

HCL INFOSYSTEMS LIMITED
Unaudited Consolidated Financial Results for the quarter and nine months ended December 31, 2022
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Consolidated Statement of Profit and Loss for the quarter and nine months ended December 31, 2022 (Rs. In Lakhs)

Particulars	Consolidated					
	Three months ended			Year to date		Year ended
	31.12.2022	30.09.2022	31.12.2021	31.12.2022	31.12.2021	31.03.2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	710	693	1,243	2,315	5,558	6,944
Other income	401	675	243	1,559	2,952	4,154
Total Income	1,111	1,368	1,486	3,874	8,510	11,098
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	-	2
(b) Purchase of stock-in-trade/services	125	111	147	382	669	817
(c) Changes in inventories of stock-in-trade	(6)	3	3	(1)	68	232
(d) Other direct expense	317	175	562	781	3,436	3,517
(e) Employee benefits expense	497	527	634	1,572	2,159	2,667
(f) Finance costs	12	32	262	184	1,138	1,370
(g) Depreciation and amortisation expense	16	14	20	45	129	147
(h) Legal, professional and consultancy charges	795	678	828	2,095	2,395	3,241
(i) Other expenses	662	837	502	2,617	4,211	6,682
Total expenses	2,418	2,377	2,958	7,675	14,205	18,675
3 Loss before exceptional items and tax from continuing operations (1 - 2)	(1,307)	(1,009)	(1,472)	(3,801)	(5,695)	(7,577)
4 Exceptional Items Profit (Refer note 3)	-	-	738	487	10,326	10,151
5 Profit / (Loss) before tax from continuing operations (3 + 4)	(1,307)	(1,009)	(734)	(3,314)	4,631	2,574
6 Tax expense / (credit)	-	-	-	-	-	122
(a) Current tax	-	-	-	-	-	122
(b) Deferred tax expense	-	-	-	-	-	-
7 Profit / (Loss) for the period from continuing operations (5 - 6)	(1,307)	(1,009)	(734)	(3,314)	4,631	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)	(1,307)	(1,009)	(734)	(3,314)	4,631	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	36	(6)	-	31	56	86
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total other comprehensive income, net of income tax	36	(6)	-	31	56	45
14 Total comprehensive income for the period (12 + 13)	(1,271)	(1,015)	(734)	(3,283)	4,687	2,497
15 Net Profit/(Loss) attributable to:						
- Shareholders	(1,307)	(1,009)	(734)	(3,314)	4,631	2,452
- Non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to:						
- Shareholders	(1,271)	(1,015)	(734)	(3,283)	4,687	2,497
- Non-controlling interests	-	-	-	-	-	(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	(0.40)	(0.31)	(0.22)	(1.01)	1.41	0.74
(b) Diluted	(0.40)	(0.31)	(0.22)	(1.01)	1.41	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	(0.40)	(0.31)	(0.22)	(1.01)	1.41	0.74
(b) Diluted	(0.40)	(0.31)	(0.22)	(1.01)	1.41	0.74

Segment-wise information (Rs. In Lakhs)

Particulars	Three months ended			Year to date		Year ended
	31.12.2022	30.09.2022	31.12.2021	31.12.2022	31.12.2021	31.03.2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1. Segment Revenue						
- Hardware Products and Solutions	562	554	1,038	1,875	4,988	6,096
- Distribution	148	139	205	440	570	848
- Learning	-	-	-	-	-	-
Total	710	693	1,243	2,315	5,558	6,944
Less : Intersegment revenue	-	-	-	-	-	-
Revenue from operations	710	693	1,243	2,315	5,558	6,944
2. Segment Results						
- Hardware Products and Solutions	(704)	(445)	(591)	(1,830)	(2,559)	(3,048)
- Distribution	(15)	35	(67)	126	(30)	245
- Learning	(5)	8	(2)	-	(20)	51
Total	(724)	(402)	(660)	(1,704)	(2,609)	(2,752)
Less :						
i) Interest expense	12	32	262	184	1,138	1,370
ii) Other un-allocable expenditure net off un-allocable (income)	571	575	(188)	1,426	(8,378)	(6,696)
Total Profit / (Loss) before tax	(1,307)	(1,009)	(734)	(3,314)	4,631	2,574
3. Segment Assets						
- Hardware Products and Solutions	20,167	20,968	20,158	20,167	20,158	17,026
- Distribution	10,701	10,708	10,122	10,701	10,122	10,078
- Learning	67	70	81	67	81	79
- Unallocated	17,244	16,069	23,901	17,244	23,901	21,942
Total Assets	48,179	47,815	54,262	48,179	54,262	49,125
4. Segment Liabilities						
- Hardware Products and Solutions	32,033	30,997	23,941	32,033	23,941	22,547
- Distribution	3,180	3,747	2,868	3,180	2,868	2,416
- Learning	49	45	133	49	133	59
- Unallocated	37,710	36,549	46,637	37,710	46,637	45,614
Total Liabilities	72,972	71,338	73,579	72,972	73,579	70,636

Notes

1. Consolidated results include financial results of HCL Infosystems Limited (hereinafter referred to as "the Parent"), HCL Infotech Limited, HCL Investment Pte. Limited, Pimpri Chinchwad eServices Limited and Nurture Technologies FZE (hereinafter together referred to as "the Group"). 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 February 8, 2023. The statutory auditors have issued unmodified review report on these results.

2. As at December 31, 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 45,542 Lakhs as at December 31, 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 had been approved by the shareholders of the Parent Company, vide their resolution dated December 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 ended
	31.12.2022	30.09.2022	31.12.2021	31.12.2022	31.12.2021	31.03.2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Gain on sale of property, plant and equipments	-	-	738	487	10,326	10,484
Impairment of property	-	-	-	-	-	(333)
Total Profit	-	-	738	487	10,326	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, December 31, 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 December 31, 2022, Rs Nil for the quarter ended September 30, 2022, Rs 738 Lakhs for the quarter ended December 31, 2021, Rs 487 Lakhs for the period ended December 31, 2022, Rs 10,326 Lakhs for the period ended December 31, 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. 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.

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 5 Lakhs for the quarter ended December 31, 2022, Rs 411 Lakhs for the quarter ended September 30, 2022, Rs Nil for the quarter ended December 31, 2021, Rs 707 Lakhs for the period ended December 31, 2022, Rs 1,321 Lakhs for the period ended December 31, 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 Nil Lakhs for the quarter ended December 31, 2022, Rs 106 Lakhs for the quarter ended September 30, 2022, Rs Nil Lakhs for the quarter ended December 31, 2021, Rs 254 Lakhs for the period ended December 31, 2022 and Rs 956 Lakhs for the period ended December 31, 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 with the vendors.

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 Share Purchase Agreement which, if resolved, will be subject to approval of the Board and the Shareholders of the Company.

for HCL Infosystems Limited

Place : Noida
Date : February 08, 2023

Nikhil Sinha
Chairperson