

HCL INFOSYSTEMS LIMITED
Unaudited financial results for the quarter and nine months ended December 31, 2019
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Standalone Statement of Profit and Loss for the quarter and nine months ended December 31, 2019 (Rs. In Lakhs)						
Particulars	Standalone					
	Three months ended			Year to date		Year ended
	31.12.2019	30.09.2019	31.12.2018	31.12.2019	31.12.2018	31.03.2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	38,880	54,111	89,449	146,077	276,523	358,145
Other income	676	1,044	1,327	2,774	4,475	6,007
Total Income	39,556	55,155	90,776	148,851	280,998	364,152
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	4	4
(b) Purchase of stock-in-trade	34,587	51,723	109,340	137,031	278,493	325,172
(c) Changes in inventories of finished goods and stock-in-trade	2,669	535	(23,494)	3,773	(12,382)	19,350
(d) Employee benefits expense	1,602	1,303	1,587	4,255	5,201	6,588
(e) Finance costs	1,877	2,440	2,520	6,702	7,935	10,337
(f) Depreciation and amortization expense	164	205	208	594	657	838
(g) Other expenses	2,041	1,764	2,210	5,455	6,907	9,173
Total expenses	42,940	57,970	92,371	157,810	286,815	371,462
3 Profit / (loss) before exceptional items and tax (1 - 2)	(3,384)	(2,815)	(1,595)	(8,959)	(5,817)	(7,310)
4 Exceptional Items (loss) (refer note 3)	(4,356)	(1,010)	(1,309)	(6,099)	(4,183)	(13,323)
5 Profit / (loss) before tax (3 - 4)	(7,740)	(3,825)	(2,904)	(15,058)	(10,000)	(20,633)
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	6,355	-	-	6,355	-	-
7 Net profit / (loss) for the period (5 - 6)	(14,095)	(3,825)	(2,904)	(21,413)	(10,000)	(20,633)
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit or loss	-	-	-	-	-	(99)
(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	-	-	-	-	-	(99)
9 Total comprehensive income for the period (7 + 8)	(14,095)	(3,825)	(2,904)	(21,413)	(10,000)	(20,732)
10 Paid-up equity share capital (face value per share in Rs. 2/-)	6,584	6,584	6,584	6,584	6,584	6,584
11 Reserve as per balance sheet of previous accounting year						21,299
12 Earnings per share (of Rs 2/- each) (not annualised):						
(a) Basic	(4.28)	(1.16)	(0.88)	(6.50)	(3.04)	(6.27)
(b) Diluted	(4.28)	(1.16)	(0.88)	(6.50)	(3.04)	(6.27)

Notes

- After recommendation by the Audit Committee, these results have been approved and taken on record by the Board of Directors at its meeting held on January 27, 2020. The statutory auditors have issued review report with unmodified opinion on these results.
- As at December 31, 2019, the Company had net current liability of Rs. 21,592 lakhs and loss of Rs. 21,413 lakhs for the nine-month period ending on that date. The losses of the Company have resulted in reduction of shareholders' equity to Rs 6,470 lakhs. Further, the Company and its subsidiaries (together referred to as "the Group") had net current liabilities of Rs. 33,960 lakhs and a loss of Rs. 6,539 lakhs for the nine-month period ending on that date. The losses have resulted in reduction of shareholders' equity to Rs 2,900 lakhs. The losses are primarily as a result of delayed receipts on certain SI contracts, certain historical low margin contracts, slow-down of Distribution businesses and finance costs. The Parent Company's management is pursuing strategies which include scale down of loss making businesses like scaling down of the distribution business (refer note 8), sale of certain non-core properties and reduction in outstanding debts. To ensure the necessary financial support for its operations the Group has an overall financial assistance limit (in the form of Corporate Guarantee or unsecured loan) by HCL Corporation Private Limited to the extent of Rs. 1,50,000 lakhs of which Rs 25,000 lakhs, is currently utilized. The Parent's Board of Directors have a reasonable expectation that the Group will be able to meet all its contractual obligations and liabilities as they fall due in the near future.
- Exceptional items include :

Particulars	Three months ended			Year to date		Year ended
	31.12.2019	30.09.2019	31.12.2018	31.12.2019	31.12.2018	31.03.2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Profit on sale of property, plant and equipments*	-	941	-	1,565	-	-
b. Impairment of investment in Digilife Distribution and Marketing Services Limited	-	-	-	-	-	(5,605)
c. Provision against loan given to subsidiary	(4,356)	(1,951)	(1,309)	(7,664)	(4,347)	(7,882)
d. Gain on sale of subsidiary	-	-	-	-	164	164
Total (a+b+c-d) - gain / (loss)	(4,356)	(1,010)	(1,309)	(6,099)	(4,183)	(13,323)

* Exceptional gain of Rs. 1,565 lakhs for the nine month ended 31.12.2019 (Rs. 941 lakhs for the quarter ended 30.09.2019) represents profit on sale of properties situated at Plot No. 10, CTS No. 86 Lohegaon, Viman Nagar, Pune and G-8,9,10, Sector 3, and B-13,14 Sector 8, Noida location under property monetization plan, under which agreement to sale had been approved by Board on 13.05.2019 and 20.05.2019 respectively.

4. The Board of Directors of HCL Infosystems Limited in its meeting held on August 06, 2019 had approved to sell the entire shareholding held by HCL Learning Limited (a Subsidiary of HCL Infosystems Limited) in HCL Insys Pte Ltd, Singapore after the transfer of the trading business and the subsidiary Nurture Technologies FZE to HCL Investments Pte Ltd (subsidiary of HCL Infotech Limited). The sale has been made to PCCW Solutions Ltd for a total consideration of Rs.30,335 lakhs. The transaction was completed on November 15, 2019.

5. As communicated earlier, pursuant to the approval by the Board of Directors of Company in its meeting held on January 31, 2018, the CARE business division has been transferred to QDigi Services Limited on March 31, 2018 and subsequently the entire shareholding of QDigi Services Limited has been divested to M/s Quesc Corp Limited on April 11, 2018.

6. As communicated earlier, pursuant to the approval by the Board of Directors of Company in its meeting held on February 9, 2018, the Company has divested its investments (both Equity and Optionally Convertible Debentures(OCDD)) in HCL Services Limited to M/s Kavya Data Management Services Limited for a consideration of Rs 112.10 crore (Equity Rs 17.45 crore and OCD Rs 94.65 crore, the consideration for OCD is equivalent to the Income Tax refund and is receivable as and when the Tax refund is received by HCL Services Limited). The Company signed a Share Purchase Agreement on May 31, 2018 and the shareholding was divested on June 15, 2018.

This transaction excludes:

- Care Business (divested to M/s Quesc Corp Limited)
- IT & Facility unit (transferred to HCL Infosystems Limited)
- Investment in HCL Insys PTE Limited, Singapore including its subsidiaries (transferred to HCL Learning Limited)

7. As communicated earlier, pursuant to the approval by the Board of Directors of the Company in its meeting held on October 15, 2018, the entire shareholding held by Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE)(Step-down Subsidiary) in its direct subsidiaries Gibraltar Technologies LLC (Dubai), Gibraltar Technologies LLC (Abu Dhabi) and step-down subsidiary Gibraltar Technologies WLL (Qatar) has been transferred to consortium of individuals viz Mr. Ahmed Khalaf Ahmed Khalaf Al Otaiba, Mr. Syed Mohammed Bukhari, Mr. Khadeer Peer Sharif S S and Mr. Abdul Qadir Bukhari on November 27, 2018 for a consideration of AED 34 lakhs (approximately equivalent Rs 650 lakhs).

8. In view of the current financial stress faced by the Enterprise and Consumer Distribution businesses resulting in decline in sales and increase in losses, the Board had appointed a reputed independent consulting firm to review these businesses. Based on the report of the consulting firm and the inputs of the management team, the Board in their meeting dated January 27, 2020 noted that because of low margin contracts, tough market conditions and the current financial position of the Company, the Distribution businesses of the Company are declining and incurring greater losses. Consequently, the Board recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

9. Financial result for all the period presented have been prepared in accordance with the Companies (Indian accounting standard rule 2015 (as amended from time to time prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable.

10. Effective April 1, 2019, the Company has adopted Ind AS 116 "Leases", using modified retrospective method. The Company has elected the practical expedients, which allows the Company not to reassess in prior conclusions about lease identification, lease classification and initial direct cost. The comparative information is not restated in the financial results for the current quarter and year to date period, the nature of expenses in respect of operating lease has changed from lease rent in previous period to depreciation cost for the right to use assets and finance cost for interest accrued on lease liability.

11. Figures for previous periods have been regrouped and rearranged, wherever necessary, to conform with the relevant current period's classification.

By order of the Board
for HCL Infosystems Limited

Rangarajan Raghavan

Managing Director