



HCL Infosystems Ltd

Third Quarter FY 2008

Investor Release, April 24, 2008

CHAIRMAN'S ADDRESS



Mr. Ajai Chowdhry, Chairman & CEO, HCL Infosystems Limited, commenting on the results said, "Innovation has always been a key strategy for HCL and this quarter a number of technology solutions have been launched to meet the needs of our customers. This quarter the System Integration business saw wins in a number of diversified solutions and service offering areas. With a long history of taking technology to the masses, this quarter saw the launch of the revolutionary MiLeap series of HCL Laptops, an engineering marvel that opens up a completely new market segment. IT penetration has always been a key focus area for us and with the MiLeap we are closer to making this dream a reality."

He further added, "Going forward, we will be adding more strength to our new growth strategy while continuing to focus on our core business. We intend to continue building distinctive positions in each vertical and horizontal service areas that HCL is addressing."

FINANCIAL HIGHLIGHTS

Quarterly Highlights

➤ Consolidated

- ❖ Revenue at **Rs. 3017.5 crores**.
- ❖ Profit before tax at **Rs. 113.5 crores**.
- ❖ Profit after tax at **Rs. 81.5 crores**.
- ❖ EPS at **Rs. 4.8 per share**.

➤ Computer Systems

- ❖ Revenue at **Rs. 841.4 crores**, up **16% Y-o-Y**. PBIT at **Rs. 47.4 crores**, up **10% Y-o-Y**.

➤ Telecommunication & Office Automation

- ❖ Revenue at **Rs. 2183.8 crores**. PBIT at **Rs. 81.6 crores**.

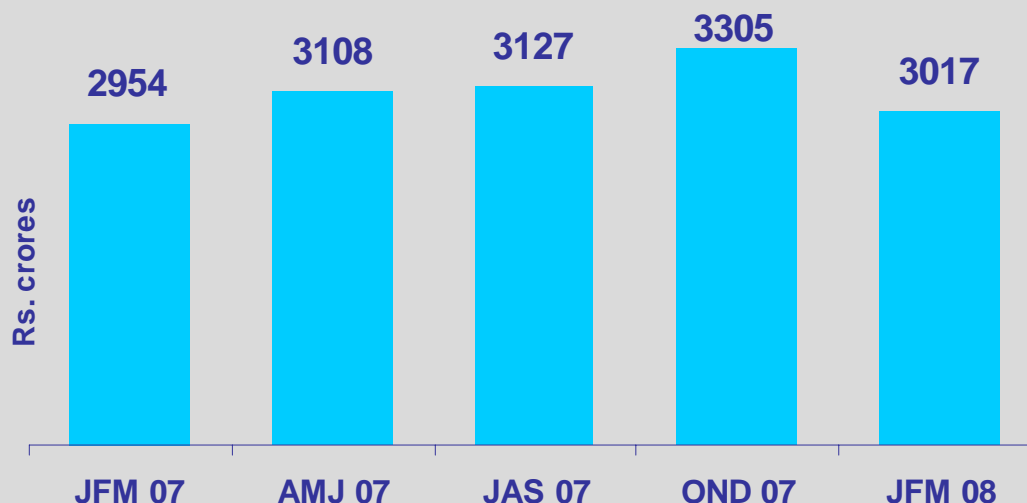
Third Interim dividend of **Rs. 2/- per share (100% on an equity share of par value of Rs. 2/- each)** declared for the quarter.

BUSINESS HIGHLIGHTS

- ❖ Awarded System Integration contract for establishing the Punjab State Wide Area Network (**PAWAN**) from Punjab Government.
- ❖ Launched next-generation '**HCL – Datacenter in a Box**' innovative enterprise product, a complete IT Infrastructure solution stack with power-packed Blade Servers Integrated storage, networking power unit and remote manageability.
- ❖ **ICT Education and Training**: Strategic tie-up with Microsoft to generate industry ready workforce certified in Microsoft technologies at the HCL Career Development Centers.
- ❖ **HCL Digilife stores**, one-stop shop for digital lifestyle products and solutions, ramped up to **more than 62 stores** across the country.

CONSOLIDATED RESULTS

The company has reported consolidated revenue of **Rs. 3017.5 crores** during the quarter ended March 31, 2008 taking the YTD 9 months consolidated revenues to **Rs. 9449.8 crores**, a growth of **8%** over the corresponding period of the previous year.



Profit before tax was reported at **Rs 113.5 crores** during the quarter ended March 31, 2008 taking YTD 9 months consolidated PBT to **Rs. 334.6 crores**, a growth of **10%** over the corresponding period of the previous year.

Profit after tax was reported at **Rs. 81.5 crores** during the quarter ended March 31, 2008 taking YTD 9 months consolidated PAT to **Rs. 235.0 crores**.

Earnings per share:

Basic EPS for the quarter ended March 31, 2008 was **Rs. 4.8** per share of Rs. 2/- each.

Basic EPS for the YTD 9 months ended March 31, 2008 was **Rs. 13.8** per share of Rs. 2/- each.

Dividend:

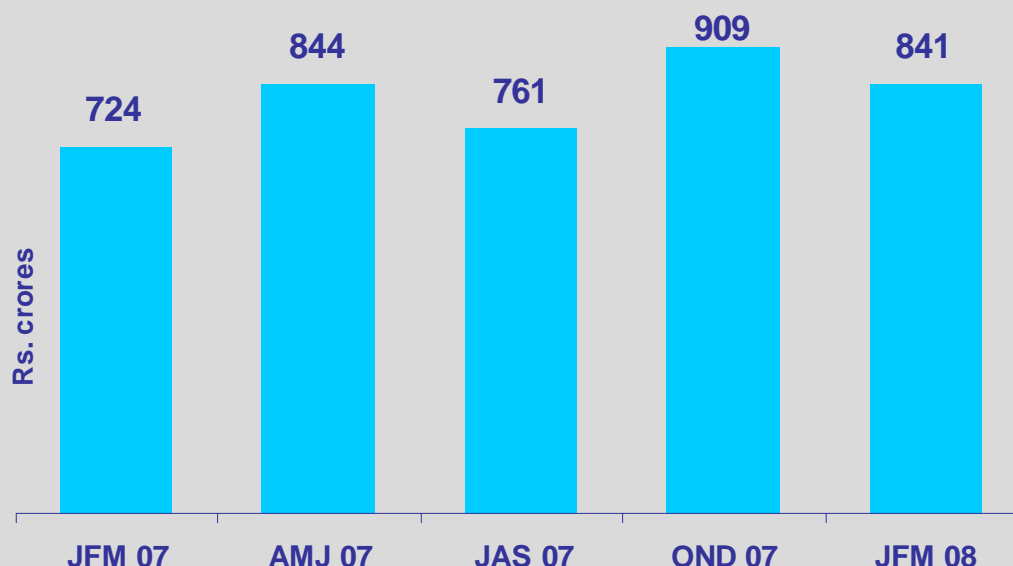
The Board of Directors has recommended Third Interim dividend of **Rs. 2/-** per fully paid up share (**100%** on an equity share of par value of Rs 2/- each).

The aggregate of interim (quarterly) dividends represents **300%** for the YTD 9 months ended March 31, 2008.

SEGMENT RESULTS

Computer Systems & Other Related Products:

Revenue from Computer Systems business during the quarter was **Rs. 841.4 crores** taking the YTD 9 months revenue to **Rs. 2512.4 crores**, a growth of **29%** over the corresponding period of the previous year.



Profit before interest and taxes (PBIT) for the quarter was **Rs. 47.4 crores** and YTD 9 months PBIT was **Rs. 160.4 crores**, a growth of **36%** over the corresponding period of the previous year.

SYSTEM INTEGRATION

As a part of the HCL's strategy of offering a single window to the enterprise customers for all their ICT infrastructure and solution needs, HCL's System integration and services initiatives, saw the company winning and executing projects in a number of new solutions area across sectors like eGovernance, BFSI, Power, Airports and Health.

Among these was the prestigious System Integration contract "**PAWAN**" from the **Punjab** Government for setting up a **state wide area network**.

Another strategic win that came from the **Banking System Integration** space was the "MIS framework" for backend operations from a leading bank in India. HCL also won an order for the rollout of a Financial Inclusion Pilot from a leading Nationalized Bank of the country.

This quarter also saw wins from the **Airport & Ports** verticals. The company won a contract for setting up of the "**Airport operations and command centre**" for one of the leading airports in the country. Another win in this vertical was the contract to set up the **Security and Surveillance solution** along with high-end content analysis capability.

The **Media and Entertainment** System Integration business saw HCL winning contracts from national bodies for setting up their complete studio infrastructure solution for production and broadcasting, this will also be used for training and hands on exposure in the field of digital mass communications. This quarter also saw entry into some of the leading national channels and production houses with a wide range of niche products in the broadcasting space.

SEGMENT RESULTS

Computer Systems & Other Related Products:

In the **enterprise space** major orders were received from leading names across industry verticals including corporates, government, & BFSI segments. HCL also won one of largest enterprise orders for Toshiba laptops from a leading Public Sector Utility.

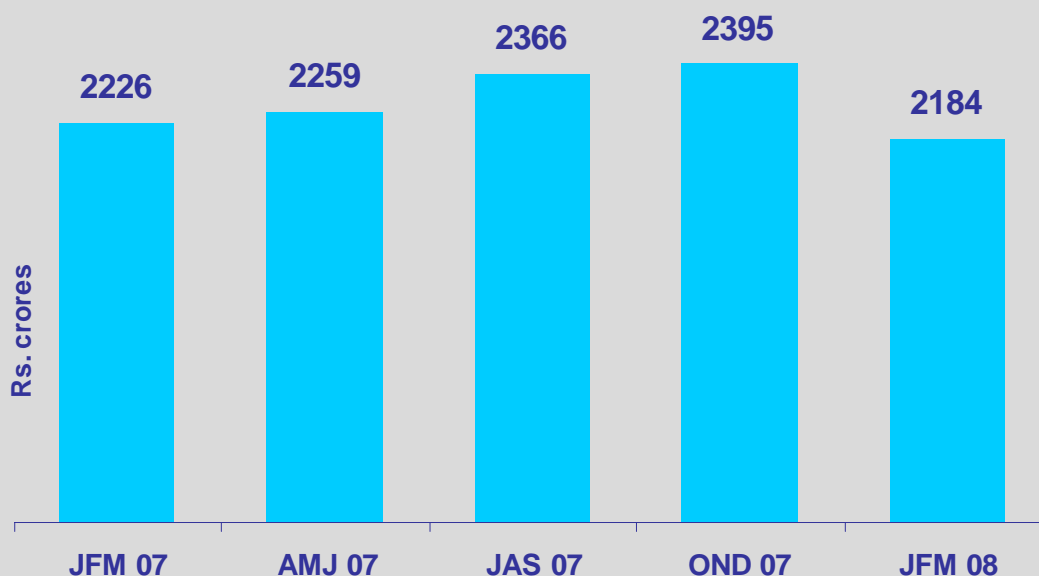
Innovation has been the driving force behind HCL's success. HCL is constantly innovating to create unique products to meet the growing needs of the enterprise sector and the launch of the 'Datacenter in a box' was an initiative towards this direction.

Addressing the demand from SME's for simplified and functional IT solutions, HCL announced the launch of its next-generation '**HCL – Datacenter in a Box**' in this quarter. This innovative enterprise product offers a complete IT Infrastructure solution stack with its power-packed Blade Servers Integrated storage, networking, UPS and comes with remote management capability. This solution is not only easy to deploy, maintain and upgrade but is also very cost effective and delivers exceptional value.

This quarter started with the launch of the revolutionary **MiLeap** range of HCL laptops, India's first full functional, ultra portable range of laptops that offer true mobile internet computing experience at a price point starting from Rs.13,990/-. Keeping its promise & heritage of always being the first to introduce the latest in technology for Indian markets, HCL has created a new product category in the Indian market with the launch of the MiLeap series.

Telecommunication & Office Automation:

Revenue from Telecommunication & Office Automation business during the quarter was **Rs. 2183.8 crores**, taking the YTD 9 months revenue to **Rs. 6944.6 crores**.



PBIT for the quarter was **Rs. 81.6 crores** and the YTD 9 months PBIT was **Rs. 214.5 crores**, a growth of **11%** corresponding quarter of the previous year.

In the **Distribution Management Services**, mobile handset business, Nokia continued to be a key focus area in this quarter. HCL also registered good revenue growth in Apple iPods and Kodak.

SEGMENT RESULTS

Telecommunication & Office Automation:

In **Imaging, Voice & Video business** HCL received significantly large orders for Toshiba Multi functions devices and Duplo Duplicators from the Government of India. Major wins have come from diverse sectors including an International Airport, a leading global telecom player, Railways and Defense. Video Conferencing Solutions also got breakthrough orders from leading players from the banking, petro chemicals etc.

The quarter saw HCL winning a number of AVSI solutions orders from MNC bank, Public sector utility and hotels.

HCL has been awarded the Ericsson's Premium Partner status for the enterprise product range. Also HCL has been awarded the Platinum partner Certification for Video Conferencing Products from Tandberg. The company also won 'Best Emerging Channel' award for Audio System Integration from Polycom.

This quarter also saw the launch of several new products in the communication space including the Aethra High-end Video phone, Maia-XC and the Tandberg Handheld video device.

DIGITAL LIFESTYLE

The digital lifestyle market is a rapidly growing sector and HCL's strategy has been to focus on providing the entire gamut of Digital Lifestyle products to the customer. With a complete range of products in a unique display and interactive format, the HCL DigiLife stores offer consumers a complete digital experience. Today the HCL DigiLife stores is one of the most awarded retail brands offering a comprehensive range of world-class products and solutions. Within a year of existence, HCL DigiLife has already received the six renowned awards in the retail industry domain from leading Indian and International bodies. HCL is on track on its strategy to set up outlets across the country, with today **more than 62 stores** are already setup across the country.

EDUCATION & TRAINING

HCL's education initiatives have grown its presence rapidly over the last quarter taking **ICT education** to the various corners of India. HCL today has **57 centers** across the country. The number of CDC's is expected to be taken to 100 by the end of this year. HCL also announced a strategic tie-up with Microsoft to generate industry ready workforce certified in Microsoft technologies at the HCL Career Development Centers.

AWARDS & RECOGNITIONS

- ❖ HCL won **The Most Innovative Franchisee Award by Franchise Plus** in Feb 2008.
- ❖ HCL won **The Most Supportive Franchisor Award by Franchise Plus** in Feb 2008.
- ❖ **Mr. Ajai Chowdhry**, Chairman & CEO of HCL Infosystems Limited, was declared '**IT Person of the Year 2007**' by Dataquest.
- ❖ HCL won **The Best Retailer Award** in Consumer Durables category by Asia Retail Congress in Dec 2007.
- ❖ HCL Infosystems has been voted as the '**No. 1 Commercial PC Vendor**' consecutively for **last six years by IDC – Dataquest 2007**.
- ❖ **HCL** among the **Top 3 IT companies** for the last 3 years, DQ & IDC, Best Employer Survey, 'Best employer 2005' with Five Star Ratings.
- ❖ **Mr. Ajai Chowdhry**, Chairman & CEO of HCL Infosystems Limited, honored with '**CEO of the year 2008**' award by IT People Awards for excellence in IT.

CONSOLIDATED PROFITABILITY

CONSOLIDATED PROFIT & LOSS ACCOUNT		Rs crores				
		Unaudited		Unaudited		Audited
		Q3 FY 08	Q3 FY 07	9M FY 08	9M FY 07	FY 07
1a	Gross Sales / Income from Operations	3017.5	2954.3	9449.8	8747.1	11855.4
1b.	Less: Excise Duty	33.3	43.8	108.5	126.3	170.1
1.	Net Sales / Income from Operations	2984.2	2910.4	9341.3	8620.8	11685.3
2.	Other Income	6.0	6.0	41.9	34.5	50.5
3.	Total Income (1+2)	2990.2	2916.5	9383.2	8655.4	11735.8
4.	Expenditure					
a)	(Increase)/Decrease in Stock in Trade and Work in Progress	-52.3	-1.4	-129.4	-226.9	-271.2
b)	Consumption of Raw Materials	438.8	351.3	1429.7	1058.4	1553.2
c)	Purchase of Traded Goods	2244.2	2269.9	7061.2	7005.7	9296.9
d)	Stores & Spares consumed and Others	67.4	60.8	171.7	155.9	222.3
e)	Employees Cost	78.1	59.4	223.3	164.7	227.2
f)	Administration, Selling, Repairs & Others	84.9	63.0	249.8	175.1	253.5
g)	Depreciation	5.0	3.7	13.7	10.7	14.8
	Total Expenditure	2866.1	2806.6	9020.0	8343.6	11296.6
5.	Interest Expense (Net)	10.6	3.2	28.6	6.7	10.5
6.	Profit (+)/ Loss (-) from ordinary activities before Tax (3-4-5)	113.5	106.7	334.6	305.1	428.7
7.	Tax Expense					
	- Current	32.0	15.1	98.2	67.3	105.9
	- Deferred	-0.9	3.0	-1.5	4.7	2.7
	- Fringe Benefit	0.9	0.7	2.8	2.0	4.2
8.	Profit (+)/ Loss (-) from ordinary activities after Tax (6-7)	81.5	88.0	235.0	231.1	315.9
9.	Extraordinary items (net of tax expense Rs Nil)	-	-	-	-	-
10.	Net Profit(+)/ Loss (-) for the period (8-9)	81.5	88.0	235.0	231.1	315.9
11	Basic EPS (Not annualised) Rs/share	4.8	5.2	13.8	13.7	18.7
	Other Income includes Exchange Fluctuation Gain/(Loss) (Net)	-2.9	0.4	8.7	12.3	19.0

KEY RATIOS

Key Ratios	Q3 FY 08	Q2 FY 08
Return on Capital Employed %	35%	37%
Return on Net Worth %	33%	34%
Debt / Debt+Equity	0.30	0.29
Debtors Collection period (days) {annualised}	35	33
Inventory turnover (annualised)	13	14
Current ratio	1.6	1.7

CONSOLIDATED SEGMENT

Rs crores						
	Particulars	Unaudited		Unaudited		Audited
		Q3 FY 08	Q3 FY 07	9M FY 08	9M FY 07	FY 07
1. Segment Revenue						
a)	Products and Related Services					
	- Computer Systems & Other Related Products (Gross)	841.4	724.4	2512.4	1940.8	2784.6
	Less: Excise Duty	33.3	43.7	108.4	126.2	170.0
	- Computer Systems & Other Related Products (Net)	808.2	680.6	2404.0	1814.6	2614.5
	- Telecommunication & Office Automation (Net)	2183.8	2226.1	6944.6	6790.0	9049.5
b)	Internet & Related Services	10.4	9.9	30.6	29.2	39.9
	Total	3002.3	2916.6	9379.1	8633.7	11703.9
	Less: Intersegment revenue	18.1	6.2	37.8	12.9	18.6
	Net Sales / Income from Operations	2984.2	2910.4	9341.3	8620.8	11685.3
2. Segment Results (Profit (+) / Loss (-) before Tax and Interest from each segment)						
a)	Products and Related Services					
	- Computer Systems & Other Related Products	47.4	42.9	160.4	118.0	174.3
	- Telecommunication & Office Automation	81.6	69.1	214.5	192.9	267.1
b)	Internet & Related Services	(0.9)	(1.6)	(4.0)	(2.4)	(1.9)
	Total	128.1	110.4	370.9	308.6	439.6
	Less:					
	i) Interest Expense (Net)	10.6	3.2	28.6	6.7	10.5
	ii) Other un-allocable expenditure net off	8.7	4.4	22.7	11.3	20.2
	iii) Un-allocable income	4.8	3.9	14.9	14.5	19.8
	Total Profit before Tax	113.5	106.7	334.6	305.1	428.7
3. Capital Employed (Segment Assets - Segment Liabilities)						
a)	Products and Related Services					
	- Computer Systems & Other Related Products			969.1	550.6	653.8
	- Telecommunication & Office Automation			202.2	123.7	124.8
b)	Internet & Related Services			(0.9)	2.1	2.4
c)	Unallocated					
	- Liquid Assets			208.7	179.8	287.5
	- Others Unallocated (including investment in assets given on finance lease)			39.5	41.7	27.0
	Total			1418.6	897.8	1095.6

CONSOLIDATED BALANCE SHEET

	Rs crores	
	Unaudited	Unaudited
Particulars	31.03 08	31.12 07
Net Worth	990.0	947.1
Loans	428.6	390.4
Deferred Tax Liability (Net)	11.0	11.9
Net Fixed Assets	162.1	159.5
Investments and Cash & Bank Balances	569.7	415.3
Inventory	957.3	924.1
Sundry Debtors	1192.0	1167.0
Other Current Assets	248.5	232.9
Current Liabilities & Provisions	(1700.0)	(1549.3)
Total Capital Employed	1429.6	1349.4

ABOUT HCL INFOSYSTEMS

HCL Infosystems Ltd, with revenue (LTM) of US\$ 3.1 billion (Rs. 12,558 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.

For further information, please visit www.hclinfosystems.in

ABOUT HCL ENTERPRISE

HCL Enterprise is a \$ 4.9 billion (Rs. 19,641 crores) leading Global Technology and IT enterprise that comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is one of India's original IT garage start-ups. Its range of offerings spans Product Engineering, Custom & Package Applications, BPO, IT Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products. The HCL team comprises approximately 55,700 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