

Consolidated Statement of Profit and Loss for the quarter ended June 30, 2021

(Rs. In Lakhs)

	Particulars	Consolidated			
		Three months ended			Year ended
		30.06.2021	31.03.2021	30.06.2020	31.03.2021
		Unaudited	Audited	Unaudited	Audited
1	Income				
	Revenue from operations	2,761	4,346	10,569	35,275
	Other income	818	7,856	943	11,327
	Total Income	3,579	12,202	11,512	46,602
2	Expenses				
(a)	Cost of materials consumed	-	-	-	-
(b)	Purchase of stock-in-trade	454	(160)	6,134	18,124
(c)	Changes in inventories of finished goods and stock-in-trade	(180)	213	588	2,507
(d)	Other direct expense	1,377	1,510	2,293	11,814
(e)	Employee benefits expense	901	1,578	2,407	8,049
(f)	Finance costs	563	956	1,584	5,235
(g)	Depreciation and amortisation expense	55	80	138	427
(h)	Other expenses	2,554	12,011	2,054	19,921
	Total expenses	5,724	16,188	15,198	66,077
3	Loss before exceptional items and tax from continuing operations (1 - 2)	(2,145)	(3,986)	(3,686)	(19,475)
4	Exceptional Items gain (Refer note 3)	6,203	-	-	-
5	Profit / (Loss) before tax from continuing operations (3 + 4)	4,058	(3,986)	(3,686)	(19,475)
6	Tax expense / (credit)				
(a)	Current tax	-	198	-	198
(b)	Deferred tax expense	-	-	-	-
7	Profit / (Loss) for the period from continuing operations (5 - 6)	4,058	(4,184)	(3,686)	(19,673)
8	Profit / (loss) before tax from discontinued operations	-	-	-	-
9	Profit / (loss) on disposal of discontinued operations	-	-	-	-
10	Tax expense / (credit) of discontinued operations	-	-	-	-
11	Net Profit / (Loss) for the period from discontinued operations (8 + 9 - 10)	-	-	-	-
12	Net Profit / (Loss) for the period (7+ 11)	4,058	(4,184)	(3,686)	(19,673)
13	Other comprehensive income				
A	(i) Items that will not be reclassified to profit and loss	-	(21)	-	(21)
	(ii) Income tax relating to items that will not be reclassified to profit and loss	-	-	-	-
B	(i) Items that will be reclassified to profit and loss	21	19	16	(99)
	(ii) Income tax relating to items that will be reclassified to profit and loss	-	-	-	-
	Total other comprehensive income, net of income tax	21	(2)	16	(120)
14	Total comprehensive income for the period (12 + 13)	4,079	(4,186)	(3,670)	(19,793)
15	Net Profit/(Loss) attributable to:				
	- Shareholders	4,058	(4,184)	(3,686)	(19,673)
	- Non-controlling interests	(0.00)	(0.00)	(0.00)	(0.00)
	Total comprehensive income attributable to:				
	- Shareholders	4,079	(4,186)	(3,670)	(19,793)
	- 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	-	-	-	(30,591)
18	Earnings per share for continuing operations (of Rs 2/- each) (not annualised):				
(a)	Basic	1.23	(1.27)	(1.12)	(5.98)
(b)	Diluted	1.23	(1.27)	(1.12)	(5.98)
19	Earnings per share for discontinued operations (of Rs 2/- each) (not annualised):				
(a)	Basic	-	-	-	-
(b)	Diluted	-	-	-	-
20	Earnings per share for discontinued & continuing operations (of Rs 2/- each) (not annualised):				
(a)	Basic	1.23	(1.27)	(1.12)	(5.98)
(b)	Diluted	1.23	(1.27)	(1.12)	(5.98)

Segment-wise information

Particulars	Three months ended				Year ended 31.03.2021
	30.06.2021	31.03.2021	30.06.2020	31.03.2021	
	Unaudited	Audited	Unaudited	Audited	
1. Segment Revenue					
- Hardware Products and Solutions	2,461	3,684	3,617	13,537	
- Distribution	300	662	6,952	21,738	
- Learning	-	-	-	-	
Total	2,761	4,346	10,569	35,275	
Less : Intersegment revenue	-	-	-	-	
Revenue from operations	2,761	4,346	10,569	35,275	
2. Segment results (profit / (loss) before tax and Interest from each segment)					
- Hardware Products and Solutions	(851)	(2,836)	(373)	(8,218)	
- Distribution	(112)	95	(1,278)	(3,439)	
- Learning	(1)	109	17	118	
Total	(964)	(2,632)	(1,634)	(11,539)	
Less :					
i) Interest expense	563	956	1,584	5,235	
ii) Other un-allocable expenditure net off un-allocable (income)	(5,585)	398	468	2,701	
Total Profit / (Loss) before tax	4,058	(3,986)	(3,686)	(19,475)	
3. Segment Assets					
- Hardware Products and Solutions	22,161	28,161	37,348	28,161	
- Distribution	13,356	14,096	29,006	14,096	
- Learning	131	192	239	192	
- Unallocated	29,521	22,473	30,312	22,473	
Total Assets	65,169	64,922	96,905	64,922	
4. Segment Liabilities					
- Hardware Products and Solutions	27,173	26,486	29,665	26,486	
- Distribution	3,308	4,204	14,094	4,204	
- Learning	133	130	397	130	
- Unallocated	54,481	58,109	60,634	58,109	
Total Liabilities	85,095	88,929	1,04,790	88,929	

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 August 06, 2021. The statutory auditors have issued review report with unmodified opinion on these results.
2. As at June 30, 2021, the Group has accumulated losses and its net worth has been fully eroded, the Group has incurred a net profit of Rs. 4,058 Lakhs during the current period (March 31, 2021: Rs. net loss of Rs. 19,673 Lakhs) and the Group's current liabilities exceeded its current assets by Rs 46,828 lakhs (March 31, 2021 - Rs. 51,625 Lakhs) as at June 30, 2021. 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 management of HCL Infosystems Limited (Parent Company), is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 6), sale of certain non-core properties (refer note 4) and reduction in outstanding debts. To ensure the necessary financial support for its operations, the Board of Directors of HCL Corporation Private Limited has approved support (in the form of corporate guarantees and unsecured loans) to the Parent Company upto Rs. 1,50,000 lakhs. This had been approved by the shareholders of the Parent Company, vide their resolution dated September 14, 2017. 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.

3. Exceptional items include :

Particulars	Three months ended			Year ended
	30.06.2021	31.03.2021	30.06.2020	31.03.2021
	Unaudited	Audited	Unaudited	Audited
Gain on sale of property, plant and equipments (Refer Note 4)	6,203	-	-	-
Total gain (a+b)	6,203	-	-	-

4. In order to reduce Group's debt obligations, the Group has decided to monetize Group owned properties in a phased manner. Several of Group's properties are not being fully utilized due to changes in the business of the Group, therefore during the quarter ended, June 30, 2021, the Group has disposed three properties located in Mohali, Sector-11 Noida and Sederapet, having net carrying amount of Rs.1,407 Lakhs, for a consideration of Rs. 7,610 Lakhs, resulting an overall gain of Rs. 6,203 Lakhs. (quarter and year ended March 31, 2021: Nil). Additionally, the Group has subsequently sold one property located at Hyderabad during the month of July 2021.

5. 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.

6. 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 recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business has been substantially scaled down during the previous financial year.
7. Based on the detailed assessment performed by Management which also included, wherever considered necessary, performing reconciliation with the parties and obtaining legal opinion, the Group has credited its Statement of Profit and Loss with Rs. Nil Lakhs, for the quarter ended June 30, 2021 (Rs. 5,987.28 Lakhs and Rs 7,118.17 Lakhs, for the quarter and year ended March 2021 respectively), on account of write back of certain old payables and provisions.
8. The Group is facing delays in receipts from the customers, primarily in the System Integration Business, due to which the Group has charged Rs. 568.86 Lakhs, in the Statement of Profit and Loss, for the quarter ended June 30, 2021 (Rs. 8,805.68 Lakhs and Rs. 9,013.91 Lakhs, for the quarter and year ended March 2021 respectively) on account of provision for certain receivable balances.

9. HCL Infosystems Limited ('the Company') was appointed as the Managed Service Provider ("MSP") by Unique Identification Authority of India ('UIDAI') vide the contract dated 6 August 2012 to implement and manage the Central Identities Data Repository (CIDR). The said contract originally ended on 6 August 2019 and then was unilaterally extended by the UIDAI. The Company challenged this unilateral extension of the MSP contract by UIDAI before the Hon'ble Arbitral Tribunal. However, while the arbitration proceedings were pending, the Company was constrained to agree for an adhoc extension for a period of 9 months plus 3 months Knowledge Transfer Period after August 2019. Later, the Company and UIDAI entered into consent terms dated 5 May 2020 (which also formed part of the consent order dated 7 May 2020 passed by the Hon'ble Arbitral Tribunal) and the Company agreed to perform services for UIDAI subject to the terms and conditions of the consent terms. Thereafter, the Hon'ble Arbitral Tribunal on 19 June 2020 passed the liability award wherein it held that the extension of the MSP contract by UIDAI is not valid. As per the consent terms executed between UIDAI and the Company, the Company has completed performance of services as per the terms of the MSP Contract, without prejudice to its rights and contentions in the arbitration proceedings, till 6 April 2021 (including knowledge transfer period of 3 months). The Company has further agreed to extend the annual maintenance contract and software licenses for the period till 6 August 2021. As per consent terms signed by the both the parties, the Company would continue to raise invoices to UIDAI as per the rates originally agreed in the MSP contract though the Company is entitled to claim market rate for the services provided to UIDAI, the quantum of which shall be decided in the subsequent hearings of the Arbitration proceedings.

Pending determination of the current market value through arbitration, no revenue has been recognized by the Company for the difference in the expected current market value and the existing contract price which will be recognized once the same has been determined by the Hon'ble Arbitral Tribunal in the future. Further, the costs have been recognized based on the revised rates agreed during negotiations with the vendors completed during the previous financial year. This has resulted into recognition of additional loss of INR 2,440 lakhs during the previous financial year ended 31 March 2021.

10. 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.
11. 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 results in the period in which the Code becomes effective and the related rules are published.
12. 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 & its step down subsidiary through a share purchase agreement. Unaudited net asset value of HCL Infotech Limited post this carve out as on September 30, 2020 is Rs 14,700 Lakhs. The sale will be made to Novexo Consulting Pvt. Ltd based on the terms and conditions as specified in share purchase agreement dated February 10, 2021. One of the customers of our key defense project which is forming part of the deal has asked us to maintain status quo and further explore alternative options. The Company is in active discussion with the investor and the customer and this transaction is expected to take longer time than expected initially with of change in terms. Since, the closure of transaction is subject to certain conditions precedents, which are considered to be substantive in nature, the accounting effect of the above transaction has not been considered in these financial results.
13. 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.
14. 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.
15. The figures of the last quarter are the balancing figures between audited figures in respect of the full financial year upto March 31, 2021 and the unaudited published year-to-date figures upto December 31, 2020 being the date of the end of the third quarter of the financial year which were subjected to a limited review.

for HCL Infosystems Limited