

HCL INFOSYSTEMS LIMITED
Audited Standalone Financial Results for the quarter and year ended March 31, 2022
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Standalone Statement of Profit and Loss for the quarter and year ended March 31, 2022 (Rs. in Lakhs)

Particulars	Standalone				
	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 Income					
Revenue from operations	298	237	727	919	21,736
Other income	978	198	1,431	2,837	2,363
Total Income	1,276	435	2,158	3,756	24,099
2 Expenses					
(a) Cost of materials consumed	2	-	-	2	-
(b) Purchase of stock-in-trade	140	120	(64)	721	18,148
(c) Changes in inventories of finished goods and stock-in-trade	(0)	0	137	53	2,371
(d) Employee benefits expense	136	185	398	668	2,838
(e) Finance costs	214	243	874	1,264	4,950
(f) Depreciation and amortization expense	18	20	74	135	403
(g) Legal, professional and consultancy charges	324	382	458	1,399	1,616
(h) Other expenses	1,883	326	1,469	4,307	5,161
Total expenses	2,717	1,276	3,346	8,549	35,487
3 Loss before exceptional items and tax (1 - 2)	(1,441)	(841)	(1,188)	(4,793)	(11,388)
4 Exceptional items Gain/(loss) (Refer note 2)	(698)	137	(3,363)	7,261	(9,088)
5 Profit/(Loss) before tax (3 + 4)	(2,139)	(704)	(4,551)	2,468	(20,476)
6 Tax expense					
(a) Current tax	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-
7 Net Profit/(Loss) for the period (5 - 6)	(2,139)	(704)	(4,551)	2,468	(20,476)
8 Other comprehensive income					
A (i) Items that will not be reclassified to profit and loss	(25)	-	(25)	(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 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)	-	(25)	(25)	(25)
9 Total comprehensive income for the period (7 + 8)	(2,164)	(704)	(4,576)	2,443	(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
11 Reserve as per balance sheet of previous accounting year	-	-	-	-	(31,067)
12 Earnings per share (of Rs 2/- each) (not annualised):					
(a) Basic	(0.65)	(0.21)	(1.38)	0.75	(6.22)
(b) Diluted	(0.65)	(0.21)	(1.38)	0.75	(6.22)

Standalone Balance Sheet (Rs. in Lakhs)

Particulars	Standalone	
	As at 31.03.2022 (Audited)	As at 31.03.2021 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	414	3,513
Right of use assets	-	-
Capital work-in-progress	9	16
Other intangible assets	4	8
Financial assets		
i. Investments	4	4
ii. Other financial assets	2,184	3,636
Advance income tax (net)	2,545	3,914
Other non-current assets	13,062	16,546
Total non-current assets	18,222	27,637
Current assets		
Inventories	-	53
Financial assets		
i. Investments	7,896	-
ii. Trade receivables	112	1,464
iii. Cash and cash equivalents	1,026	1,852
iv. Bank balances other than (iii) above	1,830	567
v. Loans	155	281
vi. Others financial assets	369	1,628
Other current assets	2,254	2,136
Asset Held for Sale	690	1,505
Total current assets	14,332	9,486
Total assets	32,554	37,123
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(28,624)	(31,067)
Total equity	(22,040)	(24,483)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	1,383	5,903
ii. Lease obligation	-	-
Provisions	78	84
Total non-current liabilities	1,461	5,987
Current liabilities		
Financial liabilities		
i. Borrowings	40,020	41,489
ii. Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	263	189
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	4,755	3,851
iii. Other financial liabilities	710	7,558
Other current liabilities	820	1,348
Provisions	6,565	1,184
Total current liabilities	53,133	55,619
Total liabilities	54,594	61,606
Total equity and liabilities	32,554	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 May 28, 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	
	31.03.2022	31.12.2021	31.03.2021	31.03.2022	31.03.2021
	Audited	Unaudited	Audited	Audited	Audited
a. Profit on sale of property, plant and equipments(Refer note no 9)	158	738	-	10,484	-
b. Reversal/(Provision) against loan given to subsidiary	(1)	94	(2,453)	2,169	(8,178)
c. Provision for loss in subsidiary#	(521)	(695)	(279)	(5,059)	(279)
d. Impairment of property	(333)	-	-	(333)	-
e. Loss on conversion of ICD to OCD (Refer Note 11)	-	-	(631)	-	(631)
Total Profit / (Loss) - (a+b+c+d+e)	(698)	137	(3,363)	7,261	(9,088)

The Company has made provision of Rs 5,059 Lakhs for the year ended March 31, 2022 and Rs 521 Lakhs for the quarter ended March 31, 2022. Rs 695 Lakhs for the quarter ended December,31 2021, Rs 279 Lakhs for the quarter ended March 31, 2021 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, a wholly owned subsidiary.

3. As at March 31, 2022, the Company has accumulated losses and its net worth has been fully eroded, and the Company's current liabilities exceeded its current assets by Rs. 38,801 Lakhs (March 31, 2021 - Rs. 46,133 Lakhs) as at March 31, 2022. The losses are primarily 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 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 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. 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.
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 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.
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 1,102 Lakhs for the year ended March 31, 2022, Rs 415 Lakhs for the quarter ended March 31, 2022, Nil for the quarter ended December 31, 2021, Rs 1213 Lakhs for the quarter ended March 31 2021 and Rs 1488 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 1,556 Lakhs for the year ended March 31, 2022, Rs 995 Lakhs for the quarter ended March 31, 2022 and Rs Nil Lakhs for the quarter ended December 31 2021, (Nil for the quarter ended March 31,2021 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 913 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.

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 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.

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.

- The Company and HCL Infotech Limited, has agreed that the OCDs as mentioned in note 12.52, 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 transferred its rights to receive cash flows from those specified book receivables and favourable 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 18.92 Crores (including amount of Rs 8.67 Crores of the contract assets) derecognized in the financial statements of HCL Infotech Limited and recognized by the Company against the value of OCDs as at March 31, 2021.

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 : May 28, 2022

Standalone Cash Flow Statement for the year ended March 31, 2022

Particulars	(Rs. In Lakhs)	
	Year ended	Year ended
	31.03.2022	31.03.2021
	Audited	Audited
Cash flow from Operating Activities:		
Profit/(Loss) before tax	2,468	(20,476)
Adjustments for:		
Depreciation and amortisation expense	135	403
Finance cost	1,264	4,950
Interest income	(218)	(370)
Interest on income tax refund	(1,027)	-
Net gains on fair value changes on investments	(97)	-
Net profit on sale of properties	(10,493)	(19)
Property, plant and equipment written-off	6	40
Gain on sale of investment carried at FVTPL	(37)	-
Impairment of property	333	-
(Reversal) / Provision against inter company deposits given to subsidiaries	(2,169)	8,457
Provision for Loss in subsidiary	5,059	-
Loss on conversion of inter company deposits into Optionally Convertible Debentures	-	631
Gain on foreign exchange fluctuation	(63)	(63)
Provision for doubtful debts	224	328
Provision for change in fair value of OCD	1,556	-
Provisions for Input tax credit	889	1,780
Provisions for other current assets	273	-
Provisions/liabilities no longer required written back	(1,102)	(1,488)
Operating loss before working capital changes	(2,999)	(5,827)
Changes in operating assets and liabilities		
- Decrease in trade receivables	1,128	14,044
- Decrease in non-current assets	3,551	3,149
- Decrease/(Increase) in current assets	(120)	4,423
- Decrease in inventories	53	2,371
- Decrease in non current liabilities	(6)	(143)
- (Decrease)/increase in current liabilities	1,539	(31,916)
Cash flow from / (used in) operations	3,146	(13,899)
- Taxes (paid) / received	938	673
Net cash flow from / (used in) operating activities (A)	4,084	(13,226)
Cash flow from investing activities:		
Purchase of properties plant and equipment (including intangible assets)	(26)	(37)
Capital work-in-progress (including intangible assets under development)	9	-
Proceeds from sale of properties, plant and equipment	13,965	53
Purchase of current investments	(7,800)	-
Interest received	218	229
Redemption/maturity of bank deposits (net)	(1,457)	1,458
Movement in margin money account (net)	-	52
Gain on sale of investment carried at FVTPL	37	-
Inter corporate deposits given	-	(28,572)
Inter corporate deposits received back	2,295	37,941
Receipt of business consideration on sale of investment in subsidiaries	1,580	-
Net cash flow from investing activities (B)	8,821	11,124
Cash Flow from Financing Activities:		
Proceeds from loans and borrowings	-	178,277
Repayment of loans and borrowings	(12,320)	(172,988)
Lease obligation paid	-	(103)
Interest paid	(1,408)	(4,982)
Unclaimed deposit / dividend transferred to investor education and protection fund	-	(47)
Net cash flow from / (used in) financing activities (C)	(13,728)	157
Net decrease in cash and cash equivalents (A+B+C)	(823)	(1,945)
Opening balance of cash and cash equivalents	1,852	3,756
Exchange difference on translation of foreign currency cash and cash equivalent	(3)	41
Closing balance of cash and cash equivalents	1,026	1,852
Cash and cash equivalents comprise of		
Cash, cheques and drafts (on hand)	-	-
Balances with banks on current accounts	1,026	1,852
Balances with banks on deposits accounts	-	-