

HCL Infosystems registers Rs. 69.44 Crore revenue with operating loss of Rs. 75.77 Crore in FY22

May 28, 2022, New Delhi

FY22 Business Highlights:

- FY22 revenue was Rs. 69.44 Crore
- Systems Integration and Solutions business reported revenue of Rs. 60.96 Crore
- Loss Before Tax and exceptional items was Rs. 75.77 Crore
- Exceptional non-recurring gain during this year was on account of:
 - Profit on sale of properties of Rs. 101.51 Crore.
- Profit Before Tax after considering exceptional items Rs. 25.74 Crore

Q4' FY22 Business Highlights:

- Q4' FY22 revenue was Rs. 13.86 Crore
- Systems Integration and Solutions business reported revenue of Rs.11.08 Crore
- Loss Before Tax and exceptional items was Rs. 18.82 Crore
- Exceptional non-recurring loss during this quarter was on account of:
 - Impairment of property post adjusting Profit on sale of properties was Rs 1.75 Crore.
- Loss Before Tax after considering exceptional items was Rs. 20.57 Crore

HCL Infosystems today announced its financial results for the quarter ended March 31st, 2022.

Mr. Raj Sachdeva, Manager of HCL Infosystems Ltd, commenting on the results' said, *"In FY 22 ,the management of the Company continued to rationalize the businesses of the Company and to focus on actions/ initiatives that can help reduce operational losses and debt and finance cost, for which various strategies like scaling down certain businesses and selling select businesses and assets (including identified immovable properties) have been implemented."*

Our Systems Integration and Solutions business continued to face delays in customer acceptance and sign-offs on project completion from certain customers, particularly those in the power sector, resulting in delays in recovering receivables. Also as the company continued to provide support to these customers ,the company is incurring higher cost which is increasing our operational losses as reflected in the financials.The team has been continuously engaging with this set of customers to recover the outstanding dues and the Company is also pursuing legal options by including arbitration to recover the receivables.This is leading to high legal costs as reflected in legal and professional expenses.

As recommended by the Board earlier, both the Enterprise and Consumer distribution businesses have been scaled down, resulting in decline in revenues.

Despite all these efforts to reduce debt and losses and the promoter's financial support for the Company, the Company continues to face very challenging funding conditions. 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.

Company Update

Divestment of HCL Infotech Ltd.

As reported in earlier press releases, the Board of Directors and shareholders of the Company in 2021 had approved the sale of the entire shareholding held by HCL Infosystems Limited in HCL Infotech Limited to Novezo Consulting Pvt. Ltd. based on the terms and conditions specified in the Share Purchase Agreement dated February 10, 2021.

Subsequently, one of the customers of a key defense project which is part of the transaction has asked HCL to novate the project to either HCL Infosystems Limited or to a third-party service provider acceptable to the customer, instead of transferring the project as part of the HCL Infotech sale to Novezo. In response to the customer's request, the process for novating the DCN project to HCL Infosystems as a stop gap arrangement and identifying a service provider to finally take-over the AMC for DCN project, is underway.

This exercise has resulted in a significant delay in closing the sale of HCL infotech to Novezo. In addition, some of the terms of the Share Purchase Agreement are being renegotiated and there are unresolved issues which if resolved, will require approval of the Board and the Shareholders of the Company.

Amalgamation / Restructuring of the Company

HCL Infosystems Limited (HCLI) had initiated a scheme of amalgamation of Digilife Distribution and Marketing Services Limited (DDMS) and HCL Learning Limited (Learning), wholly owned subsidiaries, with and into HCL Infosystems Limited (HCLI). The rationale for this is to consolidate these businesses into a single entity, simplify the corporate structure and reduce administrative costs. The petition for sanctioning of the scheme was filed before the Hon'ble NCLT, New Delhi bench on 13th December 2021.

Pursuant to order of the Hon'ble NCLT, New Delhi dated January 18, 2022, notices were duly issued to statutory authorities inviting their objections to the scheme and reports have been obtained from the Official Liquidator and the Regional Director. Adequate responses to their observations have also been filed before the Hon'ble NCLT along with necessary compliances. The scheme is now pending before the Hon'ble NCLT until next hearing. The Company has also proposed to change the Appointed Date of the Scheme from April 01, 2020 to April 01, 2022 which would require an approval from the NCLT.

Divestment of Property

In order to reduce the Company's debt obligations, the Company has decided to monetize certain Company owned properties in a phased manner. Several of the Company's properties are not being fully utilized due to changes in the business of the Company. During FY 22, the Company sold 7 properties for a total consideration of Rs. 138.14 Crores. The Company is actively looking for buyers to monetize other properties.

Tax refund

Income tax and GST refund received during current financial year was Rs 107 Crores and Rs 30 crores respectively.

Human Resource Development

As on April 1, 2022, the employee strength of the Company stood at 276, while on April 1, 2021, it was 757. Reduction in headcount was due to the scaling down of the business and organization right sizing.

About HCL Infosystems

HCL Infosystems is an IT System Integration and Solutions company. For more information, please visit us at www.hclinfosystems.in.

| Media Contact Information | |
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Consolidated Results
(Rs. In Crores)

| | Three months ended | | Year ended | |
|--|--------------------|---------------|---------------|----------------|
| | 31.03.2022 | 31.12.2021 | 31.03.2021 | 31.03.2021 |
| | Audited | Unaudited | Audited | Audited |
| Income | | | | |
| Revenue from operations | 13.9 | 12.4 | 43.5 | 352.8 |
| Other income | 12.0 | 2.4 | 78.6 | 113.3 |
| Total Income | 25.9 | 14.9 | 122.0 | 466.0 |
| Expenses | | | | |
| Cost of materials consumed | 0.0 | - | - | - |
| Purchase of stock-in-trade | 1.5 | 1.5 | (1.6) | 181.2 |
| Changes in inventories of finished goods and stock-in-trade | 1.6 | 0.0 | 2.1 | 25.1 |
| Other direct expense | 0.8 | 5.6 | 15.1 | 118.1 |
| Employee benefits expense | 5.1 | 6.3 | 15.8 | 80.5 |
| Finance costs | 2.3 | 2.6 | 9.6 | 52.4 |
| Depreciation and amortisation expense | 0.2 | 0.2 | 0.8 | 4.3 |
| Legal, professional and consultancy charges | 8.5 | 8.3 | 10.8 | 36.3 |
| Other expenses | 24.7 | 5.0 | 109.3 | 163.0 |
| Total expenses | 44.7 | 29.6 | 161.9 | 660.8 |
| Loss before exceptional items and tax from continuing operations | (18.8) | (14.7) | (39.9) | (194.8) |
| Exceptional Items gain | (1.8) | 7.4 | - | - |
| Profit/(loss) before tax from continuing operations | (20.6) | (7.3) | (39.9) | (194.8) |
| Tax expense / (credit) | | | | |
| (a) Current tax | 1.2 | - | 2.0 | 2.0 |
| (b) Deferred tax expense | - | - | - | - |
| Profit/(loss) for the period from continuing operations | (21.8) | (7.3) | (41.8) | (196.7) |
| Profit / (loss) before tax from discontinued operations | - | - | - | - |
| Profit / (loss) on disposal of discontinued operations | - | - | - | - |
| Tax expense / (credit) of discontinued operations | - | - | - | - |
| Net Profit / (loss) for the period from discontinued operations | - | - | - | - |
| Net Profit/(loss) for the period | (21.8) | (7.3) | (41.8) | (196.7) |
| Other comprehensive income | | | | |
| A (i) Items that will not be reclassified to profit and loss | (0.4) | - | (0.2) | (0.2) |
| (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 | 0.3 | - | 0.2 | (1.0) |
| (ii) Income tax relating to items that will be reclassified to profit or loss | - | - | - | - |
| Total other comprehensive income, net of income tax | (0.1) | - | (0.0) | (1.2) |
| Total comprehensive income for the period | (21.9) | (7.3) | (41.9) | (197.9) |
| Earnings per share for discontinued & continuing operations (of Rs 2/- each) (not annualised): | | | | |
| Basic & Diluted | (0.66) | (0.22) | (1.27) | (5.98) |

Segment-wise information

(Rs. In Crores)

| Particulars | Three months ended | | Year ended | |
|--|--------------------|--------------|---------------|----------------|
| | 31.03.2022 | 31.12.2021 | 31.03.2021 | 31.03.2021 |
| | Unaudited | Unaudited | Unaudited | Audited |
| Segment Revenue | | | | |
| - Hardware Products and Solutions | 11.1 | 10.4 | 36.8 | 135.4 |
| - Distribution | 2.8 | 2.1 | 6.6 | 217.4 |
| - Learning | - | - | - | - |
| Total | 13.9 | 12.4 | 43.5 | 352.8 |
| Less : Intersegment revenue | - | - | - | - |
| Revenue from operations | 13.9 | 12.4 | 43.5 | 352.8 |
| Segment results (profit / (loss) before tax and interest from each segment) | | | | |
| - Hardware Products and Solutions | (4.9) | (5.9) | (28.4) | (82.2) |
| - Distribution | 2.8 | (0.7) | 1.0 | (34.4) |
| - Learning | 0.7 | (0.0) | 1.1 | 1.2 |
| Total | (1.4) | (6.6) | (26.3) | (115.4) |
| Less : | - | - | - | - |
| i) Interest expense | 2.3 | 2.6 | 9.6 | 52.4 |
| ii) Other un-allocable expenditure net off un-allocable (income) | 16.8 | (1.9) | 4.0 | 27.0 |
| Total Profit / (Loss) before tax | (20.6) | (7.3) | (39.9) | (194.8) |
| Segment Assets | | | | |
| - Hardware Products and Solutions | 170.3 | 201.6 | 281.6 | 281.6 |
| - Distribution | 100.8 | 101.2 | 141.0 | 141.0 |
| - Learning | 0.8 | 0.8 | 1.9 | 1.9 |
| - Unallocated | 219.4 | 239.0 | 224.7 | 224.7 |
| Total Assets | 491.3 | 542.6 | 649.2 | 649.2 |
| Segment Liabilities | | | | |
| - Hardware Products and Solutions | 225.5 | 239.4 | 264.9 | 264.9 |
| - Distribution | 24.2 | 28.7 | 42.0 | 42.0 |
| - Learning | 0.6 | 1.3 | 1.3 | 1.3 |
| - Unallocated | 456.1 | 466.4 | 581.1 | 581.1 |
| Total Liabilities | 706.4 | 735.8 | 889.3 | 889.3 |