

Enhanced Focus on Enterprise Business



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Nikhil Sinha

Executive Vice Chairman and Managing Director
Premkumar Seshadri

Directors
Dhirendra Singh
Dilip Kumar Srivastava
Kaushik Dutta
Pawan Kumar Danwar
Pradeep Kumar Khosla
Ritu Arora
Sangeeta Talwar
Sanjeev Sharma
V N Koura

CHIEF FINANCIAL OFFICER

S G Murali

COMPANY SECRETARY

Sushil Kumar Jain

AUDITORS

Price Waterhouse, Gurgaon

BANKERS

State Bank of India
Canara Bank
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
Societe Generale
Standard Chartered Bank
State Bank of Patiala
Axis Bank Limited
Yes Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

806, Siddharth,
96, Nehru Place, New Delhi - 110 019

CORPORATE OFFICE

E-4, Sector XI, Noida - 201 301 (U.P.)

CORPORATE IDENTITY NUMBER

L72200DL1986PLC023955

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MD's MESSAGE

Dear Shareholders

It gives me immense pleasure to congratulate all of you as we embark on the 40th year of our journey of pioneering innovations in technology. HCL's successful longevity in the market can be solely attributed to its ability to adapt and grow.

In fiscal 2016, we have accelerated the pace of our trajectory to build a customer centric business. Today, your company is configured into four market-driven Business Units housing nine core lines of business (LOBs). This reconfiguration of business units enables us to achieve profitable revenue growth as well as bolster the sustainable order book in emerging market growth segments. The inherent synergies in our focus businesses will significantly enhance the growth potential.

Your company posted revenue of Rs. 3718 Crores in FY16, a decline of 18% over the corresponding nine months period. This was mainly due to the weak demand environment and rationalization of product portfolio by the Principal in the Consumer Distribution business. However, the consistent focus and investments in our Enterprise Distribution business resulted in a robust growth in this segment over the last year with 72% Y-o-Y increase in revenues. The overall Services business was on a positive growth track.

During the year, an integrated Go To Market (GTM) organization called 'Enterprise 360', a market facing organization was conceptualized and implemented to sell our Products, Services and Solutions across the Enterprise Segment to be the preferred Technology Lifecycle Partner for our customers.

The core Enterprise Business consisting of Enterprise Product Distribution, Domestic Enterprise Services, Global Enterprise Services and Care Services will be the engine for the Company's next level of growth. The Enterprise Products Distribution portfolio was further strengthened with addition of leading international technology brands during the last three quarters. With a differentiated value added distribution proposition coupled with an augmented solution-cum-service offerings, strategic partner alliances and channel network, the business is set on a sustainable growth trajectory.

The Domestic Enterprise Services business won multiple prestigious client engagements against strong competition. Infrastructure Managed Services (IMS) achieved over 80% client renewal and the Multi-Vendor Technology Services (MVTs) business focused on profitability, efficiency and contract rationalization. We continue to invest in capability and tools here and would continue to do so in the coming years as we push for market leadership in key emerging areas of Infrastructure Management. The Global Services business continued to register growth in revenue and profitability. I am glad to inform that our Care business has registered a revenue growth of 11% Y-o-Y.

During FY16, the System Integration (SI) business continued to focus on efficient execution of current order

book and moved some of its key defence projects towards commercial closure. The UIDAI project crossed the milestone of enrolment of more than 100 crore Aadhaars.

The Financial Inclusion (FI) business of the company has been in sync with the Government's focus on reaching out to the vast un-banked and under-banked population. We are proud to be part of this nation building mission. During the year, the FI business registered 29% growth in Y-o-Y revenue and 59% Y-o-Y growth in banking transactions.

Your company also focused on driving cost optimization and contract rationalization to improve profitability, operational excellence and quality initiatives to build a sustainable business model.

During the year, we have further augmented the leadership strength of the company by inducting highly experienced executives in strategic roles across the organization.

We have introduced PULSE (Personalized Unit Level Self Evaluation), a weekly self-evaluation system for employees. PULSE is the first such weekly evaluation concept to be introduced on such a scale. Under the 52 week metrics system, each employee is required to self-assess his performance along pre-defined metrics, which will allow to review performance with the reporting manager and course correct on a weekly basis. Ultimately this will ensure better alignment of individual actions with larger organizational goals. It is becoming a part of our daily working life and driving us to perform at full potential, achieve excellence and thus fast forward our transformation growth journey.

During the year under review, your Company was recognized on multiple occasions for business and technology excellence. HCL Infosystems won the "Operational Excellence Award" for Order Management Process at the National Quality Excellence Awards. HCL Infotech was felicitated at the 11th Elets Annual eINDIA Summit 2015 for creating World Class IT infrastructure to transform e-Governance in Madhya Pradesh. The Care business won multiple awards - 'Retailer of the Year' award at the Asia Africa GCC Retail Excellence Awards; 'CMO Asia Marketing Excellence Award' in Retail and Telecom Services Sector; 'Retailer of the Year' award for Market Leadership and Innovation at Asia Retail Congress and 'Retailer of the Year' award at CMO Retail Excellence Award, Singapore.

People Competency

Strategic Leadership in place to fast track our growth trajectory.

There is a two-pronged People Strategy - Get High Potential People and Ensure every one performs to Full Potential.

Pulse Check – Demanding & Driving Excellence; PULSE has been operational in the Company during the second half of the year and early reports have indicated a behavioral shift in employees across various business units.

As we move forward into FY17, we are well positioned and geared up to achieve sustainable and profitable growth. We also realize that these are the initial milestones of a long and challenging journey. However, the growth indicators are both positive and promising for all our focus businesses. The impetus from the Government of India on Digital India, Smart Cities, Make in India, Internal Security, positions us in a strategically advantageous territory and enables us to address these markets & industry-driven opportunities efficiently and profitably.

Our aim is to be a preferred Technology Lifecycle Partner for our clients and a great place to work for our employees. With a new and talented leadership team, market aligned businesses, aggressive go-to-market strategies and rigour in driving operational efficiencies - we are confident that we will create better value for our customers, partners and shareholders and ensure that HCL Infosystems gains its rightful place in the industry.

Further, I would like to thank shareholders for the support and faith that you have reposed in the Company.

With Warm Regards
Premkumar Seshadri

Integrated Market Approach

During the year, we have transitioned into a highly Enterprise focused, integrated GTM structure, 'Enterprise 360', that synergizes our strengths across Services, Products and Solutions for the Enterprise customers.

Enterprise Services + Enterprise Distribution = Client Partner Ecosystem.
The Target Outcomes are Increase in Wallet Share & Higher Deal Values

Financial Highlights

Revenue and Profitability (Consolidated)

₹ / Crores					
YEAR ENDED*	2016	2015	2014	2013	2012
Total Revenue	3,775	6,284	7,955	9,360	10,856
PBIDT	(102)	21	23	63	215
Interest	119	143	156	137	85
Depreciation	32	52	53	52	46
Profit (Loss) before Tax	(253)	(174)	(186)	(126)	84
Provision for Tax	1	11	29	(46)	14
Profit (Loss) after Tax (PAT)	(254)	(185)	(215)	(80)	70
Profit available for Appropriation	9	263	448	666	817
Equity Dividend	Nil	Nil	Nil	Nil	67
Basic Earning Per Share (₹)*	(11.41)	(8.29)	(9.62)	(3.59)	3.23
PBIDT (%)	(2.7%)	0.3%	0.3%	0.7%	2%
Profit before Tax/Revenue (%)	(7%)	(3%)	(2%)	(1%)	1%
Return on Net worth (%)	(25%)	(15%)	(15%)	(4%)	4%
Return on Capital Employed (%)®	(6%)	(1%)	(1%)	0.4%	6%
Equity Dividend (%)	Nil	Nil	Nil	Nil	150%

* Based on equity shares of ₹ 2/- each on Balance Sheet date.

The current year's figures are for the nine month period from July 1, 2015 to March 31, 2016.

The previous years' figures are for 12 months ended June 30.

® Calculated on "PBIT"

Assets and Liabilities (Consolidated)

₹ / Crores					
AS AT YEAR END	2016	2015	2014	2013	2012
Sources of Funds					
Equity Funds	45	45	45	45	45
Reserves and Surplus	963	1,213	1,398	1,790	1,866
Borrowings	1,303	1,251	1,112	1,094	691
Other Current and Non Current Liabilities	1,209	1,438	1,956	2,749	2,424
Total	3,520	3,947	4,511	5,678	5,026
Application of Funds					
Net block	732	811	920	411	405
Investments	50	235	175	919	432
Deferred Tax Assets (Net)	1	1	5	73	27
Other Current and Non Current Assets	2,737	2,900	3,411	4,275	4,162
Total	3,520	3,947	4,511	5,678	5,026

Management Discussion & Analysis

Section 2(41) of the Companies Act, 2013 requires all the companies to have their financial year ending on 31st March. The Company has adopted this change from current financial year and accordingly, the current financial year of the company is for a nine month period from 1st July, 2015 to 31st March, 2016 (hereinafter referred as "Year ended 31st March, 2016"). Accordingly, the figures for the current financial year are not comparable to those of previous year. Hence, we have used 9 months July'14- Mar'15 for comparison purposes.

Enterprise 360 – The next step in the transformation journey



Enterprise 360 organization structure in place

Synergized offerings created by combining Services, Products and Solutions

Highly Enterprise focused market approach model

HCL Enterprise will focus on Accounts spread across BFSI; IT/ITeS; Major SI's and Strategic Corporate Accounts

HCL Partner will address the Midmarket of named accounts directly and the rest of the market (including SMBs) through channel partners

Both market-facing organizations will sell the entire suite of Products, Services and Solutions

In the three quarters constituting FY-16, a key initiative for your company was to configure a robust Go-to-Market (GTM) organization that effectively leverages our diverse capabilities and assets. Accordingly, we have now created a highly Enterprise focused, integrated GTM structure, called Enterprise 360, that synergizes our strengths across Services, Products and Solutions and is designed to fulfil our mission to be the preferred Technology Lifecycle Partner for our clients.

Enterprise 360 has emerged from the imperative to enhance the Company's synergy potential through a highly focused approach to the market, armed with a composite offering suite of Products, Services and Solutions.

Enterprise 360 is a Single Account Owner, market-facing structure and process, offering HCL-I's entire suite of Products, Solutions (SI) & Services to specific named accounts in the Enterprise and Mid Markets and to all non-named Accounts through the pan-India Channel Sales network. The structure consists of 2 market facing organizations – HCL Enterprise and HCL Partners.

Enterprise 360 also aligns to the rapidly evolving client needs and expectations shaped by business imperatives and the increasing impact of technology enablement. The accelerating adoption of emergent technologies such as Cloud, Analytics and IoT Internet of Things (IoT) offer significant opportunities for your Company to play in multiple fast-growing value-enriched, high margin sectors. Consequently, our road-map of growth and profitability is based on 3 key directions:

- Focus on emerging technology services to build high-margin Sales Pipeline & Order Book.
- Margin enhancement of established services businesses such as Multi Vendor Technology Services (MVTs) and Infrastructure Managed Services (IMS) through automation and tools combined with service variabilisation
- Increased depth of market focus through the creation of 4 sales verticals - each with a limited number of named accounts to be managed by highly experienced account owners.

New GTM structure aligned to evolving market demands and opportunities

Structure consists of 2 market-facing organizations – HCL Enterprise & HCL Partner

- 3 key business growth drivers:
- Focus on high-margin emerging technology services space
 - Margin enhancement of legacy services through Productization and service variablization
 - Depth-focused market approach strategy

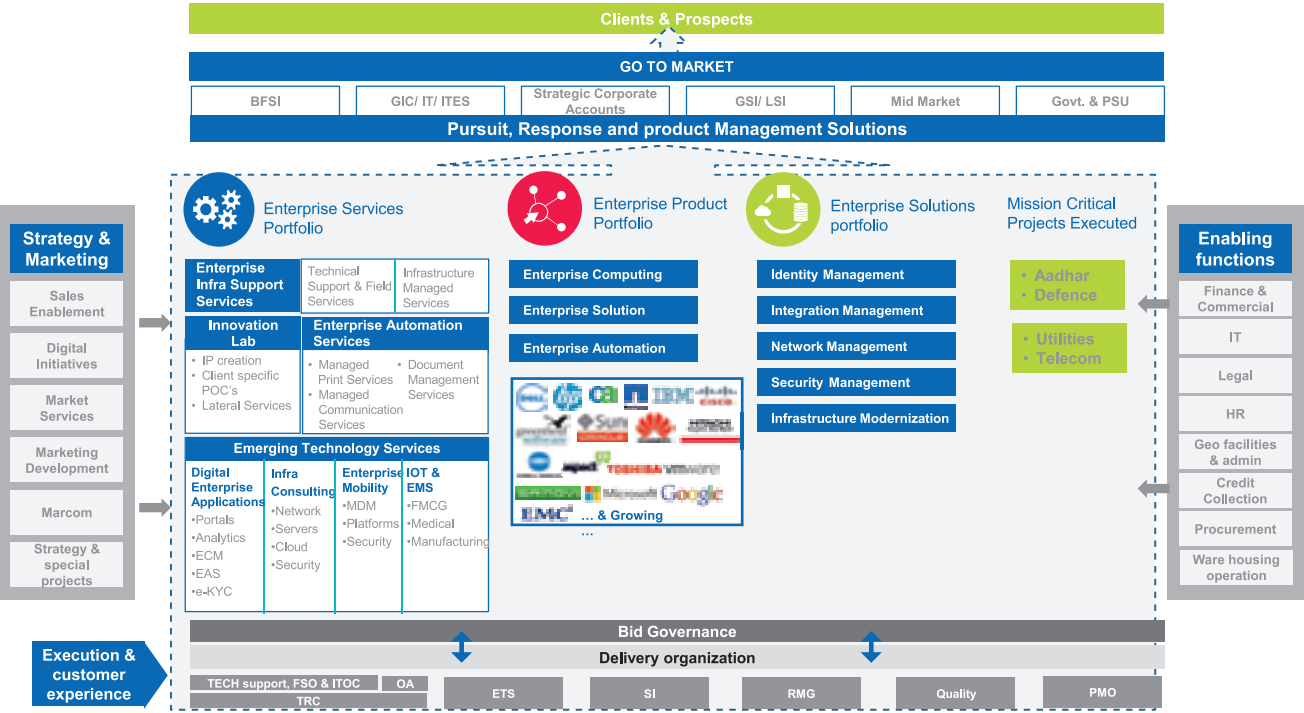


HCL Enterprise organization consists of the following Sales Verticals spanning corporate enterprises: BFSI/ IT/ ITeS/ Major System Integrators/ Strategic Corporate Accounts.

HCL Partner organization will address the Mid-market consisting of named accounts and the Small & Medium Business (SMB) market through its channel partner network.

Both organizations will sell the entire suite of HCL-I products, services and solutions. The diagram below showcases the Enterprise 360 GTM structure:

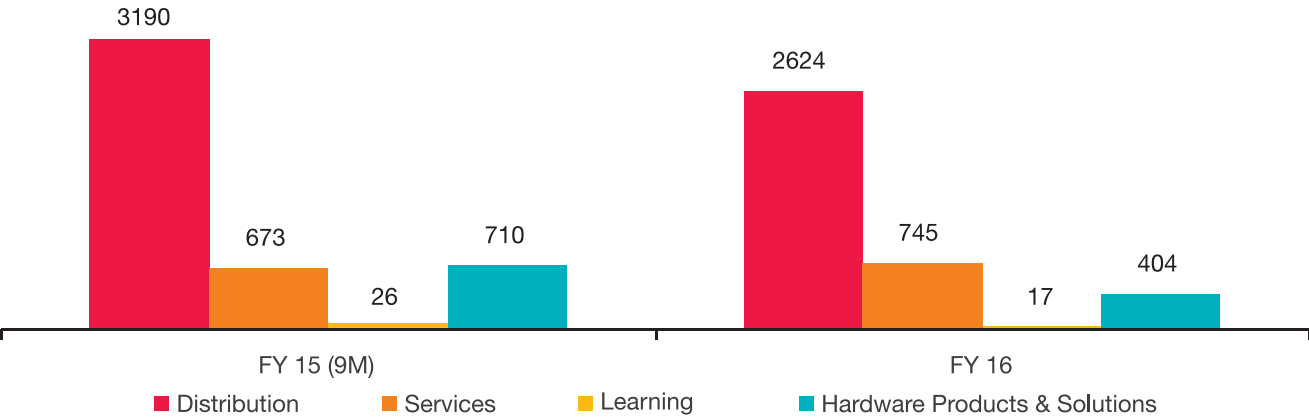
Enterprise 360° Capabilities & Offerings



Businesses Performance & Highlights

For the purpose of financial reporting, the businesses have been arranged as per the following primary business categories. The numbers provide a line of business-wise view based on management accounts to provide more granularity and are not as per reported segments:

Business Categories	Lines of Business
Distribution	Third-Party Consumer Products (including Telecom) & Enterprise Products
Services	Enterprise Services [Domestic, Care and Global Services (MEA and Singapore)]
Learning	Learning content business
Hardware Products and Solutions	System Integration and Financial Inclusion



18% Y-o-Y (9 months ended Mar'16) revenue decline due to:

- Consumer Distribution revenues impacted by weak demand and brand entries and exits
- By design, tapering down of SI revenues by accelerating project completion

The Enterprise Distribution business revenues grew 72% YoY



Revenues declined 18% Y-o-Y for 9 months ended Mar'16 (Jul-Mar'15 vs Jul-Mar'16) from Rs. 4509 crores to Rs. 3718 crores. The prime factors were:

- 32% decline in Consumer Distribution revenue due to weak demand environment for the product portfolio and the sector going through significant brand entries and exits.
- In the SI business we are in the process of executing our existing engagements. Consequently the revenues are being gradually tapered down, resulting in a Y-o-Y decline of 36%.

However the renewed focus on the Enterprise Distribution and Enterprise Services business (hereafter referred as "Enterprise business") witnessed significant positive traction notching 72% and 11% Y-o-Y growth rates respectively. The Enterprise business also formed strategic alliances with major OEMs, further enhancing its future growth potential.

Distribution Business – Consumer & Enterprise

The total revenue from the distribution business declined by 18% from Rs. 3190 crores for 9 months FY 15 (Jul- Mar'15) to Rs. 2624 crores in FY 16 (9 Months).

- Enterprise Distribution records 72% Y-o-Y revenue growth
- Strengthened portfolio of OEMs and Channel partners
- Becomes exclusive pan-India distributor for all Microsoft devices
- Built unique capabilities to service customer orders through e-commerce portals and built robust partnerships with Microfinance institutions



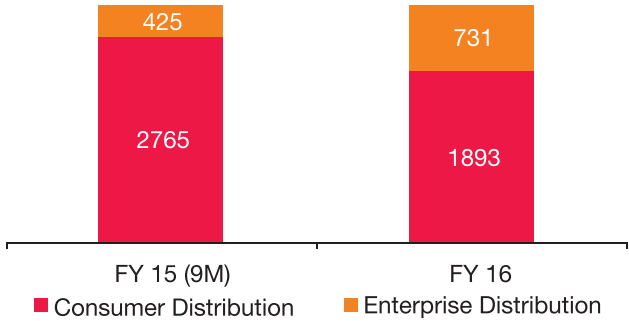
Your company’s continued focus on the Enterprise Distribution business, further enhanced by the Enterprise 360 GTM structure, is starting to show encouraging results. Strategic tie-ups with key OEMs and the value added framework is generating positive traction from the HCL-led Enterprise and Mid-markets and the Partner-led SMB sectors.

During FY’16 the Enterprise Distribution business generated revenues of Rs. 731 Crores as compared to 9 Months FY’15 revenue of Rs. 425 Crores. This represents a 72% Y-o-Y growth backed by significant new strategic alliances.

The business continued its focus on leveraging the Value-Added Distribution model, enhancing OEM/ Product portfolio and expanding the channel partner network.

Consumer Distribution revenues declined Y-o-Y by 32%. Revenue for FY’16 was Rs.1893 Crores compared to Rs.2765 Crores for the 9 months of FY’15. In recognition of the value of the relationship, the Principal has accorded pan-India exclusive distributor status to HCL for one its latest major global mobility product range. However, the Consumer Distribution business was impacted by weak demand environment for the product portfolio and the sector going through significant brand entries and exits.

The Consumer Distribution business has continued to strengthen its Channel-led initiatives, creating unique capabilities in e-commerce portals and building robust partnerships with Microfinance Institutions.



Services Business

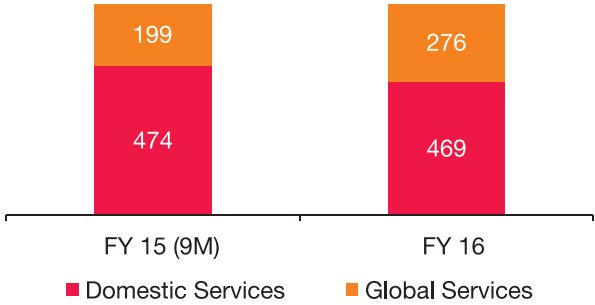
The total revenue from the Services business increased by 11 % from Rs. 673 crores for 9 months FY 15 (Jul- Mar'15) to Rs. 745 crores in FY 16 (9 Months).

The Domestic and Global Enterprise Services business are key focus areas for your Company going forward. However, while the Global Services business grew by 39% Y-o-Y, the domestic Enterprise Services revenues was nearly flat, primarily due to new focus to build the Enterprise Consulting Services practice and exiting from the low margin engagements.

In both domestic and global markets, the company achieved significant new client wins supported by continued focus and investments in service excellence and emerging technologies.

The Global business continues to show growth in both revenue and profitability. The Singapore operations won prestigious End User System Tech Refresh and Operating System Upgrade projects. MEA bagged important Data Centre transformation and Managed Services deals as well as a significant IT consulting assignment from the Middle East operations of an insurance major. The Global business in Singapore and MEA bagged several important Government and private sector projects during the financial year.

The emerging services space of Infra-application integration, Cloud and IoT have started to generate significant high-margin sales pipeline.



Services business enhanced capabilities in Emerging Technologies but marginally declines in domestic Y-o-Y revenues due to proactive exit from low margin contracts

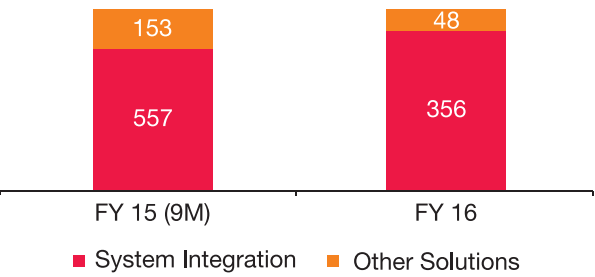
Major customer wins in the Microsoft, Cloud, Mobility & BFSI business

Global Services grows in revenue and profitability & wins major consulting assignment from the MEA operations of an insurance major



Hardware Products and Solutions – System Integration and Financial Inclusion

The total revenue from the hardware products and solutions business declined by 43% from Rs. 710 crores for 9 months FY 15 (Jul- Mar'15) to Rs. 404 crores in FY 16 (9 Months).



System Integration

- Continued focus on efficient project execution and current asset management
- 100 crore unique identities generated in the Aadhaar Card Project
- Major Defense and Power projects are progressing towards commercial closure

Financial Inclusion

- 29% Y-o-Y growth in revenue
- Contract with a partner to setup e-Mitra Service Centers in Rajasthan



The System Integration business continues to focus on efficient execution of the current order book, including major mission-critical projects with the Government and Defense sectors. The Unique Identification Authority of India project achieved the historic milestone of crossing 100 Crore Aadhaars. Major Defense and Power Projects are progressing towards commercial closure. HCL Infotech was felicitated at the 11th Elets Annual eINDIA Summit 2015 for creating World Class IT Infrastructure transforming e-Governance in Madhya Pradesh.

The Financial Inclusion business registered a 29% Y-o-Y growth. The business leveraged its vast Business Correspondent Agents (BCA) network to provide low-cost financial services to sizeable segments of the unbanked and under-banked population. The business signed a contract with a partner to setup e-Mitra Service Centers in Rajasthan, along with the additional mandate from a Public Sector Bank to increase Kiosk locations. The business continued its technological innovations for financial inclusion, such as introducing RuPay Card functionality for a customer and Aadhaar Login for the BCA network. The business received ISO certifications for Software Research & Development, Marketing, Implementation and Support ISO Certification as well as for maintaining legacy of 11 straight years of process excellence accreditation.

Learning – Learning content business

HCL Learning bagged a special honour for its flagship product – DigiSchool - at the India Didactics Association (IDA) Awards, 2015. HCL Learning was felicitated with this award for excellence in product/ solution in K-12 education.

The exit from the hardware component of the learning offering had a natural top-line impact of a Y-o-Y revenue decline of 35%.

In light of the growing trend of training and certification directly by OEMs through digital platforms, the Career Development Centre (CDC) line of business is being transitioned from the franchisee format to an owner-operated model.

HCL Infosystems – FY 16 Financial Brief

The Company generated consolidated revenues of Rs. 3718 Crores. The operating profit/ (loss) before provisions for doubtful debts is Rs. (52) Crores.

The content-focused, asset light Learning business model adversely impacted FY'16 revenues

Recognized for DigiSchool at the India Didactics Association



Quality Initiatives

The financial year 2015-16 was marked by process capability & maturity enhancement by adopting CMMI –SVC 1.3 model. Lead assessor from CMMI institute conducted the appraisal (ID: 25956) and declared the 'service management system' maturity at Level3.

Annual Customer Satisfaction measurement (C-SAT) for stakeholders and end users for Global Services recorded significant improvement in ratings. Further, the organisation worked towards implementation of Net Promoter System (NPS), with chosen members across functions trained by Satmetrix USA. Piloting of NPS program has been completed in Services & Distribution businesses. Full implementation for key clients is planned in FY16-17. Unified Escalation Desk, an effective tool to resolve customer issues and enhance customer experience, was further improved by automating dashboard publishing of escalations.

On the Continual Service Improvement front, more than 300 employees were trained on Lean Six Sigma. Joint Quality Improvement projects with prestigious Clients were successfully completed. The Company's Qkconnect Program (to build a Quality Culture and enable customer centricity across the organization) is progressing on track, completing 8 successful sessions in 6 locations pan-India covering 260 employees from Delivery and enabling functions.

During the year, 'Customer Experience Management—Master class' program was designed to enhance customer experience management skills of front line employees.

The Company launched 'GQFD' practices to monitor and track the performance of each project/account under four dimensions - Governance, Quality, Financial & Delivery. Various initiatives like Continual Service Improvements (CSI), Immediate Action Reports (IAR) and Early Warning Reports (EWR) are well supporting the implementation and successful outcome of the GQFD practice.

The Quality team initiated a 'Quality Improvement Council Platform' to share best practices among all the enabling functions, identify high impact improvement projects and continuously monitor the improvement progress on Process, People and System on a regular basis.

On the System Certification front, the Company successfully achieved the continuation of Service Management System (SMS) - ISO 20000-1 for Enterprises Service Business, Quality Management System (QMS) – ISO 9001 for Enterprise Distribution, System Integration -Project Management Office, Multi Vendor Technology Support, Office Automation Services, Care & Global Services, Information Security Management System (ISMS) - ISO 27001 for Noida Data Centre, Global Services & IT Operation Center (ITOC) and Environment Management System (EMS) -ISO 14001 for Repair Centre (HCL Care).

This year the Company launched separate Integrated Quality Management System (iQMS) portals for different subsidiaries. The Quality function was felicitated with several awards, including National Quality Excellence Award for 'Best Operational Process'; 'Best Achievement of Integrating Lean and Six Sigma, 2015' at the global awards for Excellence in Quality Management & Leadership by World Quality Congress; 'Quality Excellence Award for Excellence in Learning Outcomes, 2015' by World Education Congress in July 15; and Excellence Award for 'Business improvement through C-SAT improvement' for Global services.

Company's Service management Model assessed at CMMI Level 3

NPS initiative roll-out in progress:

- Core group trained and certified as NPS Practitioners by Satmetrix USA
- Sample surveys carried out for select clients and partners

Enhancement of Unified Escalation Desk by automation of publishing escalation dashboards

Over 300 employees trained on Lean Six Sigma

Awards

- National Quality Excellence Awards for 'Best Operational Process'
- 'Best Achievement of Integrating Lean and Six Sigma, 2015' at the global awards for Excellence in Quality Management & Leadership by World Quality Congress
- 'Quality Excellence Award for Excellence in Learning Outcomes, 2015' by World Education Congress
- Excellence Award for 'Business improvement through C-SAT improvement' for Global services.



HCL Business Risks & Mitigation Measures

Risk management programme (ERM) involves risk identification, assessment and risk mitigation planning for strategic, operational and compliance related risks across business units and functions

Risk Measurement is done through well-defined metrics that are linked to the outcome. Periodic monitoring of risk is done by tracking the identified metric



Performance of our various businesses can get impacted by various risks posed by the external environment. Your Company continuously revisits the Enterprise Risk Management (ERM) framework and strengthens it to address various risks to our businesses. The risk management programme (ERM) involves risk identification, assessment and risk mitigation planning for strategic, operational and compliance related risks across business units and functions.

Risk Measurement is done through well-defined metrics that are linked to the outcome. Periodic monitoring of risk is done by tracking the identified metric. Based on the overall risk performance, the mitigation action is refined and re-planned. The ERM framework forms an integral part of the quarterly management reviews.

The following table provides a glimpse of some of the key risks and their mitigation measures that the Company tracks regularly at an overall level (in addition to the individual business risks tracked at the individual business level):

S.No.	Risk Category	Risk Description	Mitigation Action Plan
1	Treasury Risk	Hardening of interest rate increases costs, particularly for high working capital cycle businesses High cost of borrowing with any fall in credit rating	Daily/Weekly cash flow management to reduce need for borrowings Meet WC related borrowings through appropriate supplier credits Improve business performance
2	Human Capital Risk	As the job market heats up, there can be a potential increase in employee attrition, increasing cost as well as operational issues specially in businesses that are people dependent (all service businesses) Undesirable attrition	Comprehensive employee engagement program Succession Planning Compensation plans
3	Regulatory Risk	Non- compliance to Labour, Fiscal & Environmental Laws Criminal Liabilities / Stiff Penal Provisions (e.g. High Penal interest on default in payment of Service Tax)	A checklist of regulatory compliances for each key manager and monthly/quarterly compliance certification by each relevant manager Periodic self-assessment & audit

S.No.	Risk Category	Risk Description	Mitigation Action Plan
4	Disruptive Technology & Changes in Consumer Preferences	A technology business is always exposed to sudden and unanticipated technology disruptions. This exposes the Company to product obsolescence and potential missing out on business opportunities	Identify future technology trends and select some of them to set up a beachhead (e.g. cloud, Mobility, Analytics etc.) Periodic audit to keep a check on inventory in entire supply chain & products exposed to rapid technology churn
5	Changes in Portfolio or Health of major Distribution Partners or Vendors	High degree of dependence on a particular supplier or Business Partner, exposes us to swings in the business based on performance of vendor/ partner (e.g. Microsoft in our Distribution business)	Portfolio diversification in Distribution business Vendor diversification to ensure dependence on a single supplier is eliminated wherever possible
6	Fixed Cost pressure due to Restructuring / Market Environment	Drop in sales and GM earned while fixed costs in the business remain fixed	Constant review of fixed costs Optimize or variablize fixed costs to the extent possible
7	Customer Credit Risk	Customer default in payments (especially channel partners, private schools, Government/ PSUs)	Credit controller to approve bids to Enterprise/ Government/ SMB customers with a clear NO-GO on 'Restricted Parties' Credit Controller to approve credit limit for each channel partner Credit Insurance of Credit offered to all the channel partners
8	Brand Positioning & Reputational Risk	Negative reports in media – print, online and social media, damaging customer and stakeholder perception	Pro-active engagement through positive news dissemination, increasing social media presence and resolving customer queries through social media
9	Business Continuity Plan (BCP)	Disruption in business operation due to any natural or manmade disasters	Data replication for SAP with RPO of 4 Hrs. at BCP Site. Capacity enhancement to take care of 50% of operation load during disaster DR strategy for other business applications, interfacing with SAP, to be formulized and periodically reviewed Separate BCP is being prepared for every business

Internal Control Systems and their adequacy

The Company has put in place controls commensurate with the size and nature of operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. These processes are continuously reviewed and revised as a part of the iQMS framework.

The Company has an Internal Audit function designed to review the adequacy of internal control checks in the system which cover all significant areas of the Company's operations such as accounting and finance, procurement, employee recruitment, statutory compliances, IT processes, safeguarding of assets and their protection against unauthorized use, among others. The Internal Audit function performs the internal audit of Company's activities based on an Internal Audit plan, which is reviewed each year in consultation with the Audit Committee. The Audit Committee reviews the reports submitted by internal auditors. Suggestions for improvement are considered and the Audit Committee follows up on corrective action. Disciplinary action is taken, wherever required, for non-compliance to corporate policies and controls.

Human Resource Development

Over the past 40 years, HCL Infosystems has built an enviable track-record of talent acquisition & development and innovative People policies. In fact, today HCL Infosystems' alumni populate the senior management cadre of most major IT companies as well as other key industry segments. Our entrepreneurial heritage and culture has consistently enabled us to attract appropriate talent.

As on 31st March 2016, the employee strength of the Company stood at 4955. Besides full time employees the Company also engaged 5744 associates for various short term projects from time to time.

Talent Acquisition: During the year, the Company further strengthened the leadership team by inducting high-performing senior executives for key roles from globally reputed organizations. Consequently, the top management strata now comprises of a mix of internally grown and externally recruited managerial talent.

During the year, the Company focused on creating the leadership pipeline by introducing the SmarTeam (3 to 5 years work experience post-MBA from Tier 1 institutes), Senior Management Trainee (Tier 1 MBA campus hires) and Marketing & Sales Trainee (Tier 1 Engineering colleges) programme.

Talent Development: Aligned to the altered business configuration and focus, the Company made significant investments in skill & competency enhancements for individuals, work-teams and functions.

During the year, the Company completed 37,072 Man-days of trainings (3.3 Mandays/employee). In addition to classroom trainings, a blend of learning opportunities through online learning, live projects, on the job mentoring etc. was provided. Learning & Development was delivered through three programmes: iLearn – for Product Trainings, iWin – for Sales Trainings and iLead for Behavioral Development.

GoldStandards. – During the year, the Company rolled out PULSE (Personalised Unit Level Self Evaluation) across the organisation to help employees evaluate their weekly performance and take timely steps to ensure that they are able to demonstrate the critical behaviours that will help them achieve GoldStandards. in their business area. These behaviours,

namely, ownership, working to full potential and demanding the best from others, are evaluated through a set of 22 questions linked to the 7 drivers identified as critical to the organisation. This weekly self and manager evaluation, aimed at improving transparency and accountability in employee-manager transactions, are time-optimal and backed by a robust set of analytics that identify gaps and improvement opportunities at an organizational level.

Talent Management & Engagement: The Company continued investing in “HCL Value Club Programme”. This intervention is a comprehensive Total Rewards Package including L&D for identified critical talent for the business transformation initiative.

The organization executed action planning for the employee engagement survey 'MyVoice', conducted in May'15 this year. Key focus areas for action planning were: Rewards & Recognition, Learning & Development and Team cohesiveness. Following interventions have been made to address the same:

- Business Unit and Corporate level drive towards Learning and Development
- Design and execution of recognition programs
- Ongoing communication via “Candid Conversation” sessions with Executive Vice Chairman and Managing director, Townhalls, Open House Forums, Skip level meetings, HR connect etc.

Roll-out of PULSE in GoldStandards. Programme aimed at transforming individual performance through appropriate attitude and behaviour

Attrition for the year was 15.45% - in line with industry norms

Revival of the Senior Management Trainee (SMT) Programme attracting talent from Tier 1 B-Schools

Roll-out of SMT ++ Programme – SmarTeam (3-5 Years work experience in global brand companies post Tier 1 MBA)



DISCLAIMER

Certain statements made in this report relating to the Company's objectives, projections, outlook, estimates, etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such estimates or projections etc., whether expressed or implied. Several factors including but not limited to economic conditions affecting demand and supply, government regulations and taxation, input prices, exchange rate fluctuation, etc., over which the Company does not have any direct control, could make a significant difference to the Company operations. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on any forward looking statements. The MD&A should be read in conjunction with the Company's financial statements included herein and the notes thereto. Information provided in this MD&A pertains to HCL Infosystems Limited and its subsidiaries on a consolidated basis, unless otherwise stated.

Company headcount on 31st March 2016 – 4955 (5%+ reduction Y-o-Y)

Leadership team further strengthened by induction of senior management talent from globally reputed organizations



Financial Comments on consolidated operations for the year ended March 31, 2016

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till such time the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently these financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under Section 211(3C) (Companies Accounting Standards Rules, 2006, as amended) and other relevant provisions of the Companies Act, 2013.

Section 2(41) of the Companies Act, 2013 requires all the companies to have their financial year ending on 31st March. The Company has adopted this change from current financial year and accordingly, the current financial year of the company is for a nine month period from 1st July, 2015 to 31st March, 2016 (hereinafter referred as "Year ended 31st March, 2016"). Accordingly, the figures for the current financial year are not comparable to those of previous year.

The consolidated financial statements have been prepared in compliance with the Accounting Standard AS 21 on Consolidation of Accounts and presented in a separate section of the Annual Report.

The Management Discussion and Analysis on Financial performance relates to Consolidated Financial statements of the Company and its subsidiaries. This should be read in conjunction with the financial statements and related notes to the consolidated accounts for the year ended 31st March, 2016.

RESULTS OF OPERATIONS

₹ Crores

Particulars	FY 16 (9 months - Audited)	FY 15 (9 months - Unaudited)	FY 15 (12 months - Audited)
Revenue	3,718	4,509	6,220
Cost of Sales	3,058	3,827	5,279
Gross Margin	660	682	941
Personnel Costs	464	430	582
Administration, Selling & Others	247	244	327
Depreciation	32	39	52
Interest income on Lease Rental	19	27	35
Exchange differences Loss/ (Gain)	4	6	6
Operating Other Income	16	4	4
Operating Profit/ (Loss) before Doubtful Debts provision	(52)	(6)	13

Particulars	FY 16 (9 months - Audited)	FY 15 (9 months - Unaudited)	FY 15 (12 months - Audited)
Provision for Doubtful Debts	38	69	98
Investment & Other Income	23	19	25
Borrowing costs	119	104	143
Profit / (Loss) Before Exceptional Items and Tax	(186)	(160)	(203)
Exceptional Items (Gain/ (Loss))	(67)	26	29
Tax Expense	1	9	11
Profit/ (Loss) After Tax	(254)	(143)	(185)

Note: 9 months denotes the period 1st July – 31st March

Gross Business Income

Consolidated Revenues for the year FY 16 (9 months) was ₹ 3,718 crores as against ₹ 4,509 crores for nine months period ended on Mar'15. The decrease is mainly due to the weak demand environment for the product portfolio in consumer distribution business. The revenue in FY 15 was ₹ 6,220 crores.

Gross Margin

Gross margin percentage increased by 263 bps to 17.7% in FY 16 as against 9 months ended Mar'15, mainly on account of change in revenue mix. In absolute terms, gross margin was ₹ 660 crores in FY 16 as against ₹ 682 crores in nine months period ended on Mar'15. The gross margin for FY 15 was ₹ 941 crores.

Personnel Costs

Personnel costs was ₹ 464 crores in FY 16 as against ₹ 430 crores in nine months ended on Mar'15. The increase is mainly due to the effect of annual increase in salaries and additional manpower deployed in the overseas service business. The FY 15 cost was ₹ 582 crores.

Administration, Selling and Other Expenses

Administration, Selling & other expenses were ₹ 247 crores in FY 16 as against ₹ 244 crores in nine months period ended on Mar'15. The FY 15 cost was ₹ 327 crores.

Depreciation

Depreciation was ₹ 32 crores in FY 16 as against ₹ 39 crores in nine month's period ended on Mar'15. The FY 15 cost was ₹ 52 crores.

Interest income on Lease Rental

Interest income on Lease Rental was ₹ 19 crores in FY 16 as against ₹ 27 crores in nine months period ended on Mar'15, in line with the reduction in the lease rent recoverable. The income in FY 15 was ₹ 35 crores. This income is operational in nature, on assets offered to our customers on a managed lease as a part of our offering in Solutions and Learning businesses.

Operating Profit/ (Loss)

Operating Profit/ (Loss) before exceptional items and doubtful