

HCL INFOSYSTEMS LIMITED

Unaudited Financial Results for the quarter and six months ended September 30, 2019

Regd.Off. 806, Siddharth, 96 Nehru Place, New Delhi 110 019.

CIN - L72200DL1986PLC023955

Phone number +91 120 2520977, 2526518-19 Fax: +91 120 2523791

Website www.hclinfosystems.com

Email ID: cosec@hcl.com

Standalone Statement of Profit and Loss for the quarter and six months ended September 30, 2019

(Rs. In Lakhs)

Particulars	Standalone					
	Three months ended			Year to date		
	30.09.2019	30.06.2019	30.09.2018	30.09.2019	30.09.2018	31.03.2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	54,111	53,086	90,316	107,197	187,074	358,145
Other income	1,044	1,054	1,397	2,098	2,946	6,007
Total Income	55,155	54,140	91,713	109,295	190,020	364,152
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	4	4
(b) Purchase of stock-in-trade	51,723	50,721	83,992	102,444	168,153	325,172
(c) Changes in inventories of finished goods and stock-in-trade	535	569	3,041	1,104	11,112	19,350
(d) Employee benefits expense	1,303	1,350	1,806	2,653	3,614	6,588
(e) Finance costs	2,440	2,385	2,457	4,825	5,213	10,337
(f) Depreciation and amortisation expense	205	225	221	430	449	838
(g) Other expenses	1,764	1,650	2,318	3,414	4,697	9,173
Total expenses	57,970	56,900	93,835	114,870	194,242	371,462
3 Profit / (loss) before exceptional items and tax (1 - 2)	(2,815)	(2,760)	(2,122)	(5,575)	(4,222)	(7,310)
4 Exceptional items (loss) / gain (Refer note 3)	(1,010)	(733)	(1,414)	(1,743)	(2,874)	(13,323)
5 Profit / (loss) before tax (3 + 4)	(3,825)	(3,493)	(3,536)	(7,318)	(7,096)	(20,633)
6 Tax expense / (credit)						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense / (credit)	-	-	-	-	-	-
7 Net Profit / (loss) for the period (5 - 6)	(3,825)	(3,493)	(3,536)	(7,318)	(7,096)	(20,633)
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit and 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 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	-	-	-	-	-	(99)
9 Total comprehensive income for the period (7 + 8)	(3,825)	(3,493)	(3,536)	(7,318)	(7,096)	(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	(1.16)	(1.06)	(1.07)	(2.22)	(2.16)	(6.27)
(b) Diluted	(1.16)	(1.06)	(1.07)	(2.22)	(2.16)	(6.27)

Standalone Balance Sheet

(Rs. In Lakhs)

Particulars	Standalone	
	As at 30.09.2019	As at 31.03.2019
ASSETS		
Non-current assets		
Property, plant and equipment	5,558	5,624
Right to use Assets	133	-
Capital work-in-progress	13	4
Other intangible assets	55	94
Financial assets		
i. Investments	4	4
ii. Other financial assets	2,307	7,168
Deferred tax assets (net)	6,355	6,355
Advance income tax (net)	3,059	4,195
Other non-current assets	19,926	18,330
Total non-current assets	37,410	41,974
Current assets		
Inventories	7,411	8,530
Financial assets		
i. Investments	-	-
ii. Trade receivables	44,287	37,955
iii. Cash and cash equivalents	2,477	10,282
iv. Bank balances other than (iii) above	4,533	5,248
v. Loans	55,669	51,559
vi. Others financial assets	6,922	7,271
Other current assets	5,390	5,501
Total current assets	126,689	126,346
Assets held for sale	-	1,426
Total assets	164,099	169,746
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	13,982	21,299
Total equity	20,566	27,883
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	5,941	9,440
ii. Lease obligation	138	-
Provisions	650	602
Total non-current liabilities	6,729	10,042
Current liabilities		
Financial liabilities		
i. Borrowings	61,084	49,499
ii. Trade payables	59,958	52,228
iii. Other financial liabilities	13,305	26,444
Other current liabilities	1,864	2,899
Provisions	593	751
Total current liabilities	136,804	131,821
Total liabilities	143,533	141,863
Total equity and liabilities	164,099	169,746

Standalone Cash Flow Statement for six months ended September 30, 2019

Particulars	Year to date		Year ended
	30.09.2019	30.09.2018	31.03.2019
	Unaudited	Unaudited	Audited
Cash Flow from Operating Activities:			
Loss before tax	(7,318)	(7,096)	(20,633)
Adjustments for:	-	-	-
Depreciation and amortisation expense	430	449	838
Finance cost	4,825	5,213	10,337
Interest income	(1,308)	(1,212)	(2,693)
Dividend income	-	(115)	(165)
Net profit on sale of property, plant and equipment	(1,565)	(5)	(3)
Property, plant and equipment written-off	11	-	-
Gain on sale of investment carried at FVTPL	-	(164)	(334)
Diminution other than temporary in the value of long term investment	-	-	5,605
Provision against inter Company deposits given to subsidiaries	3,309	3,039	7,883
Exchange difference on translation of foreign currency cash and cash equivalent	11	8	10
Provisions/liabilities no longer required written back	(64)	(230)	(418)
Operating profit before working capital changes	(1,669)	(113)	427
Changes in operating assets and liabilities			
- Decrease / (Increase) in trade receivables	(6,332)	(12,429)	18,318
- Increase in non-current assets	(1,594)	(10,795)	(10,940)
- Increase in current assets	915	(3,269)	2,656
- (Increase) / decrease in inventories	1,118	11,113	19,327
- Increase in non current liabilities	47	275	146
- Increase / (decrease) in current liabilities	5,717	22,901	(14,841)
Cash used in operations	(1,798)	7,683	15,093
- Taxes (paid) / received	1,136	(540)	(1,594)
Net cash used in operating activities (A)	(662)	7,143	13,499
Cash flow from investing activities:			
Purchase of fixed assets (including intangible assets)	(24)	(23)	(64)
Capital work-in-progress (including intangible assets under development)	-	-	-
Proceeds from sale of fixed assets	2,979	27	55
Proceeds from sale of current investments	-	-	11,053
Purchase of current investments	-	(486)	-
Interest received	1,283	1,242	2,805
Redemption/maturity of bank deposits (with original maturity of more than three months)	1,484	900	(4,038)
Movement in margin money account	(781)	20	(12)
Movement in balances with banks on dividend account	12	16	50
Dividend received on current investments	-	115	165
Inter corporate deposits given	(28,904)	(23,645)	(50,997)
Inter corporate deposits received back	21,386	37,241	59,338
Sale of investment in subsidiary	4,858	-	1,496
Net cash (used in) / from investing activities (B)	2,293	15,407	19,851
Cash Flow from Financing Activities:			
Share capital issued	-	-	-
Securities premium received (net)	-	-	-
Proceeds from loans and borrowings	91,205	48,440	127,490
Repayment of loans and borrowings	(95,680)	(65,544)	(144,905)
Interest paid	(4,938)	(5,040)	(10,141)
Dividend paid	(12)	(16)	(50)
Net cash from financing activities (C)	(9,425)	(22,160)	(27,606)
Net Increase/ (Decrease) in cash and cash equivalents (A+B+C)	(7,794)	390	5,743
Opening balance of cash and cash equivalents	10,282	4,549	4,549
Exchange difference on translation of foreign currency cash and cash equivalent	(11)	(8)	(10)
Closing balance of cash and cash equivalents	2,477	4,931	10,282
Cash and cash equivalents comprise of	2,477	4,931	10,282
Cash, cheques and drafts (on hand)	570	1,753	1,778
Balances with banks on current accounts	1,882	3,178	2,121
Balances with banks on deposits accounts	25	-	6,383

Notes

1. 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 November 05, 2019. The statutory auditors have issued review report with unmodified opinion on these results.
2. 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 Sheriff S S and Mr. Abdul Qadir Bukhari on November 27, 2018 for a consideration of AED 34 lakhs (approximately equivalent Rs 650 lakhs).

3. Exceptional items include :

Particulars	Three months ended			Year to date		Year ended
	30.09.2019	30.06.2019	30.09.2018	30.09.2019	30.09.2018	31.03.2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Profit on sale of property, plant and equipments*	941	624	-	1,565	-	-
b. Impairment of investment in Digilife Distribution and Marketing Services Limited	-	-	-	-	-	(5,605)
c. Provision against loan given to subsidiary	(1,951)	(1,357)	(1,414)	(3,308)	(3,038)	(7,882)
d. Gain on sale of subsidiary	-	-	(0)	-	164	164
Total (a+b+c+d) - gain / (loss)	(1,010)	(733)	(1,414)	(1,743)	(2,874)	(13,323)

* Exceptional gain of Rs. 1,565 lakhs for the six month ended 30.09.2019 (Rs. 941 lakhs for the quarter ended 30.09.2019) represents profit on sale of properties situated at Plot No. 10, CTS No. 86 Lohegagan, Viman Nagar, Pune and G-8,9,10, Sector 3, and B-13,14 Sector 8, Noida location under property monetisation 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 Leasing 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 will be made to PCCW Solutions Ltd. The consideration of the transaction is SGD 420 lakhs plus closing cash balances and adjustments to working capital and net debt which shall be adjusted on the date of transfer of the shareholding and based on the terms and conditions as specified in share purchase agreement (SPA). SPA was signed on August 06, 2019. The transaction has not yet been consummated pending compliance with closing precedents.
5. 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 Quess Cop Limited on April 11, 2018.

6. As communicated earlier, pursuant to the approval by the Board of Directors of the Company in its meeting held on February 9, 2018, the Company has divested its investments (both Equity and Optionally Convertible Debentures (OCD)) in HCL Services Limited to Kavya Data Management Services Limited for a consideration of Rs 11,210 lakhs (Equity Rs 1,745 lakhs and OCD Rs 9,465 lakhs), 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;

- i) Care Business (divested to Quess Corp Limited)
 ii) IT & Facility unit (transferred to HCL Infosystems Limited)
 iii) Investment in HCL Insys PTE Limited, Singapore including its subsidiaries (transferred to HCL Leasing Limited)

7. As at 30th September 2019, the Company has net current liabilities of Rs. 10,115 lakhs and a loss of Rs. 7,318 lakhs for the six month period then ended. The losses of the Company have resulted in erosion of total shareholders' equity to Rs 20,566 lakhs. Further, the Company and its subsidiaries (together referred to as 'the Group') have net current liabilities of Rs. 51,942 lakhs and a loss of Rs. 7,989 lakhs for the six month period then ended. The losses of the Group have resulted in reduction of shareholders' equity to Rs 2,432 lakhs. The losses are primarily as a result of delayed receipts on certain contracts, certain historical low margin contracts, and finance costs. The Parent Company's management is evaluating and pursuing strategies which include reduction and effective elimination of low margin contracts, discontinuance of clients with delayed payment history, sale of certain non-core properties, reorganizing including aggregation or disposal of some un-remunerative business operations, reduction in outstanding debtors of its system integration business. Further, the Parent Company also has a debt refinancing facility backed by HCL Corporation Private Limited's corporate guarantee to the extent of Rs 25,000 lakhs, which is expected to provide necessary support to the operations of the Parent. After considering the matters described above and the expected positive outcome of the sale of HCL Insys Pte Ltd (see note 4), 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.

8. Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised, on the date of initial application (April 1, 2019). Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted.

On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) and lease liability of Rs.233 lakhs. The adoption of this standard did not have any significant impact on the profit/loss for the period and earnings per share.

9. 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

Place : Noida
Date : November 05, 2019