

**HCL INFOSYSTEMS LIMITED**  
**Unaudited Consolidated Financial Results for the quarter and nine months ended December 31, 2020**  
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**Consolidated Statement of Profit and Loss for the quarter and nine months ended December 31, 2020**

(Rs. In Lakhs)

Particulars	Consolidated					
	Three months ended			Year to date		
	31.12.2020	30.09.2020	31.12.2019	31.12.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>1 Income</b>						
Revenue from operations	7,203	13,157	42,873	30,929	158,746	181,517
Other income	1,431	1,097	912	3,471	5,082	7,678
<b>Total Income</b>	<b>8,634</b>	<b>14,254</b>	<b>43,785</b>	<b>34,400</b>	<b>163,828</b>	<b>189,195</b>
<b>2 Expenses</b>						
(a) Cost of materials consumed	-	-	-	-	-	-
(b) Purchase of stock-in-trade	1,802	10,348	34,578	18,284	137,844	155,906
(c) Changes in inventories of finished goods and stock-in-trade	987	719	2,751	2,294	4,398	6,760
(d) Other direct expense	3,295	4,716	2,823	10,304	8,609	8,208
(e) Employee benefits expense	1,873	2,191	3,055	6,471	8,459	11,048
(f) Finance costs	1,170	1,525	1,984	4,279	7,209	9,043
(g) Depreciation and amortisation expense	93	116	173	347	714	880
(h) Other expenses	2,846	3,010	6,075	7,910	14,063	21,384
<b>Total expenses</b>	<b>12,066</b>	<b>22,625</b>	<b>51,439</b>	<b>49,889</b>	<b>181,296</b>	<b>213,229</b>
<b>3 Loss before exceptional items and tax from continuing operations (1 - 2)</b>	<b>(3,432)</b>	<b>(8,371)</b>	<b>(7,654)</b>	<b>(15,489)</b>	<b>(17,468)</b>	<b>(24,034)</b>
4 Exceptional Items gain (Refer note 6)	-	-	-	-	1,565	1,275
<b>5 Loss before tax from continuing operations (3 + 4)</b>	<b>(3,432)</b>	<b>(8,371)</b>	<b>(7,654)</b>	<b>(15,489)</b>	<b>(15,903)</b>	<b>(22,759)</b>
6 Tax expense / (credit)						
(a) Current tax	-	-	41	-	41	8
(b) Deferred tax expense	-	-	6,022	-	6,022	6,209
<b>7 Loss for the period from continuing operations (5 - 6)</b>	<b>(3,432)</b>	<b>(8,371)</b>	<b>(13,717)</b>	<b>(15,489)</b>	<b>(21,966)</b>	<b>(28,976)</b>
8 Profit / (loss) before tax from discontinued operations (Refer note 2)	-	-	152	-	471	405
9 Profit / (loss) on disposal of discontinued operations (Refer note 2)	-	-	15,031	-	15,031	15,076
10 Tax expense / (credit) of discontinued operations (Refer note 2)	-	-	16	-	75	138
<b>11 Net Profit / (loss) for the period from discontinued operations (8 + 9 - 10)</b>	<b>-</b>	<b>-</b>	<b>15,167</b>	<b>-</b>	<b>15,427</b>	<b>15,343</b>
<b>12 Net Loss for the period (7+ 11)</b>	<b>(3,432)</b>	<b>(8,371)</b>	<b>1,450</b>	<b>(15,489)</b>	<b>(6,539)</b>	<b>(13,633)</b>
13 Other comprehensive income						
A (i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(49)
(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	(150)	16	420	(118)	432	461
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
<b>Total other comprehensive income, net of income tax</b>	<b>(150)</b>	<b>16</b>	<b>420</b>	<b>(118)</b>	<b>432</b>	<b>412</b>
<b>14 Total comprehensive income for the period (12 + 13)</b>	<b>(3,582)</b>	<b>(8,355)</b>	<b>1,870</b>	<b>(15,607)</b>	<b>(6,107)</b>	<b>(13,221)</b>
15 Net Profit/(Loss) attributable to:						
- Shareholders	(3,432)	(8,371)	1,450	(15,489)	(6,539)	(13,633)
- Non-controlling interests	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total comprehensive income attributable to:						
- Shareholders	(3,582)	(8,355)	1,870	(15,607)	(6,107)	(13,221)
- Non-controlling interests	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
16 Paid-up equity share capital (Face value per share in Rs. 2/-)	6,584	6,584	6,584	6,584	6,584	6,584
17 Reserve as per balance sheet of previous accounting year	-	-	-	-	-	(10,798)
18 Earnings per share for continuing operations (of Rs 2/- each) (not annualised):						
(a) Basic	(1.04)	(2.54)	(4.17)	(4.70)	(6.67)	(8.80)
(b) Diluted	(1.04)	(2.54)	(4.17)	(4.70)	(6.67)	(8.80)
19 Earnings per share for discontinued operations (of Rs 2/- each) (not annualised):						
(a) Basic	-	-	4.61	-	4.69	4.66
(b) Diluted	-	-	4.61	-	4.69	4.66
20 Earnings per share for discontinued & continuing operations (of Rs 2/- each) (not annualised):						
(a) Basic	(1.04)	(2.54)	0.44	(4.70)	(1.99)	(4.14)
(b) Diluted	(1.04)	(2.54)	0.44	(4.70)	(1.99)	(4.14)

**Segment-wise information**

Particulars	Three months ended					
	31.12.2020			31.12.2019		
	31.12.2020	30.09.2020	31.12.2019	31.12.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>1. Segment Revenue</b>						
- Hardware Products and Solutions	3,816	2,420	3,930	9,853	11,429	15,431
- Services *	-	-	5,342	-	26,153	26,415
- Distribution	3,387	10,737	38,547	21,076	146,826	165,595
- Learning	-	-	392	-	537	537
Total	7,203	13,157	48,211	30,929	184,945	207,978
Less : Intersegment revenue	-	-	-	-	49	49
<b>Revenue from operations</b>	<b>7,203</b>	<b>13,157</b>	<b>48,211</b>	<b>30,929</b>	<b>184,896</b>	<b>207,929</b>
<b>2. Segment results (profit / (loss) before tax and interest from each segment)</b>						
- Hardware Products and Solutions	(860)	(4,149)	(4,389)	(5,382)	(7,693)	(7,952)
- Services *	-	-	(191)	-	75	11
- Distribution	(268)	(1,988)	(1,110)	(3,534)	(1,891)	(6,023)
- Learning	10	(18)	351	9	682	670
Total	(1,118)	(6,155)	(5,339)	(8,907)	(8,827)	(13,294)
Less :						
i) Interest expense	1,170	1,525	1,987	4,279	7,228	9,062
ii) Other un-allocable expenditure net off un-allocable (income)	1,144	691	(14,855)	2,303	(15,654)	(15,078)
<b>Total Profit / (Loss) before tax</b>	<b>(3,432)</b>	<b>(8,371)</b>	<b>7,529</b>	<b>(15,489)</b>	<b>(401)</b>	<b>(7,278)</b>
<b>3. Segment Assets</b>						
- Hardware Products and Solutions	35,550	38,186	45,767	35,550	45,767	36,462
- Services *	-	-	-	-	-	-
- Distribution	15,855	21,520	58,459	15,855	58,459	37,928
- Learning	223	234	267	223	267	235
- Unallocated	24,271	27,979	30,994	24,271	30,994	30,070
<b>Total Assets</b>	<b>75,899</b>	<b>87,919</b>	<b>135,487</b>	<b>75,899</b>	<b>135,487</b>	<b>104,695</b>
<b>4. Segment Liabilities</b>						
- Hardware Products and Solutions	35,469	32,946	38,485	35,469	38,485	30,620
- Services *	-	-	-	-	-	-
- Distribution	6,388	11,724	35,252	6,388	35,252	20,931
- Learning	371	396	427	371	427	449
- Unallocated	53,488	59,092	58,423	53,488	58,423	56,909
<b>Total Liabilities</b>	<b>95,716</b>	<b>104,158</b>	<b>132,587</b>	<b>95,716</b>	<b>132,587</b>	<b>108,909</b>

\* Refer Note 2

**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 February 10, 2021. The statutory auditors have issued review report with unmodified opinion on these results.
- 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.

Accordingly, the business operations associated with these transactions have been considered as discontinued operations. The relevant information for all the period presented, attributable to these discontinued operations are as below.

Particulars	Three months ended			Year to date		Year ended
	31.12.2020	30.09.2020	31.12.2019	31.12.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total revenue (including Other income)	-	-	5,607	-	26,434	26,694
Total expenditure	-	-	5,455	-	25,963	26,289
Profit before tax	-	-	152	-	471	405
Tax expense	-	-	16	-	75	138
Profit after tax	-	-	136	-	396	267
Profit on disposal of discontinued operations	-	-	15,031	-	15,031	15,076

- As at December 31, 2020, the Group has accumulated losses and its net worth has been fully eroded, the Group has a net loss during the current period and previous year and the Group's current liabilities exceeded its current assets by Rs 48,337 lakhs (March 31, 2020 - Rs. Rs 43,235 Lakhs) as at December 31, 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 Parent Company's management is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 5), 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 Parent Company to the extent of Rs. 50,000 lakhs. 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.

- 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.

- 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 Group, the Distribution businesses of the Group 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.

**6. Exceptional items include :**

Particulars	Three months ended			Year to date		Year ended
	31.12.2020	30.09.2020	31.12.2019	31.12.2020	31.12.2019	31.03.2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Gain on sale of property, plant and equipments* (a)	-	-	-	-	1,565	1,565
Impairment of properties (b)	-	-	-	-	-	(290)
Total gain (a+b)	-	-	-	-	1,565	1,275

\* Period ended 31 December 2020- nil,(3 months ended 31 December 2019- nil, 9 months ended 31 December 2019- Rs 1,565 lakhs and year ended 31 March 2020- Rs.1,565 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.

- 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.

- In accordance with the divestment strategy of the Group, the Board of Directors of the Parent Company 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 Group is not utilizing/ fully utilizing these properties after scale down of its operations and change in its business requirements, though the Group 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 Group's debts and thereby to reduce its finance cost. The proposed sales(s) are subject to requisite approval as may be required in this regard.

Pursuant to the Board's approval to sale of immovable properties, the Company has identified buyers for its two properties situated at Mohali and Pudukcherry and is in the process of obtaining requisite approvals. As of 31.12.2020, the combined book value of two properties is Rs.929 lakhs and the sale value of the properties is Rs.2,810 lakhs.

- 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. However, while the arbitration proceedings were pending, the Company was constrained to agree for an adhoc extension for a period of 9 months plus 3 months Knowledge Transfer Period after August 2019. Later, 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. Thereafter, 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. As per the consent terms executed between UIDAI and the Company, the Company has agreed to perform 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). The Company has further agreed to extend the annual maintenance contract and software licenses for the period till 6 August 2021. As per consent terms signed by the both the parties, the Company would continue to raise invoices to UIDAI as per the rates originally agreed in the MSP contract though the Company is entitled to claim market rate for the services provided to UIDAI, the quantum of which shall be decided in the subsequent hearings of the Arbitration proceedings.

Pending determination of the current market value through arbitration, no revenue has been recognized by the Company for the difference in the expected current market value and the existing contract price which 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 with the vendors completed in the previous quarter ended 30 September 2020. This has resulted into recognition of additional loss of Rs 2,440 lakh during the previous quarter ended 30 September 2020 for the remaining contract period.

- During the previous quarter ended 30 September 2020, a vendor had reported that an employee of the Group had inflated the amount recoverable from that vendor. The interim internal audit review findings in the previous quarter suggested that the employee concerned had overstated the vendor recoverable value by Rs 28 lakhs, which was appropriately adjusted and considered in the books of accounts. The internal audit review has now been completed and there is no further impact that require adjustment to the financial results for the quarter and nine month period ended 31 December 2020 other than the adjustment which was already carried out in previous quarter.

- 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 30 September 2020 is Rs 14,700 lakhs to be trued up on the closing date of transaction. 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. Since the above transaction is subject to approvals from shareholders and statutory bodies, which are considered to be substantive, the accounting effect of the above has not been considered in these financial results.

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

- 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.

- 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.

for HCL Infosystems Limited

Place : Noida  
Date : February 10, 2021

Nikhil Sinha  
Chairperson