

HCL INFOSYSTEMS LIMITED
Unaudited Standalone Financial Results for the quarter and six months ended September 30, 2020
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Standalone Statement of Profit and Loss for the quarter and six months ended September 30, 2020

(Rs. In Lakhs)

Particulars	Standalone					
	Three months ended			Year to date		Year ended
	30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.09.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income						
Revenue from operations	10,511	7,118	54,111	17,629	107,197	164,813
Other income	418	370	1,044	788	2,098	2,965
Total Income	10,929	7,488	55,155	18,417	109,295	167,778
2 Expenses						
(a) Cost of materials consumed	-	-	-	-	-	-
(b) Purchase of stock-in-trade	10,273	6,104	51,723	16,377	102,444	154,798
(c) Changes in inventories of finished goods and stock-in-trade	489	804	535	1,293	1,104	6,106
(d) Employee benefits expense	825	1,016	1,303	1,841	2,653	5,654
(e) Finance costs	1,457	1,500	2,440	2,957	4,825	8,427
(f) Depreciation and amortisation expense	110	130	205	240	430	741
(g) Other expenses	2,065	1,071	1,764	3,136	3,414	7,370
Total expenses	15,219	10,625	57,970	25,844	114,870	183,096
3 Loss before exceptional items and tax (1 - 2)	(4,290)	(3,137)	(2,815)	(7,427)	(5,575)	(15,318)
4 Exceptional Items loss (Refer note 2)	(4,198)	(342)	(1,010)	(4,540)	(1,743)	(10,171)
5 Loss before tax (3 + 4)	(8,488)	(3,479)	(3,825)	(11,967)	(7,318)	(25,489)
6 Tax expense						
(a) Current tax	-	-	-	-	-	-
(b) Deferred tax expense	-	-	-	-	-	6,355
7 Net loss for the period (5 - 6)	(8,488)	(3,479)	(3,825)	(11,967)	(7,318)	(31,844)
8 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(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	-	-	-	-	-	-
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total other comprehensive income net of income tax	-	-	-	-	-	(21)
9 Total comprehensive income for the period (7 + 8)	(8,488)	(3,479)	(3,825)	(11,967)	(7,318)	(31,865)
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						(10,566)
12 Earnings per share (of Rs 2/- each) (not annualised):						
(a) Basic	(2.58)	(1.06)	(1.16)	(3.64)	(2.22)	(9.67)
(b) Diluted	(2.58)	(1.06)	(1.16)	(3.64)	(2.22)	(9.67)

Standalone Balance Sheet

(Rs. In Lakhs)

Particulars	Standalone	
	As at	As at
	30.09.2020 (Unaudited)	31.03.2020 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	5,194	5,360
Right of use assets	14	84
Capital work-in-progress	11	-
Other intangible assets	17	36
Financial assets		
i. Investments	4	4
ii. Other financial assets	2,289	3,485
Advance income tax (net)	3,233	4,446
Other non-current assets	17,874	19,696
Total non-current assets	28,636	33,111
Current assets		
Inventories	1,132	2,424
Financial assets		
i. Trade receivables	5,529	15,838
ii. Cash and cash equivalents	5,812	3,756
iii. Bank balances other than (ii) above	3,464	2,222
iv. Loans	13,023	20,356
v. Others financial assets	1,803	3,433
Other current assets	1,993	4,643
Total current assets	32,756	52,672
Total assets	61,392	85,783
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(22,534)	(10,566)
Total equity	(15,950)	(3,982)
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	8,926	2,275
ii. Lease obligation	14	103
Provisions	264	227
Total non-current liabilities	9,204	2,605
Current liabilities		
Financial liabilities		
i. Borrowings	37,151	42,060
ii. Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	190	671
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	19,171	34,149
iii. Other financial liabilities	9,623	7,638
Other current liabilities	1,244	1,463
Provisions	759	1,179
Total current liabilities	68,138	87,160
Total liabilities	77,342	89,765
Total equity and liabilities	61,392	85,783

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 06, 2020. 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
	30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.09.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
a. Profit on sale of property, plant and equipments*	-	-	941	-	1,565	1,565
b. Provision against loan given to subsidiary	(4,198)	(342)	(1,951)	(4,540)	(3,308)	(11,736)
Total loss - (a+b)	(4,198)	(342)	(1,010)	(4,540)	(1,743)	(10,171)

* Period ended 30 September 2020- nil,(year ended 31 March 2020- Rs.1,565 lakhs, 6 months ended 30 September 2019- Rs 1,565 lakhs, 3 months ended 30 September 2019- Rs. 941 lakhs) represents profit on sale of properties situated at Plot No. 10, CTS No. 86 Lohegaon, Viman Nagar, Pune and G-8,9,10, Sector 3, and B-13,14 Sector 8, Noida location under property monetization plan, under which agreement to sale was approved by the Board of Directors on 13.05.2019 and 20.05.2019 respectively.

3. As at September 30, 2020, the Company has accumulated losses and its net worth has been fully eroded, the Company has a net loss during the current period and in previous year and the Company's current liabilities exceeded its current assets by Rs. 35,382 lakhs (March 31, 2020 Rs. 34,488 lakhs) as at September 30, 2020. 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 Company's management 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 and reduction in outstanding debts. To ensure the necessary financial support for its operations the Board of Directors of HCL Corporation Private Limited has issued a support letter (in the form of corporate guarantee or unsecured loan) to the Company to the extent of Rs. 50,000 lakhs. 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, the standalone 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 of Directors recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

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, 2019 had approved to sell the entire shareholding held by HCL Learning Limited (a Subsidiary of HCL Infosystems Limited) in HCL Insys Pte Ltd, Singapore (step subsidiary) after the transfer of the trading business and the subsidiary Nurture Technologies FZE to HCL Investments Pte Ltd (subsidiary of HCL Infotech Limited). The sale was made to PCCW Solutions Ltd for a total consideration of Rs.30,335 lakhs. The transaction was completed on November 15, 2019.

7. 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. 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.

8. In accordance with the divestment strategy of the Company, the Board of Directors in its meeting held on August 06, 2020 approved the sale/ surrender of immovable properties of HCL Infosystems Limited. The sale/ surrender will take place as and when an appropriate buyer is identified. These properties are lying vacant/ partially vacant, as the Company is not utilizing/ fully utilizing these properties after scale down of its operations and change in its business requirements, though the Company continues to incur cost on maintenance of these properties. The proceeds from the sale/ surrender of these properties will be used to pay off part of the Company's debts and thereby to reduce its finance cost. The proposed sales(s) are subject to approval of the shareholders and lenders and such other approval as may be required in this regard.

9. During the quarter, a vendor has reported that an employee of the Company has inflated the amount recoverable from that vendor. As a result, as per the standard process, the internal audit section of the Company has initiated an inquiry into the matter. The interim findings suggest that the employee concerned had overstated the vendor recoverable value by Rs 28 lacs, which has now been appropriately adjusted & considered in the books of accounts. The internal audit inquiry is still in progress, any further impact will be adjusted on it's conclusion. As of now management of the Company is of the view that no additional material adjustment is required to be made to the financial results for the quarter and half year ended 30 September 2020.

10. 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.

11. 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.

12. A statement of cash flow is attached in Annexure A

13. Figures for previous periods have been regrouped and rearranged, wherever necessary, to conform with the relevant current period's classification.

By order of the Board
for HCL Infosystems Limited

Nikhil Sinha
Chairperson

Place : Noida
Date : November 06, 2020

Standalone Cash Flow Statement for six months ended September 30, 2020

(Rs. In Lakhs)

Particulars	Year to date		Year ended
	30.09.2020	30.09.2019	31.03.2020
	Unaudited	Unaudited	Audited
Cash flow from Operating Activities:			
Loss before tax	(11,967)	(7,318)	(25,489)
Adjustments for:			
Depreciation and amortisation expense	240	430	741
Finance cost	2,957	4,825	8,427
Interest income	(236)	(1,308)	(1,494)
Net profit on sale of properties	-	(1,565)	(1,565)
Net profit on sale of property, plant and equipment	-	(9)	(9)
Property, plant and equipment written-off	-	11	12
Provision against inter Company deposits given to subsidiaries	4,540	3,309	11,736
Gain on foreign exchange fluctuation	(43)	11	(94)
Provision for doubtful debts	233	-	409
Provisions/liabilities no longer required written back	(231)	(64)	(195)
Operating loss before working capital changes	(4,507)	(1,678)	(7,521)
Changes in operating assets and liabilities			
- Decrease / (Increase) in trade receivables	10,075	(6,332)	21,708
- Decrease / (Increase) in non-current assets	1,822	(1,594)	(1,528)
- Decrease in current assets	4,280	912	5,014
- Decrease in inventories	1,292	1,118	6,106
- Increase / (decrease) in non current liabilities	37	47	(375)
- (Decrease) / increase in current liabilities	(16,503)	5,717	(18,118)
Cash flow from / (used in) operations	(3,504)	(1,810)	5,286
- Taxes (paid) / received	1,213	1,136	(252)
Net cash flow from / (used in) operating activities (A)	(2,291)	(674)	5,034
Cash flow from investing activities:			
Purchase of properties plant and equipment (including intangible assets)	-	(24)	(32)
Proceeds from sale of properties, plant and equipment	4	2,991	2,991
Interest received	236	1,283	1,494
Redemption/maturity of bank deposits (with original maturity of more than three months)	1,196	7,867	8,557
Movement in margin money account	(1,242)	(781)	(355)
Movement in balances with banks on dividend account	-	12	12
Inter corporate deposits given	(13,159)	(28,904)	(47,020)
Inter corporate deposits received back	15,951	21,386	66,562
Sale of investment in subsidiary	-	4,858	5,021
Net cash flow from investing activities (B)	2,986	8,688	37,230
Cash Flow from Financing Activities:			
Proceeds from loans and borrowings	81,795	91,205	178,543
Repayment of loans and borrowings	(77,545)	(95,680)	(212,040)
Lease obligation paid	(89)	-	(149)
Interest paid	(2,780)	(4,938)	(8,729)
Unclaimed deposit / dividend transferred to investor education and protection fund	(47)	(12)	(12)
Net cash flow from / (used in) financing activities (C)	1,334	(9,425)	(42,387)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	2,029	(1,411)	(123)
Opening balance of cash and cash equivalents	3,756	3,899	3,899
Exchange difference on translation of foreign currency cash and cash equivalent	27	(11)	(20)
Closing balance of cash and cash equivalents	5,812	2,477	3,756
Cash and cash equivalents comprise of			
Cash, cheques and drafts (on hand)	12	570	-
Balances with banks on current accounts	5,799	1,882	3,756
Balances with banks on deposits accounts	1	25	-