

HCL INFOSYSTEMS LIMITED
Audited Consolidated Financial Results for the quarter and year ended March 31, 2022
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Consolidated Statement of Profit and Loss for the quarter and year ended March 31, 2022 (Rs. In Lakhs)					
Particulars	Consolidated				
	Three months ended			Year to date	
	31.03.2022	31.12.2021	31.03.2021	31.03.2022	31.03.2021
	Audited	Unaudited	Audited	Audited	
1 Income					
Revenue from operations	1,386	1,243	4,346	6,944	35,275
Other income	1,202	243	7,856	4,154	11,327
Total Income	2,588	1,486	12,202	11,098	46,602
2 Expenses					
(a) Cost of materials consumed	2	-	-	2	-
(b) Purchase of stock-in-trade	148	147	(160)	817	18,124
(c) Changes in inventories of finished goods and stock-in-trade	164	3	213	232	2,507
(d) Other direct expense	81	562	1,510	3,517	11,814
(e) Employee benefits expense	508	634	1,578	2,667	8,049
(f) Finance costs	232	262	956	1,370	5,235
(g) Depreciation and amortisation expense	18	20	80	147	427
(h) Legal, professional and consultancy charges	845	828	1,076	3,240	3,626
(i) Other expenses	2,472	502	10,935	6,683	16,295
Total expenses	4,470	2,958	16,188	18,675	66,077
3 Loss before exceptional items and tax from continuing operations (1 - 2)	(1,882)	(1,472)	(3,986)	(7,577)	(19,475)
4 Exceptional items gain (Refer note 3)	(175)	738	(3,986)	10,151	(19,475)
5 Profit/(Loss) before tax from continuing operations (3 + 4)	(2,057)	(734)	(3,986)	2,574	(19,475)
6 Tax expense / (credit)					
(a) Current tax	122	-	198	122	198
(b) Deferred tax expense	-	-	-	-	-
7 Profit/(Loss) for the period from continuing operations (5 - 6)	(2,179)	(734)	(4,184)	2,452	(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)	(2,179)	(734)	(4,184)	2,452	(19,673)
13 Other comprehensive income					
A (i) Items that will not be reclassified to profit and loss	(41)	-	(21)	(41)	(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 and loss	30	-	19	86	(99)
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-
Total other comprehensive income, net of income tax	(11)	-	(2)	45	(120)
14 Total comprehensive income for the period (12 + 13)	(2,190)	(734)	(4,186)	2,497	(19,793)
15 Net Profit/(Loss) attributable to:					
- Shareholders	(2,179)	(734)	(4,184)	2,452	(19,673)
- Non-controlling interests	(0)	-	(0)	(0)	-
Total comprehensive income attributable to:					
- Shareholders	(2,190)	(734)	(4,186)	2,497	(19,793)
- Non-controlling interests	(0)	-	(0)	-	-
16 Paid-up equity share capital (Face value per share in Rs. 2/-)	6,584	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	(0.66)	(0.22)	(1.27)	0.74	(5.98)
(b) Diluted	(0.66)	(0.22)	(1.27)	0.74	(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	(0.66)	(0.22)	(1.27)	0.74	(5.98)
(b) Diluted	(0.66)	(0.22)	(1.27)	0.74	(5.98)

Consolidated Balance Sheet (Rs. In Lakhs)		
Particulars	Consolidated	
	As at 31.03.2022 (Audited)	As at 31.03.2021 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	416	3,518
Right of use assets	-	28
Capital work-in-progress	9	16
Other intangible assets	4	8
Financial assets		
i. Other financial assets	2,442	3,970
Advance income tax asset (net)	4,249	8,641
Other non-current assets	14,077	17,580
Total non-current assets	21,197	33,761
Current assets		
Inventories	51	284
Financial assets		
i. Investments	9,700	-
ii. Trade receivables	2,765	8,686
iii. Cash and cash equivalents	2,188	3,882
iv. Bank balances other than (iii) above	4,464	567
v. Other financial assets	521	1,084
Other current assets	7,549	15,153
Assets held for sale	690	1,505
Total Current Assets	27,928	31,161
Total assets	49,125	64,922
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(28,095)	(30,591)
Non-controlling interests	(0)	(0)
Total equity	(21,511)	(24,007)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	1,383	5,903
i. Lease obligation	-	28
Provisions	155	212
Deferred tax liabilities (net)	-	-
Total non-current liabilities	1,538	6,143
Current liabilities		
Financial liabilities		
i. Borrowings	40,021	41,490
ii. Trade payables	7,456	13,510
iii. Other financial liabilities	1,149	8,166
Other current liabilities	15,348	14,277
Provisions	4,804	5,343
Current tax liabilities (net)	320	-
Total current liabilities	69,098	82,786
Total liabilities	70,636	88,929
Total equity and liabilities	49,125	64,922

Segment-wise information

Particulars	Three months ended			Year to date	
	31.03.2022	31.12.2021	31.03.2021	31.03.2022	31.03.2021
	Audited	Unaudited	Audited	Audited	Audited
1. Segment Revenue					
- Hardware Products and Solutions	1,108	1,038	3,684	6,096	13,537
- Distribution	278	205	662	848	21,738
Total	1,386	1,243	4,346	6,944	35,275
Less : Intersegment revenue	-	-	-	-	-
Revenue from operations	1,386	1,243	4,346	6,944	35,275
2. Segment results (profit / (loss) before tax and interest from each segment)					
- Hardware Products and Solutions	(489)	(591)	(2,836)	(3,048)	(8,218)
- Distribution	275	(67)	95	245	(3,439)
- Learning	71	(2)	109	51	118
Total	(143)	(660)	(2,632)	(2,752)	(11,539)
Less :					
i) Interest expense	233	262	956	1,371	5,235
ii) Other un-allocable expenditure net off un-allocable (income)	1,681	(188)	398	(6,697)	2,701
Total Profit / (Loss) before tax	(2,057)	(734)	(3,986)	2,574	(19,475)
3. Segment Assets					
- Hardware Products and Solutions	17,026	20,158	28,161	17,026	28,161
- Distribution	10,078	10,122	14,096	10,078	14,096
- Learning	79	81	192	79	192
- Unallocated	21,942	23,901	22,473	21,942	22,473
Total Assets	49,125	54,262	64,922	49,125	64,922
4. Segment Liabilities					
- Hardware Products and Solutions	22,547	23,941	26,486	22,547	26,486
- Distribution	2,416	2,868	4,204	2,416	4,204
- Learning	59	133	130	59	130
- Unallocated	45,614	46,637	58,109	45,614	58,109
Total Liabilities	70,636	73,579	88,929	70,636	88,929

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 May 28, 2022. The statutory auditors have issued review report with unmodified opinion on these results.
- As at March 31, 2022, the Group has accumulated losses and its net worth has been fully eroded, the Group's current liabilities exceeded its current assets by Rs 41,170 Lakhs for the period ended March 31, 2022 (March 31, 2021 - Rs. 51,625 Lakhs). The losses are primarily as a result of delayed receipts on certain system integration contracts, historical low margin contracts, large litigations and their costs which are at different stages of progression. 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 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 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 to date	
	31.03.2022	31.12.2021	31.03.2021	31.03.2022	31.03.2021
	Audited	Unaudited	Audited	Audited	Audited
Gain on sale of properties, plant and equipments (Refer Note No. 4)	158	738	-	10,484	-
Impairment of property	(333)	-	-	(333)	-
Total Gain/(Loss)	(175)	738	-	10,151	-

- 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). During the quarter ended September 30, 2021, the Group 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 937 Lakhs for a consideration of Rs 1,455 Lakhs, resulting an overall gain of Rs 738 Lakhs. During the quarter ended March 31, 2022, the company has disposed one property located in Mumbai, having net carrying value Rs 7 Lacs for a consideration of Rs 165 Lacs, resulting an overall gain of Rs 158 Lacs.
- The Company initiated a scheme of amalgamation of Digilife Distribution and Marketing Services Limited (DDMS) and HCL Learning Limited (Learning), wholly owned subsidiaries, with and into HCL Infosystems Limited (HCL). The rationale for this is to consolidate businesses into a single entity, simplify the corporate structure and reducing administrative costs. The petition for sanctioning of the scheme was filed before the Hon'ble NCLT, New Delhi bench on 13th December 2021.

Pursuant to order of the Hon'ble NCLT, New Delhi dated January 18, 2022, notices were duly issued to statutory authorities inviting their objections to the scheme and reports have been obtained from the Official Liquidator and the Regional Director. Adequate responses to their observations have also been filed before the Hon'ble NCLT along with necessary compliances. The scheme is now pending before the Hon'ble NCLT until next hearing. The Company has also proposed to change the Appointed Date of the Scheme from April 01, 2020 to April 01, 2022 which would require an approval from the NCLT.
- Based on the report of the consulting firm appointed by the Board of Directors and the inputs of the management team, the Board in their meeting dated January 27, 2020 decided that because of low margin contracts, tough market conditions and the then 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 be substantially scaled down.
- 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 1,906 Lakhs for the year ended March 31, 2022, Rs 577 Lakhs for the quarter ended March 31, 2022 and Rs Nil for the quarter ended December 31, 2021 (Rs 5,987 Lakhs for the quarter ended March 31, 2021 and Rs 7,118 Lakhs for the year ended March 2021), on account of write back of certain old navables and provisions.
- The Group is facing delays in receipts from the customers, primarily in the System Integration Business, due to which the Group has charged its Statement of Profit and Loss by Rs. 3,107 Lakhs, with reversal of corresponding credit of Rs 766 lakhs, for the year ended March 31, 2022, (Rs 1,556 Lakhs for the quarter ended March 31, 2022, with reversal of corresponding credit of Rs. 766 lakhs), (Nil for the quarter ended December 31, 2021) and (Rs 8,805 lakhs for the quarter ended March 31, 2021 and Rs. 9,013 Lakhs for the year ended March 31, 2021) 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. 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. 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) and the annual maintenance contract and software licenses for the period till 6 August 2021. 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, and also stipulates that the Company is entitled to receive the consideration for its services during the period covered by the consent terms, i.e. from May 2020 to August 2021, at the current market value.

Pending determination of the current market value through arbitration, revenue is measured by the Company at existing contract price for the period May 2020 to August 2021. The differential revenue on the basis of current market value 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 in the last year with the vendors.

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 Novezo Consulting Pvt. Ltd based on the terms and conditions as specified in share purchase agreement dated February 10, 2021. One of the key customer of the company's 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 exercise has resulted in a significant delay in closing the transaction sale of HCL Infotech to Novezo. Currently in addition, some of the terms of the Share Purchase Agreement are being renegotiated with Novezo and there are several unresolved issues. The revised SPA which, if resolved, will require be subject to approval of the Board and the Shareholders of the Company.

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. A statement of cash flow is attached in Annexure A

for HCL Infosystems Limited

Nikhil Sinha
Chief Person

Place : Noida

Consolidated Cash Flow Statement for year ended March 31, 2022

(Rs. In Lakhs)

Particulars	Year ended	Year ended
	31.03.2022	31.03.2021
	Audited	Audited
Cash Flow from Operating Activities[^]:		
Profit/(Loss) before tax from continuing and discontinued operations	2,574	(19,475)
Adjustments for:		
Depreciation and amortisation expense	147	427
Finance cost	1,370	5,235
Interest income	-	(3,450)
Interest income on FD	(191)	-
Interest on income tax refund	(1,276)	-
Net gains on fair value changes on investments	(100)	-
Net profit on sale of property, plant and equipment	(10,502)	(27)
Impairment of property, plant and equipments	333	-
Property, plant and equipment written-off	6	40
Profit on disposal of unquoted (others) current investments	(37)	-
Gain on foreign exchange fluctuation	(76)	17
Provision for change in fair value of OCD	1,556	-
Provision for doubtful debts	585	8,895
Provision for doubtful loans and advances and other current assets	966	98
Provisions/liabilities no longer required written back	(1,906)	(7,314)
Provisions for Input tax credit	898	2,257
Operating loss before working capital changes	(5,653)	(13,297)
Changes in operating assets and liabilities		
- Decrease in trade receivables	5,334	9,751
- Decrease in non current assets	3,657	3,169
- Decrease in current assets	4,833	8,519
- Decrease in inventories	233	2,507
- Decrease in non current liabilities	(57)	(234)
- Decrease in current liabilities	(3,944)	(15,695)
Cash flow from / (used in) operations	4,403	(5,280)
- Taxes (paid)/received (net of tax deducted at source)	5,668	3,805
Net cash flow from / (used in) operating activities (A)	10,071	(1,475)
Cash flow from investing activities[^]:		
Payment for property, plant and equipment (including intangible assets)	(20)	(42)
Proceeds from sale of properties	13,992	325
Receipt of business consideration on sale of investment in subsidiaries	1,580	(5)
Purchase of current investments	(9,563)	-
Redemption/(Investment) in bank deposits	(4,092)	1,603
Movement in margin money account	(10)	(95)
Interest received	191	257
Net cash flow from investing activities (B)	2,078	2,043
Cash Flow from Financing Activities[^]:		
Lease obligation paid	(28)	(133)
Proceeds from loans and borrowings	-	178,179
Repayment of loans and borrowings	(12,322)	(174,948)
Interest paid	(1,513)	(5,268)
Unclaimed deposit / dividend transferred to investor protection fund	-	(47)
Net cash from/(used in) financing activities (C)	(13,863)	(2,217)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(1,715)	(1,649)
Opening balance of cash and cash equivalents	3,882	5,526
Exchange difference on translation of foreign currency cash and cash equivalent	20	5
Effect of exchange differences on translation of foreign operations	1	-
Closing balance of cash and cash equivalents	2,187	3,882
Cash and cash equivalents comprise of		
Cash, cheques and drafts (on hand)	5	5
Balances with banks on current accounts	2,173	3,868
Balances with banks on deposits accounts	9	9