

HCL Infosystems Reports Revenue of Rs. 72 Crore in Q3 FY21

February 10, 2021, New Delhi

Business Highlights:

- Systems Integration and Solutions business reported revenue of Rs. 38 Crore
- Distribution business revenue stood at Rs. 34 Crore
 - Consumer Distribution registered revenue of Rs. 29 Crore
 - Enterprise Distribution registered revenue of Rs. 5 Crore
- Loss before interest, tax and exceptional items was Rs. 23 Crore

HCL Infosystems today announced its financial results for the quarter ended December 31st, 2020.

Mr. Vinod Pulyani, Manager of HCL Infosystems Ltd, commenting on the results' said, *“During the quarter we continued to focus on initiatives to reduce the company’s debt and business losses by rationalizing our businesses. Accordingly, we continued to scale down our Enterprise and Consumer Distribution businesses. We also took a strategic decision to divest the entire shareholding in HCL Infotech Ltd to Novezo Consulting Pvt. Ltd, after certain carve outs.”*

Company Updates:

The Board of Directors of HCL Infosystems Limited in its meeting held today, on 10th February, 2021 approved the sale of HCL Infotech Limited, a wholly owned subsidiary of the Company, to Novezo Consulting Pvt. Ltd. as per the terms & conditions of the share purchase agreement entered into between HCL Infosystems and Novezo Consulting. The transaction is subject to approval of the shareholders of the Company & statutory authorities and closure of certain conditions precedent.

This transaction excludes;

- i) UIDAI and Rajasthan power projects;
- ii) Residual Business (assets and liabilities, which consist of completed HCLI SI Projects and other discontinued and closed projects of HCL Infotech Limited);
- iii) HCL Investments Pte. & its step-down subsidiary, Nurture Technologies FZE.

The purchase price will be based on the enterprise value of HCL Infotech as of the date of the share transfer. The enterprise value of HCL Infotech as of 30th Sept. 2020 was Rs. 147 crores, which will be adjusted based on the balance sheet position of HCL Infotech as on the closing date of the transaction. The purchase price shall be paid through a combination of cash and Optionally Convertible Debentures.

Since this transaction is subject to approval of the Company’s shareholders and statutory authorities the accounting impact of this transaction has not been considered in this quarter’s financial results.

Over the past several quarters, the Company’s management has been consistently making efforts to rationalize the businesses of the Company through actions/initiatives aimed at reducing the Company’s debt as well as business losses. The sale of HCL Infotech Ltd. is consistent with these initiatives. As announced from time to time, the Company has been facing challenges and delays in the Systems Integration (SI) and Solutions business related to customer acceptances and payments in large contracts resulting in cost over-runs and significant losses for the Company. Such delays and losses have also been the main reason for the high debt obligation and finance cost of the Company. The delay in realization of SI receivables has severely impacted the capacity of the Company to meet

its financial obligations. The sale of HCL Infotech will result in the Company exiting from many of these loss-making contracts.

To assist the Company in meeting its financial obligations, Promoter Companies have been voluntarily extending financial support to the Company from time to time. These include:

- a) Fund based support:
 - (i) by subscribing to Rs 445 Crore worth of shares during rights issue of Rs 499 crore;
 - (ii) by providing interest free loans (Rs140 Crore outstanding as on 31st December, 2020)

- b) Guarantees:
 - (i) by providing Corporate Guarantees to lenders;
 - (ii) by providing Corporate Guarantees to principal vendors.

The Company has from time to time made adequate and fair disclosures with respect to the performance of its businesses and any material actions/ events. As stated in several earlier press releases, during the last few years, the Company has been struggling due to operational losses, high debt obligation and challenging market conditions. Therefore, the Company's focus has been on reduction of operational losses and debt and finance costs by scaling down certain businesses and selling off select businesses and assets (including identified immovable properties).

In the past, certain lossmaking businesses like PC Manufacturing, Financial Inclusion, Learning, and Enterprise & Consumer Distribution Business have been wound down. Other businesses such as Care (Consumer Services), Enterprise Services, and overseas businesses in Singapore & Middle East have been sold off. This was in addition to sale of unutilized surplus properties, whose proceeds were used to reduce outstanding bank loans.

Despite of all these efforts to reduce debt & losses as well as promoter's financial support from time to time, the Company continues to face very challenging financial conditions and a very tight fund position. As a consequence, the Company has no ability to invest in any new businesses or in expanding its current operations and consequently the business of the Company will continue to contract for the foreseeable future.

About HCL Infosystems

HCL Infosystems is a System Integration and Distribution company. It provides 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 \$ 10 billion with more than 159,000 employees operating across 50 countries. For further information, visit www.hcl.com

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Consolidated Results

(Rs. In Crores)

	Three months ended			Year ended
	31.12.2020	30.09.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Audited
Income				
Revenue from operations	72.0	131.6	428.7	1,815.2
Other income	14.3	11.0	9.1	76.8
Total Income	86.3	142.5	437.9	1,892.0
Expenses				
Cost of materials consumed	-	-	-	-
Purchase of stock-in-trade	18.0	103.5	345.8	1,559.1
Changes in inventories of finished goods and stock-in-trade	9.9	7.2	27.5	67.6
Other direct expense	33.0	47.2	28.2	82.1
Employee benefits expense	18.7	21.9	30.6	110.5
Finance costs	11.7	15.3	19.8	90.4
Depreciation and amortisation expense	0.9	1.2	1.7	8.8
Other expenses	28.5	30.1	60.8	213.8
Total expenses	120.7	226.3	514.4	2,132.3
Loss before exceptional items and tax from continuing operations (1 - 2)	(34.3)	(83.7)	(76.5)	(240.3)
Exceptional Items gain (Refer note 6)	-	-	-	12.8
Loss before tax from continuing operations (3 + 4)	(34.3)	(83.7)	(76.5)	(227.6)
Tax expense / (credit)				
(a) Current tax	-	-	0.4	0.1
(b) Deferred tax expense	-	-	60.2	62.1
Loss for the period from continuing operations (5 - 6)	(34.3)	(83.7)	(137.2)	(289.8)
Profit / (loss) before tax from discontinued operations (Refer note 2)	-	-	1.5	4.1
Profit / (loss) on disposal of discontinued operations (Refer note 2)	-	-	150.3	150.8
Tax expense / (credit) of discontinued operations (Refer note 2)	-	-	0.2	1.4
Net Profit / (loss) for the period from discontinued operations (8 + 9 - 10)	-	-	151.7	153.4
Net Loss for the period (7+ 11)	(34.3)	(83.7)	14.5	(136.3)
Other comprehensive income				
A (i) Items that will not be reclassified to profit and loss	-	-	-	(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 and loss	(1.5)	0.2	4.2	4.6
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-
Total other comprehensive income, net of income tax	(1.5)	0.2	4.2	4.1
Total comprehensive income for the period (12 + 13)	(35.8)	(83.6)	18.7	(132.2)
Earnings per share for discontinued & continuing operations (of Rs 2/- each) (not annualised):				
Basic & Diluted	(1.04)	(2.54)	0.44	(4.14)

(Rs. In Crores)

Segment-wise information

Particulars	Three months ended			Year ended
	31.12.2020	30.09.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Audited
Segment Revenue				
- Hardware Products and Solutions	38.2	24.2	39.3	154.3
- Services *	-	-	53.4	264.2
- Distribution	33.9	107.4	385.5	1,656.0
- Learning	-	-	3.9	5.4
Total	72.0	131.6	482.1	2,079.8
Less : Intersegment revenue	-	-	-	0.5
Revenue from operations	72.0	131.6	482.1	2,079.3
Segment results (profit / (loss) before tax and Interest from each segment)				
- Hardware Products and Solutions	(8.6)	(41.5)	(43.9)	(79.5)
- Services *	-	-	(1.9)	0.1
- Distribution	(2.7)	(19.9)	(11.1)	(60.2)
- Learning	0.1	(0.2)	3.5	6.7
Total	(11.2)	(61.5)	(53.4)	(132.9)
Less :	-	-	-	-
i) Interest expense	11.7	15.3	19.9	90.6
ii) Other un-allocable expenditure net off un-allocable (income)	11.4	6.9	(148.6)	(150.8)
Total Profit / (Loss) before tax	(34.3)	(83.7)	75.3	(72.8)
Segment Assets				
- Hardware Products and Solutions	355.5	381.9	457.7	364.6
- Services *	-	-	-	-
- Distribution	158.6	215.2	584.6	379.3
- Learning	2.2	2.3	2.7	2.4
- Unallocated	242.7	279.8	309.9	300.7
Total Assets	759.0	879.2	1,354.9	1,047.0
Segment Liabilities				
- Hardware Products and Solutions	354.7	329.5	384.9	306.2
- Services *	-	-	-	-
- Distribution	63.9	117.2	352.5	209.3
- Learning	3.7	4.0	4.3	4.5
- Unallocated	534.9	590.9	584.2	569.1
Total Liabilities	957.2	1,041.6	1,325.9	1,089.1