in line with management reporting and previous period numbers have been reclassified accordingly

Q2 P&L - Snapshot

Unaudited ₹ crores

Q2 FY17	Particulars	Consumer Distribution	Enterprise Distribution	Services	Learning	SI & Solutions	Unallocated / Eliminations	Total	Q1FY17
1	Consolidated Revenue	442	244	244	4	76	(8)	1,002 ¹	1,148
2	Profit / (Loss) before provision for doubtful debts / write-off and expected credit loss	3.1	(0.8)	(10.8)	(0.5)	10.7	(0.4)	1.3 ²	4.0
3	Provision for doubtful debts / write-off and expected credit loss	(0.2)	1.9	5.5	0.0	0.4	0.7	8.3 ³	11.2
4	Other Income	0.0	0.2	0.3	0.0	0.9	2.3	3.7	2.7
5	Profit / (Loss) before Interest and Tax (2-3+4)	3.3	(2.5)	(16.0)	(0.5)	11.2	1.2	(3.3)	(4.5)
6	Net Finance Cost							45.8 ⁴	41.3
7	Profit / (Loss) Before Tax							(49.1) ⁵	(45.8)
Q1 FY17	Profit / (Loss) before Interest and Tax (2-3+4)	10.7	(5.4)	(22.6)	(2.4)	13.3	1.9 ⁶	(4.5)	

- Overall revenue decreased from Rs. 1148 cr in Q1 FY17 to Rs. 1002 cr in Q2 FY17
- Profit / (Loss) before provision for doubtful debts / write-off & expected credit loss decreased from Rs.4 cr in Q1 FY17 to Rs. 1.3 cr in Q2 FY17
- Provisions decreased from Rs. 11.2 cr in Q1 FY17 to Rs. 8.3 cr in Q2 FY17

- Net Finance Cost increased from Rs. 41.3 cr in Q1 to Rs. 45.8 cr in Q2
- The Loss before tax increased from Rs. 45.8 cr in Q1 to Rs. 49.1 cr in Q2
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Enterprise Business (1/2)

Enterprise Products Distribution

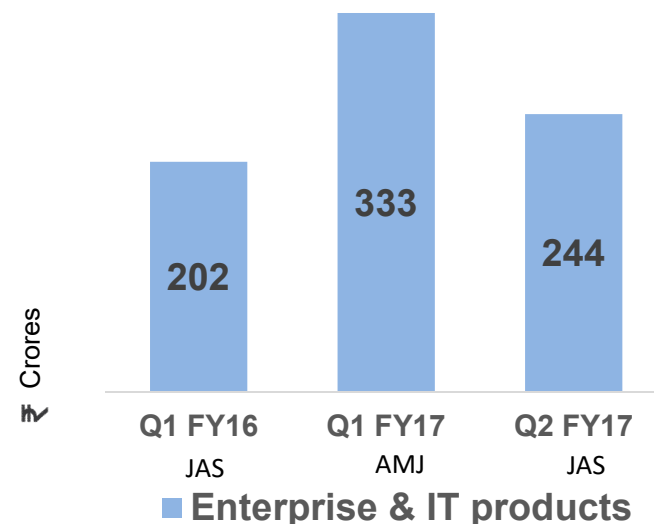
- 21% Y-o-Y revenue growth
- 27% Q-o-Q revenue decline due to :
 - Seasonality and delayed closure of some high value deals
 - Higher anniversary billing in software business in Q1

Enterprise Services*

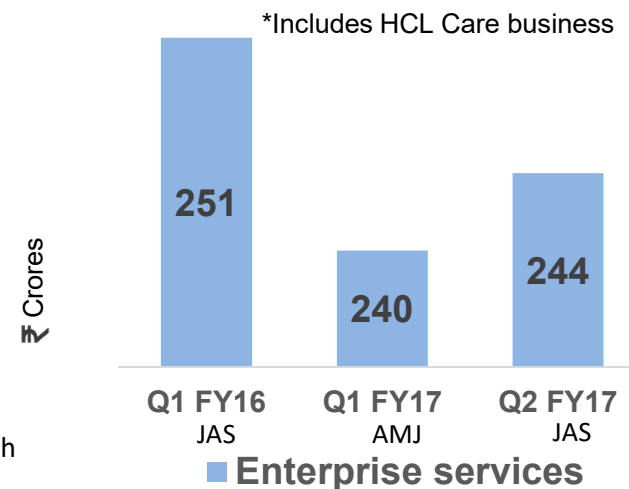
- 2% Q-o-Q revenue growth
- Productivity & profitability initiatives of past quarters yielding results
 - Manpower optimization to gain higher productivity, coupled with other cost optimization initiatives
 - Early benefits of synergy of GTM being realized
- Business mix progressively moving towards better payment terms & margins
- Sustained Competency spends

Y-o-Y movement in charts relates to Q2'17 vs Q1'16, due to change in financial year in 2016 to comply with the requirement of the Companies Act.

Products Distribution Revenue



Enterprise Services Revenue



Enterprise business (2/2)

Unaudited ₹ crores

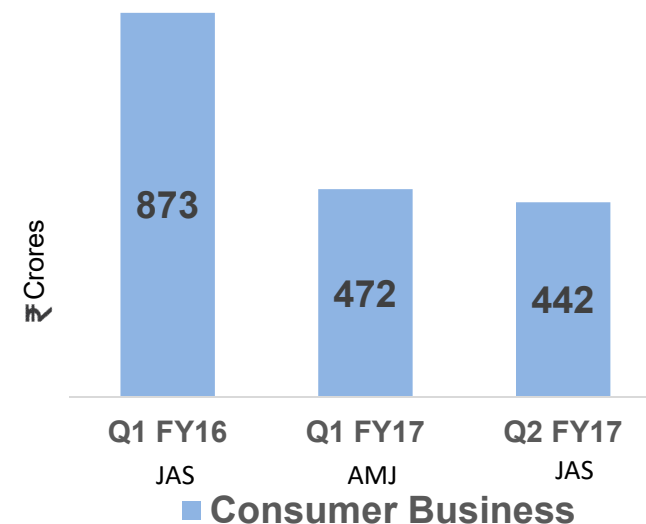
S.No.	Particulars	Q1 FY16 JAS	Q1 FY17 AMJ	Q2 FY17 JAS
1	Consolidated Revenue	453	573	488
2	Profit / (Loss) before Exchange differences and Provisions for doubtful debts / write-off and expected credit loss	(12.6)	(21.9)	(11.6)
3	Provisions for doubtful debts / write-off and expected credit loss	10.9	6.6	7.4
4	Other Income	0.2	0.5	0.5
5	Profit / (Loss) before Interest and Tax (2-3+4)	(23.3)	(28.0)	(18.5)

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)

- 6% Q-o-Q revenue decline
 - Feature phones segment witnessed good demand, however was constrained by short supplies and portfolio decisions of Principal
 - Widened distribution reach of Surface products – Expanded into General Trade Channel as well
 - Change in Principal Partner Ecosystem made this quarter muted and we expect this to be muted over the next few quarters , until we realign the portfolio

Consumer Distribution Revenues



Unaudited management accounts

Y-o-Y movement in charts relates to Q2'17 vs Q1'16, due to change in financial year in 2016 to comply with the requirement of the Companies Act.

Consumer Business (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q1 FY16 JAS	Q1 FY17 AMJ	Q2 FY17 JAS
1	Consolidated Revenue	873	472	442
2	Profit / (Loss) before Exchange differences and Provisions for doubtful debts / write-off and expected credit loss	16.8	10.4	3.1
3	Provisions for doubtful debts / write-off and expected credit loss	0.4	(0.2)	(0.2)
4	Other Income	0.0	0.0	0.0
5	Profit / (Loss) before Interest and Tax (2-3+4)	16.4	10.7	3.3

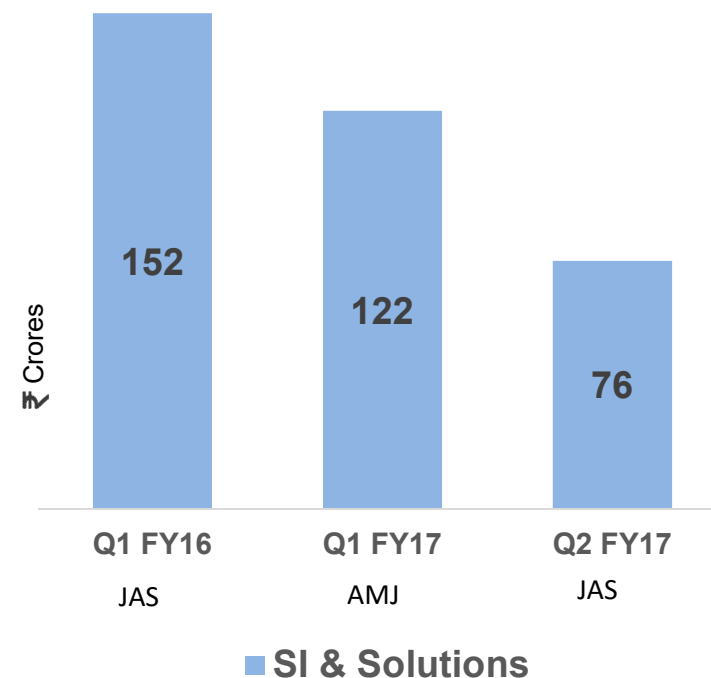
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System Integration and Solutions (1/2)

- **Sustained Execution Focus**

- Projects worth Rs. 90 Cr executed in Q2
- Pending order book at ~ Rs.1,000 Cr
 - Build phase ~ Rs. 200 Cr,
 - Managed Services ~ Rs. 157 Cr.
 - Support Services & Annuity ~ Rs. 650 Cr
- Executed a key digital project - “ e-PDS Solution” - Valuable Digital Asset : Smart Rations
- One of the large power projects achieved a key commercial milestone in the quarter.
- Key “sign off” milestone achieved in a major defence project.

SI & Solutions Revenues



Unaudited management accounts

Y-o-Y movement in charts relates to Q2'17 vs Q1'16, due to change in financial year in 2016 to comply with the requirement of the Companies Act.

System Integration and Solutions (2/2)

Unaudited ₹ crores

S.No.	Particulars	Q1 FY16 JAS	Q1 FY17 AMJ	Q2 FY17 JAS
1	Consolidated Revenue	152	122	76
2	Profit / (Loss) before Exchange differences and Provisions for doubtful debts / write-off and expected credit loss	34.8	17.4	10.7
3	Provisions for doubtful debts / write-off and expected credit loss	5.1	4.2	0.4
4	Other Income	0.3	0.1	0.9
5	Profit / (Loss) before Interest and Tax (2-3+4)	30.0	13.3	11.2

SI & Solutions –

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

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.

Questions?

Please join Q&A Session on Audio Conference

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HCL Infosystems - Investor Relations

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