

HCL INFOSYSTEMS LIMITED

Unaudited Standalone Financial Results for the quarter and six months ended September 30, 2024

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

(Rs. In Lakhs)

Particulars	Standalone					
	Three months ended			Year to date		Year end
	30.09.2024	30.06.2024	30.09.2023	30.09.2024	30.09.2023	31.03.2024
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	84	120	114	204	242	475
Other income	229	128	389	357	598	1,309
Total Income	313	248	503	561	840	1,784
2 Expenses						
(a) Purchase of services	86	118	113	204	240	470
(b) Changes in inventories of stock-in-trade	(2)	-	-	(2)	-	-
(c) Employee benefits expense	148	152	146	300	297	601
(d) Finance costs	5	6	13	11	27	43
(e) Depreciation and amortization expense	13	11	14	24	28	53
(f) Legal, professional and consultancy charges	57	183	203	240	458	805
(g) Other expenses	429	189	257	618	661	1,059
Total expenses	736	659	746	1,395	1,711	3,031
3 Loss before exceptional items and tax (1 - 2)	(423)	(411)	(243)	(834)	(871)	(1,247)
4 Exceptional Items gain / (loss) (Refer note 2)	(416)	(1)	727	(417)	762	(308)
5 Profit / (loss) before tax (3 + 4)	(839)	(412)	484	(1,251)	(109)	(1,555)
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-	-
7 Net Profit / (loss) for the period (5 - 6)	(839)	(412)	484	(1,251)	(109)	(1,555)
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	-
(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 / (loss), net of income tax for the period	-	-	-	-	-	-
9 Total comprehensive income for the period (7 + 8)	(839)	(412)	484	(1,251)	(109)	(1,555)
10 Paid-up equity share capital (Face value per share of Rs. 2/-)	6,584	6,584	6,584	6,584	6,584	6,584
11 Reserve as per balance sheet of previous accounting year						(33,654)
12 Earnings per share (of Rs. 2/- each) (not annualised):						
(a) Basic	(0.25)	(0.13)	0.15	(0.38)	(0.03)	(0.47)
(b) Diluted	(0.25)	(0.13)	0.15	(0.38)	(0.03)	(0.47)

Standalone Balance Sheet of HCL Infosystems Limited as per Ind AS:

(Rs. In Lakhs)

Particulars	Standalone	
	As at 30.09.2024 (Unaudited)	As at 31.03.2024 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	172	225
Other intangible assets	23	26
Financial assets		
i. Investments	4	4
ii. Other financial assets	654	649
Advance income tax (net)	2,100	1,994
Other non-current assets	12,693	12,682
Total non-current assets	15,646	15,580
Current assets		
Inventories	2	-
Financial assets		
i. Investments	2,129	2,436
ii. Trade receivables	370	114
iii. Cash and cash equivalents	316	830
iv. Bank balances other than (iii) above	3,146	3,311
v. Loans	3	3
vi. Others financial assets	223	279
Other current assets	360	464
Asset Held for Sale	61	10
Total current assets	6,610	7,447
Total assets	22,256	23,027
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(34,905)	(33,654)
Total equity	(28,321)	(27,070)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	-	-
Provisions	94	93
Total non-current liabilities	94	93
Current liabilities		
Financial liabilities		
i. Borrowings	35,500	35,500
ii. Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	69	9
(b) total outstanding dues of creditors other than micro enterprises and small	2,421	2,277
iii. Other financial liabilities	165	216
Other current liabilities	166	281
Provisions	12,162	11,721
Total current liabilities	50,483	50,004
Total liabilities	50,577	50,097
Total equity and liabilities	22,256	23,027

Notes

1. These results have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") 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 14, 2024. The statutory auditors have issued unmodified review report on these results.

2. Exceptional items include :

Particulars	(Rs. In Lakhs)					
	Three months ended			Year to date		
	30.09.2024	30.06.2024	30.09.2023	30.09.2024	30.09.2023	31.03.2024
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Gain on sale of property, plant and equipment (refer note no 7)	-	-	1,196	-	1,196	1,196
b. Reversal/(Provision) for loss in subsidiary #	(416)	(1)	(469)	(417)	(434)	(1,504)
Total Gain / (Loss) - (a+b)	(416)	(1)	727	(417)	762	(308)

#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. For past several years, the Company has continuously made losses and its net worth has been fully eroded. Further the Company has incurred a net loss of Rs. 1,251 lakhs, during the six months ended September 30, 2024 (year ended March 31, 2024: net loss Rs.1,555 lakhs) and the Company's current liabilities exceeded its current assets by Rs. 43,873 lakhs (March 31, 2024: Rs. 42,557 lakhs) as at September 30, 2024. 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, has been pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business, sale of certain non-core properties 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. 39,600 lakhs and interest free unsecured loans of Rs. 35,500 lakhs to HCL Infosystems Limited 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 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 standalone financial results have been prepared on a going concern basis.

4. The Company had reported three segments till year ended 31 March 2024 – Hardware Products and Solutions, Distribution and Learning. However, management has reassessed the segment disclosure and believes that with the scale down of the Distribution business which is limited to providing IT support services (primarily annual maintenance activities) and progressive decline in learning operations, the Chief Operating Decision maker primarily focusses on combined business in making decisions on operating matters and on allocating resources in evaluating performance. Accordingly, the Company has aggregated its segment into a single segment which is providing IT support services and hence no separate disclosure is required for Segment as per Ind AS 108 'Operating Segments'.

5. 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 126 Lakhs for the quarter ended September 30, 2024, Rs 5 Lakhs for the quarter ended June 30, 2024, Rs 175 Lakhs for the quarter ended September 30, 2023, Rs 131 Lakhs for the period ended September 30, 2024, Rs 175 Lakhs for the period ended September 30, 2023 and Rs 661 Lakhs for the year ended March 31, 2024, on account of written back of certain old payables and provisions.

6. In order to reduce Company's debt obligations, the Company 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 monetization plan, the Company had sold certain properties resulting in gain of Rs. 1,196 Lakhs for the year ended March 31, 2024. There is no such transaction during the period ended September 30, 2024 and quarter ended June 30, 2024.

7. 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 which is backed by Corporate Guarantee provided by HCL Corporation Limited on behalf of HCL Infotech Limited.

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 other current liabilities in the financial statement of HCL Infotech Limited.

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

By order of the Board
for HCL Infosystems Limited

Nikhil Sinha
Chairperson
Date : November 14, 2024

Standalone Cash Flow Statement of HCL Infosystems Limited as per Ind AS:

(Rs. In Lakhs)

Particulars	Year to date		Year ended
	30.09.2024	30.09.2023	31.03.2024
	Unaudited	Unaudited	Audited
Cash flow from Operating Activities:			
Loss before tax	(1,251)	(109)	(1,555)
Adjustments for:			
Depreciation and amortisation expense	24	28	53
Finance cost	11	27	43
Interest income on bank deposits & others	(148)	(126)	(252)
Other income	-	(61)	(61)
Net gains on fair value changes on investments	(6)	(42)	(36)
Net profit on sale of properties	(0)	(1,196)	(1,196)
Gain on sale of investment carried at FVTPL	(63)	(43)	(130)
Provision for loss in subsidiary	417	434	1,504
(Gain)/loss on foreign exchange fluctuation	2	(16)	34
Provisions for Input tax credit	245	174	335
Provisions for doubtful other current assets	39	27	38
Provisions/liabilities no longer required written back	(26)	(175)	(661)
Operating loss before working capital changes	(756)	(1,078)	(1,884)
Changes in operating assets and liabilities			
Decrease/(Increase) in trade receivables	(256)	30	166
Decrease/(Increase) in non-current assets	(12)	174	415
Decrease/(Increase) in current assets	(125)	171	3
Increase in inventories	(2)	-	-
Increase/(Decrease) in non current liabilities	0	(8)	1
Increase/(Decrease) in current liabilities	78	(49)	(274)
Cash flow used in operations	(1,073)	(760)	(1,573)
Net tax refund (including interest) / tax deduction at source	(106)	728	765
Net cash flow used in operating activities (A)	(1,179)	(32)	(806)
Cash flow from investing activities:			
Purchase of properties plant and equipment's and intangible assets	(11)	(14)	(19)
Proceeds from redemption of mutual funds	6,750	6,560	14,652
Investment of mutual funds	(6,375)	(6,750)	(14,399)
Interest received	148	126	252
Redemption / (investment in) of bank deposits (net)	160	(382)	(196)
Inter corporate deposits given	-	-	(1)
Net cash flow from/ (used in) investing activities (B)	672	(460)	289
Cash Flow from Financing Activities:			
Proceeds from loans and borrowings from related party	31,500	14,000	35,500
Repayment of loans and borrowings from related party	(31,500)	(14,000)	(35,500)
Interest paid	(11)	(27)	(43)
Net cash flow used in financing activities (C)	(11)	(27)	(43)
Net decrease in cash and cash equivalents (A+B+C)	(518)	(519)	(562)
Opening balance of cash and cash equivalents	830	1,393	1,393
Exchange difference on translation of foreign currency cash and cash equivalent	4	12	(1)
Closing balance of cash and cash equivalents	316	886	830
Cash and cash equivalents comprise of			
Cash, cheques and drafts (on hand)	0	-	0
Balances with banks on current accounts	316	886	830
Balances with banks on deposits accounts	-	-	-