

HCL INFOSYSTEMS LIMITED
Unaudited Consolidated Financial Results for the quarter and six months ended September 30, 2022
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Consolidated Statement of Profit and Loss for the quarter and six months ended September 30, 2022 (Rs. In Lakhs)

Particulars	Consolidated					
	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	Unaudited	Unaudited		Audited
1 Income						
Revenue from operations	693	912	1,554	1,605	4,315	6,944
Other income	675	483	1,891	1,158	2,709	4,154
Total Income	1,368	1,395	3,445	2,763	7,024	11,098
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	-	2
(b) Purchase of stock-in-trade	111	146	68	257	522	817
(c) Changes in inventories of finished goods and stock-in-trade	3	2	245	5	65	232
(d) Other direct expense	175	289	1,497	464	2,874	3,517
(e) Employee benefits expense	527	548	624	1,075	1,525	2,667
(f) Finance costs	32	140	313	172	876	1,370
(g) Depreciation and amortisation expense	14	15	54	29	109	147
(h) Legal, professional and consultancy charges	678	622	879	1,300	1,568	3,241
(i) Other expenses	837	1,118	1,843	1,955	3,708	6,892
Total expenses	2,377	2,890	5,523	5,257	11,247	18,675
3 Loss before exceptional items and tax from continuing operations (1 - 2)	(1,009)	(1,485)	(2,078)	(2,494)	(4,223)	(7,577)
4 Exceptional Items gain (Refer note 3)	-	487	3,385	487	9,588	10,151
5 Profit/(Loss) before tax from continuing operations (3 + 4)	(1,009)	(998)	1,307	(2,007)	5,365	2,574
6 Tax expense / (credit)	-	-	-	-	-	122
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-	-
7 Profit/(Loss) for the period from continuing operations (5 - 6)	(1,009)	(998)	1,307	(2,007)	5,365	2,452
8 Profit / (loss) before tax from discontinued operations	-	-	-	-	-	-
9 Profit / (loss) on disposal of discontinued operations	-	-	-	-	-	-
10 Tax expense / (credit) of discontinued operations	-	-	-	-	-	-
11 Net Profit / (loss) for the period from discontinued operations (8 + 9 - 10)	-	-	-	-	-	-
12 Net Profit / (Loss) for the period (7+ 11)	(1,009)	(998)	1,307	(2,007)	5,365	2,452
13 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(41)
(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	(6)	1	35	(5)	56	86
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total other comprehensive income, net off income tax	(6)	1	35	(5)	56	45
14 Total comprehensive income for the period (12 + 13)	(1,015)	(997)	1,342	(2,012)	5,421	2,497
15 Net Profit/(Loss) attributable to:						
- Shareholders	(1,009)	(998)	1,307	(2,007)	5,365	2,452
- Non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to:						
- Shareholders	(1,015)	(997)	1,342	(2,012)	5,421	2,497
- Non-controlling interests	(0)	(0)	-	(0)	(0)	(0)
16 Paid-up equity share capital (Face value per share in Rs. 2/-)	6,584	6,584	6,584	6,584	6,584	6,584
17 Reserve as per balance sheet of previous accounting year	-	-	-	-	-	(28,095)
18 Earnings per share for continuing operations (of Rs 2/- each) (not annualised):						
(a) Basic	(0.31)	(0.30)	0.40	(0.61)	1.63	0.74
(b) Diluted	(0.31)	(0.30)	0.40	(0.61)	1.63	0.74
19 Earnings per share for discontinued operations (of Rs 2/- each) (not annualised):						
(a) Basic	-	-	-	-	-	-
(b) Diluted	-	-	-	-	-	-
20 Earnings per share for discontinued & continuing operations (of Rs 2/- each) (not annualised):						
(a) Basic	(0.31)	(0.30)	0.40	(0.61)	1.63	0.74
(b) Diluted	(0.31)	(0.30)	0.40	(0.61)	1.63	0.74

Consolidated Balance Sheet (Rs. In Lakhs)

Particulars	Consolidated	
	As at 30.09.2022 (Unaudited)	As at 31.03.2022 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	390	416
Capital work-in-progress	27	9
Other intangible assets	1	4
Financial assets		
i. Other financial assets	6,863	2,442
Advance income tax asset (net)	4,416	4,249
Other non-current assets	13,960	14,077
Total non-current assets	25,657	21,197
Current assets		
Inventories	46	51
Financial assets		
i. Investments	7,167	9,700
ii. Trade receivables	2,914	2,765
iii. Cash and cash equivalents	2,000	2,188
iv. Bank balances other than (iii) above	4,439	4,464
v. Other financial assets	299	521
Other current assets	4,980	7,549
Assets held for sale	313	690
Total Current Assets	22,158	27,928
Total assets	47,815	49,125
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(30,107)	(28,095)
Non-controlling interests	(0)	(0)
Total equity	(23,523)	(21,511)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Borrowings	-	1,383
Provisions	196	155
Total non-current liabilities	196	1,538
Current liabilities		
Financial liabilities		
i. Borrowings	35,501	40,021
ii. Trade payables	6,561	7,456
iii. Other financial liabilities	1,193	1,149
Other current liabilities	23,419	15,348
Provisions	4,465	4,804
Current tax liabilities (net)	3	320
Total current liabilities	71,142	69,098
Total liabilities	71,338	70,636
Total equity and liabilities	47,815	49,125

Segment-wise information

Particulars	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	Unaudited	Unaudited	Unaudited	Audited
1. Segment Revenue						
- Hardware Products and Solutions	554	759	1,489	1,313	3,950	6,096
- Distribution	139	153	65	292	365	848
- Learning	-	-	-	-	-	-
Total	693	912	1,554	1,605	4,315	6,944
Less : Intersegment revenue	-	-	-	-	-	-
Revenue from operations	693	912	1,554	1,605	4,315	6,944
2. Segment results (profit / (loss) before tax and interest from each segment)						
- Hardware Products and Solutions	(445)	(681)	(1,117)	(1,126)	(1,968)	(3,048)
- Distribution	35	106	149	141	37	245
- Learning	8	(3)	(17)	5	(18)	51
Total	(402)	(578)	(985)	(980)	(1,949)	(2,752)
Less :						
i) Interest expense	32	140	313	172	876	1,370
ii) Other un-allocable expenditure net of un-allocable (income)	575	280	(2,605)	855	(8,190)	(6,696)
Total Profit / (Loss) before tax	(1,009)	(998)	1,307	(2,007)	5,365	2,574
3. Segment Assets						
- Hardware Products and Solutions	20,968	16,888	20,067	20,968	20,067	17,026
- Distribution	10,708	9,878	12,465	10,708	12,465	10,078
- Learning	70	80	86	70	86	79
- Unallocated	16,069	14,893	27,307	16,069	27,307	21,942
Total Assets	47,815	41,739	59,925	47,815	59,925	49,125
4. Segment Liabilities						
- Hardware Products and Solutions	30,997	22,373	25,200	30,997	25,200	22,547
- Distribution	3,747	2,249	3,146	3,747	3,146	2,416
- Learning	45	65	134	45	134	59
- Unallocated	36,549	39,557	50,031	36,549	50,031	45,614
Total Liabilities	71,338	64,244	78,511	71,338	78,511	70,636

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. As at September 30, 2022, the Group has accumulated losses and its net worth has been fully eroded, the Group's current liabilities exceeded its current assets by Rs 48,984 Lakhs as at September 30, 2022 (March 31, 2022 - Rs. 41,170 Lakhs). 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 HCL Infosystems Limited (Parent Company), is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 6), sale of certain non-core properties (refer note 4) 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 Parent Company out of total authorized limit of Rs. 1,50,000 Lakhs. This has been approved by the shareholders of the Parent Company, vide their resolution dated September 14, 2017. Considering the above support, the Parent's management and the Board of Directors have a reasonable expectation that the Group 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, the consolidated financial results have been prepared on a going concern basis.

3. Exceptional items include :

Particulars	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	Unaudited	Unaudited	Unaudited	Audited
Gain on sale of property, plant and equipments	(0)	487	3,385	487	9,588	10,484
Impairment of property	-	-	-	-	-	(333)
Total gain (Refer Note No. 4)	(0)	487	3,385	487	9,588	10,151

4. 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).

5. 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. Diglife 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.

6. 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 Group, the Distribution businesses of the Group 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.

7. Based on the detailed assessment performed by Management which also included, wherever considered necessary, performing reconciliation with the parties, the Group has credited its Statement of Profit and Loss with Rs 411 Lakhs for the quarter ended September 30, 2022, Rs 248 Lakhs for the quarter ended June 30, 2022, Rs 1,312 Lakhs for the quarter ended September 30, 2021, Rs 659 Lakhs for the period ended September 30, 2022, Rs 1,321 Lakhs for the period ended September 30, 2021 and Rs 1,906 Lakhs for the year ended March 31, 2022, on account of written back of certain old payables and provisions.

8. The Group is facing delays in receipts from the customers, primarily in the System Integration Business, due to which the Group has charged its Statement of Profit and Loss with Rs 106 Lakhs for the quarter ended September 30, 2022, Rs 148 Lakhs for the quarter ended June 30, 2022, Rs 561 Lakhs for the quarter ended September 30, 2021, Rs 254 Lakhs for the period ended September 30, 2022 and Rs 956 Lakhs for the period ended September 30, 2021 (Rs 2,141 Lakhs for the year ended March 31, 2022 with reversal of corresponding credit of Rs. 766 lakhs) on account of provision for certain receivable balances.

9. HCL Infosystems Limited ("the Company") was appointed as the Managed Service Provider ("MSP") by Unique Identification Authority of India ("UIDAI") vide the contract dated 6 August 2012 to implement and manage the Central Identities Data Repository (CIDR). The said contract originally ended on 6 August 2019 and then was unilaterally extended by the UIDAI. The Company challenged this unilateral extension of the MSP contract by UIDAI before the Hon'ble Arbitral Tribunal. The Company and UIDAI entered into consent terms dated 5 May 2020 (which also formed part of the consent order dated 7 May 2020 passed by the Hon'ble Arbitral Tribunal) and the Company agreed to perform services for UIDAI subject to the terms and conditions of the consent terms. As per the consent terms executed between UIDAI and the Company, the Company has completed performance of services as per the terms of the MSP Contract, without prejudice to its rights and contentions in the arbitration proceedings, till 6 April 2021 (including knowledge transfer period of 3 months) and the annual maintenance contract and software licenses for the period till 6 August 2021. The Hon'ble Arbitral Tribunal on 19 June 2020 passed the liability award wherein it held that the extension of the MSP contract by UIDAI is not valid, and also stipulates that the Company is entitled to receive the consideration for its services during the period covered by the consent terms, i.e. from May 2020 to August 2021, at the current market value. Pending determination of the current market value through arbitration, revenue is measured by the Company at existing contract price for the period May 2020 to August 2021. The differential revenue on the basis of current market value will be recognized once the same has been determined by the Hon'ble Arbitral Tribunal in the future. Further, the costs have been recognized based on the revised rates agreed during negotiations in the last year with the vendors.

10. Consolidated Results include financial results of HCL Infosystems Limited, HCL Infotech Limited, HCL Investment Pte. Limited, Pimpri Chinchwad eServices Limited and Nurture Technologies FZE.

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

for HCL Infosystems Limited
Nikhil Sinha
Chairperson

Place : Noida
Date : November 08, 2022

Consolidated 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	Audited
Cash Flow from Operating Activities:			
Profit/(Loss) before tax from continuing and discontinued operations	(2,007)	5,365	2,574
Adjustments for:			
Depreciation and amortisation expense	29	109	147
Finance cost	172	876	1,370
Interest income on FD & others	(124)	(209)	(191)
Interest on income tax refund	-	-	(1,276)
Net gains on fair value changes on investments	49	-	(100)
Net profit on sale of property, plant and equipment	(488)	(9,608)	(10,502)
Impairment of property	-	-	333
Property, plant and equipment written-off	-	-	6
Profit on disposal of unquoted investments	(219)	-	(37)
Gain on foreign exchange fluctuation	(124)	(23)	(76)
Provision for change in fair value of OCD	-	561	1,556
Provision for doubtful debts	425	848	585
Provision for doubtful loans and advances and other current assets	-	509	966
Provisions/liabilities no longer required written back	(702)	(1,321)	(1,906)
Provisions for Input tax credit	589	645	898
Operating loss before working capital changes	(2,400)	(2,248)	(5,653)
Changes in operating assets and liabilities			
- (Increase) / Decrease in trade receivables	(574)	1,029	5,334
- (Increase) / Decrease in non-current assets	(4,884)	1,366	3,657
- Decrease in current assets	2,198	531	4,833
- Decrease in inventories	5	65	233
- Increase / (Decrease) in non current liabilities	40	(28)	(57)
- Increase / (Decrease) in current liabilities	7,265	365	(3,944)
Cash flow from operations	1,650	1,080	4,403
- Taxes (paid) / received	(484)	3,918	5,668
Net cash flow from operating activities (A)	1,166	4,998	10,071
Cash flow from investing activities:			
Payment for property, plant and equipment (including intangible assets)	(39)	(3)	(20)
Proceeds from sale of properties	1,386	12,164	13,992
Receipt of business consideration on sale of investment in subsidiaries	-	1,580	1,580
Net Proceeds from sale/purchase of investments	2,699	-	(9,563)
Redemption/(Investments) in bank deposits	137	(5,642)	(4,092)
Movement in margin money account	468	(28)	(10)
Interest received	124	75	191
Net cash flow from investing activities (B)	4,775	8,146	2,078
Cash Flow from Financing Activities:			
Lease obligation paid	-	(11)	(28)
Repayment of loans and borrowings	(5,902)	(9,298)	(12,322)
Interest paid	(264)	(979)	(1,513)
Net cash used in financing activities (C)	(6,166)	(10,288)	(13,863)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(225)	2,856	(1,714)
Opening balance of cash and cash equivalents	2,189	3,882	3,882
Exchange difference on translation of foreign currency cash and cash equivalent	23	2	20
Effect of exchange differences on translation of foreign operations	13	-	1
Closing balance of cash and cash equivalents	2,000	6,740	2,189
Cash and cash equivalents comprise of			
Cash, cheques and drafts (on hand)	6	6	6
Balances with banks on current accounts	1,983	6,139	2,173
Balances with banks on deposits accounts	11	595	10