

HCL INFOSYSTEMS LIMITED
Unaudited Standalone financial results for the quarter ended June 30, 2023
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Standalone Statement of Profit and Loss for the quarter ended June 30, 2023 (Rs. In Lakhs)

| Particulars | Standalone | | | |
|---|--------------------|--------------|---------------------------|----------------|
| | Three months ended | | Year ended | |
| | 30.06.2023 | 31.03.2023 | 30.06.2022 | 31.03.2023 |
| | Unaudited | Audited | Unaudited Refer Note 6 | Audited |
| 1 Income | | | | |
| Revenue from operations | 128 | 135 | 166 | 608 |
| Other income | 209 | 360 | 354 | 1,367 |
| Total Income | 337 | 495 | 520 | 1,975 |
| 2 Expenses | | | | |
| (a) Purchase of services | 127 | 94 | 144 | 453 |
| (b) Changes in inventories of stock-in-trade | - | 3 | - | 2 |
| (c) Employee benefits expense | 151 | 195 | 227 | 867 |
| (d) Finance costs | 14 | 9 | 120 | 153 |
| (e) Depreciation and amortization expense | 14 | 13 | 14 | 57 |
| (f) Legal, professional and consultancy charges | 255 | 217 | 229 | 949 |
| (g) Other expenses | 404 | 260 | 520 | 1,823 |
| Total expenses | 965 | 791 | 1,254 | 4,304 |
| 3 Loss before exceptional items and tax (1 - 2) | (628) | (296) | (734) | (2,329) |
| 4 Exceptional Items gain/(loss) (Refer note 2) | 35 | (262) | (249) | (1,508) |
| 5 Loss before tax (3 + 4) | (593) | (558) | (983) | (3,837) |
| 6 Tax expense | | | | |
| (a) Current tax | - | - | - | - |
| (b) Deferred tax | - | - | - | - |
| 7 Loss for the period (5 - 6) | (593) | (558) | (983) | (3,837) |
| 8 Other comprehensive income | | | | |
| A (i) Items that will not be reclassified to profit or loss | - | 2 | - | 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 or loss | - | - | - | - |
| (ii) Income tax relating to items that will be reclassified to profit or loss | - | - | - | - |
| Total other comprehensive income, net of income tax | - | 2 | - | 2 |
| 9 Total comprehensive loss for the period (7 + 8) | (593) | (556) | (983) | (3,835) |
| 10 Paid-up equity share capital (face value per share in Rs. 2/-) | 6,584 | 6,584 | 6,584 | 6,584 |
| 11 Reserve as per balance sheet of previous accounting year | | | | (32,099) |
| 12 Earnings per share (of Rs 2/- each) (not annualised): | | | | |
| (a) Basic | (0.18) | (0.17) | (0.30) | (1.17) |
| (b) Diluted | (0.18) | (0.17) | (0.30) | (1.17) |

Notes

1. These unaudited standalone financial results (hereinafter referred as "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 August 10, 2023. The statutory auditors have issued unmodified review report on these results.

2. Exceptional items include :

| Particulars | Three months ended | | Year ended | |
|---|--------------------|--------------|---------------------------|----------------|
| | 30.06.2023 | 31.03.2023 | 30.06.2022 | 31.03.2023 |
| | Unaudited | Audited | Unaudited Refer Note 6 | Audited |
| a. Gain on sale of property, plant and equipment(Refer note no 8) | - | 897 | 487 | 1,384 |
| b. Reversal/(Provision) for loss in subsidiary # | 35 | (1,159) | (736) | (2,892) |
| Total Gain / (Loss) - (a+b) | 35 | (262) | (249) | (1,508) |

#One of the Company's wholly owned subsidiary namely "HCL Infotech Limited" has been incurring operational losses during the last few years due to various reasons including delay in collections of receivables, challenging market conditions, cost overruns and legal expenses in respect of long-term contracts.

Considering the fact that most of these long-term contracts were originally entered with the Company and transferred to HCL Infotech Limited through the Scheme of Arrangement in the past, there is a constructive obligation for the Company to provide operational and financial support to HCL Infotech Limited for execution of its contracts. This constructive obligation is also supported by the past practice followed by the Company wherein it has been, from time to time, voluntarily extending financial support to its subsidiaries, even during challenging market circumstances. Such continuous and timely support from the Company has helped fund the losses of its subsidiaries and enabled them to meet their financial obligations without any delays/ defaults.

Basis the same, the Company is creating provision for loss of subsidiary in the standalone financials to the extent of accumulated losses and erosion of net worth of subsidiary, as at the reporting date. This has been treated as a present obligation of the Company wherein it is probable that an outflow of resources will be required to support HCL Infotech Limited and pay its liabilities that are more than its assets as on reporting date, as required by Ind AS 37.

3. As at June 30, 2023, 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. 42,729 Lakhs (March 31, 2023 - Rs. 43,081 Lakhs). The losses are primarily a result of delayed receipts on certain system integration contracts, historical low margin contracts and cost of ongoing contract litigations 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 8) 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 33,035 Lakhs and interest free unsecured loans of Rs 33,500 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 were the wholly-owned subsidiaries of the Transferee Company, there was no consideration applicable. 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, financial results for the quarter ended June 30, 2022 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 Nil for the quarter ended June 30, 2023 and Rs 221 Lakhs for the quarter ended March 31, 2023, Rs 219 Lakhs for the quarter ended June 30, 2022 and Rs 756 Lakhs for the year ended March 31, 2023, on account of write back of certain old payables and provisions.

8. 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. As a part of ongoing property monetisation plan, the Company has sold certain properties in the previous quarters and recognised an overall gain on disposal of Rs 897 Lakhs for the quarter ended March 31, 2023, Rs 487 Lakhs for the quarter ended June 30, 2022 and Rs 1,384 Lakhs for the year ended March 31, 2023.

The Company has transferred the leasehold rights of certain immovable properties to various parties between 2019-2022. The consideration received to transfer the same didn't include GST, considering these arrangements as transfer of immovable properties. In absence of adequate clarity, the Company is in the process of evaluating these transactions to assess the applicability of GST considering that the matter is under judicial consideration at various levels with respect to applicability of GST on such transactions. Since the evaluation is ongoing, the Company would consider the appropriate steps to deal with the matter once the evaluation is completed.

9. 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 to Novezo Consulting Pvt. Limited, 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. Limited, Singapore & its step down subsidiary through a share purchase agreement.

However, despite rigorous and best efforts for closure of the deal, the Conditions Precedent were not fulfilled even after lapse of a considerable period from the date of execution of the Share Purchase Agreement. The objective and purpose of the transaction completely changed and given that the changed circumstances created a fundamentally different situation which the Parties never envisaged or agreed to in the first place, the Share Purchase Agreement got frustrated as the object and purpose of executing the Share Purchase Agreement cannot be met and has undergone a fundamental change beyond the contemplation of the parties. Accordingly, the company issued a letter intimating Novezo Consulting Pvt. Limited that the Share Purchase Agreement has been frustrated on March 11, 2023. HCL Infotech Limited will continue to be operated in the ordinary course of business.

10. HCL Infosystems Limited was awarded the order for supply, installation and commissioning of communication infrastructure, on turnkey basis, for (Commonwealth Games) CWG and later the work of re-deployment of equipment in MTNL's network in Delhi and Mumbai was also included. Disputes arose between both the parties with regard to completion of the project and Arbitration proceedings were initiated by HCL Infosystems Limited to recover the pending amount. In August 2014, the Arbitral Tribunal passed an Award in favour of HCL Infosystems Limited, whereby allowing majority of its claim and dismissing all the counter-claims of MTNL.

MTNL challenged the Award before the High Court of Delhi and the same was dismissed. MTNL filed an Appeal before the Division Bench of the High Court challenging the said dismissal, wherein during the March 2016, the MTNL was directed to deposit a total sum of Rs.9,130 Lakhs (Rs. 8,035 Lakhs principal and Rs. 1,095 Lakhs interest) with the Court in the form of a Fixed Deposit.

This contract was part of Hardware Solutions business transferred to HCL Infotech Limited under Scheme of Arrangement in 2013. HCL Infotech Limited filed an application for release of the aforesaid Fixed Deposit (including accumulated interest accrued thereon till date of release of Rs 4,307 Lakhs including TDS) of Rs. 12,342 Lakhs. Accordingly, the same has been released on adhoc basis vide order of the Hon'ble High Court of Delhi dated September 28, 2022 against a Bank Guarantee.

As part of issuance of Optionally Convertible Debentures (OCDs), HCL Infotech Limited has transferred its rights to receive cash flows from MTNL to the HCL Infosystems Limited and as per the terms of OCDs, cash collected shall be utilized to redeem OCDs. However, since MTNL's Appeal is sub-judice (pending disposal) before the Division Bench of the High Court, amount has not been utilized for redemption of OCDs and shown as amount collected under litigation as a part of current liabilities in the financial statement of HCL Infotech Limited.

11. The figures of the last quarter are the balancing figures between audited figures in respect of the full financial year upto March 31, 2023 and the unaudited published year-to-date figures upto December 31, 2022 being the date of the end of the third quarter of the financial year which were subjected to a limited review.

By order of the Board
for HCL Infosystems Limited

Nikhil Sinha
Chairperson

Place : Noida
Date : August 10, 2023