

HCL Infosystems registers Rs. 6.93 Crore revenue with operating loss of Rs. 10.09 Crore in Q2' FY23

November 08, 2022, New Delhi

Q2' FY23 Business Highlights:

- **Q2' FY23** revenue was Rs. 6.93 Crore
- Systems Integration and Solutions business reported revenue of Rs. 5.54 Crore
- Loss Before Tax after considering exceptional items Rs. 10.09 Crore

HCL Infosystems today announced its financial results for the quarter ended Sep 30th, 2022.

Mr. Raj Sachdeva, Manager of HCL Infosystems Ltd, commenting on the results' said, *"In Q2'23, the management of the Company continued to focus on actions/ initiatives that can help reduce operational losses, expedite deliverables of existing projects and improve collection of receivables from customers."*

As mentioned in our earlier news releases, our Systems Integration and Solutions business continued to face delays in customer acceptance and sign-offs on project completion from certain customers resulting in delays in recovering receivables. Over time the number of contracts that are coming to closure have increased without any considerable progress on release of money against receivables by customers. As a result the Company has initiated arbitration proceedings against a number of customers as per the terms of the contracts with them in an effort to obtain final sign-offs and recovery of overdue receivables. As a result of multiple legal and arbitration proceedings, our legal cost has increased considerably, which is evident from the increase in legal, professional and consultancy charges in our financials. In some contracts, the company continues to provide support to these customers, thereby incurring higher costs which is increasing our operational losses as reflected in the financials.

Company Update

Borrowing Position as on 30th September'22

1. External loan had been fully repaid. However, there is interest free unsecured loan of Rs. 355 Crore from parent company, HCL Corporation Private Limited.
2. The current utilisation of Non-fund based limits is Rs. 189 Crore, mainly on account of Bank Guarantees for Systems Integration business.

Divestment of HCL Infotech Ltd.

As reported in earlier press releases, the Board of Directors and shareholders of the Company in 2021 had approved the sale of the entire shareholding held by HCL Infosystems Limited in HCL Infotech Limited to Novezo Consulting Pvt. Ltd. based on the terms and conditions specified in the Share Purchase Agreement dated February 10, 2021.

Subsequently, one of the customers of a key defense project which is part of the transaction has asked HCL to novate the project to either HCL Infosystems Limited or to a third-party service provider acceptable to the customer, instead of transferring the project as part of the HCL Infotech sale to Novezo. In response

to the customer's request, the process for novating the DCN project to HCL Infosystems as a stop gap arrangement and identifying a service provider to finally take-over the AMC for DCN project, is underway.

This exercise has resulted in a significant delay in closing the sale of HCL Infotech to Novezo. In addition, some of the terms of the Share Purchase Agreement are being renegotiated and there are unresolved issues which have remained unresolved for sometime. If these issues are successfully resolved, the agreement terms will again require approval of the Board and the Shareholders of the Company.

Amalgamation / Restructuring of the Company

The company had initiated a scheme of amalgamation of Digilife Distribution and Marketing Services Limited (DDMS) and HCL Learning Limited (Learning), wholly owned subsidiaries, with and into HCL Infosystems Limited (HCLI). The rationale for this is to consolidate multiple entities into a single entity to simplify the corporate structure and reduce administrative costs.

Hon'ble National Company Law Tribunal, New Delhi Bench (Court – V) vide its order dated 10th August 2022 read with corrigendum dated 12th September 2022 has sanctioned the Scheme of amalgamation. The appointed date of the scheme of amalgamation is 1st April 2022. The order has been filed with ROC and approval is awaited.

Pursuant to the Scheme, all the assets and liabilities of DDMS and Learning have been transferred to and vested in HCLI with effect from the appointed date i.e. 1st April 2022 at their carrying values.

About HCL Infosystems

HCL Infosystems is an IT System Integration and Solutions company. For more information, please visit us at www.hclinfosystems.in.

| Media Contact Information | |
|---------------------------|--|
| HCL Infosystems | cosec@hcl.com |

Consolidated Results

| | Three months ended | | | Year ended |
|---|--------------------|---------------|---------------|---------------|
| | 30.09.2022 | 30.06.2022 | 30.09.2021 | 31.03.2022 |
| | Unaudited | Unaudited | Unaudited | Audited |
| Income | | | | |
| Revenue from operations | 6.9 | 9.1 | 15.5 | 69.4 |
| Other income | 6.8 | 4.9 | 18.9 | 41.6 |
| Total Income | 13.7 | 14.0 | 34.4 | 111.0 |
| Expenses | | | | |
| Cost of materials consumed | - | - | - | 0.0 |
| Purchase of stock-in-trade | 1.1 | 1.5 | 0.7 | 8.2 |
| Changes in inventories of finished goods and stock-in-trade | 0.0 | 0.0 | 2.5 | 2.3 |
| Other direct expense | 1.8 | 2.9 | 15.0 | 35.2 |
| Employee benefits expense | 5.3 | 5.5 | 6.2 | 26.7 |
| Finance costs | 0.3 | 1.4 | 3.1 | 13.7 |
| Depreciation and amortisation expense | 0.1 | 0.2 | 0.5 | 1.5 |
| Legal, professional and consultancy charges | 6.8 | 6.2 | 8.8 | 32.4 |
| Other expenses | 8.4 | 11.2 | 18.4 | 66.8 |
| Total expenses | 23.8 | 28.9 | 55.2 | 186.8 |
| Loss before exceptional items and tax from continuing operations | (10.1) | (14.9) | (20.8) | (75.8) |
| Exceptional Items (loss) / gain | - | 4.9 | 33.9 | 101.5 |
| Profit/(Loss) before tax from continuing operations | (10.1) | (10.0) | 13.1 | 25.7 |
| Tax expense / (credit) | | | | |
| (a) Current tax | - | - | - | 1.2 |
| (b) Deferred tax expense | - | - | - | - |
| Net Profit/(Loss) for the period from continuing operations | (10.1) | (10.0) | 13.1 | 24.5 |
| Profit / (loss) before tax from discontinued operations | - | - | - | - |
| Profit / (loss) on disposal of discontinued operations | - | - | - | - |
| Tax expense / (credit) of discontinued operations | - | - | - | - |
| Net Profit/(Loss) for the period from discontinued operations | - | - | - | - |
| Net Profit/(Loss) for the period | (10.1) | (10.0) | 13.1 | 24.5 |
| Other comprehensive income | | | | |
| A (i) Items that will not be reclassified to profit and loss | - | - | - | (0.4) |
| (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 | (0.1) | 0.0 | 0.4 | 0.9 |
| (ii) Income tax relating to items that will be reclassified to profit or loss | - | - | - | - |
| Total other comprehensive income, net of income tax | (0.1) | 0.0 | 0.4 | 0.5 |
| Total comprehensive income for the period | (10.2) | (10.0) | 13.4 | 25.0 |
| Basic EPS (Not annualised) Rs/share for discontinued & continuing operations | (0.31) | (0.30) | 0.40 | 0.74 |

CONSOLIDATED SEGMENT INFORMATION

(Rs. In Crores)

| Particulars | Three months ended | | | Year ended |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
| | 30.09.2022 Unaudited | 30.06.2022 Unaudited | 30.09.2021 Unaudited | 31.03.2022 Audited |
| Segment Revenue | | | | |
| - Hardware Products and Solutions | 5.5 | 7.6 | 14.9 | 61.0 |
| - Distribution | 1.4 | 1.5 | 0.7 | 8.5 |
| - Learning | - | - | - | - |
| Total | 6.9 | 9.1 | 15.5 | 69.4 |
| Less : Intersegment revenue | - | - | - | - |
| Net Sales / Income | 6.9 | 9.1 | 15.5 | 69.4 |
| Segment results (profit / (loss) before tax and Interest from each segment) | | | | |
| - Hardware Products and Solutions | (4.4) | (6.8) | (11.2) | (30.5) |
| - Distribution | 0.4 | 1.1 | 1.5 | 2.5 |
| - Learning | 0.1 | (0.0) | (0.2) | 0.5 |
| Total | (4.1) | (5.8) | (9.9) | (27.5) |
| Less : | | | | |
| i) Interest expense | 0.3 | 1.4 | 3.1 | 13.7 |
| ii) Other un-allocable expenditure net off un-allocable (income) | 5.7 | 2.8 | (26.1) | (67.0) |
| Total Profit / (Loss) before tax | (10.1) | (10.0) | 13.1 | 25.7 |
| Segment Assets | | | | |
| - Hardware Products and Solutions | 209.7 | 168.9 | 200.7 | 170.3 |
| - Distribution | 107.1 | 98.8 | 124.7 | 100.8 |
| - Learning | 0.7 | 0.8 | 0.9 | 0.8 |
| - Unallocated | 160.7 | 148.9 | 273.1 | 219.4 |
| Total Assets | 478.2 | 417.4 | 599.4 | 491.3 |
| Segment Liabilities | | | | |
| - Hardware Products and Solutions | 310.0 | 223.7 | 252.0 | 225.5 |
| - Distribution | 37.5 | 22.5 | 31.5 | 24.2 |
| - Learning | 0.5 | 0.7 | 1.3 | 0.6 |
| - Unallocated | 365.5 | 395.6 | 500.3 | 456.1 |
| Total Liabilities | 713.5 | 642.5 | 785.1 | 706.4 |