

HCL INFOSYSTEMS LIMITED
Unaudited Consolidated Financial Results for the quarter ended June 30, 2020
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Consolidated Statement of Profit and Loss for the quarter ended June 30, 2020 (Rs. In Lakhs)

Particulars	Consolidated			
	Three months ended			Year ended
	30.06.2020	31.03.2020	30.06.2019	31.03.2020
	Unaudited	Audited	Unaudited	Audited
1 Income				
Revenue from operations	10,569	22,771	57,696	181,517
Other income	943	2,596	1,770	7,678
Total Income	11,512	25,367	59,466	189,195
2 Expenses				
(a) Purchase of stock-in-trade	6,134	18,062	51,616	155,906
(b) Changes in inventories of finished goods and stock-in-trade	588	2,362	1,055	6,760
(c) Employee benefits expense	2,407	2,589	2,666	11,048
(d) Finance costs	1,584	1,834	2,675	9,043
(e) Depreciation and amortisation expense	138	166	296	880
(f) Other expenses	4,347	6,920	5,911	29,592
Total expenses	15,198	31,933	64,219	213,229
3 Loss before exceptional items and tax from continuing operations (1 - 2)	(3,686)	(6,566)	(4,753)	(24,034)
4 Exceptional Items (loss) / gain (refer note 6)	-	(290)	624	1,275
5 Loss before tax from continuing operations (3 + 4)	(3,686)	(6,856)	(4,129)	(22,759)
6 Tax expense / (credit)				
(a) Current tax / (credit)	-	(33)	-	8
(b) Deferred tax expense	-	187	-	6,209
7 Loss for the period from continuing operations (5 - 6)	(3,686)	(7,010)	(4,129)	(28,976)
8 Profit / (Loss) before tax from discontinued operations (Refer note 2)	-	(66)	159	405
9 Profit on disposal of discontinued operations (Refer note 2)	-	45	-	15,076
10 Tax expense of discontinued operations (Refer note 2)	-	63	27	138
11 Net Profit / (Loss) for the period from discontinued operations (8 + 9 - 10)	-	(84)	132	15,343
12 Loss for the period (7+ 11)	(3,686)	(7,094)	(3,997)	(13,633)
13 Other comprehensive income				
A (i) Items that will not be reclassified to profit or loss	-	(49)	-	(49)
(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	16	29	(11)	461
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-
Total other comprehensive income, net of income tax	16	(20)	(11)	412
14 Total comprehensive income for the period (12 + 13)	(3,670)	(7,114)	(4,008)	(13,221)
15 Net Profit / (Loss) attributable to:				
- Shareholders	(3,686)	(7,094)	(3,997)	(13,633)
- Non-controlling interests	(0.00)	(0.00)	(0.00)	(0.00)
Total comprehensive income attributable to:				
- Shareholders	(3,670)	(7,114)	(4,008)	(13,221)
- Non-controlling interests	(0.00)	(0.00)	(0.00)	(0.00)
16 Paid-up equity share capital (Face value per share in Rs. 2/-)	6,584	6,584	6,584	6,584
17 Reserve as per balance sheet of previous accounting year				(10,798)
18 Earnings per share for continuing operations (of Rs 2/- each) (not annualised):				
(a) Basic	(1.12)	(2.13)	(1.25)	(8.80)
(b) Diluted	(1.12)	(2.13)	(1.25)	(8.80)
19 Earnings per share for discontinued operations (of Rs 2/- each) (not annualised):				
(a) Basic	-	(0.03)	0.04	4.66
(b) Diluted	-	(0.03)	0.04	4.66
20 Earnings per share for discontinued & continuing operations (of Rs 2/- each) (not annualised):				
(a) Basic	(1.12)	(2.16)	(1.21)	(4.14)
(b) Diluted	(1.12)	(2.16)	(1.21)	(4.14)

Segment-wise information (Rs. In Lakhs)

Particulars	Three months ended			Year ended
	30.06.2020	31.03.2020	30.06.2019	31.03.2020
	Unaudited	Audited	Unaudited	Audited
1. Segment Revenue				
- Hardware Products and Solutions	3,617	4,002	3,912	15,431
- Services *	-	262	10,371	26,415
- Distribution	6,952	18,769	53,813	165,595
- Learning	-	-	20	537
Total	10,569	23,033	68,116	207,978
Less : Intersegment revenue	-	-	29	49
Revenue from operations	10,569	23,033	68,087	207,929
2. Segment results (profit / (loss) before tax and Interest from each segment)				
- Hardware Products and Solutions	(373)	(259)	(1,315)	(7,952)
- Services *	-	(64)	139	11
- Distribution	(1,278)	(4,132)	(559)	(6,023)
- Learning	17	(12)	164	670
Total	(1,634)	(4,467)	(1,571)	(13,294)
Less :				
i) Interest expense	1,584	1,834	2,683	9,062
ii) Other un-allocable expenditure net off un-allocable (income)	468	576	(284)	(15,078)
Total Profit / (Loss) before tax	(3,686)	(6,877)	(3,970)	(7,278)
3. Segment Assets				
- Hardware Products and Solutions	37,348	36,462	55,630	36,462
- Services *	-	-	23,799	-
- Distribution	29,006	37,928	80,181	37,928
- Learning	239	235	266	235
- Unallocated	30,312	30,070	44,108	30,070
Total Assets	96,905	104,695	203,984	104,695
4. Segment Liabilities				
- Hardware Products and Solutions	29,665	30,620	36,425	30,620
- Services *	-	-	8,250	-
- Distribution	14,094	20,931	52,145	20,931
- Learning	397	449	556	449
- Unallocated	60,634	56,909	100,200	56,909
Total Liabilities	104,790	108,909	197,576	108,909

* Refer Note 2

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 August 06, 2020. The results have been subjected to a limited review by the statutory auditors.
- 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 (step subsidiary) 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 was made to PCCW Solutions Ltd for a total consideration of Rs.30,335 lakhs. The transaction was completed on November 15, 2019.

Accordingly, the business operations associated with these transactions have been considered as discontinued operations. The relevant information for all the period presented, attributable to these discontinued operations are as below.

Particulars	(Rs. In Lakhs)			
	Three months ended		Year ended	
	30.06.2020	31.03.2020	30.06.2019	31.03.2020
	Unaudited	Audited	Unaudited	Audited
Total revenue (including other income)	-	260	10,398	26,694
Total expenditure	-	326	10,239	26,289
Profit/ (loss) before tax	-	(66)	159	405
Tax expense	-	63	27	138
Profit/ (loss) after tax	-	(129)	132	267
Profit on disposal of discontinued operations	-	45	-	15,076

- As at June 30, 2020, the Group has accumulated losses and its net worth has been fully eroded, the Group has a net loss during the current period and previous year and the Group's current liabilities exceeded its current assets by Rs 38,843 lakhs (March 31, 2020 - Rs. Rs 43,235 Lakhs) as at June 30, 2020. The losses are primarily as a result of delayed receipts on certain system integration 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 5), 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 issued a support letter (in the form of corporate guarantee or unsecured loan) to the Parent Company to the extent of Rs. 50,000 lakhs. 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.

- Management believes that it has taken into account all the possible impacts of known events arising from COVID-19 pandemic in the preparation of these financial results. In evaluating the impact of COVID-19 on the Group's ability to continue as a going concern, the management has assessed the impact on its business and the carrying value of its major assets comprising of property, plant and equipment, trade receivables and other receivable balances. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and actual results may differ materially from these estimates. The Group will continue to monitor any material changes to future economic conditions and any significant impact of these changes would be recognized in the financial results as and when these material changes to economic conditions arise.

- 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 of Directors 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 of Directors in their meeting dated January 27, 2020 decided that because of low margin contracts, tough market conditions and the current financial position of the Group, the Distribution businesses of the Group were not financially sustainable. Consequently, the Board of Directors recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

Particulars	(Rs. In Lakhs)			
	Three months ended		Year ended	
	30.06.2020	31.03.2020	30.06.2019	31.03.2020
	Unaudited	Audited	Unaudited	Audited
Profit on sale of properties*	-	-	624	1,565
Impairment of property	-	(290)	-	(290)
Total gain	-	(290)	624	1,275

* Amount of Rs.1,565 lakhs (30.06.2019 - Rs. 624 lakhs) for year ended 31.03.2020 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 was approved by the Board of Directors on 13.05.2019 and 20.05.2019 respectively.

- The Board of Directors of HCL Infosystems Limited, in its meeting held on August 06, 2020, approved the merger of HCL Learning Limited and Digilife Distribution and Marketing Services Limited (DDMS), wholly owned subsidiaries of the Company, with HCL Infosystems Limited. The proposed merger is for the purpose of simplifying the group structure. As part of the ongoing rationalization of the business, the learning business and the distribution business are being scaled down. As a result, separate entities for these businesses, i.e. HCL Learning Limited for learning business and DDMS for distribution business, are no longer required. The proposed merger is subject to approval of the shareholders of HCL Infosystems Limited and such other regulatory approvals as may be required in this regard. Since, the aforesaid Scheme is subject to approval from concerned regulatory authorities which is considered to be substantive, the accounting effect of the above Scheme has not been considered in these financial results.

- In accordance with the divestment strategy of the Group, the Board of Directors of the Parent Company in its meeting held on August 06, 2020 approved the sale/ surrender of immovable properties of HCL Infosystems Limited. The sale/ surrender will take place as and when an appropriate buyer is identified. These properties are lying vacant/ partially vacant, as the Group is not utilizing/ fully utilizing these properties after scale down of its operations and change in its business requirements, though the Group continues to incur cost on maintenance of these properties. The proceeds from the sale/ surrender of these properties will be used to pay off part of the Group's debts and thereby to reduce its finance cost. The proposed sales(s) are subject to approval of the shareholders and lenders of the Parent Company and such other approval as may be required in this regard.

- Financial results for all the periods presented have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 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.

- Consolidated Results include financial results of HCL Infosystems Limited, HCL Infotech Limited, Digilife Distribution and Marketing Services Limited, HCL Learning Limited, HCL Investment Pte. Limited, Pimpri Chinchwad eServices Limited and Nurture Technologies FZE.

- 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

Nikhil Sinha
Chairman

Place : Noida
Date : August 06, 2020