

HCL INFOSYSTEMS LIMITED
Unaudited Standalone Financial Results for the quarter and six months ended September 30, 2021
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Standalone Statement of Profit and Loss for the quarter and six months ended September 30, 2021

(Rs. In Lakhs)

Particulars	Standalone					
	Three months ended			Year to date		Year end
	30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.09.2020	31.03.2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	75	309	10,511	384	17,629	21,736
Other income	885	776	418	1,661	788	2,363
Total Income	960	1,085	10,929	2,045	18,417	24,099
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	-	-
(b) Purchase of stock-in-trade	20	441	10,273	461	16,377	18,148
(c) Changes in inventories of finished goods and stock-in-trade	237	(184)	489	53	1,293	2,371
(d) Employee benefits expense	160	187	825	347	1,841	2,838
(e) Finance costs	276	531	1,457	807	2,957	4,950
(f) Depreciation and amortisation expense	48	49	110	97	240	403
(g) Other expenses	1,402	1,389	2,065	2,791	3,136	6,777
Total expenses	2,143	2,413	15,219	4,556	25,844	35,487
3 Loss before exceptional items and tax (1 - 2)	(1,183)	(1,328)	(4,290)	(2,511)	(7,427)	(11,388)
4 Exceptional Items Gain/(loss) (Refer note 2)	1,502	6,320	(4,198)	7,822	(4,540)	(9,088)
5 Profit/ (Loss) before tax (3 + 4)	319	4,992	(8,488)	5,311	(11,967)	(20,476)
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-	-
7 Net Profit/(Loss) for the period (5 - 6)	319	4,992	(8,488)	5,311	(11,967)	(20,476)
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(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 and loss	-	-	-	-	-	-
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total other comprehensive income net of income tax	-	-	-	-	-	(25)
9 Total comprehensive income for the period (7 + 8)	319	4,992	(8,488)	5,311	(11,967)	(20,501)
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	-	-	-	-	-	(31,067)
12 Earnings per share (of Rs 2/- each) (not annualised):						
(a) Basic	0.10	1.52	(2.58)	1.61	(3.64)	(6.22)
(b) Diluted	0.10	1.52	(2.58)	1.61	(3.64)	(6.22)

Standalone Balance Sheet

(Rs. In Lakhs)

Particulars	Standalone	
	As at 30.09.2021 (Unaudited)	As at 31.03.2021 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	1,283	3,513
Right of use assets	-	-
Capital work-in-progress	5	16
Other intangible assets	6	8
Financial assets		
i. Investments	4	4
ii. Other financial assets	2,334	3,636
Advance income tax (net)	3,767	3,914
Other non-current assets	15,334	16,546
Total non-current assets	22,733	27,637
Current assets		
Inventories	-	53
Financial assets		
i. Trade receivables	3,466	1,464
ii. Cash and cash equivalents	5,989	1,852
iii. Bank balances other than (ii) above	5,280	567
iv. Loans	148	281
v. Others financial assets	954	1,628
Other current assets	1,597	2,136
Asset Held for Sale	1,099	1,505
Total current assets	18,533	9,486
Total assets	41,266	37,123
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(25,754)	(31,067)
Total equity	(19,170)	(24,483)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	3,703	5,903
ii. Lease obligation	-	-
Provisions	89	84
Total non-current liabilities	3,792	5,987
Current liabilities		
Financial liabilities		
i. Borrowings	40,722	47,821
ii. Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	282	189
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	11,674	3,851
iii. Other financial liabilities	735	1,226
Other current liabilities	2,228	1,348
Provisions	1,003	1,184
Total current liabilities	56,644	55,619
Total liabilities	60,436	61,606
Total equity and liabilities	41,266	37,123

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 02, 2021. The statutory auditors have issued review report with unmodified opinion on these results.

2. Exceptional items include :

Particulars	Three months ended			Year to date		Year ended
	30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.09.2020	31.03.2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Profit on sale of property, plant and equipments(Refer note no 9)	3,385	6,203	-	9,588	-	-
b. Reversal/(Provision) against loan given to subsidiary	1,960	117	(4,198)	2,077	(4,540)	(8,178)
c. Provision for loss in subsidiary#	(3,843)	-	-	(3,843)	-	(279)
d. Loss on conversion of ICD to OCD (Refer Note 11)	-	-	-	-	-	(631)
Total Profit / (loss) - (a+b+c+d)	1,502	6,320	(4,198)	7,822	(4,540)	(9,088)

The Company has made provision of Rs 3,843 Lakhs for the period ended September 30, 2021 (for the three month ended June,30 2021 Nil,3 month ended 30 September 2020 Nil, 6 month ended 30 September 2020 Nil and for the 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 September 30, 2021, the Company has accumulated losses and its net worth has been fully eroded, though the Company has earned net profit of Rs. 5,311 Lakhs during the current period ended (March 31, 2021: net loss of Rs. 20,476 Lakhs) and the Company's current liabilities exceeded its current assets by Rs. 38,111 lakhs (March 31, 2021 Rs. 46,133 lakhs) as at September 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 9) 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 to banks of INR 25,000 lakh and interest free unsecured loans of INR 35,500 lakh to the Parent Company out of total authorized limit of 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 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. Pursuant to the directions of the Hon'ble NCLT, a meeting of the Equity Shareholders and Unsecured Creditors of the Company will be held on 30th November, 2021. 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. Based on the detailed assessment performed by Management which also included, wherever considered necessary, performing reconciliation with the parties, the Group has credited its Statement of Profit and Loss with Rs.686 Lakhs, for the quarter and period ended September 30, 2021 (Nil for the three month ended June 30 2021, Nil for the period ended September 30, 2020, and Nil for the year ended March 31, 2021), on account of write back of certain old payables and provisions.
8. The company is facing delays in receipts from the customers, primarily in the System Integration Business, due to which the company has charged Rs. 561.30 Lakhs, in the Statement of Profit and Loss, for the quarter and period ended September 30,2021 (Nil for the three month ended June 30 2021, Nil for the period ended September 30, 2020, and Nil for the year ended March 31, 2021) on account of provision for certain receivable balances.

9. 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 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). During the quarter ended September 30, 2021, the company has disposed two properties located in Hyderabad, having net carrying value Rs 1,202 Lakhs for a consideration of Rs 4,584 Lakhs, resulting an overall gain of Rs 3,385 Lakhs.

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 September 30, 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 the company's key defense project which is forming part of the transaction has asked the company to novate the project to either HCL Infosystems Limited or a third party service provider acceptable to the customer, instead of transferring the said project as part of HCL Infotech Limited sale. The company is currently in discussion with the customer and some of the prospective third party service providers. This transaction is likely to take longer than expected with a change in terms, which will require ratification from shareholders.
11. 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.

12. 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. 1,074 Lakhs for the period ended September 30,2021 (Rs1,892 Lakhs For the year ended March 31,2021) (including amount of contract assets Rs. 443 Lakhs of the period ended september 30,2021 (Rs 867 Lakhs for the year ended March 31 2021) has been derecognized in the financial statements of HCL Infotech Limited and recognized by the Company against the value of OCDs.

13. 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 statements in the period in which the Code becomes effective and the related rules are published.

14 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.

15 A statement of cash flow is attached in Annexure A

By order of the Board
for HCL Infosystems Limited

Nikhil Sinha
Chairperson

Place : Noida
Date : November 02, 2021

Standalone Cash Flow Statement for six months ended September 30, 2021

(Rs. In Lakhs)

Particulars	Year to date		Year ended
	30.09.2021	30.09.2020	31.03.2021
	Unaudited	Unaudited	Audited
Cash flow from Operating Activities:			
Profit/(Loss) before tax	5,311	(11,967)	(20,476)
Adjustments for:			
Depreciation and amortisation expense	97	240	403
Finance cost	807	2,957	4,950
Interest income	(77)	(236)	(370)
Net profit on sale of properties	(9,600)	-	(19)
Property, plant and equipment written-off	-	-	40
Provision against inter Company deposits given to subsidiaries	1,766	4,540	8,457
Loss on conversion of inter company deposits into Optionally Convertible Debentures	-	-	631
Gain on foreign exchange fluctuation	(5)	(43)	(63)
Provision for doubtful debts	1,044	233	328
Provisions for other current assets	642	-	1,780
Provisions/liabilities no longer required written back	(686)	(231)	(1,488)
Operating loss before working capital changes	(701)	(4,507)	(5,827)
Changes in operating assets and liabilities			
- Decrease / (Increase) in trade receivables	(3,046)	10,075	14,044
- Decrease in non-current assets	1,280	1,822	3,149
- Decrease in current assets	312	4,280	4,423
- Decrease in inventories	53	1,292	2,371
- Increase / (decrease) in non current liabilities	5	37	(143)
- Increase / (decrease) in current liabilities	5,082	(16,503)	(31,916)
Cash flow from / (used in) operations	2,985	(3,504)	(13,899)
- Taxes (paid) / received	147	1,213	673
Net cash flow from / (used in) operating activities (A)	3,132	(2,291)	(13,226)
Cash flow from investing activities:			
Purchase of properties plant and equipment (including intangible assets)	(3)	-	(37)
Proceeds from sale of properties, plant and equipment	12,154	4	53
Interest received	77	236	229
Redemption/(investment) of bank deposits	(5,041)	1,196	1,458
Movement in margin money account	(16)	(1,242)	52
Inter corporate deposits given	(5,049)	(13,159)	(28,572)
Inter corporate deposits received back	7,261	15,951	37,941
Redemption of OCD	256	-	-
Receipt of business consideration on sale of investment in subsidiaries	1,580	-	-
Net cash flow from investing activities (B)	11,219	2,986	11,124
Cash Flow from Financing Activities:			
Proceeds from loans and borrowings	-	81,795	1,78,277
Repayment of loans and borrowings	(9,299)	(77,545)	(1,72,988)
Lease obligation paid	-	(89)	(103)
Interest paid	(911)	(2,780)	(4,982)
Unclaimed deposit / dividend transferred to investor education and protection fund	-	(47)	(47)
Net cash flow from / (used in) financing activities (C)	(10,210)	1,334	157
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	4,141	2,029	(1,945)
Opening balance of cash and cash equivalents	1,852	3,756	3,756
Exchange difference on translation of foreign currency cash and cash equivalent	(4)	27	41
Closing balance of cash and cash equivalents	5,989	5,812	1,852
Cash and cash equivalents comprise of			
Cash, cheques and drafts (on hand)	-	12	-
Balances with banks on current accounts	5,406	5,799	1,852
Balances with banks on deposits accounts	583	1	-