

HCL INFOSYSTEMS LIMITED
Unaudited Standalone Financial Results for the quarter and six months ended September 30, 2022
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Standalone Statement of Profit and Loss for the quarter and six months ended September 30, 2022

(Rs. In Lakhs)

Particulars	Standalone					
	Three months ended			Year to date		Year end
	30.09.2022	30.06.2022	30.09.2021	30.09.2022	30.09.2021	31.03.2022
	Unaudited	Unaudited Refer Note 6	Unaudited Refer Note 6	Unaudited	Unaudited Refer Note 6	Audited Refer Note 6
1 Income						
Revenue from operations	154	166	76	320	384	919
Other income	433	354	894	787	1,677	2,952
Total Income	587	520	970	1,107	2,061	3,871
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	0	2
(b) Purchase of stock-in-trade	102	144	20	246	461	723
(c) Changes in inventories of finished goods and stock-in-trade	-	-	237	-	53	51
(d) Employee benefits expense	236	227	160	463	347	668
(e) Finance costs	10	120	276	130	807	1,264
(f) Depreciation and amortization expense	14	14	48	28	97	135
(g) Legal, professional and consultancy charges	276	229	391	505	715	1,428
(h) Other expenses	581	520	1,058	1,101	2,143	4,361
Total expenses	1,219	1,254	2,190	2,473	4,623	8,632
3 Loss before exceptional items and tax (1 - 2)	(632)	(734)	(1,220)	(1,366)	(2,562)	(4,761)
4 Exceptional Items Gain/(loss) (Refer note 2)	(392)	(249)	1,511	(641)	7,809	7,314
5 Profit/ (Loss) before tax (3 + 4)	(1,024)	(983)	291	(2,007)	5,247	2,553
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-	-
7 Net Profit/(Loss) for the period (5 - 6)	(1,024)	(983)	291	(2,007)	5,247	2,553
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(25)
(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	-	-	-	-	-	-
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total other comprehensive income net of income tax	-	-	-	-	-	(25)
9 Total comprehensive income for the period (7 + 8)	(1,024)	(983)	291	(2,007)	5,247	2,528
10 Paid-up equity share capital (Face value per share in Rs. 2/-)	6,584	6,584	6,584	6,584	6,584	6,584
11 Reserve as per balance sheet of previous accounting year						(28,264)
12 Earnings per share (of Rs 2/- each) (not annualised):						
(a) Basic	(0.31)	(0.30)	0.09	(0.61)	1.59	0.78
(b) Diluted	(0.31)	(0.30)	0.09	(0.61)	1.59	0.78

Standalone Balance Sheet

(Rs. In Lakhs)

Particulars	Standalone	
	As at 30.09.2022 (Unaudited)	As at 31.03.2022 (Audited) Refer Note 6
ASSETS		
Non-current assets		
Property, plant and equipment	388	414
Capital work-in-progress	27	9
Other intangible assets	1	4
Financial assets		
i. Investments	4	4
ii. Other financial assets	1,695	2,285
Advance income tax (net)	2,918	2,791
Other non-current assets	13,322	13,319
Total non-current assets	18,355	18,826
Current assets		
Inventories	2	2
Financial assets		
i. Investments	1,310	7,896
ii. Trade receivables	104	112
iii. Cash and cash equivalents	1,259	1,079
iv. Bank balances other than (iii) above	1,905	1,843
v. Loans	1	-
vi. Others financial assets	155	369
Other current assets	629	2,264
Asset Held for Sale	313	690
Total current assets	5,678	14,255
Total assets	24,033	33,081
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(30,271)	(28,264)
Total equity	(23,687)	(21,680)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Borrowings	-	1,383
Provisions	81	78
Total non-current liabilities	81	1,461
Current liabilities		
Financial liabilities		
i. Borrowings	35,500	40,020
ii. Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	233	264
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	2,321	4,822
iii. Other financial liabilities	873	716
Other current liabilities	963	826
Provisions	7,749	6,652
Total current liabilities	47,639	53,300
Total liabilities	47,720	54,761
Total equity and liabilities	24,033	33,081

Notes

1. These results have been prepared in accordance with the Indian Accounting Standard (referred to as "Ind AS") 34 - Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time. These results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on November 8, 2022. The statutory auditors have issued unmodified review report on these results.

2. Exceptional items include :

Particulars	Three months ended			Year to date		Year ended
	30.09.2022	30.06.2022	30.09.2021	30.09.2022	30.09.2021	31.03.2022
	Unaudited	Unaudited Refer Note 6	Unaudited Refer Note 6	Unaudited		Audited Refer Note 6
a. Profit on sale of property, plant and equipments(Refer note no 9)	(0)	487	3,385	487	9,588	10,484
b. Reversal against loan given to subsidiary	-	-	1,969	-	2,064	2,222
c. Provision for loss in subsidiary#	(392)	(736)	(3,843)	(1,128)	(3,843)	(5,059)
d. Impairment of property	-	-	-	-	-	(333)
Total Profit / (loss) - (a+b+c+d)	(392)	(249)	1,511	(641)	7,809	7,314

The Company has made provision of Rs 392 Lakhs for the quarter ended September 30, 2022 and Rs 736 Lakhs for the quarter ended June 30, 2022, Rs 3,843 Lakhs for the quarter & period ended September, 30 2021, Rs 1,128 Lakhs for the period ended September, 30 2022 and Rs 5,059 Lakhs for the year ended March 31, 2022, on account of accumulated losses and erosion of net worth of HCL Infotech Limited, a wholly owned subsidiary.

3. As at September 30, 2022, the Company has accumulated losses and its net worth has been fully eroded, and the Company's current liabilities exceeded its current assets by Rs. 41,961 Lakhs (March 31, 2022 - Rs. 39,045 Lakhs) as at September 30, 2022. The losses are primarily a result of delayed receipts on certain system integration contracts, historical low margin contracts, large litigations and their costs which are at different stages of progression. The management of the Company, is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 4), sale of certain non-core properties (refer note 9) and reduction in outstanding debts. To ensure the necessary financial support for its operations, the Board of Directors of HCL Corporation Private Limited has approved support in the form of corporate guarantees to banks of Rs 33,000 Lakhs and interest free unsecured loans of Rs 35,500 Lakhs to the Company out of total authorized limit of Rs.1,50,000 Lakhs. This had been approved by the shareholders of the Company, vide their resolution dated September 14, 2017. Considering the above support, the Company's management and the Board of Directors have a reasonable expectation that the Company will be able to realise its assets and discharge its contractual obligations and liabilities as they fall due in the near future in the normal course of business. Accordingly, these financial results have been prepared on a going concern basis.

4. Based on the report of the consulting firm appointed by the Board of Directors and the inputs of the management team, the Board in their meeting dated January 27, 2020 decided that because of low margin contracts, tough market conditions and the then financial position of the company, the Distribution businesses of the company were not financially sustainable. Consequently, as per the Board of Directors recommendation in order to limit future financial losses, the Enterprise and Consumer Distribution Business has been substantially scaled down.

5. As per Ind AS 108 'Operating Segments', the Company has disclosed the segment information only as part of the consolidated financial results.

6. The Hon'ble National Company Law Tribunal (NCLT) of New Delhi has approved the Scheme of Arrangement providing for the merger of two direct wholly-owned subsidiaries viz. Digilife Distribution and Marketing Services Limited (DDMS) and HCL Learning Limited (Learning) (the "Transferor companies") with and into HCL Infosystems Limited (the "Transferee company") with effect from April 01, 2022, the appointed date. Hon'ble NCLT, vide its order dated August 10, 2022 read with corrigendum dated September 12, 2022 has sanctioned the Scheme.

Since the Transferor Companies are the wholly-owned subsidiaries of the Transferee Company, there will be no consideration. The difference between the amounts recorded as investments of the Company (Transferee Company) and the amount of share capital of the aforesaid amalgamating subsidiaries (Transferor Companies) has been adjusted in the Common Control Transaction Capital Reserve in accordance with the guidance under Appendix C of IND AS 103 "Business Combinations". Accordingly, the comparative financial results have been restated to give effect of the Scheme.

The impact of the scheme is not material on the standalone financial results of the company.

7. Based on the detailed assessment performed by Management which also included, wherever considered necessary, performing reconciliation with the parties, the company has credited its Statement of Profit and Loss with Rs 318 Lakhs for the quarter ended September 30, 2022, Rs 219 Lakhs for the quarter ended June 30, 2022, Rs 698 Lakhs for the quarter ended September 30, 2021, Rs 535 Lakhs for the period ended September 30, 2022, Rs 706 Lakhs for the period ended September 30, 2021 and Rs 1,228 Lakhs for the year ended March 31, 2022, on account of written back of certain old payables and provisions.

8. The company is facing delays in receipts from the customers, primarily in the System Integration Business, due to which the company has charged its Statement of Profit & Loss with Rs Nil for the quarter & period ended September 30, 2022, Rs Nil for the quarter ended June 30, 2022 and Rs 561 Lakhs for the quarter & period ended September, 30 2021 and 1,556 Lakhs for the year ended March 31, 2022 on account of provision for certain receivable balances.

9. In order to reduce Company's debt obligations, the Company has decided to monetize Company owned properties in a phased manner. Several of Company's properties are not being fully utilized due to changes in the business of the Company, therefore as a part of ongoing property monetisation plan, during the period ended, September 30, 2022, the Company has disposed three properties situated in Maharashtra, Pondicherry and West Bengal, having net carrying amount of Rs.377 Lakhs, for a consideration of Rs. 864 Lakhs, resulting an overall gain of Rs. 487 Lakhs.(Rs Nil for the quarter ended September 30, 2022, Rs 487 Lakhs for the quarter ended June 30, 2022, Rs 3,385 Lakhs for the quarter ended September 30, 2021, Rs 9,588 Lakhs for the period ended September 30, 2021 and Rs 10,151 Lakhs net off impairment loss of Rs 333 Lakhs for the year ended March 31, 2022).

10. The Board of Directors of HCL Infosystems Limited in its meeting held on February 10, 2021 had approved to sell the entire shareholding held by HCL Infosystems Limited in HCL Infotech Limited at "Net Asset Value" as on closing date, after acquiring the undertaking which shall comprise of the business relating to two specific projects through a business transfer agreement, certain other assets and liabilities through assignment deed and HCL Investments Pte., Singapore & it's step down subsidiary through a share purchase agreement. Unaudited net asset value of HCL Infotech Limited post this carve out as on September 30, 2020 is Rs 14,700 Lakhs. The sale will be made to Novezo Consulting Pvt. Ltd based on the terms and conditions as specified in share purchase agreement dated February 10, 2021. One of the key customer of the company's defence project, which is forming part of the transaction has asked the company to novate the project to either HCL Infosystems Limited or a third party service provider acceptable to the customer, instead of transferring the said project as part of HCL Infotech Limited sale. The company is currently in discussion with the customer and some of the prospective third party service providers. This exercise has resulted in a significant delay in closing the transaction sale of HCL Infotech to Novezo. Currently in addition, some of the terms of the Share Purchase Agreement are being renegotiated with Novezo and there are several unresolved issues. The revised SPA which, if resolved, will be subject to approval of the Board and the Shareholders of the Company.

11. A statement of cash flow is attached in Annexure A

By order of the Board
for HCL Infosystems Limited

Nikhil Sinha
Chairperson
Date : November 08, 2022

Standalone Cash Flow Statement for six months ended September 30, 2022

(Rs. In Lakhs)

Particulars	Year to date		Year ended
	30.09.2022	30.09.2021	31.03.2022
	Unaudited	Unaudited Refer Note 6	Audited Refer Note 6
Cash flow from Operating Activities:			
Profit/(Loss) before tax	(2,007)	5,247	2,553
Adjustments for:			
Depreciation and amortisation expense	28	97	135
Finance cost	130	807	1,264
Interest income	(79)	(71)	(206)
Interest on income tax refund	-	(87)	(1,027)
Net gains (losses) on fair value changes on investments	88	-	(97)
Net profit on sale of properties	(488)	(9,601)	(10,494)
Property, plant and equipment written-off	-	-	6
Gain on sale of investment carried at FVTPL	(163)	-	(37)
Impairment of property	-	-	333
(Reversal) / Provision against inter company deposits given to subsidiaries	-	(2,064)	(2,222)
Provision for Loss in subsidiary	1,128	3,843	5,059
Gain on foreign exchange fluctuation	(18)	(5)	(63)
Provision for doubtful debts	172	482	224
Provision for change in fair value of OCD	-	561	1,556
Provisions for Input tax credit	275	-	889
Provisions for doubtful other current assets	-	647	277
Provisions/liabilities no longer required written back	(578)	(706)	(1,228)
Operating loss before working capital changes	(1,512)	(850)	(3,078)
Changes in operating assets and liabilities			
- Decrease / (Increase) in trade receivables	(163)	(3,046)	1,128
- Decrease in non-current assets	(3)	1,290	3,565
- Decrease in current assets	2,839	577	(70)
- Decrease in inventories	-	53	54
- Increase / (decrease) in non current liabilities	3	14	(6)
- Increase / (decrease) in current liabilities	(3,308)	5,120	1,587
Cash flow from / (used in) operations	(2,144)	3,158	3,180
- Taxes (paid) / received	(127)	269	942
Net cash flow from / (used in) operating activities (A)	(2,271)	3,427	4,122
Cash flow from investing activities:			
Purchase of properties plant and equipments and intangible assets	(23)	(3)	(26)
Capital work-in-progress (including intangible assets under development)	(18)	-	9
Proceeds from sale of properties	1,385	12,155	13,966
Net Proceeds from sale/purchase of investments	6,498	-	(7,800)
Interest received	79	71	206
Redemption/maturity of bank deposits (net)	527	(5,041)	(1,464)
Movement in margin money account (net)	-	(19)	-
Gain on sale of investment carried at FVTPL	163	-	37
Inter corporate deposits given	(1)	(5,028)	-
Inter corporate deposits received back	-	7,161	2,295
Receipt of business consideration	-	1,580	1,579
Net cash flow from investing activities (B)	8,610	10,876	8,802
Cash Flow from Financing Activities:			
Proceeds from loans and borrowings	-	-	36
Repayment of loans and borrowings	(5,903)	(9,300)	(12,418)
Interest paid	(222)	(911)	(1,412)
Net cash flow used in financing activities (C)	(6,125)	(10,211)	(13,794)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	214	4,092	(870)
Opening balance of cash and cash equivalents	1,079	1,951	1,951
Exchange difference on translation of foreign currency cash and cash equivalent	(34)	(5)	(2)
Closing balance of cash and cash equivalents	1,259	6,038	1,079
Cash and cash equivalents comprise of			
Cash, cheques and drafts (on hand)	-	-	-
Balances with banks on current accounts	1,259	5,455	1,079
Balances with banks on deposits accounts	-	583	-