

**HCL INFOSYSTEMS LIMITED**  
**Unaudited financial results for the quarter and nine months ended December 31, 2020**  
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Standalone Statement of Profit and Loss for the quarter and nine months ended December 31, 2020 (Rs. In Lakhs)						
Particulars	Standalone					
	Three months ended			Year to date		Year ended
	31.12.2020	30.09.2020	31.12.2019	31.12.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>1 Income</b>						
Revenue from operations	3,380	10,511	38,880	21,009	146,077	164,813
Other income	144	418	676	932	2,774	2,965
<b>Total income</b>	<b>3,524</b>	<b>10,929</b>	<b>39,556</b>	<b>21,941</b>	<b>148,851</b>	<b>167,778</b>
<b>2 Expenses</b>						
(a) Cost of materials consumed	-	-	-	-	-	-
(b) Purchase of stock-in-trade	1,835	10,273	34,587	18,212	137,031	154,799
(c) Changes in inventories of finished goods and stock-in-trade	941	489	2,669	2,234	3,773	6,105
(d) Employee benefits expense	599	825	1,602	2,440	4,255	5,654
(e) Finance costs	1,119	1,457	1,877	4,076	6,702	8,427
(f) Depreciation and amortization expense	89	110	164	329	594	741
(g) Other expenses	1,714	2,065	2,041	4,850	5,455	7,370
<b>Total expenses</b>	<b>6,297</b>	<b>15,219</b>	<b>42,940</b>	<b>32,141</b>	<b>157,810</b>	<b>183,096</b>
<b>3 Profit / (loss) before exceptional items and tax (1 - 2)</b>	<b>(2,773)</b>	<b>(4,290)</b>	<b>(3,384)</b>	<b>(10,200)</b>	<b>(8,959)</b>	<b>(15,318)</b>
4 Exceptional Items (loss) (refer note 3)	(1,185)	(4,198)	(4,356)	(5,725)	(6,099)	(10,171)
<b>5 Profit / (loss) before tax (3 - 4)</b>	<b>(3,958)</b>	<b>(8,488)</b>	<b>(7,740)</b>	<b>(15,925)</b>	<b>(15,058)</b>	<b>(25,489)</b>
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	6,355	-	6,355	6,355
<b>7 Net profit / (loss) for the period (5 - 6)</b>	<b>(3,958)</b>	<b>(8,488)</b>	<b>(14,095)</b>	<b>(15,925)</b>	<b>(21,413)</b>	<b>(31,844)</b>
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit or loss	-	-	-	-	-	(21)
(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	-	-	-	-	-	-
<b>Total other comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>
<b>9 Total comprehensive income for the period (7 + 8)</b>	<b>(3,958)</b>	<b>(8,488)</b>	<b>(14,095)</b>	<b>(15,925)</b>	<b>(21,413)</b>	<b>(31,865)</b>
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						(10,566)
12 Earnings per share (of Rs 2/- each) (not annualised):						
(a) Basic	(1.20)	(2.58)	(4.28)	(4.84)	(6.50)	(9.67)
(b) Diluted	(1.20)	(2.58)	(4.28)	(4.84)	(6.50)	(9.67)

**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 February 10, 2021. The statutory auditors have issued review report with unmodified opinion on these results.
- As at December 31, 2020, the Company has accumulated losses and its net worth has been fully eroded, the Company has a net loss during the current period and in previous year and the Company's current liabilities exceeded its current assets by Rs. 39,889 lakhs (March 31, 2020 Rs. 34,488 lakhs) as at December 31, 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 Company's management is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 4), 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 Company to the extent of Rs. 50,000 lakhs. Considering the above support, the Company's management and the Board of Directors have a reasonable expectation that the Company 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 standalone financial results have been prepared on a going concern basis.

**3. Exceptional items include :**

Particulars	Three months ended			Year to date		Year ended
	31.12.2020	30.09.2020	31.12.2019	31.12.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Profit on sale of property, plant and equipments*	-	-	-	-	1,565	1,565
b. Provision against loan given to subsidiary	(1,185)	(4,198)	(4,356)	(5,725)	(7,664)	(11,736)
<b>Total loss - (a+b)</b>	<b>(1,185)</b>	<b>(4,198)</b>	<b>(4,356)</b>	<b>(5,725)</b>	<b>(6,099)</b>	<b>(10,171)</b>

\* Period ended 31 December 2020- nil (3 months ended 31 December 2019- nil, 9 months ended 31 December 2019- Rs 1,565 lakhs and year ended 31 March 2020- Rs.1,565 lakhs) 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.

4. 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 Company, the Distribution businesses of the Company 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.

5. 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 Company'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 Company 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.

6. 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.

7. 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. An application was filed before the Hon'ble National Company Law Tribunal ('NCLT') at New Delhi Bench on 21 September 2020 for obtaining the sanction of NCLT on the proposed merger. 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.

8. In accordance with the divestment strategy of the Company, 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 Company 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 Company's debts and thereby to reduce its finance cost. The proposed sales(s) are subject to requisite approval as may be required in this regard.

Pursuant to the Board's approval to sale of immovable properties, the Company has identified buyers for its two properties situated at Mohali and Pudukcherry and is in the process of obtaining requisite approvals. As of 31.12.2020, the combined book value of two properties is Rs.929 lakhs and the sale value of the properties is Rs.2,810 lakhs.

9. During the previous quarter ended 30 September 2020, a vendor had reported that an employee of the Company had inflated the amount recoverable from that vendor. The interim internal audit review findings in the previous quarter suggested that the employee concerned had overstated the vendor recoverable value by Rs 28 lakhs, which was appropriately adjusted and considered in the books of accounts. The internal audit review has now been completed and there is no further impact that require adjustment to the financial results for the quarter and nine month period ended 31 December 2020 other than the adjustment which was already carried out in previous quarter.

10. The Board of Directors of HCL Infosystems Limited in its meeting held on February 10, 2021 had approved to sell the entire shareholding held by HCL Infosystems Limited in HCL Infotech Limited at "Net Asset Value" as on closing date, after acquiring the undertaking which shall comprise of the business relating to two specific projects through a business transfer agreement, certain other assets and liabilities through assignment deed and HCL Investments Pte., Singapore & it's step down subsidiary through a share purchase agreement. Unaudited net asset value of HCL Infotech Limited post this carve out as on 30 September 2020 is Rs 14,700 lakhs to be trued up on the closing date of transaction. The sale will be made to Novezo Consulting Pvt. Ltd based on the terms and conditions as specified in share purchase agreement dated February 10, 2021. Since the above transaction is subject to approvals from shareholders and statutory bodies, which are considered to be substantive, the accounting effect of the above has not been considered in these financial results.

11. 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.

12. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post – employment benefits has received the Presidential assent in September 2020. The Ministry of Labour and Employment had released draft rules for the Code on November 13, 2020, and had invited suggestions from stakeholders which are under active consideration by the Ministry. However, the effective date from which the changes are applicable is yet to be notified. The Company will evaluate and will give appropriate impact in the financial statements in the period in which the Code becomes effective and the related rules are published.

By order of the Board  
for HCL Infosystems Limited

Nikhil Sinha  
Chairperson

Place : Noida  
Date : February 10, 2021