

HCL INFOSYSTEMS LIMITED
Unaudited financial results for the quarter and nine months ended December 31, 2021
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Standalone Statement of Profit and Loss for the quarter and nine months ended December 31, 2021 (Rs. In Lakhs)

Particulars	Standalone					
	Three months ended			Year to date		
	31.12.2021	30.09.2021	31.12.2020	31.12.2021	31.12.2020	31.03.2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	237	75	3,380	621	21,009	21,736
Other income	198	885	144	1,859	932	2,363
Total Income	435	960	3,524	2,480	21,941	24,099
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	-	-
(b) Purchase of stock-in-trade	120	20	1,835	581	18,212	18,148
(c) Changes in inventories of finished goods and stock-in-trade	0	237	941	53	2,234	2,371
(d) Employee benefits expense	185	160	599	532	2,440	2,838
(e) Finance costs	243	276	1,119	1,050	4,076	4,950
(f) Depreciation and amortization expense	20	48	89	117	329	403
(g) Legal, professional and consultancy charges	382	381	280	1,074	1,158	1,616
(h) Other expenses	326	1,022	1,435	2,425	3,692	5,161
Total expenses	1,276	2,144	6,298	5,832	32,141	35,487
3 Loss before exceptional items and tax (1 - 2)	(841)	(1,184)	(2,774)	(3,352)	(10,200)	(11,388)
4 Exceptional Items Profit/(Loss) (refer note 2)	137	1,502	(1,185)	7,959	(5,725)	(9,088)
5 Profit / (loss) before tax (3 - 4)	(704)	318	(3,959)	4,607	(15,925)	(20,476)
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-	-
7 Net Profit / (Loss) for the period (5 - 6)	(704)	318	(3,959)	4,607	(15,925)	(20,476)
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit or 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 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)
9 Total comprehensive income for the period (7 + 8)	(704)	318	(3,959)	4,607	(15,925)	(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	(0.21)	0.10	(1.20)	1.40	(4.84)	(6.22)
(b) Diluted	(0.21)	0.10	(1.20)	1.40	(4.84)	(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 February 08, 2022. The statutory auditors have issued review report with unmodified opinion on these results.

2. Exceptional items include :

Particulars	Three months ended			Year to date		
	31.12.2021	30.09.2021	31.12.2020	31.12.2021	31.12.2020	31.03.2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Profit on sale of property, plant and equipments (Refer note no9)	738	3,385	-	10,326	-	-
b. Reversal/(Provision) against loan given to subsidiary	94	1,960	(1,185)	2,171	(5,725)	(8,178)
c. Provision for loss in subsidiary#	(695)	(3,843)	-	(4,538)	-	(279)
d. Loss on conversion of ICD to OCD (Refer Note 11)	-	-	-	-	-	(631)
Total Profit / (Loss) - (a+b+c+d)	137	1,502	(1,185)	7,959	(5,725)	(9,088)

The Company has made provision of Rs 4,538 Lakhs for the period ended December 31, 2021 and Rs 695 Lakhs for the quarter ended December 31, 2021, Rs 3,843 Lakhs for the quarter ended September, 30 2021 Nil for the period ended December 31, 2020 and Rs 279 Lakhs for the year ended March 31, 2021, on account of accumulated losses and erosion of net worth of HCL Infotech Limited.

3. As at December 31, 2021, the Company has accumulated losses and its net worth has been fully eroded, though the Company has earned net profit of Rs. 4,607 Lakhs during the current period ended December 31, 2021 (March 31, 2021 - net loss of Rs. 20,476 Lakhs) and the Company's current liabilities exceeded its current assets by Rs. 38,060 Lakhs (March 31, 2021 - Rs. 46,133 Lakhs) as at December 31, 2021. The losses are primarily 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 Rs 25,000 Lakhs and interest free unsecured loans of Rs 35,500 Lakhs 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, i.e. HCL 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 September 21, 2020 for obtaining the sanction of NCLT on the proposed merger. Pursuant to the directions of the Hon'ble NCLT, the company convened the meeting of shareholders of all the Applicant Companies and unsecured creditors of Digilife Distribution and Marketing Services Limited (DDMS) and HCL Infosystems Limited on November 30, 2021. The report of the meetings was filed before the Hon'ble NCLT which was heard on January 03, 2022. Pursuant to order dated January 18, 2022 in this regard, the petition has been admitted by the Hon'ble NCLT, New Delhi and next date of hearing has been fixed for April 12, 2022. 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 period ended December 31, 2021, Nil for the quarter ended December 31, 2021 and Rs 686 Lakhs for the quarter ended September 30 2021, (Nil for the period December 31, 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 its Statement of Profit & Loss with Rs 561.30 Lakhs for the period ended December 31, 2021. Nil for the quarter ended December 31, 2021 and Rs 561.30 Lakhs for the quarter ended September 30 2021, (Nil for the period ended December 31, 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 1,199 Lakhs for a consideration of Rs 4,584 Lakhs, resulting an overall gain of Rs 3,385 Lakhs. During the quarter ended December 31, 2021, the company has disposed one property located in Pant Nagar, having net carrying value Rs 717 Lakhs for a consideration of Rs 1,455 Lakhs, resulting an overall gain of Rs 738 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 & 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 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. The completion of the sale of the shareholding of HCL Infotech Ltd. to Novezo has been delayed and the Company is currently renegotiating some of the terms of the Share Purchase Agreement with Novezo. The revised SPA will be subject to approval of the Board and the Shareholders of the Company.

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 11, 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. 995 Lakhs for the period ended December 31,2021 (Rs1,892 Lakhs For the year ended March 31,2021) (including amount of contract assets Rs. 443 Lakhs of the period ended December 31,2021 (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.

By order of the Board
for HCL Infosystems Limited

Place : Noida
Date : February 08, 2022

Nikhil Sinha
Chairperson