

HCL Infosystems registers Rs. 31.41 Crore revenue with operating loss of Rs. 52.58 Crore in FY23

May 22, 2023, New Delhi

FY23 Business Highlights:

- **FY23** revenue was Rs. 31.41 Crore
- Systems Integration and Solutions business reported revenue of Rs. 25.74 Crore
- Loss Before Tax and exceptional items Rs. 52.58 Crore
- Exceptional non-recurring gain during this year was on account of:
 - Profit on sale of properties of Rs. 13.84 Crore.
- Loss Before Tax after considering exceptional items Rs. 38.74 Crore

Q4' FY23 Business Highlights:

- **Q4'23** revenue was Rs. 8.26 Crore
- Systems Integration and Solutions business reported revenue of Rs. 6.99 Crore
- Loss Before Tax and exceptional items Rs. 14.57 Crore
- Exceptional non-recurring gain during this year was on account of:
 - Profit on sale of properties of Rs. 8.97 Crore.
- Loss Before Tax after considering exceptional items Rs. 5.60 Crore

HCL Infosystems today announced its financial results for the quarter ended Mar 31st, 2023.

Mr. Raj Sachdeva, Manager of HCL Infosystems Ltd, commenting on the results' said, "*In FY 23, the management of the Company continued to focus on initiatives such as monetization of properties, realization of tax refunds in order to reduce the Company's debt and losses*".

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 for recovery of dues. Due to multiple legal arbitration proceedings and legacy issues, significant effort and cost is being incurred on legal and legacy matters.

Borrowing Position as on 31st Mar'23

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. 218 Crore, mainly on account of Bank Guarantees for Systems Integration business.

Company Update

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 (SPA) dated February 10, 2021.

Subsequently, one of key customer DCN (Defence Communication Network) raised concerns over the transaction. In addition, some of the terms of the SPA which were renegotiated by both the parties because of lapse of time and change in business circumstances, remained unresolved.

With the passage of time, the objective and purpose of the SPA completely changed. In March 23, HCL issued a letter to Novezo intimating that the SPA has been frustrated as the Closing of the SPA is yet to take place, and it has now become impossible for the Parties to proceed with the transaction. HCL Infotech will continue to be operated in the ordinary course of business.

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.

The Scheme of Amalgamation of Digilife Distribution and Marketing Services Limited and HCL Learning Limited, wholly owned subsidiaries, with and into the Company has been approved by the Hon'ble National Company Law Tribunal.

Divestment of Property

In order to reduce the Company's debt obligations, the Company has decided to monetize certain Company owned properties in a phased manner. Several of the Company's properties are not being fully utilized due to changes in the business of the Company. During the current year, the Company sold 4 properties for a total consideration of Rs. 19 Crores.

Tax refund

Total tax refund received during the current financial year is Rs 19 Crores.

MTNL CWG (Commonwealth Games) project matter

During the year, the amount of Rs. 120.21 Crores, including principal of Rs. 80.35 Crores has been released on adhoc basis by the Hon'ble High Court of Delhi to HCL Infotech Limited against an application filed by the Company in arbitration with MTNL for recovery of pending amount against CWG Project, against a Bank Guarantee. However, MTNL's Appeal is sub-judice (pending disposal) before the Division Bench of the High Court.

Human Resource Development

As on April 1, 2023, the employee strength of the Company stood at 238, while on April 1, 2022, it was 276. Reduction in headcount was due to the scaling down of the businesses and organization right sizing.

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

(Rs. In Crores)

	Three months ended			Year ended	Year ended
	31.03.2023	31.12.2022	31.03.2022	31.03.2023	31.03.2022
	Audited	Unaudited	Audited	Audited	Audited
Income					
Revenue from operations	8.3	7.1	13.9	31.4	69.4
Other income	7.8	4.0	12.0	23.4	41.5
Total Income	16.1	11.1	25.8	54.8	111.0
Expenses					
Purchase of services	1.0	1.3	1.5	4.8	8.2
Changes in inventories of stock-in-trade	0.1	(0.1)	1.6	0.1	2.3
Other direct expense	5.9	3.2	0.8	13.7	35.2
Employee benefits expense	4.7	5.0	5.1	20.4	26.7
Finance costs	0.1	0.1	2.3	1.9	13.7
Depreciation and amortisation expense	0.1	0.2	0.2	0.6	1.5
Legal, professional and consultancy charges	7.9	8.0	8.5	28.9	32.4
Other expenses	10.8	6.6	24.7	36.9	66.8
Total expenses	30.6	24.2	44.7	107.4	186.8
Loss before exceptional items and tax from continuing operations	(14.6)	(13.1)	(18.9)	(52.6)	(75.8)
Exceptional Items (loss) / gain	9.0	-	(1.8)	13.8	101.5
Profit/(Loss) before tax from continuing operations	(5.6)	(13.1)	(20.7)	(38.7)	25.7
Tax expense / (credit)					
(a) Current tax	0.1	-	1.2	0.1	1.2
(b) Deferred tax expense	-	-	-	-	-
Net Profit/(Loss) for the period from continuing operations	(5.7)	(13.1)	(21.9)	(38.8)	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	(5.7)	(13.1)	(21.9)	(38.8)	24.5
Other comprehensive income					
A (i) Items that will not be reclassified to profit and loss	(0.0)	-	(0.4)	(0.0)	(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	0.4	0.3	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	0.4	(0.1)	0.4	0.5
Total comprehensive income for the period	(5.6)	(12.7)	(21.9)	(38.4)	25.0
Basic EPS (Not annualised) Rs/share for discontinued & continuing operations	(0.17)	(0.40)	(0.66)	(1.18)	0.74

CONSOLIDATED SEGMENT INFORMATION

(Rs. In Crores)

Particulars	Three months ended			Year ended	Year ended
	31.03.2023 Audited	31.12.2022 Unaudited	31.03.2022 Audited	31.03.2023 Audited	31.03.2022 Audited
Segment Revenue					
- Hardware Products and Solutions	7.0	5.6	11.1	25.7	61.0
- Distribution	1.3	1.5	2.8	5.7	8.5
- Learning	-	-	-	-	-
Total	8.3	7.1	13.9	31.4	69.4
Less : Intersegment revenue	-	-	-	-	-
Net Sales / Income	8.3	7.1	13.9	31.4	69.4
Segment results (profit / (loss) before tax and Interest from each segment)					
- Hardware Products and Solutions	(14.2)	(7.0)	(4.9)	(32.5)	(30.5)
- Distribution	0.5	(0.2)	2.8	1.8	2.5
- Learning	(0.1)	(0.1)	0.7	(0.1)	0.5
Total	(13.7)	(7.2)	(1.4)	(30.8)	(27.5)
Less :					
i) Interest expense	0.1	0.1	2.3	1.9	13.7
ii) Other un-allocable expenditure net off un-allocable (income)	(8.2)	5.7	16.8	6.0	(67.0)
Total Profit / (Loss) before tax	(5.5)	(13.1)	(20.6)	(38.7)	25.7
Segment Assets					
- Hardware Products and Solutions	249.0	201.7	170.3	249.0	170.3
- Distribution	105.5	107.0	100.8	105.5	100.8
- Learning	0.9	0.7	0.8	0.9	0.8
- Unallocated	150.6	172.4	219.4	150.6	219.4
Total Assets	505.9	481.8	491.4	505.9	491.3
Segment Liabilities					
- Hardware Products and Solutions	351.4	320.3	225.5	351.4	225.5
- Distribution	30.2	31.8	24.2	30.2	24.2
- Learning	0.8	0.5	0.6	0.8	0.6
- Unallocated	377.0	377.1	456.1	377.0	456.1
Total Liabilities	759.4	729.7	706.4	759.4	706.4