

HCL Infosystems registers Rs. 1,815 Crore revenue in FY20

FY20 Business Highlights

- FY20 revenue was Rs. 1,815 Crore vs. Rs. 3,875 Crore in FY19
- Distribution Business revenue for FY20 stood at Rs. 1,656 Crore vs. Rs. 3,722 in FY19
- Enterprise Distribution registered revenue of Rs. 1,083 Crore vs. Rs. 1,704 Crore in FY19
- Consumer Distribution registered revenue of Rs. 573 Crore in FY20 vs. Rs. 2,018 Crore in FY19
- Loss before interest, tax and exceptional items* (from continuing operations) was Rs 149.9 Crore
- Loss Before Tax & after Exceptional Items (from continuing operations and discontinued operations) was Rs. 72.8 Cr

Revenue from discontinued operations (incl. other income) in FY20 was Rs. 266.9 Crore and Profit before tax was Rs. 4.0 Crore.

Q4FY20 Business Highlights

- Q4FY20 revenue was Rs. 228 Crore vs. Rs. 429 Crore in Q3FY20
- Distribution business revenue for Q4FY20 stood at Rs. 188 Crore vs Rs. 386 Crore in Q3FY20
- Enterprise Distribution revenue registered revenue of Rs. 142 Crore in Q4 FY20 vs. Rs.259 Crore in Q3FY20.
- Consumer Distribution registered revenue of Rs. 46 Crore in Q4FY20 vs. Rs.127 Crore in Q3FY20
- Loss before interest, tax and exceptional items* (from continuing operations) was Rs 47.3 Crore
- Loss Before Tax & after Exceptional Items (from continuing operations and discontinued operations) was Rs. 68.8 Crore

Revenue from discontinued operations (incl. other income) in Q4FY20 was Rs. 2.6 Crore and Loss before tax was Rs. 0.7 Crore.

HCL Infosystems today announced its financial results for the year ended March 31st, 2020.

Dr. Nikhil Sinha, Chairman Board of Directors, HCL Infosystems Ltd., commenting on the results said, *"In FY20 we re-calibrated our business by focusing on the reduction of the Company's outstanding debt as well as reduction of business losses. As one of the action points in this strategy, we completed the divestment of our Singapore Services business and sale of two non-core properties, the proceeds from which were used to reduce debt.*

The decline in Distribution business revenue is consistent with our plan to downsize these business and reduce losses, which we began to implement in the previous quarter after seeking

advice from a reputed consultancy firm. Both our Distribution business, Enterprise and Consumer have been impacted and their losses have increased due to various factors such as adverse market conditions and thin margins. In our Systems Integration business, we continued to focus on project deliverables and recovering our outstanding dues from our existing customers.”

In accordance with the overall goal of debt reduction and paring of losses, the strategy for the company in FY20 was optimization and divestment of its businesses. The performance of the businesses as described below should be viewed in this context.

Distribution Business:

During the financial year, the Distribution Business declined in revenue which led to an increase in losses. Both the distribution business units – Enterprise and Consumer were operating in a challenging market environment. These are low margin businesses and the margins continued to be under pressure. The Board of the Company appointed a reputed independent consultancy firm to review both the businesses. The Board reviewed the report after its submission and in January 2020 decided that because of low margin contracts, tough market conditions and the current financial position of the Company, the Distribution businesses of the Company were not financially sustainable. Hence the Board recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

In FY20, the Distribution business had reported a revenue of Rs. 1,656 Crore.

The Consumer Distribution Business reported a revenue of Rs. 573 Crore in FY20 versus Rs. 2,018 Crore in FY19. HMD Global for Nokia handsets was the main contributor to the revenue of Consumer Distribution in the current financial year. The partnership with Microsoft for its Surface range of products also contributed to the revenue. In Q4FY20 the revenue of Consumer Distribution stood at Rs. 46 Crores.

The Enterprise Distribution business registered revenue of Rs.1,083 Crore versus Rs 1,704 Crore in FY19. In the Financial Year, the main revenue contributor was the End User Computing Channel Business. The other line of business which provides technology solutions directly to customers also made contribution to the revenue. There was a decline in Y-o-Y revenue due to several factors such as a competitive environment, market slowdown and delayed customer decisions. In Q4FY20 the revenue of Enterprise Distribution was Rs. 142 Crore.

System Integration (SI) & Solutions Business:

The SI and Solutions business reported revenue of Rs. 154 Crore in FY20 with focus on project execution and gain outstanding receivables from customers. The total order book size stood at Rs. 436 Crore as on 31st March 2020.

Collection in SI business during the year was Rs. 232 Crore, however it continued to face delays in realization of certain customer receivables, particularly from customers in the power sector. The Company has been constantly focusing on expediting the resolution of such issues

by continuous engagement with customers for the acceptance of project completions, however progress has been very slow. It can be noted here that such delays has been the main reason for the high debt obligation and finance cost of the company. In the Q4FY20 the business had a revenue of Rs. 40 Crore.

Other Developments:

As part of its divestment strategy, during the year Company sold its Services business in Singapore and two non-core properties. The proceeds of the sale were utilized for repayment of loans.

On 6th August, 2019, the company approved the sale of shares of HCL Insys Pte. Ltd., Singapore by entering into an agreement with PCCW Solutions Limited, Hong Kong. Pursuant to this, on 15th November, 2019, the company concluded the sale of the entire shareholding of HCL Insys Pte. Ltd. to PCCW for a consideration of SGD 57.6 Million (Rs. 303.4 Crore).

As at March 31, 2020, the Group has accumulated losses and its net worth has been fully eroded. The Group has a net loss during the current and previous year and the Group's current liabilities exceeded its current assets by Rs 432 Crore (FY2019 - Rs. 385 Crore) as at the balance sheet date. The losses are primarily as a result of delayed receipts on certain system integration contracts, certain historical low margin contracts, slow-down of distribution businesses and finance costs. The Parent Company's management is pursuing strategies which include scale down of loss-making businesses such as the distribution business, sale of certain non-core properties and reduction in outstanding debts. To ensure the necessary financial support for its operations, the Board of Directors of HCL Corporation Private Limited have issued a support letter (in the form of Corporate Guarantee or unsecured loan) to the Company to the extent of Rs. 500 Crore. Considering the above support, the Parent's management and the Board of Directors have a reasonable expectation that the Group will be able to realize its assets and discharge its contractual obligations and liabilities as they fall due in the near future in the normal course of business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Covid-19 Impact

The operations and financial results of the company were marginally impacted due to shut down of company's operations across various locations w.e.f. March 23, 2020 as per the directives of both the Central and State Governments in the wake of COVID-19 pandemic. In evaluating the impact of COVID-19 on its ability to continue as a going concern and the possible impact on its financial position, the management has assessed the impact of macro-economic conditions on its business and the carrying value of its major assets comprising of Property, Plant and Equipment (PPE), trade receivables and other balances recoverable. In this regard, the management has carefully considered the circumstances and risk exposures arising from the COVID-19 situation for developing the estimates on the basis of available information in its

assessment of impact thereof on its financial reporting. Based on aforesaid assessment, management believes that the Group will continue as a going concern and will be able to meet all of its obligations as well as recover the carrying amount of its aforesaid assets as on March 31, 2020. The Management believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of these financial statements. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and actual results may differ materially from these estimates. The Group will continue to monitor any material changes to future economic conditions and any significant impact of these changes would be recognized in the financial statements as and when these material changes to economic conditions arise.

Contact for Investor Relations

Sumeet Ahluwalia
sumeet.ahluwalia@hcl.com

Contact for Media & Press

Tanay J. Gogoi
tanay.gogoi@hcl.com

About HCL Infosystems

HCL Infosystems is a Distribution, IT Services, and Solutions Company, enabling organizations attain and sustain competitive advantage by leveraging Information and Communication Technologies. It offers a portfolio of capabilities spanning IT & System Integration services to value-added distribution of technology, mobility and consumer products. For more information, please visit us at www.hclinfosystems.in

About HCL

Founded in 1976 as one of India's original IT garage start-ups, HCL is a pioneer of modern computing with many firsts to its credit, including the introduction of the 8-bit microprocessor-based computer in 1978 well before its global peers. Today, the HCL enterprise has a presence across varied sectors that include technology, healthcare and talent management solutions and comprises three companies – HCL Infosystems, HCL Technologies and HCL Healthcare. The enterprise generates annual revenues of over US \$ 9.9 billion with more than 150,000 employees from 155 nationalities operating across 46 countries. For further information, visit www.hcl.com

(Tables to follow)

CONSOLIDATED RESULTS

	Rs crores			
	Three Months ended			Year Ended
	31.03.2020	31.12.2019	31.03.2019	31.03.2020
	Audited	Unaudited	Audited	Audited
Income				
Revenue From Operations	227.7	428.7	875.6	1,815.2
Other Income	26.0	9.1	27.6	76.8
Total Income	253.7	437.9	903.2	1,891.9
Expenses				
Cost of materials consumed	-	-	-	-
Purchase of Stock-in-trade	180.6	345.8	481.5	1,559.1
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	23.6	27.5	335.0	67.6
Employee benefits expense	25.9	30.6	27.7	110.5
Finance costs	18.3	19.8	27.4	90.4
Depreciation and amortisation expense	1.7	1.7	2.7	8.8
Other Expenses	69.2	89.0	81.8	295.9
Total Expenses	319.3	514.4	956.1	2,132.3
Profit / (Loss) before exceptional items and Tax from continuing operations	(65.7)	(76.5)	(52.9)	(240.4)
Exceptional Items (loss) / Gain	(2.9)	-	-	12.8
Profit / (Loss) before tax from continuing operations	(68.6)	(76.5)	(52.9)	(227.6)
Tax Expense/ (Credit)				
Current tax	(0.3)	0.4	0.1	0.1
Deferred tax	1.9	60.2	2.9	62.1
Net Profit / (Loss) for the period from continuing operations	(70.1)	(137.2)	(55.9)	(289.8)
Profit / (Loss) before Tax from discontinued operations	(0.7)	1.5	13.4	4.1
Profit/(loss) on disposal of discontinued operations	0.5	150.3	-	150.8
Tax expense / (Credit) of discontinued operations	0.6	0.2	1.4	1.4
Net Profit / (Loss) for the period from Discontinued operations	(0.8)	151.7	12.0	153.4
Net Profit / (Loss) for the period	(71.0)	14.5	(43.9)	(136.4)
Other Comprehensive income				
A.(i) Items that will not be reclassified to profit or loss	(0.5)	-	(1.4)	(0.5)
(ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-	-
B.(i) Items that will be reclassified to profit or loss	0.3	4.2	(0.3)	4.6
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-
Total other comprehensive income, net of income tax	(0.2)	4.2	(1.7)	4.1
Total comprehensive income for the period	(71.2)	18.7	(45.6)	(132.2)
Basic EPS (Not annualised) Rs/share for discontinued & continuing operations	(2.2)	0.4	(1.3)	(4.1)

CONSOLIDATED SEGMENT INFORMATION
Rs crores

	Three Months ended			Year Ended
	31.03.2020	31.12.2019	31.03.2019	31.03.2019
	Audited	Unaudited	Audited	Audited
Segment Revenue				
- Hardware Products and Solutions	40.0	39.3	30.1	154.3
- Services	2.6	53.4	141.6	264.2
- Distribution	187.7	385.5	845.0	1,656.0
- Learning	-	3.9	3.0	5.4
Total	230.3	482.1	1,019.7	2,079.8
Less : Intersegment revenue	-	-	9.2	0.5
Net Sales / Income	230.3	482.1	1,010.5	2,079.3
Segment Results (Profit / (Loss) before Tax and Interest from each segment)				
- Hardware Products and Solutions	(2.6)	(43.9)	(38.1)	(79.5)
- Services	(0.6)	(1.9)	13.8	0.1
- Distribution	(41.3)	(11.1)	3.2	(60.2)
- Learning	(0.1)	3.5	4.3	6.7
Total	(44.7)	(53.4)	(16.8)	(132.9)
Less :				
i) Interest Expense	18.3	19.9	27.4	90.6
ii) Other un-allocable expenditure net off un-allocable (income)	5.8	(148.5)	(4.7)	(150.8)
Total Profit / (Loss) before Tax	(68.8)	75.3	(39.5)	(72.8)
Segment Assets				
- Hardware Products and Solutions	364.6	457.7	581.7	364.6
- Services	-	-	236.9	-
- Distribution	379.3	584.6	694.7	379.3
- Learning	2.4	2.7	3.1	2.4
- Unallocated	300.7	309.9	481.0	300.7
Total Assets	1,047.0	1,354.9	1,997.4	1,047.0
Segment Liabilities				
- Hardware Products and Solutions	306.2	384.9	383.0	306.2
- Services	-	-	79.6	-
- Distribution	209.3	352.5	503.3	209.3
- Learning	4.5	4.3	6.2	4.5
- Unallocated	569.1	584.2	921.1	569.1
Total Liabilities	1,089.1	1,325.9	1,893.2	1,089.1