

HCL INFOSYSTEMS LIMITED
Unaudited Standalone financial results for the quarter ended June 30, 2021
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Standalone Statement of Profit and Loss for the quarter ended June 30, 2021		(Rs. In Lakhs)			
Particulars	Standalone				
	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	309	727	7,118	21,736
	Other income	776	1,431	370	2,363
	Total Income	1,085	2,158	7,488	24,099
2	Expenses				
(a)	Cost of materials consumed	-	-	-	-
(b)	Purchase of stock-in-trade	441	(64)	6,104	18,148
(c)	Changes in inventories of finished goods and stock-in-trade	(184)	137	804	2,371
(d)	Employee benefits expense	187	398	1,016	2,838
(e)	Finance costs	531	874	1,500	4,950
(f)	Depreciation and amortization expense	49	74	130	403
(g)	Other expenses	1,389	1,927	1,071	6,777
	Total expenses	2,413	3,346	10,625	35,487
3	Profit / (loss) before exceptional items and tax (1 - 2)	(1,328)	(1,188)	(3,137)	(11,388)
4	Exceptional items (loss) (refer note 2)	6,320	(3,363)	(342)	(9,088)
5	Profit / (loss) before tax (3 - 4)	4,992	(4,551)	(3,479)	(20,476)
6	Tax expense				
(a)	Current tax	-	-	-	-
(b)	Deferred tax expense	-	-	-	-
7	Net profit / (loss) for the period (5 - 6)	4,992	(4,551)	(3,479)	(20,476)
8	Other comprehensive income				
A	(i) Items that will not be reclassified to profit or loss	-	(25)	-	(25)
	(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	-	-	-	-
	Total other comprehensive income, net of income tax	-	(25)	-	(25)
9	Total comprehensive income for the period (7 + 8)	4,992	(4,576)	(3,479)	(20,501)
10	Paid-up equity share capital (face value per share in Rs. 2/-)	6,584	6,584	6,584	6,584
11	Reserve as per balance sheet of previous accounting year				(31,067)
12	Earnings per share (of Rs 2/- each) (not annualised):				
(a)	Basic	1.52	(1.38)	(1.06)	(6.22)
(b)	Diluted	1.52	(1.38)	(1.06)	(6.22)

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. Exceptional items include :

Particulars	(Rs. In Lakhs)			
	Three months ended			Year ended
	30.06.2021	31.03.2021	30.06.2020	31.03.2021
	Unaudited	Audited	Unaudited	Audited
a. Profit on sale of property, plant and equipments (Refer Note 7)	6,203	-	-	-
b. Provision against loan given to subsidiary	117	(2,453)	(342)	(8,178)
c. Provision for loss in subsidiary#	-	(279)	-	(279)
d. Loss on conversion of ICD to OCD (Refer Note 9)	-	(631)	-	(631)
Total loss - (a+b)	6,320	(3,363)	(342)	(9,088)

The Company has made provision of Nil for the quarter ended June 30, 2021 (for the quarter and year ended March 31, 2021: Rs 279 Lakhs), on account of accumulated losses and erosion of net worth of HCL Infotech Limited.

3. As at June 30, 2021, the Company has accumulated losses and its net worth has been fully eroded, the Company has incurred a net profit of Rs. 4,992 Lakhs during the current period (March 31, 2021: net loss of Rs. 20,476 Lakhs) and the Company's current liabilities exceeded its current assets by Rs. 40,523 lakhs (March 31, 2021 Rs. 46,133 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 the Company, 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 (refer note 7) 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 Company upto Rs. 1,50,000 lakhs. This had been approved by the shareholders of the Company, vide their resolution dated September 14, 2017. 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, these financial results have been prepared on a going concern basis.

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 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 ended March 31, 2021.

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, 2020, approved the merger of HCL Learning Limited and Diglife 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.

7. In order to reduce Company's debt obligations, the Company has decided to monetize Company owned properties in a phased manner. Several of Company's properties are not being fully utilized due to changes in the business of the Company, therefore during the quarter ended, June 30, 2021, the Company has disposed three properties located in Mohali, Sector-11 Noids and Seterspet, 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 Company has subsequently sold one property located at Hyderabad during the month of July 2021.

8. 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. 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. 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.

9. The Board of Directors of the Company in its meeting held on March 23, 2021, had consented to adjust the unsecured loan advanced to HCL Infotech Limited, a wholly-owned subsidiary, amounting to Rs. 40,000 Lakhs, against the subscription money payable by the Company to HCL Infotech Limited, for subscription of the 40,00,000 (forty lakhs) 0.1% Optionally Convertible Debentures (OCD) of a face value of Rs.1,000 each (Indian Rupees One thousand only) issued, on private placement basis to the Company, pursuant to terms of OCD Subscription Agreement dated March 31, 2021 between the Company and HCL Infotech Limited. As legally advised, the issuance of 0.1% OCDs does not meet the definition of loan as envisaged under section 186 of the Companies Act, 2013 and accordingly the Company is of the view that the above transaction is outside the purview of the aforesaid section.

Further the company had recognised a loss on of Rs. 631 Lakhs, upon conversion of net balance of unsecured loan into OCD during the previous financial year ended March 31, 2021.

10. The Company and HCL Infotech Limited, has agreed that the OCDs as mentioned in note 9, issued to the Company shall be redeemed only from and to the extent of the proceeds from certain specified book receivables and favorable awards received by the HCL Infotech Limited in accordance with the terms set out in the OCD Subscription Agreement. Accordingly, HCL Infotech Limited, has transferred its rights to receive cash flows from those specified book receivables and favorable awards to the Company and the aforesaid transaction meets the pass-through arrangement criteria, as per the requirements of Ind AS 109 Financial Instruments. Therefore, the outstanding balance of specified books receivables of Rs. 1,892 Lakhs (including amount of Rs. 867 Lakhs of the contract assets) has been derecognized in the financial statements of HCL Infotech Limited and recognized by the Company against the value of OCDs.
11. The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the Company towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the rules are yet to be framed. The Company will carry out an evaluation of the impact and record the same in the financial results in the period in which the Code becomes effective and the related rules are published.
12. 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.
13. 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.

By order of the Board
for HCL Infosystems Limited

Kaushik Dutta
Director

Place : Noida
Date : August 06, 2021