

HCL INFOSYSTEMS LIMITED
Unaudited Consolidated Financial Results for the quarter and nine months ended December 31, 2023
 Regd.Off. 806, Siddharth, 96 Nehru Place, New Delhi 110 019.
 Corp.Off. A-11, First Floor, Sector-3 Noida, UP 201301.
 CIN - L72200DL1986PLC023955
 Phone number +91 120 2520977, 2526518-19
 Website www.hclinfosystems.in
 Email ID: cosec@hcl.com

Consolidated Statement of Profit and Loss of HCL Infosystems Limited as per Ind AS:

(Rs. In Lakhs)

Particulars	Consolidated					
	Three months ended			Year to date		Year ended
	31.12.2023	30.09.2023	31.12.2022	31.12.2023	31.12.2022	31.03.2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	816	599	710	2,545	2,315	3,141
Other income	761	854	401	2,157	1,559	2,339
Total Income	1,577	1,453	1,111	4,702	3,874	5,480
2 Expenses						
(a) Purchase of services	138	113	125	378	382	483
(b) Changes in inventories of stock-in-trade	1	1	(6)	4	(1)	12
(c) Other direct expense	69	254	317	730	781	1,372
(d) Employee benefits expense	509	504	497	1,486	1,572	2,039
(e) Finance costs	7	12	12	34	184	193
(f) Depreciation and amortisation expense	14	14	16	42	45	58
(g) Legal, professional and consultancy charges	1,290	776	795	2,564	2,095	2,889
(h) Other expenses	479	491	662	1,695	2,617	3,692
Total expenses	2,507	2,165	2,418	6,933	7,675	10,738
3 Loss before exceptional items and tax from continuing operations (1 - 2)	(930)	(712)	(1,307)	(2,231)	(3,801)	(5,258)
4 Exceptional items gain (Refer note 3)	-	1,196	-	1,196	487	1,384
5 Profit / (Loss) before tax from continuing operations (3 + 4)	(930)	484	(1,307)	(1,035)	(3,314)	(3,874)
6 Tax expense / (credit)	-	-	-	-	-	5
(a) Current tax	-	-	-	-	-	5
(b) Deferred tax expense	-	-	-	-	-	-
7 Profit / (Loss) for the period from continuing operations (5 - 6)	(930)	484	(1,307)	(1,035)	(3,314)	(3,879)
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)	(930)	484	(1,307)	(1,035)	(3,314)	(3,879)
13 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(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	13	3	36	19	31	42
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total other comprehensive income, net of income tax	13	3	36	19	31	40
14 Total comprehensive income/ (loss) for the period (12 + 13)	(917)	487	(1,271)	(1,016)	(3,283)	(3,839)
15 Net Profit/(Loss) attributable to:						
- Shareholders	(930)	484	(1,307)	(1,035)	(3,314)	(3,879)
- Non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to:						
- Shareholders	(917)	487	(1,271)	(1,016)	(3,283)	(3,839)
- Non-controlling interests	-	-	-	-	-	-
16 Paid-up equity share capital (Face value per share of Rs. 2/-)	6,584	6,584	6,584	6,584	6,584	6,584
17 Reserve as per balance sheet of previous accounting year	-	-	-	-	-	(31,934)
18 Earnings per share for continuing operations (of Rs. 2/- each) (not annualised):						
(a) Basic	(0.28)	0.15	(0.40)	(0.31)	(1.01)	(1.18)
(b) Diluted	(0.28)	0.15	(0.40)	(0.31)	(1.01)	(1.18)
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	(0.28)	0.15	(0.40)	(0.31)	(1.01)	(1.18)
(b) Diluted	(0.28)	0.15	(0.40)	(0.31)	(1.01)	(1.18)

Segment-wise information of HCL Infosystems Limited as per Ind AS:

(Rs. In Lakhs)

Particulars	Three months ended			Year to date		Year ended
	31.12.2023	30.09.2023	31.12.2022	31.12.2023	31.12.2022	31.03.2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1. Segment Revenue						
- Hardware Products and Solutions	678	491	562	2,187	1,875	2,574
- Distribution	138	108	148	358	440	567
- Learning	-	-	-	-	-	-
Total	816	599	710	2,545	2,315	3,141
Less : Intersegment revenue	-	-	-	-	-	-
Revenue from operations	816	599	710	2,545	2,315	3,141
2. Segment Results						
- Hardware Products and Solutions	(856)	(818)	(704)	(2,071)	(1,830)	(3,250)
- Distribution	(49)	139	(15)	(42)	126	180
- Learning	-	-	(5)	-	-	(7)
Total	(905)	(679)	(724)	(2,113)	(1,704)	(3,077)
Less :						
i) Interest expense	7	12	12	34	184	193
ii) Other un-allocable expenditure net off un-allocable (income)	18	(1,175)	571	(1,112)	1,426	604
Total Profit / (Loss) before tax	(930)	484	(1,307)	(1,035)	(3,314)	(3,874)
3. Segment Assets						
- Hardware Products and Solutions	25,148	26,003	20,167	25,148	20,167	24,895
- Distribution	10,569	10,549	10,701	10,569	10,701	10,546
- Learning	87	89	67	87	67	91
- Unallocated	11,676	11,977	17,244	11,676	17,244	15,058
Total Assets	47,480	48,618	48,179	47,480	48,179	50,590
4. Segment Liabilities						
- Hardware Products and Solutions	34,079	34,223	32,033	34,079	32,033	35,140
- Distribution	3,264	3,130	3,180	3,264	3,180	3,018
- Learning	75	74	49	75	49	78
- Unallocated	36,425	36,640	37,710	36,425	37,710	37,704
Total Liabilities	73,843	74,067	72,972	73,843	72,972	75,940

Notes

1. Consolidated results include financial results of HCL Infosystems Limited (hereinafter referred to as "the Parent"), HCL Infotech Limited, HCL Investments 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 13, 2024. The statutory auditors have issued unmodified review report on these results.

2. As at December 31, 2023, the Group has accumulated losses and its net worth has been fully eroded, the Group's current liabilities exceeded its current assets by Rs. 45,800 Lakhs (March 31, 2023 - Rs. 47,041 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 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. 33,035 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 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 ended
	31.12.2023	30.09.2023	31.12.2022	31.12.2023	31.12.2022	31.03.2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Gain on sale of property, plant and equipments (Refer Note No. 4)	-	1,196	-	1,196	487	1,384
Total Gain	-	1,196	-	1,196	487	1,384

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 were 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, 2023, the Company has disposed one property situated in Chennai, having net carrying amount of Rs. 304 Lakhs, for a consideration of Rs. 1,500 Lakhs, resulting an overall gain of Rs. 1,196 Lakhs (Nil for the quarter ended December 31, 2023, Rs. 1,196 Lakhs for the quarter ended September 30, 2023, Nil for the quarter ended December 31, 2022, Rs. 1,196 Lakhs for the period ended December 31, 2023, Rs. 487 Lakhs for the period ended December 31, 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. Since the matter is under judicial consideration at various levels with respect to applicability of GST on such transactions, the Company has obtained a legal opinion in the current quarter and basis the same evaluated that no provision is required to be made in the books.

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.

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".

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. 402 Lakhs for the quarter ended December 31, 2023, Rs. 343 Lakhs for the quarter ended September 30, 2023, Rs. 5 Lakhs for the quarter ended December 31, 2022, Rs. 766 Lakhs for the period ended December 31, 2023, Rs. 707 Lakhs for the period ended December 31, 2022 and Rs. 1,091 Lakhs for the year ended March 31, 2023, 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 Nil for the quarter ended December 31, 2023, Nil for the quarter ended September 30, 2023, Nil for the quarter ended December 31, 2022, Nil for the period ended December 31, 2023 and Rs. 254 Lakhs for the period ended December 31, 2022 and Rs. 180 Lakhs for the year ended March 31, 2023 on account of provision for certain receivable balances.

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 operate in the ordinary course of business.

Consequent to this development, the unutilized /accumulated GST Input tax credit of HCL Infotech Limited has been provided for in books of accounts amounting Rs. 879 Lakhs during the quarter ended March 31, 2023 to the extent Company does not foresee business opportunities in near future wherein amount can be utilized.

10. HCL Infosystems Limited was awarded the order for supply, installation and commissioning of communication infrastructure, on turnkey basis, for CWG (Commonwealth Games) 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.

By order of the Board
for HCL Infosystems Limited

Place : Noida
Date : February 13, 2024

Nikhil Sinha
Chairperson