



HFCL LIMITED

Our Company was originally incorporated as 'Himachal Futuristic Communications Limited' as a public limited company under the Companies Act, 1956 pursuant to a certificate of incorporation dated on May 11, 1987 issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar. Our Company commenced business on July 13, 1987 pursuant to a certificate of commencement of business issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. Subsequently, the name of our Company was changed to 'HFCL Limited' pursuant to a certificate of incorporation dated October 1, 2019 issued by the Registrar of Companies, Himachal Pradesh consequent to the change of name of our Company. For further details, please see "General Information" on page 251.

Registered Office: 8, Electronics Complex, Chambaaghat, Solan – 173 213, Himachal Pradesh, India.
Corporate Office: 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi - 110 048, India
Telephone: +91-1792-230644; **E-mail:** secretarial@hfcl.com; **Website:** www.hfcl.com; **CIN:** L64200HP1987PLC007466

Issue of up to 5,10,14,491 equity shares of face value ₹ 1 each of our Company ("Equity Shares") at a price of ₹ 69 per Equity Share, including a premium of ₹ 68 per Equity Share (the "Issue Price"), aggregating up to approximately ₹ 352.00 crores (the "Issue"). For further details, see "Summary of the Issue" on page 33.

THIS ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 AND SECTION 62 OF THE COMPANIES ACT, 2013 READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER, EACH AS AMENDED (THE "COMPANIES ACT")

OUR COMPANY HAS PREPARED THIS PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE ISSUE. THE ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QIBs (AS DEFINED HEREINAFTER) IN RELIANCE UPON SECTIONS 42 AND 62 OF THE COMPANIES ACT, OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT AND CHAPTER VI OF THE SEBI ICDR REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR. THE ISSUE DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PROSPECTIVE INVESTOR OR CLASS OR CATEGORY OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBs. THIS PLACEMENT DOCUMENT SHALL BE CIRCULATED ONLY TO SUCH ELIGIBLE QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES.

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN VIOLATION OF THE COMPANIES ACT, THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OF OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "RISK FACTORS" ON PAGE 42 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE, EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES TO BE ISSUED PURSUANT TO THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT (AS DEFINED HEREINAFTER). PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND OUR COMPANY. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THE PRELIMINARY PLACEMENT DOCUMENT AND/OR THIS PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISOR AND/OR LEGAL ADVISOR.

The Equity Shares are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE", and together with BSE, the "Stock Exchanges"). The closing price of the outstanding Equity Shares on BSE and NSE as on August 28, 2023 was ₹ 71.30 and ₹ 71.45 per Equity Share, respectively. In-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations"), for listing of the Equity Shares to be issued pursuant to the Issue, have been received from BSE and NSE on August 28, 2023. Our Company shall make applications to the Stock Exchanges for obtaining the final listing and trading approvals for the Equity Shares to be issued pursuant to the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or of the Equity Shares.

A copy of the Preliminary Placement Document and this Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. Our Company shall also make requisite filings with the RoC (as defined hereinafter), within the stipulated timeframe prescribed under the Companies Act and the PAS Rules (as defined hereinafter), as amended. This Placement Document has not been reviewed by SEBI, the Stock Exchanges, RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs (as defined hereinafter). This Placement Document has not been and will not be filed as a prospectus with the RoC, will not be circulated or distributed to the public in India or any other jurisdiction, and the Issue will not constitute a public offer in India or any other jurisdiction.

Invitations, offers and sales of Equity Shares to be issued pursuant to the Issue has only be made pursuant to the Preliminary Placement Document together with the Application Form, this Placement Document and the Confirmation of Allocation Note (as defined hereinafter). For further details, see "Issue Procedure" on page 204. The distribution of this Placement Document or the disclosure of its contents, without our Company's prior consent, to any person, other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in "offshore transactions", as defined in and in reliance on Regulation S under the U.S. Securities Act ("Regulation S") and the applicable laws of the jurisdictions where those offers and sales are made. See "Selling Restrictions" on page 219 for information about eligible offerees for the Issue and "Purchaser Representations and Transfer Restrictions" on page 227 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

The information on our Company's website or any website directly or indirectly linked to our Company's website or the website of the BRLM (as defined hereinafter) or any of its affiliates does not constitute nor form a part of this Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites for their investment in this Issue.

This Placement Document is dated August 31, 2023.

BOOK RUNNING LEAD MANAGER



MONARCH
NETWORK CAPITAL

MONARCH NETWORK CAPITAL LIMITED

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to our Company, our Subsidiaries and the Equity Shares which is material in the context of the Issue. The statements contained in this Placement Document relating to our Company, our Subsidiaries and the Equity Shares are, in all material respects, true, accurate and not misleading, and the opinions and intentions expressed in this Placement Document with regard to our Company, our Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Company and our Subsidiaries. There are no other facts in relation to our Company, Subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, our Company has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. Unless otherwise stated, all information in this Placement Document is provided as of the date of this Placement Document and neither our Company, our Subsidiaries nor the Book Running Lead Manager has any obligation to update such information to a later date.

The BRLM has not separately verified all of the information contained in the Preliminary Placement Document and this Placement Document (financial, legal or otherwise). Accordingly, neither the BRLM nor any of its respective shareholders, employees, counsels, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the BRLM and/or by any of its respective shareholders, employees, counsels, officers, directors, representatives, agents, associates or any other affiliates as to the accuracy or completeness of the information contained in the Preliminary Placement Document and this Placement Document or any other information (financial, legal or otherwise) supplied in connection with our Company, our Subsidiaries and the Equity Shares or distribution of the Preliminary Placement Document and this Placement Document. Each person receiving the Preliminary Placement Document and this Placement Document acknowledges that such person has not relied either on the BRLM or on any of its respective shareholders, employees, counsels, officers, directors, representatives, agents, associates or any other affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Company, our Subsidiary and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or by or on behalf of the BRLM. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to this Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the United States Securities and Exchange Commission, any other federal or state authorities in the United States, the securities authorities of any non-United States jurisdiction or any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States, unless so registered, and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in "*offshore transactions*", as defined in and in reliance on Regulation S and the applicable laws of the jurisdictions where those offers and sales are made. For further information, see "*Selling Restrictions*" and "*Purchaser Representations and Transfer Restrictions*" on pages 219 and 227, respectively.

The distribution of this Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than Eligible QIBs specified by the BRLM or its representatives, and those retained by Eligible QIBs to advise them with respect to their purchase of the Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and not further distribute or make any copies of this Placement Document or any documents referred

to in this Placement Document. Any reproduction or distribution of this Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Placement Document and the issue of Equity Shares may be restricted in certain countries or jurisdictions by applicable laws. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any country or jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, except for India, no action has been taken by our Company and the BRLM that would permit an offering of the Equity Shares or distribution of this Placement Document in any country or jurisdiction, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and none of the Preliminary Placement Document or this Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. For a description of the restrictions applicable to the offer and sale of the Equity Shares in the Issue in certain jurisdictions, see “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 219 and 227, respectively.

In making an investment decision, the prospective investors must rely on their own examination of our Company, our Subsidiaries, the Equity Shares and the terms of the Issue, including the merits and risks involved. Prospective investors should not construe the contents of the Preliminary Placement Document or this Placement Document as legal, business, tax, accounting or investment advice. Prospective investors should consult their own counsel and advisors as to business, investment, legal, tax, accounting and related matters concerning the Issue. In addition, our Company or the BRLM are not making any representation to any investor, purchaser, offeree or subscriber of the Equity Shares in relation to the Issue regarding the legality or suitability of an investment in the Equity Shares by such investor, purchaser, offeree or subscriber under applicable legal, investment or similar laws or regulations. The prospective investors of the Equity Shares should conduct their own due diligence on the Equity Shares and our Company.

Each investor, purchaser, offeree or subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is an Eligible QIB and is eligible to invest in India and in our Company under applicable law, including Chapter VI of the SEBI ICDR Regulations, Sections 42 and 62 of the Companies Act, Rule 14 of the PAS Rules and other provisions of the Companies Act, and that it is not prohibited by SEBI or any other regulatory, statutory or judicial authority, in India or any other jurisdiction, from buying, selling or dealing in securities including the Equity Shares. Each investor, purchaser, offeree or subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

This Placement Document does not purport to contain all the information that any Eligible QIB may require. Further, this Placement Document has been prepared for information purposes to the Issue only and upon the express understanding that it will be used for the purposes set forth herein.

The Company does not undertake to update this Placement Document to reflect subsequent events after the date of this Placement Document and thus it should not be relied upon with respect to such subsequent events without first confirming the accuracy or completeness with the Company. Neither the delivery of the Preliminary Placement Document or this Placement Document nor any issue of Equity Shares made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date hereof.

The information on our Company’s website, www.hfcl.com, or any website directly or indirectly linked to the website of our Company or on the website of the BRLM or any of its affiliates, does not constitute nor form part of this Placement Document. Prospective investors should not rely on any such information contained in, or available through, any such websites.

The Company agrees to comply with any undertakings given by it from time to time in connection with the Equity Shares to the Stock Exchanges and without prejudice to the generality of foregoing, shall furnish to the Stock Exchanges all such information as the rules of the Stock Exchanges may require in connection with the listing of the Equity Shares on the Stock Exchanges.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

This Placement Document is not an offer to sell securities and is not soliciting an offer to subscribe to or buy securities in any jurisdiction where such offer, solicitation, sale or subscription is not permitted. For information to investors in certain other jurisdictions, see “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 219 and 227, respectively.

REPRESENTATIONS BY INVESTORS

All references to “you” or “your” in this section are to the Bidders in this Issue. By bidding for and/or subscribing to any of the Equity Shares in this Issue, you are deemed to have represented, warranted, acknowledged and agreements set forth in the sections “*Notice to Investors*”, “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 1, 219 and 227, respectively, and to have represented, warranted and acknowledged to and agreed to us and the BRLM as follows:

- You are a “**Qualified Institutional Buyer**” as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allotted (hereinafter defined) to you in accordance with Chapter VI of the SEBI ICDR Regulations, the Companies Act, 2013 and all other applicable laws; and (ii) comply with all requirements under applicable law in this relation, including reporting obligations, requirements/ making necessary filings, if any, in connection with the Issue or otherwise accessing capital markets;
- You are eligible to invest in India under applicable law, including the FEMA Rules (as defined hereinafter) and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling, or dealing in securities or otherwise accessing capital markets in India;
- If you are not a resident of India, but a QIB, you are an Eligible FPI (and are not an individual, corporate body or a family office), having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including the SEBI FPI Regulations, FEMA Rules, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling, dealing in securities or otherwise accessing the capital markets. You confirm that you are not an FVCI;
- You will provide the information as required under the Companies Act, the PAS Rules and applicable SEBI ICDR Regulations and rules for record keeping by our Company, including your name, complete address, phone number, e-mail address, permanent account number (if applicable) and bank account details and such other details as may be prescribed or otherwise required even after the closure of the Issue;
- You are eligible to invest and hold the Equity Shares of our Company in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules.
- If you are Allotted Equity Shares, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges;
- You are aware that the Preliminary Placement Document and this Placement Document will not be filed as a prospectus with the RoC under the Companies Act, the SEBI ICDR Regulations or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs. The Preliminary Placement Document and this Placement Document (which includes disclosures prescribed under Form PAS-4) has not been reviewed, verified or affirmed by the RBI, SEBI, the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs;
- The Preliminary Placement Document was filed, and this Placement Document has been filed, with the Stock Exchanges and the Preliminary Placement Document and this Placement Document has been displayed on the websites of our Company and the Stock Exchanges;
- You are permitted to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions that apply to you and that you have fully observed such laws and you have necessary capacity, have obtained all necessary consents, governmental or otherwise and authorisations and complied and shall comply with all necessary formalities, to enable you to participate in the Issue and to perform your obligations in relation

thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in the Preliminary Placement Document and this Placement Document), and will honour such obligations;

- You are aware that, our Company, the BRLM or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates are not making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment, be a client of the BRLM. The BRLM or any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates do not have any duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not, in any way, acting in any fiduciary capacity in relation to you;
- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents (the “**Company Presentations**”) with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the BRLM may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and is therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLM has advised you not to place undue reliance in any way on any information that was provided to you at such Company Presentations, and (b) confirm that you have not been provided any material or price sensitive information relating to our Company and the Issue that was not publicly available;
- Your decision to subscribe to the Equity Shares to be issued pursuant to the Issue has not been made on the basis of any information, which is not set forth in the Preliminary Placement Document and this Placement Document;
- You are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act;
- You understand that the Equity Shares issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association of our Company and will be credited as fully paid and will rank *pari passu* in all respects with the existing Equity Shares including the right to receive dividend and other distributions declared.
- All statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding us or our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. You are aware that, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Placement Document. None of our Company, the BRLM or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates assume any responsibility to update any of the forward-looking statements contained in this Placement Document;
- You are aware and understand that the Equity Shares are being offered only to Eligible QIBs on a private placement basis and are not being offered to the general public, or any other category other than Eligible QIBs, and the Allotment of the same shall be at the sole discretion of our Company, in consultation with the BRLM;
- You are aware that in terms of the requirements of the Companies Act, upon Allocation, our Company will be required to disclose names and percentage of post-Issue shareholding of the proposed Allottees in this Placement Document, as applicable. However, disclosure of such details in relation to the proposed

Allottees in this Placement Document does not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Company, in consultation with the BRLM;

- You are aware that the pre-Issue and post-Issue shareholding pattern of our Company, as required by the SEBI Listing Regulations, has been filed by our Company with the Stock Exchanges;
- You are aware that if you together with any other Eligible QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of the Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures;
- You have been provided a serially numbered copy of the Preliminary Placement Document and this Placement Document and have read it in its entirety, including in particular, “*Risk Factors*” on page 42;
- In making your investment decision, you have (i) relied on your own examination of us, the Equity Shares and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of us, the Equity Shares and the terms of the Issue, based solely on and in reliance of the information contained in the Preliminary Placement Document and this Placement Document and no other disclosure or representation by our Company or any other party, (iii) consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws (including tax laws), (iv) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of us and the Equity Shares, and (v) relied upon your own investigation and resources in deciding to invest in the Issue;
- Neither the Company nor the BRLM nor any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares);
- You will obtain your own independent tax advice from a service provider and will not rely on the BRLM or any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including in relation to limited to the Issue and the use of the proceeds from the Equity Shares). You waive, and agree not to assert any claim against us or the BRLM or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;
- You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any managed accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company and/or the BRLM or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Company of any of its respective obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares; and (vi) are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute. You are aware that investment in Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment;
- If you are acquiring the Equity Shares to be issued pursuant to this Issue for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and hereby make the representations, warranties, acknowledgements, undertakings and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;

- You are not a ‘promoter’ of our Company as defined under the Companies Act and the SEBI ICDR Regulations, and are not a person related to our Promoters, either directly or indirectly and your Bid (hereinafter defined) does not directly or indirectly represent our Promoters or members of our Promoter Group (as defined under the SEBI ICDR Regulations) or persons or entities related thereto;
- You have no rights under a shareholders’ agreement or voting agreement entered into with the Promoters or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board of Directors of our Company, other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares, the acquisition of which shall not deem you to be a Promoters or a person related to the Promoters;
- You agree that in terms of Section 42 of the Companies Act and Rule 14 of the PAS Rules, we shall file the list of Eligible QIBs (to whom the Preliminary Placement Document has been circulated) along with other particulars including your name, complete address, phone number, e-mail address, permanent account number and bank account details, including such other details as may be prescribed or otherwise required even after the closure of the Issue with the RoC and SEBI within 30 days of circulation of the Preliminary Placement Document and other filings required under the Companies Act, 2013;
- You will have no right to withdraw your Bid or revise your Bid downwards after the Bid/ Issue Closing Date (as defined hereinafter);
- You are eligible to Bid for and hold the Equity Shares so Allotted, together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;
- The Bid made by you would not ultimately result in triggering an open offer under the SEBI Takeover Regulations as defined herein) and you shall be solely responsible for compliance with all other applicable provisions of the SEBI Takeover Regulations;
- Your aggregate equity shareholding in our Company, together with other Eligible QIBs that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:
 - (a) Eligible QIBs “belonging to the same group” shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary or holding company and any other Eligible QIBs; and
 - (b) ‘Control’ shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the SEBI Takeover Regulations;
- You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for such Equity Shares to be issued pursuant to this Issue, are issued by the Stock Exchanges;
- You are aware that (i) applications for in-principle approval, in terms of Regulation 28(1)(a) of the SEBI Listing Regulations, for listing and admission of the Equity Shares to be issued pursuant to the Issue and for trading on the Stock Exchanges, were made and an in-principle approval has been received by our Company from each of the Stock Exchanges, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final listing and trading approvals for listing of the Equity Shares, to be issued pursuant to this Issue, will be obtained in time or at all. Neither our Company nor the BRLM nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates shall be responsible for any delay or non-receipt of such final listing and trading approvals or any loss arising from such delay or non-receipt;
- You are aware and understand that the BRLM has entered into a Placement Agreement with our Company whereby the BRLM has, subject to the satisfaction of certain conditions set out therein, severally and not

jointly, undertaken to use its reasonable efforts to procure subscription for the Equity Shares on the terms and conditions set forth therein;

- You understand that the contents of the Preliminary Placement Document and this Placement Document are exclusively the responsibility of our Company, and that neither the BRLM nor any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates nor any person acting on its or their behalf or any of the counsels or advisors to the Issue has or shall have any liability for any information, representation or statement contained in the Preliminary Placement Document and this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in the Preliminary Placement Document and this Placement Document or otherwise. By accepting a participation in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the BRLM or our Company or any other person, and the BRLM or our Company or any of their respective affiliates, including any view, statement, opinion or representation expressed in any research published or distributed by them, the BRLM and its respective affiliates will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;
- You understand that the BRLM or any of its respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including the non-performance by our Company or any of its obligations or any breach of any representations or warranties by us, whether to you or otherwise;
- You are able to purchase the Equity Shares in accordance with the restrictions described in “*Selling Restrictions*” on page 219 and you have made, or are deemed to have made, as applicable, the representations, warranties, acknowledgements, undertakings and agreements in “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 219 and 227, respectively;
- You understand that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and unless so registered, may not be offered, sold or delivered within the United States, except in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.
- You are outside the United States, and you are subscribing for the Equity Shares in an “offshore transaction” as defined in and in compliance with Regulation S, and are not our Company’s or the BRLM’s affiliate or a person acting on behalf of such an affiliate;
- You are not acquiring or subscribing for the Equity Shares as a result of any “general solicitation” or “general advertising” (as those terms are defined in Regulation D under the Securities Act) or “directed selling efforts” (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the U.S. Securities Act.
- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document.
- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;
- You agree to indemnify and hold our Company, the BRLM and their respective directors, officers, employees, affiliates, associates, controlling persons and representatives harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in

the Preliminary Placement Document and this Placement Document. You agree that the indemnity set out in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

- You acknowledge that the Preliminary Placement Document and this Placement Document do not confer upon or provide you with any right of renunciation of the Equity Shares offered through the Issue in favour of any person;
- You will make the payment for subscription to the Equity Shares pursuant to this Issue from your own bank account. In case of joint holders, the monies shall be paid from the bank account of the person whose name appears first in the application;
- You are aware that in terms of the SEBI FPI Regulations and the FEMA Rules, the total holding by each FPI including its investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than fifty percent or common control) shall be below 10% of the total paid-up equity share capital of our Company on a fully diluted basis and the total holdings of all FPIs put together shall not exceed the sectoral cap applicable to our Company. In terms of the FEMA Rules, for calculating the total holding of FPIs in a company, holding of all registered FPIs shall be included. Hence, Eligible FPIs may invest in such number of Equity Shares in this Issue such that (i) the individual investment of the FPI in our Company does not exceed 10% of the post-Issue paid-up Equity Share capital of our Company on a fully diluted basis and (ii) the aggregate investment by FPIs in our Company does not exceed the sectoral cap applicable to our Company. In case the holding of an FPI together with its investor group increases to 10% or more of the total paid-up Equity Share capital, on a fully diluted basis, such FPI together with its investor group shall divest the excess holding within a period of five trading days from the date of settlement of the trades resulting in the breach. If however, such excess holding has not been divested within the specified period of five trading days, the entire shareholding of such FPI together with its investor group will be re-classified as FDI, subject to the conditions as specified by SEBI and the RBI in this regard and compliance by our Company and the investor with applicable reporting requirements and the FPI and its investor group will be prohibited from making any further portfolio investment in our Company under the SEBI FPI Regulations;
- You confirm that neither is your investment as an entity of a country which shares land border with India nor is the beneficial owner of your investment situated in or a citizen of such country (in each which case, investment can only be through the Government approval route), and that your investment is in accordance with consolidated FDI Policy, issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, and Rule 6 of the FEMA Rules;
- You are aware and understand that you are allowed to place a Bid for Equity Shares. Please note that submitting a Bid for Equity Shares should not be taken to be indicative of the number of Equity Shares that will be Allotted to a successful Bidder. Allotment of Equity Shares will be undertaken by our Company, in its absolute discretion, in consultation with the BRLM.
- You represent that you are not an affiliate of our Company or the BRLM or a person acting on behalf of such affiliate.
- Our Company, the BRLM, their respective affiliates, directors, officers, counsels, employees, shareholders, representatives, agents, controlling persons and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, and are irrevocable. It is agreed that if any of such representations, warranties, acknowledgements and undertakings are no longer accurate, you will promptly notify our Company and the BRLM; and
- You will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an Eligible FPI including affiliates of the BRLM, which is registered as a Category I FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying, and all such offshore derivative instruments are referred to herein as “**P-Notes**”), and persons who are eligible for registration as Category I FPIs can subscribe to or deal in such P-Notes provided that in the case of an entity that has an investment manager who is from the Financial Action Task Force member country, such investment manager shall not be required to be registered as a Category I FPI. The above-mentioned category I FPIs may receive compensation from the purchasers of such instruments. In terms of Regulation 21 of SEBI FPI Regulations, P-Notes may be issued only by such persons who are registered as Category I FPIs and they may be issued only to persons eligible for registration as Category I FPIs, subject to exceptions provided in the SEBI FPI Regulations and compliance with ‘know your client’ requirements, as specified by SEBI and subject to compliance with such other conditions as may be specified by SEBI from time to time. An Eligible FPI shall also ensure that no transfer of any instrument referred to above is made to any person unless such FPIs are registered as Category I FPIs and such instrument is being transferred only to person eligible for registration as Category I FPIs subject to requisite consents being obtained in terms of Regulation 21 of SEBI FPI Regulations. P-Notes have not been and are not being offered or sold pursuant to the Preliminary Placement Document and this Placement Document. This Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including without limitation, any information regarding any risk factors relating thereto.

Subject to certain relaxations provided under Regulation 22(4) of the SEBI FPI Regulations, investment by a single FPI including its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control,) is not permitted to be 10% or above of our post-Issue Equity Share capital on a fully diluted basis (“**Investment Restrictions**”). The SEBI has, *vide* a circular dated November 5, 2019, issued the operational guidelines for FPIs, designated depository participants and eligible foreign investors (the “**FPI Operational Guidelines**”), to facilitate implementation of the SEBI FPI Regulations. In terms of such FPI Operational Guidelines, the Investment Restrictions shall also apply to subscribers of P-Notes and two or more subscribers of P-Notes having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single subscriber of the P-Notes. Further, in the event a prospective investor has investments as an FPI and as a subscriber of P-Notes, the Investment Restrictions shall apply on the aggregate of the FPI investments and P-Notes positions held in the underlying company.

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, read with the FDI Policy, issued by the Department for Promotion of Industry and Internal Trade, Government of India, investments where the entity is of a country which shares land border with India or where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the FDI Policy and FEMA rules. These investment restrictions shall also apply to subscribers of P-Notes.

Affiliates of the BRLM which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof. Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the BRLM do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLM and does not constitute any obligations of or claims on the BRLM.

Bidders interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document and this Placement Document has been submitted to each of the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of the contents of the Preliminary Placement Document and this Placement Document; or
2. warrant that the Equity Shares to be issued pursuant to this Issue, will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company;

It should not, for any reason be deemed or construed to mean that the Preliminary Placement Document and this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to 'you', 'bidder', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the Eligible QIBs who are the prospective investors in the Equity Shares issued pursuant to the Issue, references to "our Company", "the Company" or the "Issuer" are to HFCL Limited on a standalone basis and references to 'we', 'us', 'our' or the 'Group' are to HFCL Limited together with our Subsidiaries and our Associates as well, on a consolidated basis.

Currency and units of presentation

In this Placement Document, references to 'US\$', 'USD' and 'U.S. dollars' are to the official currency of the United States of America, references to '₹', 'INR', 'Rs.', 'Indian Rupees' and 'Rupees' are to official currency of Republic of India, references to "EUR" or "€" are to Euro, the official currency of the European Union, references to "GBP" or "£" are to British pound, the official currency of the United Kingdom, references to "JPY" are to Japanese yen, the official currency of Japan and references to "AED" are to the United Arab Emirates Dirham, the official currency of the United Arab Emirates,. All references herein to the 'US' or 'U.S.' or the 'United States' are to the United States of America and its territories and possessions. All references herein to "India" are to the Republic of India and its territories and possessions and all references herein to the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

Figures in this Placement Document have been presented in crores or in whole numbers where the numbers have been too small to present in crores unless stated otherwise. Further, certain figures in the "*Industry Overview*" section of this Placement Document have been presented in millions and billions. Our Audited Consolidated Financial Statements for Fiscal 2023 and Unaudited Consolidated Financial Results as at and for the three month period ended June 30, 2023 are prepared in crores and have been presented in this Placement Document in crores for presentation purposes.

In this Placement Document, references to "crore(s)" represents "1,00,00,000", "million" represents "0.1 crore" or "1,00,000", "lakh(s)" represents "1,00,000" or "0.1 million" and "billion" represents "1,00,00,00,000" or "1,000 million" or "100 crore".

Unless otherwise specified, all financial numbers in parentheses represent negative figures.

Page numbers

Unless otherwise stated, all references to page numbers in this Placement Document are to page numbers of this Placement Document.

Financial data and other information

The financial year of our Company commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to the terms "Fiscal", "Fiscals" or "Fiscal year", "FY", refer to the 12 month period ending March 31 of that particular year.

Unless stated otherwise or unless the context requires otherwise, the financial data in this Placement Document is derived from the Audited Consolidated Financial Statements and the Unaudited Consolidated Financial Results. The Audited Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standards ("**Ind AS**"), notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, prescribed under section 133 of the Companies Act, 2013, read with the relevant rules issued thereunder and the other accounting principles generally accepted in India and guidance notes specified by the Institute of Chartered Accountants of India, which have been included in this Placement Document. The Audited Consolidated Financial Statements and the Unaudited Consolidated Financial Results should be read along with the respective reports issued thereon. For further information, see "*Financial Statements*" on page 254.

Our Company presents its financial statements under Ind AS. Ind AS differs from accounting principles with which prospective investors may be familiar in other countries, including generally accepted accounting principles followed in the U.S. (“**U.S. GAAP**”) or International Financial Reporting Standards (“**IFRS**”). Our Company does not attempt to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Placement Document, nor does our Company provide a reconciliation of its audited consolidated financial statements to IFRS or U.S. GAAP. Accordingly, the degree to which the Audited Consolidated Financial Statements and the Unaudited Consolidated Financial Results included in this Placement Document will provide meaningful information is entirely dependent on the reader’s familiarity with the respective Indian accounting policies and practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. Prospective investors are advised to consult their advisors before making any investment decision.

Certain figures contained in this Placement Document, including financial information, have been subject to rounding adjustments. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given, and (ii) the sum of the figures in a column or row in certain tables may not conform exactly to the total figure given for that column or row. All figures from or derived from the Audited Consolidated Financial Statements and the Unaudited Consolidated Financial Results are in decimals and have been rounded off to two decimal points, as has been presented in the Audited Consolidated Financial Statements and the Unaudited Consolidated Financial Results. Certain operational numbers may have been rounded off to one decimal point in some instances. Unless otherwise specified, all financial numbers in parenthesis represent negative figures. Further, any figures sourced from third-party industry sources may be rounded off to other than two decimal points to conform to their respective sources.

Non-GAAP financial measures

As used in this Placement Document, a non-GAAP financial measure is one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable Ind AS measures. From time to time, reference is made in this Placement Document to certain “non-GAAP financial measures,” such as EBITDA, or earnings before interest, taxes and depreciation and amortization, operating EBITDA and interest coverage ratio. Our management believes that EBITDA and other non-GAAP financial measures provide investors with additional information about our performance, as well as ability to incur and service debt and make capital expenditures and are measures commonly used by investors. The non-GAAP financial measures described herein are not a substitute for Ind AS (or IFRS) measures of earnings and may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated. In addition, you should note, that other companies in the same industry as ours may calculate and present these data in a different manner and, therefore, you should use caution in comparing our data with data presented by other companies, as the data may not be directly comparable.

INDUSTRY AND MARKET DATA

Information regarding market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by governmental bodies, professional organisations and analysts and on data from other external sources, and on our knowledge of markets in which we compete.

Unless stated otherwise, statistical information, industry and market data used throughout this Placement Document has been obtained from the report titled “*An Industry Report on OFC and Telecom equipment, Railway Communication services & Defence Electronics*” dated August 2023 (“**Feedback Advisory Report**”), which is a report commissioned and paid for by us and prepared by Feedback Advisory Services Private Limited.

This information is subject to change and cannot be certified with complete certainty due to limits on the availability and reliability of raw data and other limitations and uncertainties inherent in any statistical survey. The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data. Further, the calculation of certain statistical and/ or financial information/ ratios specified in the sections titled “*Business*”, “*Risk Factors*”, “*Management’s Discussions and Analysis of Results of Operations and Financial Condition*” and otherwise in this Placement Document may vary from the manner such information is calculated under and for purposes of, and as specified in, the Feedback Advisory Report. Data from these sources may also not be comparable.

Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. Such information involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in “*Risk Factors – We have had negative cash flows from investing activities and financing activities, in the past and may continue to have negative cash flows in the future*” on page 61.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute “forward-looking statements.” Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “can”, “could”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will pursue”, “will achieve”, or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition, results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts.

These forward-looking statements and any other projections contained in this Placement Document (whether made by our Company or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or other projections.

Important factors that could cause our actual results, performances and achievements to be materially different from any of the forward-looking statements include, among others:

- Any adjustment, cancellation or suspension of contracts in our Order Book by customers;
- Cancellation and changes in scope of services in the award of large-scale turnkey project awards;
- Any loss, slowdown or shutdown of operations in any of our manufacturing operations;
- Inability to effectively compete;
- Any unanticipated delays in implementation of our capacity expansion plans and cost overruns;
- Any delays or cost overruns that may cause us to incur additional cost to fund the “USE OF PROCEEDS”;

Additional factors that could cause our actual results, performance or achievements to differ include but are not limited to, those discussed in “*Risk Factors*”, “*Our Business*”, “*Industry Overview*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 42, 127, 93 and 146, respectively.

By their nature, certain of the market risk disclosures are only estimates and could be materially different from what occurs in the future. As a result, actual future gains, losses or impact on revenue or income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by and information currently available to the management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and neither we, the BRLM nor any of its affiliates undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or cash flows or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All our Directors and Key Management Personnel named in this Placement Document, are residents of India and a significant portion of the assets of our Company are located in India. As a result, it may be difficult or may not be possible for the prospective investors outside India to affect service of process upon our Company or such persons in India, or to enforce against them judgments of courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A, respectively, of the Code of Civil Procedure, 1908, as amended (“**Civil Procedure Code**”). Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title, except:

1. where the judgment has not been pronounced by a court of competent jurisdiction;
2. where the judgment has not been given on the merits of the case;
3. where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable;
4. where the proceedings in which the judgment was obtained were opposed to natural justice;
5. where the judgment has been obtained by fraud; and
6. where the judgment sustains a claim founded on a breach of any law then in force in India.

A foreign judgment which is conclusive under Section 13 of the Civil Procedure Code may be enforced either by a fresh suit upon the judgment or by proceedings in execution. Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. Under Section 14 of the Civil Procedure Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Each of the United Kingdom, United Arab Emirates, Singapore and Hong Kong, amongst others has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution. The suit must be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy of India and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award denominated in a foreign currency would be converted into Indian Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax pursuant to execution of such a judgment in accordance with applicable laws. It is unlikely that an Indian court would enforce foreign judgments that would be contrary to or in violation of Indian law. Our Company and the Book Running Lead Manager cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

EXCHANGE RATES INFORMATION

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares traded on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information, for the period indicated with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US\$), for the periods indicated. The exchange rates are based on the reference rates released by the RBI and Financial Benchmark India Private Limited (“**FBIL**”), which are available on the website of the RBI and FBIL. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

(₹ per US\$)

	Period end ⁽¹⁾	Average ⁽²⁾	High ⁽³⁾	Low ⁽⁴⁾
Fiscal ended:				
March 31, 2023	82.22	80.39	83.20	75.39
March 31, 2022	75.81	74.51	76.92	72.48
March 31, 2021	73.50	74.20	76.81	72.29
Month ended				
July 31, 2023	82.25	82.15	82.68	81.81
June 30, 2023	82.04	82.23	82.64	81.88
May 31, 2023	82.68	82.34	82.80	81.74
April 30, 2023	81.78	82.02	82.39	81.65

(Source: www.rbi.org.in and www.fbil.org.in)

(₹ per GBP)

	Period end ⁽¹⁾	Average ⁽²⁾	High ⁽³⁾	Low ⁽⁴⁾
Fiscal ended:				
March 31, 2023	101.87	96.83	102.23	86.62
March 31, 2022	99.55	101.78	104.58	99.36
March 31, 2021	100.95	97.06	102.66	91.95
Month ended				
July 31, 2023	105.76	105.81	107.64	103.78
June 30, 2023	103.51	103.81	105.04	102.40
May 31, 2023	102.38	102.73	103.61	102.03
April 30, 2023	102.03	101.98	102.61	101.24

(Source: www.rbi.org.in and www.fbil.org.in)

(₹ per EUR)

	Period end ⁽¹⁾	Average ⁽²⁾	High ⁽³⁾	Low ⁽⁴⁾
Fiscal ended:				
March 31, 2023	89.61	83.72	90.26	78.34
March 31, 2022	84.66	86.56	90.51	83.48
March 31, 2021	86.10	86.67	90.31	81.50
Month ended				
July 31, 2023	90.58	90.84	92.29	89.15
June 30, 2023	89.13	89.07	89.97	88.07
May 31, 2023	88.36	89.48	90.54	88.36
April 30, 2023	90.09	89.87	90.52	89.05

(Source: www.rbi.org.in and www.fbil.org.in)

(₹ per JPY)

	Period end ⁽¹⁾	Average ⁽²⁾	High ⁽³⁾	Low ⁽⁴⁾
Fiscal ended:				
March 31, 2023	61.80	59.41	63.94	55.09
March 31, 2022	62.23	66.32	69.43	61.57
March 31, 2021	66.36	70.02	71.64	66.26
Month ended				
July 31, 2023	58.06	58.26	59.51	56.56
June 30, 2023	56.77	58.26	59.28	56.77
May 31, 2023	59.30	60.04	61.12	58.81
April 30, 2023	60.36	61.36	62.49	60.36

(Source: www.rbi.org.in and www.fbil.org.in)

(₹ per AED)

	Period end ⁽¹⁾	Average ⁽²⁾	High ⁽³⁾	Low ⁽⁴⁾
Fiscal ended:				
March 31, 2023	22.38	21.88	22.62	20.54
March 31, 2022	20.68	20.30	21.00	19.71
March 31, 2021	19.95	20.22	20.97	19.70
Month ended				
July 31, 2023	22.39	22.38	22.53	22.27
June 30, 2023	22.35	22.38	22.51	22.30
May 31, 2023	22.53	22.43	22.59	22.25
April 30, 2023	22.28	22.32	22.43	22.26

(Source: <https://www.currency-converter.org.uk/currency-rates/historical/table/AED-INR.html>)

1. The price for the period end refers to the price as on the last trading day of the respective annual or monthly periods.
2. Average of the official rate for each Working Day of the relevant period.
3. Maximum of the official rate for each Working Day of the relevant period.
4. Minimum of the official rate for each Working Day of the relevant period.

Note:

- In case of holidays, the exchange rate on the last traded day of the month has been considered as the rate for the period end.
- High, low and average are based on the RBI reference rates and rounded off to two decimal places.

DEFINITIONS AND ABBREVIATIONS

This Placement Document uses the definitions and abbreviations set forth below which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Placement Document is intended for the convenience of the reader / prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Placement Document shall have the meaning as defined hereunder. Further, any references to any statute, rules, guidelines, regulations, agreement, document or policies shall include amendments made thereto, from time to time.

The words and expressions used in this Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act, or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in the section “*Industry Overview*”, “*Statement of Possible Tax Benefits*”, “*Legal Proceedings*” and “*Financial Statements*” on pages 93, 237, 245 and 254, respectively, shall have the meaning given to such terms in such sections.

General Terms

Term	Description
Our Company / the Company / the Issuer	HFCL Limited, a company incorporated in India under the Companies Act, 1956, having its registered office at 8, Electronics Complex, Chambaghat, Solan – 173 213, Himachal Pradesh, India
the Group / us / we / our	Unless the context otherwise indicates or implies, refers to our Company and our Subsidiaries and our Associates

Company Related Terms

Term	Description
Articles / Articles of Association / AoA	The articles of association of our Company as amended from time to time
Associate(s)	Our associate companies namely, Nimpaa Telecommunications Private Limited and BigCat Wireless Private Limited
Audit Committee	The audit committee of our Board of Directors
Audited Consolidated Financial Statements	Collectively, the audited consolidated financial statements of our Company, its Subsidiaries and Associates as of and for the years ended March 31, 2023, 2022 and 2021 which have been prepared in accordance with the Ind AS, as specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Companies Act, 2013 to the extent applicable, each comprising of the consolidated balance sheet, consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flow and the consolidated statement of changes in equity, including summary of significant accounting policies and other explanatory information to the respective consolidated financial statements.
Auditors or Statutory Auditors	The current statutory auditors of our Company, namely, S Bhandari & Co LLP, Chartered Accountants and Oswal Sunil & Company, Chartered Accountants
Board of Directors / Board	The board of directors of our Company or any duly constituted committee thereof, as the context may require
Chief Financial Officer	The chief financial officer of our Company, being Vijay Raj Jain
Company Secretary and Compliance Officer	The company secretary and compliance officer of our Company, being Manoj Baid
Corporate Office	8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi - 110 048, India
Corporate Social Responsibility Committee	The corporate social responsibility committee constituted by our Board of Directors
Director(s)	Director(s) on the Board of our Company, unless otherwise specified
Equity Shares	The equity shares of our Company of face value ₹ 1 each
Feedback Advisory Report	Report titled “ <i>An Industry Report on OFC and Telecom equipment, Railway Communication services & Defence Electronics</i> ” dated August 2023 issued by Feedback Advisory
HFCL Plan 2017	Himachal Futuristic Communications Limited Employees’ Long Term Incentive Plan – 2017

Term	Description
Independent Director(s)	The non-executive and independent Directors of our Company appointed as per the Companies Act, 2013 and the SEBI Listing Regulations, as disclosed in “ <i>Board of Directors and Senior Management</i> ” on page 190
Key Management Personnel	Key management personnel of our Company in terms of Section 2(51) of the Companies Act, as disclosed in “ <i>Board of Directors and Senior Management</i> ” on page 190
Memorandum/ Memorandum of Association / MoA	The memorandum of association of our Company, as amended from time to time
Managing Director	The managing director of our Company, being Mahendra Nahata
Nomination, Remuneration and Compensation Committee	The nomination, remuneration and compensation committee constituted by our Board of Directors
Non-Executive Non-Independent Director	Non-executive non-independent directors of our Company. For details, see “ <i>Board of Directors and Senior Management</i> ” on page 190
Other Management Personnel	Other management personnel of our Company, as disclosed in “ <i>Board of Directors and Senior Management</i> ” on page 190
Promoter Group	The persons and entities constituting the promoter group of our Company as determined in terms of Regulation 2(1) (pp) of the SEBI ICDR Regulations
Promoters	The promoters of our Company, namely, Mahendra Nahata, Anant Nahata, MN Ventures Private Limited, NextWave Communications Private Limited, Fitcore Tech-Solutions Private Limited, Vinsan Brothers Private Limited and Shankar Sales Promotion Private Limited
Registered Office	8, Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh, India
Risk Management Committee	The risk management committee constituted by our Board of Directors
Shareholder(s)	The holders of the Equity Shares of our Company, from time to time
Subsidiaries	The subsidiaries of our Company, namely: (i) DragonWave HFCL India Private Limited; (ii) HFCL Advance Systems Private Limited; (iii) HFCL B.V.; (iv) HFCL Inc.; (v) HFCL Technologies Private Limited; (vi) HTL Limited; (vii) Moneta Finance Private Limited; (viii) Polixel Security Systems Private Limited; and (ix) Raddef Private Limited
Stakeholders’ Relationship Committee	The stakeholders’ relationship committee constituted by our Board of Directors
Senior Management Personnel	Senior management personnel of our Company as disclosed in “ <i>Board of Directors and Senior Management</i> ” on page 190
Unaudited Consolidated Financial Results	Unaudited consolidated financial results of our Company, its Subsidiaries and Associates as at and for the three-months ended June 30, 2023 prepared in accordance with the principles laid down in Indian Accounting Standards (Ind AS) 34, Interim Financial Reporting, specified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, read with relevant rules issued thereunder and other accounting principles generally accepted in India, as amended, and in compliance with Regulation 33 of the SEBI Listing Regulations.

Issue Related Terms

Term	Description
Allocated/ Allocation	The allocation of Equity Shares following the determination of the Issue Price to investors on the basis of Application Forms submitted by them, in consultation with the BRLM and in compliance with Chapter VI of the SEBI ICDR Regulations
Allot/ Allotment/ Allotted	The issue and allotment of Equity Shares pursuant to this Issue
Allottee(s)	Bidders who are Allotted Equity Shares of our Company pursuant to this Issue
Application Form	The form (including any revisions thereof) pursuant to which a Bidder indicates its interest to subscribe for the Equity Shares of our Company pursuant to the Issue
Bid(s)	An indication of interest by an Eligible QIB, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for Equity Shares to be issued pursuant to this Issue. The term “Bidding” shall be construed accordingly.
Bidder(s)	An investor, being an Eligible QIB who made a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form
Bidding Period/ Issue Period	The period between the Issue Opening Date and Issue Closing Date, inclusive of both dates, during which Bidders submitted their Bids including any revision and/or modifications thereof
Book Running Lead Manager/ BRLM	Monarch Network Capital Limited

Term	Description
CAN/ Confirmation of Allocation Note	Note or advice or intimation to Bidders confirming the Allocation of Equity Shares to such Eligible QIBs after determination of the Issue Price, and requesting payment for the entire applicable Issue Price for all the Equity Shares Allocated to such Eligible QIBs
Closing Date	The date on which the Allotment of the Equity Shares offered pursuant to this Issue shall be made, i.e., on or about August 31, 2023
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Company in consultation with the BRLM
Designated Date	The date of credit of Equity Shares pursuant to the Issue to the Allottees' demat accounts, as applicable to the relevant Allottees
Eligible FPIs	FPIs that are eligible to participate in this Issue in terms of applicable law, other than individuals, corporate bodies and family offices
Eligible QIBs	QIBs as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations that are eligible to participate in the Issue and which are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations and are not restricted from participating in the Issue under applicable law. In addition, Eligible QIBs are QIBs who are outside the United States, to whom Equity Shares are being offered in "offshore transactions", as defined in, and in reliance on Regulation S and the applicable laws of the jurisdiction where those offers, and sales are made.
Escrow Account	The account titled "HFCL Limited – QIP Escrow" to be opened with the Escrow Bank, subject to the terms of the Escrow Agreement, into which the application monies payable by Bidders in connection with subscription to Equity Shares pursuant to the Issue shall be deposited
Escrow Bank	State Bank of India
Escrow Agreement	The escrow agreement dated August 28, 2023 entered into amongst our Company, the Escrow Bank and the BRLM for collection of the Bid Amounts and remitting refunds, if any, of the amounts collected, to the Bidders in relation to the issue.
Floor Price	The floor price ₹ 68.61 per Equity Share, which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations.
Issue	The offer, issuance and Allotment of 5,10,14,491 Equity Shares each at a price of ₹ 69 per Equity Share, including a premium of ₹ 68 per Equity Share, aggregating approximately ₹ 352.00 crores pursuant to Chapter VI of the SEBI ICDR Regulations and other applicable provisions of the Companies Act, 2013 and the rules made thereunder
Issue Closing Date	August 31, 2023 the last date up to which the Application Forms and the Bid Amount shall be accepted by our Company (or the BRLM, on behalf of our Company)
Issue Opening Date	August 28, 2023, the date on which the acceptance of the Application Forms and the Bid Amount had commenced by our Company (or the BRLM, on behalf of our Company)
Issue Price	A price per Equity Share of ₹ 69
Issue Size	The aggregate size of the Issue, up to 5,10,14,491 Equity Shares aggregating up to approximately ₹ 352.00 crores
Monitoring Agency	CARE Ratings Limited
Monitoring Agency Agreement	Agreement dated August 28, 2023 entered into by and between our Company and the Monitoring Agency in relation to the responsibilities and obligations of the Monitoring Agency for monitoring the utilisation of the net proceeds of the Issue, after deducting fees, commissions and expenses of the Issue
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Mutual Fund Portion	10% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
Net Proceeds	The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue
Pay-In Date	Last date specified in the CAN for the payment of application monies by Bidders in the Issue
Placement Agreement	The placement agreement dated August 28, 2023 between our Company and the BRLM
Placement Document	This placement document dated August 31, 2023 issued in accordance with Chapter VI of the SEBI ICDR Regulations and other applicable provisions of the Companies Act, 2013 and the rules made thereunder

Term	Description
Preliminary Placement Document	The preliminary placement document dated August 28, 2023 issued in accordance with Chapter VI of the SEBI ICDR Regulations and other applicable provisions of the Companies Act, 2013 and the rules made thereunder
QIBs/ Qualified Institutional Buyers	A qualified institutional buyer as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
QIP	Qualified institutions placement, being a private placement to Eligible QIBs under Chapter VI of the SEBI ICDR Regulations and applicable sections of the Companies Act, 2013, read with applicable provisions of the Companies (Prospectus and Allotment of Securities) Rules, 2014
Refund Amount	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all or part of the Bid Amount submitted by such Bidder pursuant to the Issue
Relevant Date	August 28, 2023 which is the date of the meeting wherein the Board of Directors, or a duly authorised committee, decided to open the Issue
Stock Exchanges	Together, NSE and BSE
Successful Bidders	The Bidders who have Bid at or above the Issue Price, duly paid the Application Amount along with the Application Form and who will be Allocated Issue Shares
Working Day	Any day other than second and fourth Saturday of the relevant month or a Sunday or a public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India

Conventional and General Terms/Abbreviations

Term	Description
AED	United Arab Emirates Dirham
AGM	Annual general meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Corporate identity number
Civil Code	The Indian Code of Civil Procedure, 1908
Companies Act/ Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder
Companies Act, 1956	The erstwhile Companies Act, 1956 and the rules made thereunder
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder to the extent in force pursuant to the notification of the Notified Sections
Competition Act	The Competition Act, 2002
Consolidated FDI Policy	The consolidated FDI Policy, issued by the Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, and any modifications thereto or substitutions thereof, issued from time to time
CSR	Corporate Social Responsibility
Depositories Act	The Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018
DP/ Depository Participant	A depository participant as defined under the Depositories Act
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry (formerly Department of Industrial Policy and Promotion), Government of India
DIN	Director Identification Number
EGM	Extraordinary general meeting
EUR	Euro
FBIL	Financial Benchmark India Private Limited
FDI	Foreign Direct Investment
FDI Policy	Consolidated FDI Policy issued by the Department for Promotion of Industry and Internal Trade (Formerly Department of Industrial Policy and Promotion), Ministry of Commerce and Industry, GoI by circular DPIIT file number 5(2)/2020-FDI Policy, with effect from October 15, 2020
Feedback Advisory	Feedback Advisory Services Private Limited
FEMA	The Foreign Exchange Management Act, 1999 read with rules and regulations thereunder

Term	Description
FEMA Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
Financial Year / Fiscal Year/ Fiscal/ FY	A period of 12 months ending March 31, unless otherwise stated
Form PAS-4	Form PAS-4 prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPI/ Foreign Portfolio Investor(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations.
FVCI	Foreign venture capital investors as defined under and registered with SEBI pursuant to the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
GAAP	Generally accepted accounting principles
GAAR	General Anti-Avoidance Rules
GBP	Great Britain Pound Sterling
GDP	Gross domestic product
GoI/ Government	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
IAS Rules	The Companies (Indian Accounting Standards) Rules, 2015, as amended
ICAI	The Institute of Chartered Accountants of India
Ind AS	Indian accounting standards as notified by the MCA pursuant to Section 133 of the Companies Act read with the IAS Rules
Indian GAAP	Generally accepted accounting principles in India
Income Tax Act/IT Act	The Income tax Act, 1961
JPY	Japanese Yen
Ltd.	Limited
MCA	Ministry of Corporate Affairs
Networth	Paid up share capital plus all reserves and surplus (excluding revaluation reserves)
Non-Resident Indian(s)/ NRI	Non-Resident Indian, as defined under Foreign Exchange Management (Deposit) Regulations, 2016
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
PAN	Permanent account number
PAS Rules	The Companies (Prospectus and Allotment of Securities) Rules, 2014
PAT	Profit after tax / profit for the respective period / year
PBT	Profit before tax
P-Notes	Offshore derivative instruments, by whatever name called, which are issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India or unlisted debt securities or securitized debt instruments, as its underlying
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
Revenue	Revenue from operations is net of Goods and Service Tax as applicable.
Rs/Rupees/Indian Rupees	The legal currency of India
RoC / Registrar of Companies	Registrar of Companies, Himachal Pradesh
SCRA	The Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S. GAAP	Generally accepted accounting principles in the United States of America

Term	Description
U.S.\$ / USD / U.S. dollar	United States Dollar, the legal currency of the United States of America
U.S. Securities Act	United States Securities Act of 1933, as amended
USA/ U.S./ United States	The United States of America
Video Conferencing / Other Audio-Visual Means facility or VC / OAVM facility	Audio- visual electronic communication facility employed which enables all the persons participating in a meeting to communicate concurrently with each other without an intermediary and to participate effectively in the meeting
VCF	Venture capital fund as defined and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 or the SEBI AIF Regulations, as the case may be

Technical and Industry Terms

Term	Description
ADSS	All Dielectric Self Supporting
ARP	Aramid reinforced plastic
CID	Criminal Investigation Department, Government of Andhra Pradesh
DDT	Dividend Distribution Tax
ED	Directorate of Enforcement, Government of India
EIR	Effective interest method
ERP	Enterprise Resource Planning
FRP	Fibre reinforced plastic
FTTH	Fibre to the home
IGFR	Impregnated glass fibre reinforcement
IT	Information technology
OEM	Original equipment manufacturers
OFC Expansion	Capacity expansion of optic fibre and optic fibre cables
OFC	Optical fibre cable
PLI	Production linked incentive
PMA Manufacturers	Preferential Market Access Manufacturers
R&D	Research and development
STT	Securities transaction tax
UBR	Unlicensed band radios

SUMMARY OF BUSINESS

We are a leading technology company in India manufacturing a range of products in optical fibre cable (“OFC”), optical fibre, cable accessories and telecom equipment. (Source: *Feedback Advisory Report*). We provide an end-to-end portfolio of integrated next generation optical and data networking solutions for telecommunications, defence communication and railway communication. Our network services include OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, fibre to home (“FTTH”) and in-building solutions as well as defence and railway communication networks. Our products and solutions are used by both private and public enterprises, including major Indian telecommunications companies, railway companies and the Indian defence forces. In addition, we export our products to enterprise and business customers in over 45 countries.

With focused efforts towards moving to margin accretive products, our revenue from telecom products and turnkey services (primarily engineering, procurement and construction of various networks and systems) represented 66.56% and 33.44%, respectively, of our consolidated revenue from operations in three months ended June 30, 2023, and 55.61% and 44.35%, respectively, of our consolidated revenue from operations in Fiscal 2023. Our telecommunication products are used to build networks that carry voice, data and video communication, mobile and broadband networks over optical fibre. Our products are CE certified (for use in the EU) and meet all international IEC, EIA/TIA and Bellcore standards. We manufacture OFC which forms the backbone of telecommunication networks used in critical applications. In Fiscals 2022 and 2023, we had the largest market share in India for OFC, making us one of the largest manufacturers and suppliers of OFC (including FTTH) in India. (Source: *Feedback Advisory Report*). Our OFC products include armoured cables, unarmoured cables, aerial cables, micro cables, micro module cables, ribbon cables and FTTH cables.

In addition to OFC, we have backward integration facilities for manufacture of optical fibre, aramid reinforced plastic (“ARP”) rods, fibre reinforced plastic (“FRP”) rods, impregnated glass fibre reinforcement (“IGFR”) yarns and Polymer compound. We are also one of the largest manufacturers of Wi-Fi access points and unlicensed band radios (“UBRs”) in India in Fiscals 2022 and 2023. (Source: *Feedback Advisory Report*). We also produce variety of security and surveillance products. These products include video management systems (“VMS”), video analytics, automatic number plate recognition system and traffic light violation detection systems.

We offer our customers comprehensive digital solutions for telecommunication, defence communication and railway communication. We offer our customers end-to-end network services for OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, FTTH and in-building solutions. By the end of June 30, 2023 we installed over 200,000 kms of OFC. In addition, we have developed a number of networks and systems for deployment in the defence context which include OFC and optical transport networks, fibre monitoring and management systems, routing networks, and microwave radio solutions. Further, in the railway sector, we offer an expanded portfolio of services comprising of network design, equipment supply, installation and commissioning, network integration, and post deployment support” for metro lines, mainline railways, as well as upcoming dedicated railway freight corridors in India.

As at June 30, 2023, we had five operational manufacturing facilities, including three located at Goa, Chennai (Tamil Nadu), Hosur (Tamil Nadu) and two at Hyderabad (Telangana). Our manufacturing facilities have the combined approximated installed capacity as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai & Hosur, of 25.08 million fkm of OFC; 702,000 ckm of FTTH cables; 10.0 million fkm of optical fibre; 504,000 km/annum of FRP; 660,000 km/annum of ARP; and 2,700 MT/annum IGFR s, and 24,000 MT/annum of Polymer Compound as at June 30, 2023.

Our manufacturing and product offerings are also supported by our two R&D centres in Gurugram and Bengaluru. As of June 30, 2023, we had a dedicated in house R&D team of 252 employees. We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. We have a number of products under development in telecommunications including IBR Cable, Point-to-point and Point-to-multipoint UBRs, Wi-Fi 7 access points, Cell site Router and Centralized unit Aggregation Router, and in defence including software defined radio. We also launched a 5G business unit to cater to the needs of communication service providers, enterprises and industry verticals both in India and overseas. Portfolio of products under development in 5G business unit includes 5G Indoor & Outdoor FWA CPE, 5G Macro Radio Unit Products (8T8R), 5G Indoor & Outdoor Small Cell (2T2R and 4T4R). The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services. In addition, we are the only Indian company to have developed electronic fuses for artillery ammunition with own intellectual property rights. Our electronic fuses are

NATO (North Atlantic Treaty Organization) certified resulting in access to a wider customer base among NATO countries. We are currently setting up manufacturing facilities for these electronic fuses in Hyderabad.

As at June 30, 2023, our Order Book was ₹ 6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08 % comprises other product and services orders. For further information on our Order Book, see “*Our Business – Our Order Book*” on page 137.

Key financial information

Set forth below is certain of our key financial information on a consolidated basis:

(in ₹ crore, except percentages and ratios)

Particulars	Three months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2022 (Unaudited)	Fiscal 2023 (audited)	Fiscal 2022 (audited)	Fiscal 2021 (audited)
Revenue from operations	995.19	1,051.02	4,743.31	4,727.11	4,422.96
Gross margin	307.47	265.50	1,264.40	1,228.37	1,019.04
Gross margin (%)	30.90%	25.26%	26.66%	25.99%	23.04%
EBITDA	159.62	129.76	665.86	692.98	585.71
EBITDA margin	16.04%	12.35%	14.04%	14.66%	13.24%
Profit after tax	75.56	53.10	317.71	325.86	246.24
PAT margin	7.59%	5.05%	6.70%	6.89%	5.57%
Capital expenditure	88.48	60.28	298.98	183.06	106.07
Operating cash flows	31.28	(74.14)	236.41	205.37	56.82
ROCE	13.63%	11.86%	15.64%	19.20%	19.8%
ROE	9.17%	7.26%	10.66%	13.74%	13.71%
Debt / equity ratio	0.25	0.26	0.24	0.26	0.48
Net debt / EBITDA ratio	5.07@	5.72@	1.12	1.07	1.57

@Not Annualised.

For information about Non-GAAP financial measures as set forth in the table above, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures*” on page 166.

Our Strengths

We believe that we possess a number of competitive strengths, which enable us to successfully execute our business strategies, including the following:

Poised to capitalise on opportunities in Telecom, Defence and Railways

Our strategy is to be positioned for the upcoming opportunities in telecommunications, defence and railways. According to Feedback Advisory, the Indian OFC market is valued at USD 745 million in Fiscal 2023 and is expected to grow to reach USD 1,600 million by Fiscal 2030. (Source: *Feedback Advisory Report*). The global 5G system integration market size is USD 14 billion in Fiscal 2023 and is expected to grow at a CAGR of 23.1% from Fiscal 2023 to Fiscal 2030; and the global 5G small and macro cell market (which are part of the 5G radio coverage) is estimated at USD 7.5 billion in Fiscal 2023 and is expected to grow to USD 60 billion by Fiscal 2030. (Source: *Feedback Advisory Report*). Likewise, the market opportunities in defence will grow over the next five-six years as India plans to spend USD 130-140 billion to modernize its armed forces. (Source: *Feedback Advisory Report*). Further, in railway communications, the overall opportunity is estimated to be USD 3 billion in global metro rail projects over the next 7 to 10 years. (Source: *Feedback Advisory Report*).

As more fully discussed below, we are focused on business strategies to prepare our Company to take advantage of these market opportunities by

- Expanding our manufacturing capabilities;
- Extending our market reach;
- Building internal structures to focus on key specialization areas; and
- Improving our product mix to margin accretive own-designed products.
- It is our intention to continue to be an integral part of India’s digital journey by participating in the major national projects planned by the GoI. For example, we won the mandate to implement two pilot public Wi-Fi

networks under PM-WANI scheme, a flagship GoI initiative to provide high speed Internet connectivity public Wi-Fi networks in India's remote villages. Both these networks were implemented during Fiscal 2021 in the form of model PM-WANI Villages, one in Baslambi (Haryana) and the other in Baidebettu (Udupi, Karnataka). We are also engaged on a number of hybrid projects for the implementation of BharatNet Phase 2, which is a GoI initiative to connect approximately 650,000 villages with Internet. We intend to continue work with the GoI, PSUs and State Government agencies and companies to help achieve the GoI's "Digital India" goals.

During Fiscal 2023, Company has received the following major orders as enumerated below:

- A metro rail project in Surat : Company emerged successful bidder for a metro rail project (Phase I) in Surat for implementation of "design, manufacture, supply, installation, testing and commissioning of telecommunication systems with a total order value of ₹ 282.61 crore.
- EPC contract from State Water and Sanitation Mission (SWSM): Company received contract aggregating ₹1,769.80 crore from State Water and Sanitation Mission (SWSM) for providing EPC services including laying of Optical Fibre Cable and execution of rural water supply network in Varanasi.
- CUPS BNG Contract: Company received order amounting to ₹341.26 crore for supply, installation, commissioning, operation and maintenance of CUPS BNG (Control Plane User Plane Separation Broadband Network Gateway) & associated subscribed policy manager and authentication platform on turnkey basis.
- VSS Contract: Company received order amounting to ₹ 106.55 crore for supply, installation, testing, commissioning, integration with existing infra, operation & maintenance of IP based Video Surveillance System (VSS) at 180 railway stations under western region.

Further, we are an active participant in the GoI's "Make in India" campaign. In line with this policy, we manufacture OFC and electronic equipment for the telecommunications and defence. We intend to leverage the GoI's second round of the production linked incentive ("PLI") scheme for telecom and networking products which provides incentives of 4% to 7% on sales of good manufactured in India for period of five years. We also intend to avail ourselves of the potential benefits of the GoI's Preferential Market Access policy, under which indigenous manufacturers are given preference in procurement by Government agencies over foreign manufacturers.

Leading technology enterprise with diversified product offering and comprehensive network solutions

We are a leading technology company that offers end-to-end solutions establishing network required for telecommunications, defence communication and railway communication in India and certain of our initiatives are propelling us to be one of the largest integrated network solutions providers in India (Source: Feedback Advisory Report). Our products are used by both private and public enterprises, including major telecommunications companies and the Indian defence forces. Our expertise includes building integrated network solutions across the telecommunications, defence, railways and security & surveillance sectors. In Fiscals 2022 and 2023, we were also one of the largest manufacturers of Wi-Fi Access Points and Unlicensed Band Radios ("UBRs") in India. (Source: Feedback Advisory Report) In Fiscals 2022 and 2023, we also had the largest market share in the Indian market for OFC, making us one of the largest manufacturers and suppliers of OFC (including FTTH) in India. (Source: Feedback Advisory Report).

Our telecommunication products are used to build networks that carry voice, data and video communication, mobile and broadband networks over optical fibre. Our products are CE certified (for use in the EU) and meet all international IEC, EIA/TIA and Bellcore standards. We manufacture OFC which forms the backbone of telecommunication networks used in critical applications. Our OFC products include armoured cables, unarmoured cables, aerial cables, micro cables, micro module cables, ribbon cables and FTTH cables. In addition to OFC, we have backward integrated facilities for manufacture of optical fibre, ARP, FRP and IGFR. Further, we produce a variety of telecommunication equipment for telecom including point-to-point and point-to-multipoint unlicensed band radios and Wi-Fi access points. We also produce variety of security and surveillance products.

We offer our customers comprehensive digital solutions for telecommunication, defence communication and railway communication. We offer our customers end-to-end network services for OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, FTTH and in-building solutions. In addition, we have developed a number of networks and systems for deployment in the defence context which include OFC and optical transport networks, fibre monitoring and management systems, routing networks, and microwave radio solutions. Further, in the railway sector, we offer an expanded portfolio of services comprising of network design, equipment supply, installation and commissioning, network integration,

and post deployment support” for metro lines, mainline railways, as well as upcoming dedicated railway freight corridors in India.

As of June 30, 2023, our product, system and network offerings include the following:

Optical Fiber/Optical Fibers Cables	Telecommunications Products	Defence Electronic Products	Passive Connectivity Solutions
- Optical Fiber and Armoured Cable - Unarmoured Cable - Micro Cable - Micro Module Cable - Ribbon Cable - FTTH Cable	- Point to Point and Point to Multipoint backhaul radio - Indoor & outdoor Wifi 5 and 6 access points - Cloud based network management system - Ethernet L2/L3 switches - Home mesh routers - Comprehensive solutions for building of wireless and optical telecommunications network - Rural GSM Network - Fiber to Home Network - In-building Solutions - Mobile Backhaul Networks	- Thermal weapon Sights (TWS) - Electronic fuses - High Capacity radio relay - VMS & Video Analytics - Ground Surveillance Radar - Optical Fiber Cable and Optical Transport Network - Fiber Monitoring & Management Systems - Internet Protocol Multi Protocol Label Switching Network - Microwave Broadband Radio	- Cable Assemblies - High Density Cabinets - Fiber Termination Box - PLC Splitters - Joint Closures - Aerial/ FTTH Accessories

(Source: Feedback Advisory Report).

Strong Diversified Order Book including Marquee Projects

As at June 30, 2023, our Order Book was ₹ 6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08% comprises other product and services orders.

Our “Order Book” comprises anticipated revenues from the unexecuted portions of existing contracts (including signed contracts for which all pre-conditions to entry into force have been met and letters of acceptance issued by the customer prior to execution of the final contract) as at a particular date.

The following table summarizes our Order Book as at June 30, 2023.

Particulars	Outstanding as at June 30, 2023	Percentage of Total Order Book
Type of Project or Products	(in ₹ crore)	(%)
Telecommunications projects and products	4,078.13	61.93%
Defense projects	1,846.57	28.04%
Railway projects	656.92	9.98%
Security and Surveillance projects	3.09	0.05%
Total	6,584.71	100.00%

The following summaries describe certain projects or orders, which are in our Order Book as at June 30, 2023

Telecommunications:

- Reliance JIO 4G OFC Network:** We are engaged by Reliance Jio in rolling out its backbone and backhaul OFC and FTTH network services across Northern India.
- Bharat Net Phase-2.** We are engaged on a number of hybrid projects for the implementation of Bharat Net Phase 2 network, setting up OFC, GPON Radio networks, WiFi, and MW network. BharatNet is a GoI initiative to connect every village with Internet and is likely to cover 650,000 villages by 2023.
- EPC contract from State Water and Sanitation Mission (SWSM):** We have been awarded a contract aggregating ₹1769.80 crore from State Water and Sanitation Mission (SWSM) for providing EPC services including laying of Optical Fibre Cable and execution of rural water supply network in Varanasi.

Defence

- *Network For Spectrum (“NFS”) project:* The GoI is implementing the NFS project (funded by the DoT), which is an India-wide secure, multi-service and multi-protocol converged network based on exclusive and dedicated tri-services optical transport backbone. BSNL is the implementation agency and we received various orders from BSNL including supply of equipment and services along with a 10-year O&M component (including warranty). Company is implementing the following projects under NFS program:
 - *Fibre network overlay:* We are integrating a fibre network overlay with GIS maps, satellite images and commercial land base data for the Indian defense forces including implementation of CCTV surveillance, access system and fire detection system at over 300 army locations.
 - *IP/MPLS:* We are implementing converged nationwide IP/MPLS backbone with 219 X access network and integrated IMS based communication solution on turnkey basis for defence network.
 - *DWDM based optical transmission backbone network:* We are planning, design and implementing of a nationwide IP backbone and access network for the Indian defense forces.
 - *Microwave broadband radio:* We are providing end-to-end solutions for a number of hybrid microwave broadband radio links in remote areas.
 - *Umbrella Network Management System:* We have been sub-contracted as part of this contract and the project is in the execution phase.

Railway

- *Freight Corridor Projects:* We are implementing telecom networks for greenfield domestic railway freight corridor projects, which includes the eastern and western dedicated freight corridors.
- *Kanpur and Agra Metro Rail:* We are setting up telecommunication systems for Kanpur and Agra Metro rail projects.
- *Video Monitoring Systems.* We are installing and activating approximately 25,000 video monitoring systems at more than 600 railway locations in India.
- *Overseas projects:* We were awarded projects to set up telecommunication systems including OFC networks for metro rail in Mauritius and Dhaka.

For further information, see “Our Business – Our Order Book” on page 137.

Long relationships with major stakeholders

We cater to various customers across different industry segments like telecommunications, defence and railways. Our major customers include

- *Telecommunications:* Reliance Jio, BSNL, Sify,
- *Railway:* Mauritius Metro Rail ; and
- *Defence:* OEM majors across the sector including aerospace.

In addition, we also sell our products and services to PSUs like BSNL, JCNL as well as the other GoI agencies and State governments agencies and companies.

We have a history of high customer retention from our customers and derive a significant proportion of our revenues from repeat business (defined as repeat business generated from a customer in the past three fiscal years) built on our successful execution of prior engagements. For example, we are supplying products and rendering services to BSNL since 1990-91, the Ministry of Defence since 1997-98 and Reliance Jio Infocomm Limited since 2012-13.

Modern manufacturing infrastructure, equipment and technology

We have upgraded and continue to expand, our manufacturing facilities, infrastructure, machines, equipment and technology to allow us to offer a diverse product suite, reduce operating costs and drive productivity. As at June 30, 2023, we had five operational manufacturing facilities, including three located at Goa, Chennai (Tamil Nadu), Hosur (Tamil Nadu) and two at Hyderabad (Telangana). Our manufacturing facilities have the combined approximated installed capacity as at June 30, 2023, as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai & Hosur, as follows:

- 25.08 million fkm of OFC;
- 702,000 ckm of FTTH cables;
- 10 million fkm of optical fibre;
- 504,000 km/annum of FRP;
- 660,000 km/annum of ARP; and
- 2,700 MT per annum of IGFR.
- 24,000 MT per annum of Polymer Compound.

We are expanding our manufacturing capacity and adding new products lines. See, “*Our Strategy - Increasing Manufacturing Capabilities and backward integration*” on page 133. Our manufacturing is supported by two R&D Centres in Gurugram and Bengaluru. As of June 30, 2023, we had a dedicated in house R&D team of 252 employees. We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021 our R&D expenditure (including our investment in R&D entities) was ₹67.45 crore, ₹177.21 crore, ₹81.87 crore, and ₹35.45 crore, respectively.

Healthy financial performance to support growth

We have built our business organically and have demonstrated a healthy financial performance and consistent growth in profitability. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021, our consolidated revenue from operations was ₹995.19 crore, ₹ 4,743.31 crore, ₹ 4,727.11 crore and ₹ 4,422.96 crore. Our consolidated revenue from exports as a percentage of consolidated revenue from operations has grown from 4.54% in Fiscal 2021, 7.68% in Fiscal 2022, 17.23% in Fiscal 2023 and 17.71% in three months ended June 30, 2023. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021, our EBITDA was ₹159.62 crores, ₹665.86 crore, ₹692.98 crore and ₹585.71 crore, respectively, while our EBITDA margins in the same periods were 16.04%, 14.04%, 14.66% and 13.24%, respectively. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021, our profit after tax was ₹75.56 crore, ₹317.71 crore, ₹325.86 crore and ₹246.24 crore, respectively; and our profit after tax margins were 7.59%, 6.70%, 6.89% and 5.57%, respectively, for the same periods.

Our debt-to-equity ratio continues to be low and, as of June 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, was 0.25, 0.24, 0.26, and 0.48, respectively; and our total debt was ₹809.60 crore, ₹748.31 crore, ₹742.80 crore and ₹919.62 crore, as of the same respective periods.

Our results have also benefited from our prudent capital allocation plans. In the three months ended June 30, 2023 and Fiscal 2023 Fiscal 2022 and Fiscal 2021, our capital expenditure was ₹88.48 crore, ₹ 298.98 crore, ₹183.06 crore and ₹106.07 crore, respectively and our ROCE was 13.63%, 15.64%, 19.20% and 19.80% , in the same respective periods.

Strong Promoter led management team with extensive experience

We believe that the experience, depth and diversity of our directors, management team and our Promoter have enabled our Company to be recognized as a customer centric, technology driven organization and to achieve our position as one of the leading OFC and telecom equipment companies in India. Our promoter and Managing Director of our Company, Mr. Mahendra Nahata, has been an executive director of our Company since September 28, 1990 to September 30, 1992 and, thereafter, continued on the Board as a director of our Company. Subsequently, he was appointed as a whole time director with effect from October 1, 1997 and our Managing Director since June 14, 2004. Mr. Nahata is supported by a talented management team. Our core management team is experienced in the telecommunications, defense and rail industries. The majority of our management team have spent more than 10 years with our Company and bring capabilities to enable us to understand and anticipate telecommunication market trends, manage our business operations and growth, leverage our customer relationships and respond to changes in technology in a rapidly changing environment. We intend to continue to leverage on the experience of our management team and their understanding of the telecommunications industry in order to take advantage of current and future market opportunities. For more information, see the sections entitled “*Board of Directors and Senior Management*” on page 190.

Our Strategy

The key elements of our business strategy are as follows:

Improving our product mix to margin accretive own-designed products

We aim to change our revenue mix over time towards margin accretive products through expanded capacity in the OFC and FTTH cable segment and the development of new telecommunications and defense electronics products. With focused efforts towards moving to margin accretive products, our revenue from telecom products and turnkey services (primarily engineering, procurement and construction of various networks and systems) represented 66.56% and 33.44%, respectively, of our consolidated revenue from operations in three months ended June 30, 2023, and 55.61% and 44.35%, respectively, of our consolidated revenue from operations in Fiscal 2023. We intend to achieve this mix by increasing our manufacturing capabilities and high-level backward integration (as discussed below), expanding our R&D activities, growing our global reach and also by leveraging our well established and long-term relations with domestic and foreign customers. By altering our revenue mix, we expect access to new geographies (domestically and internationally), develop a more stable revenue flow and lower our working capital requirements.

Increasing Manufacturing Capabilities and backward integration

To provide us with a foundation to continue to grow our products business, we are expanding our manufacturing capabilities. We are in the process of expanding our backward integration capacity of Optical Fiber by 23.90 million fkm per annum at our Hyderabad facility. The Board of Directors of our Company, at its meeting held on January 17, 2022, approved the expansion of Optical Fiber Cable manufacturing capabilities through its wholly owned subsidiary i.e. HFCL Technologies Private Limited, resulting in total capacity to 34.75 mn fkm per annum on consolidated basis. Moreover, the Company is also planning to set up a new facility for manufacturing of telecom and networking products in NCR region.

In addition, we are in the process of establishing a new greenfield manufacturing facility for the manufacture of defense electronic products at Hyderabad. We have been allotted a piece of land measuring 24,282.00 square metres in Hyderabad. We intend to produce defense electronic products like electro optic devices, electronic fuses at this new facility.

For further information, please see “Risk Factors - Our proposed capacity expansion plans relating to our manufacturing facilities are subject to the risk of unanticipated delays in implementation and cost overruns.” on page 45.

Expanding our global reach

As part of our initiative to build the product side of our business, we look to expand our reach and thereby increasing our exports to existing and new international markets. In three months ended June 30, 2023 and Fiscal 2023, we exported our products to over 45 countries. Some of the key geographies to which we export our products include the United Kingdom, Germany, Poland, Denmark, Cyprus, France, Spain etc. During three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, our sales from exports as a percentage of our consolidated revenue from operations were 17.71%, 17.23%, 7.68% and 4.54% respectively.

We intend to expand our export to various countries so as to increase our exports as a percentage of our overall business. To that end, we intend to recruit sales and marketing talent internationally and selectively add representative office where necessary to secure business. In addition, we intend to leverage our existing customer relationships to expand our business to mirror their international reach.

Building new structures to focus on key specialization areas

As part of our focus on R&D, we inaugurated a new research and development centre in Bengaluru in June 2021 which is primarily dedicated to the development of 5G products. With this new R&D centre along with our Gurugram R&D centre, as of June 30, 2023, we have a dedicated in house R&D team of 252 employees, which includes 84 employees in the communications area, 124 employees in the 5G technologies area, 19 in the defence technologies area and 25 in the OFC & OF area. In addition, we are investing in technology including 5G solutions by partnering with renowned players and start-ups like IP Infusion, NXP, Metanoia, Wipro and VVDN.

We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. As of June 30, 2023, some of our major products under development are set forth below.

Telecom:

- 5G Indoor & Outdoor FWA CPE
- 5G Macro Radio Unit Products (8T8R)
- 5G Indoor & Outdoor Small Cell (2T2R and 4T4R)
- Cell site Router and Centralized unit Aggregation Router
- Point-to-point and Point-to-multipoint UBRs
- Wi-Fi 7 access points
- IBR Cable

Defense:

- Software defined radio

We also launched a 5G business unit to cater to the needs of communication service providers, enterprises and industry verticals both in India and overseas. The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services.

The table below sets for our portfolio under development, impact and opportunity capitalization and the cumulative market size of each of our 5G segment focus areas.

Addressable product segment	Company Portfolio under development	Impact/Opportunity Capitalization	Cumulative Market Size* (Fiscal 2023-2030)
5G Transport products	• Cell Site Router • DU (Distributed Unit) Aggregation Routers • CU (Centralized Unit) Aggregation Routers	Modernization requirement for transformation of transport network for 5G	USD 87.28 billion
5G RAN products	• 5G 8T8R/32T32R/64T64R Macro RU / mMIMO (Radio Unit) • 5G 2T2R/4T4R Indoor Small Cell for FR1 (Sub 6 GHz) and FR2 (Millimeter Wave) • 5G 2T2R/4T4R Outdoor Small Cell for FR1 and FR2 • FWA CPE (Indoor and Outdoor for FR1 & FR2)	Compliant to 3GPP Release 16 and based on open standards like Open RAN	USD 281.8 billion
5G Global System Integration Services	• ORAN Integration Solution Provider • Private 5G network for Enterprises • 5G enabled solutions for specific industry verticals like Manufacturing, Defence, Railways, Smart Cities, etc • Cloud based network management system	Disaggregated option in 5G to purchase core and access network under Open RAN	USD 245.06 billion

* Total Addressable Market

(Source: Feedback Advisory Report)

Further, we have created a separate delivery organization. Our delivery organization looks after the execution of our various turnkey contracts. It works in close coordination with the respective business units and customers to help our delivery commitments.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including the sections “Risk Factors”, “Use of Proceeds”, “Placement”, “Issue Procedure” and “Description of the Equity Shares” on pages 42, 75, 217, 204 and 233 respectively.

Issuer	HFCL Limited
Face value	₹ 1 per Equity Share
Issue Price	₹ 69 per Equity Share (including a premium of ₹ 68 per Equity Share)
Floor Price	₹ 68.61 per Equity Share, calculated on the basis of Regulation 176 of the SEBI ICDR Regulations.
Issue Size	Issue of 5,10,14,491 Equity Shares, aggregating up to approximately ₹ 352.00 crores, at a premium of ₹ 68 each. A minimum of 10% of the Issue Size, i.e., at least 51,01,449 Equity Shares were made available for Allocation to Mutual Funds only and the balance 4,59,13,042 Equity Shares were made available for Allocation to all Eligible QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation only to Mutual Funds, such undersubscribed portion may be Allotted to other Eligible QIBs.
Date of Board / Fund Raising Committee resolution authorizing the Issue	September 2, 2022 and August 28, 2023
Date of Shareholders’ resolution authorizing the Issue	September 30, 2022
Dividend	See “Description of Equity Shares” and “Dividends” on pages 233 and 92.
Eligible Investors	Eligible QIBs, to whom the Preliminary Placement Document and the Application Form were delivered and who are eligible to bid and participate in the Issue For further details, see “Issue Procedure”, “Selling Restrictions” and “Purchaser Representations and Transfer Restrictions” on pages 204, 219 and 227, respectively. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form were delivered has been determined by our Company in consultation with the BRLM.
Equity Shares issued and outstanding immediately prior to the Issue	1,37,77,58,321 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	142,87,72,812 Equity Shares
Issue procedure	This Issue was made only to Eligible QIBs in reliance on Section 42 of the Companies Act, read with Rule 14 of the PAS Rules, and all other applicable provisions of the Companies Act and Chapter VI of the SEBI ICDR Regulations. For further details, see “Issue Procedure” on page 204.
Listing and trading	Our Company has obtained in-principle approvals dated August 28, 2023 from BSE and NSE in terms of Regulation 28(1)(a) of the SEBI Listing Regulations for listing of the Equity Shares to be issued pursuant to the Issue. Our Company will make applications to each of the Stock Exchanges after Allotment and credit of Equity Shares to the beneficiary account with the Depository Participant to obtain final listing and trading approval for the Equity Shares, to be issued pursuant to this Issue.
Lock-up	For details of the lock-up, see “Placement – Lock-up” on page 217.

Transferability restrictions	The Equity Shares Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of a recognised stock exchange. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. See “ <i>Issue Procedure</i> ”, “ <i>Selling Restrictions</i> ” and “ <i>Purchaser Representations and Transfer Restrictions</i> ” on pages 204, 219 and 227, respectively.	
Use of proceeds	The gross proceeds from the Issue aggregates to approximately ₹ 352.00 crores. The net proceeds from the Issue, after deducting fees, commissions and Issue related expenses are approximately ₹ 342.50 crores. See “ <i>Use of Proceeds</i> ” on page 75 for information regarding the use of Net Proceeds from the Issue.	
Risk factors	See “ <i>Risk Factors</i> ” on page 42 for a discussion of risks you should consider before investing in the Equity Shares.	
Indian taxation	See “ <i>Statement of Possible Tax Benefits</i> ” on page 237.	
Closing Date	The Allotment of the Equity Shares is expected to be made on or about August 31, 2023.	
Ranking and dividends	The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank <i>pari passu</i> with the existing Equity Shares of our Company, including rights in respect of dividends. The Shareholders who hold Equity Shares as on the relevant record date will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, SEBI Listing Regulations and other applicable laws and regulations. Shareholders may attend and vote in shareholders’ meetings in accordance with the provisions of the Companies Act. Please see “ <i>Dividends</i> ” and “ <i>Description of the Equity Shares</i> ” on pages 92 and 233, respectively.	
Security Codes/ Symbols for the Equity Shares	ISIN	INE548A01028
	BSE Code	500183
	NSE Symbol	HFCL

SELECTED FINANCIAL INFORMATION

The following tables set out selected financial information derived from our Audited Consolidated Financial Statements and Unaudited Consolidated Financial Results. For further details, please see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Financial Statements*”, on pages 146 and 254, respectively.

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Summary consolidated balance sheet

(in ₹ Crores)

Particulars	As at	For the year ended	For the year ended	For the year ended
	June 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
	Unaudited	Audited	Audited	Audited
Non-current Assets				
(a) Property, Plant and Equipment	484.65	487.09	464.63	443.35
(b) Capital work-in-progress	75.99	70.50	47.46	11.82
(c) Right-of-use-assets	17.20	17.32	24.07	20.32
(d) Goodwill	26.17	26.17	26.17	26.17
(e) Intangible assets (other than Goodwill)	26.10	17.65	13.41	17.97
(f) Intangible assets under development	246.27	197.66	60.69	24.20
(g) Investments accounted for using equity method	18.68	18.57	11.66	-
(h) Financial Assets				
(i) Investments	39.03	39.03	34.90	34.82
(ii) Trade Receivables	418.29	423.11	595.61	444.83
(iii) Loans	9.00	9.50	10.50	6.50
(iv) Others	48.34	44.29	40.54	11.03
(i) Deferred tax assets (net)	-	-	4.97	6.70
(j) Other non-current assets	48.29	39.55	17.55	18.26
Total Non Current Assets	1,458.01	1,390.44	1,352.16	1,065.97
Current Assets				
(a) Inventories	777.20	757.85	573.38	435.26
(b) Financial Assets				
(i) Investments	4.61	12.38	8.80	5.79
(ii) Trade Receivables	1,878.72	1,886.11	1,895.94	2,610.99
(iii) Cash & cash equivalents	59.63	63.67	16.69	21.30
(iv) Bank balances other than (iii) above	236.79	258.92	511.55	285.14
(v) Loans	21.57	21.49	26.04	11.87
(vi) Others	583.12	533.57	386.31	461.81
(c) Current Tax Assets (net)	25.16	15.19	6.39	75.56
(d) Contract Assets	-	-	-	20.70
(e) Other current assets	502.53	532.97	394.20	221.41
Total Current Assets	4,089.33	4,082.15	3,819.30	4,149.83
Total Assets	5,547.34	5,472.59	5,171.46	5,215.80
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share Capital	137.65	137.64	137.49	128.44
(b) Other Equity	3,037.41	2,969.90	2,660.91	1,787.77
Equity attributable to owners of the Company	3,175.06	3,107.54	2,798.40	1,916.21
Non-controlling interest	44.01	36.60	19.97	7.26
Liabilities				
Non-current Liabilities				

Particulars	As at	For the year ended	For the year ended	For the year ended
	June 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
	Unaudited	Audited	Audited	Audited
(a) Financial Liabilities				
(i) Borrowings	106.08	110.37	121.25	250.78
(ii) Lease liabilities	5.25	6.20	19.34	18.47
(b) Provisions	44.86	40.90	34.74	36.50
(c) Deferred tax liabilities (Net)	41.85	28.82	-	-
Total Non Current Liabilities	198.04	186.29	175.33	305.75
Current Liabilities				
(a) Financial Liabilities				
(i) Borrowings	703.52	637.94	621.55	587.64
(ii) Lease Liabilities	14.44	13.61	7.21	3.75
(iii) Operational Buyers Credit	86.69	168.13	13.79	-
(iii) Trade Payables				
- total outstanding dues of micro enterprises and small enterprises	108.30	65.03	192.80	181.49
- total outstanding dues to other than micro enterprises and small enterprises	720.59	812.99	817.32	1,566.47
(iv) Other financial liabilities	375.49	368.75	415.71	487.41
(b) Current tax liabilities (Net)	13.99	19.52	30.32	46.37
(c) Other current liabilities	94.00	43.89	68.90	71.22
(d) Contract liabilities		-	-	30.11
(e) Provisions	13.21	12.30	10.16	12.12
Total Current Liabilities	2,130.23	2,142.16	2,177.76	2,986.58
Total Liabilities	2,328.27	2,328.45	2,353.09	3,292.33
Total Equity and Liabilities	5,547.34	5,472.59	5,171.46	5,215.80
Current maturity of Long Term Debt (Included in Other Financial Liability)	-	-	-	-

Summary consolidated statement of profit and loss

(in ₹ Crores)

Particulars		For the period ended	For the year ended	For the year ended	For the year ended
		June 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
		Unaudited	Audited	Audited	Audited
I	INCOME				
	Revenue from operations	995.19	4,743.31	4,727.11	4,422.96
	Other Income	13.17	47.18	42.91	36.13
	Total Income (I)	1,008.36	4,790.49	4,770.02	4,459.09
II	EXPENSES				
	Cost of Materials Consumed	268.35	980.87	973.54	644.22
	Other Direct costs	200.23	1,035.98	1,362.01	973.23
	Purchases of stock-in trade	215.17	1,564.47	1,243.71	1,778.40
	Change in inventories of finished goods, work-in progress and stock-in trade	3.97	(102.41)	(80.52)	8.07
	Employee benefits expense	91.42	348.19	310.56	252.85
	Finance Costs	36.30	152.19	166.40	176.09
	Depreciation and amortization expenses	20.90	82.97	78.25	68.63
	Other Expenses	69.60	297.53	267.74	216.61
	Total Expenses (II)	905.94	4,359.79	4,321.69	4,118.10
III	Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)	102.42	430.70	448.33	340.99
IV	Share of profit/ (loss) of jointly controlled entities	0.11	- 0.09	0.16	-
V	Profit / (loss) before exceptional items and income tax (III+IV)	102.53	430.61	448.49	340.99
VI	Exceptional item	-	-	6.38	4.13
VII	Profit / (Loss) before tax (V - VI)	102.53	430.61	442.11	336.86
VII I	Tax expense				
	- Current tax	13.60	79.00	114.50	86.13
	- Deferred Tax	13.37	33.90	1.75	4.49
IX	Profit/(loss) for the period / year (VII-VIII)	75.56	317.71	325.86	246.24
X	Other Comprehensive Income (OCI):				
	Items that will not be reclassified to profit or loss				
	(i) Remeasurements of defined benefit plans	(1.43)	(0.56)	-	3.80
	(ii) Income tax on above item	0.34	0.10	0.02	(0.95)

Particulars		For the period ended	For the year ended	For the year ended	For the year ended
		June 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
		Unaudited	Audited	Audited	Audited
	(iii) Gain/(Loss) on Equity Instruments designated through OCI	(0.07)	3.98	2.02	2.56
	Items that will be reclassified to profit or loss	-	-	-	-
	(i) Loss on translation of foreign operation	0.24	(1.97)	(0.33)	(0.45)
	Total Other comprehensive income/(loss) for the period / year	(0.92)	1.55	1.71	4.96
XI	Total comprehensive income for the period / year (IX+X)	74.64	319.26	327.57	251.20
XII	Profit attributable to:				
	Owners of the Parent	68.09	300.97	313.12	239.00
	Non-controlling interest	7.46	16.74	12.75	7.24
XII I	Total comprehensive income for the period / year attributable to:				
	Owners of the Parent	67.22	302.63	314.87	243.89
	Non-controlling interest	7.41	16.63	12.71	7.31
XI V	Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the period / year				
	- Basic (Rs.)	0.49	2.18	2.38	1.86
	- Diluted (Rs.)	0.49	2.18	2.38	1.87

Summary consolidated statement of cash flow

(in ₹ Crores)

Particulars		For the period ended	For the year ended	For the year ended	For the year ended
		June 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
		Unaudited	Audited	Audited	Audited
I.	Cash Flow From Operating Activities				
	Net Profit before Taxes and Exceptional Items	102.53	430.61	442.11	336.86
	Adjustments for				
	Depreciation & Amortization expenses	20.91	82.99	78.25	68.63
	(Gain)/Loss on disposal of property, plant and equipment	0.01	-	0.01	0.03
	Financial Guarantee Income	(0.08)	(0.30)	(0.36)	(0.40)
	Impairment loss, Bad Debts, advances and miscellaneous balances written off	(0.03)	4.70	5.57	4.66
	Liquidated Damages recovered on Sales	-	(2.73)	-	-
	Employee Share based payments expenses	-	-	(8.68)	3.89
	Unrealised gain on foreign exchange fluctuation	3.07	(10.09)	-	-
	(Gain)/Loss on Sale of Investment - Net	(0.67)	-	-	-
	Share of profit/ (loss) of an associate	(0.11)	0.09	(0.16)	-
	Dividend and interest income classified as investing cash flows	(4.34)	(14.66)	(13.91)	(3.77)
	Finance costs (net)	36.30	152.19	166.41	176.09
		55.06	212.19	227.13	249.13
	Change in operating assets and liabilities				
	(Increase)/Decrease in Trade and other receivables	9.17	191.17	558.69	(1,330.79)
	(Increase)/Decrease in Inventories	(19.36)	(184.47)	(138.11)	(91.59)
	Increase/(decrease) in Trade payables	(49.13)	(132.10)	(711.03)	932.72
	(Increase)/Decrease in other financial assets	(47.68)	(146.85)	106.31	(14.00)
	(Increase)/ Decrease in other financial liabilities	(81.45)	154.34	-	-
	(Increase)/decrease in other non-current assets	(1.61)	(3.39)	(2.85)	20.91
	(Increase)/decrease in other current assets	30.46	(138.79)	(152.12)	1.17
	Increase/(decrease) in provisions	0.91	2.15	(2.26)	1.43
	Increase in other Non current liabilities	2.78	3.63	(1.79)	7.89
	Increase in other current liabilities	58.69	(53.47)	(59.33)	(39.12)
		(97.22)	(307.78)	(402.49)	(511.38)
	Cash generated from/(used in) operations	60.36	335.01	266.75	74.61
	Income taxes paid (net)	(29.09)	(98.60)	(61.38)	(17.79)

Particulars		For the period ended	For the year ended	For the year ended	For the year ended
		June 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
		Unaudited	Audited	Audited	Audited
	Net cash inflow from/(used in) operating activities	31.28	236.41	205.37	56.82
II	Cash flows from investing activities				
	Payment for acquisition of subsidiaries & other investments	-	(10.25)	(12.00)	(13.03)
	Capital Receipt of Subsidy on Fiber Plant	-	42.58	-	-
	Payments for property, plant and equipment including CWIP	(29.52)	(193.57)	(145.21)	(97.37)
	Payments for Intangible Assets	(58.97)	(147.99)	(37.86)	(8.70)
	Proceeds from sale of property, plant and equipment	0.02	0.60	0.74	2.15
	Bank deposits placed/matured (net)	19.66	252.59	(252.19)	-
	Payment for loan to body corporate	0.42	5.55	(18.16)	3.11
	Proceeds from sale of Investment	8.95	-	-	33.13
	Dividends received	0.00	-	-	-
	Interest received	1.44	5.86	6.84	3.77
	Net cash inflow from /(used in) investing activities	(58.00)	(44.63)	(457.84)	(76.94)
III	Cash flows from financing activities				
	Proceeds from Issue of Convertible Warrants	-	28.20	-	-
	Proceeds from issues of Share Capital (including security premium)	0.30	3.08	605.78	-
	Share issue expenses	-	-	(10.50)	-
	Proceeds from borrowings	76.96	133.29	79.87	280.95
	(Repayment) of borrowings	(15.67)	(127.79)	(243.15)	(73.83)
	(Repayment) of lease liabilities	(2.40)	(9.81)	(8.69)	(7.76)
		59.19	26.97	423.31	199.36
	<i>Less:</i>				
	Finance Costs paid	(36.51)	(147.32)	(156.41)	(174.38)
	Dividends paid	-	(24.45)	(19.05)	-
	Net cash inflow from/(used in) financing activities	22.68	(144.80)	247.85	24.98
IV	Net increase /(decrease) in cash and cash equivalents (I+II+III)	(4.04)	46.98	(4.62)	4.86
V	Cash and cash equivalents at the beginning of the financial period / year	63.67	16.69	21.31	16.44
VI	Cash and cash equivalents at end of the period / year	59.63	63.67	16.69	21.30

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Placement Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. The risks described below are not the only ones relevant to us or our Equity Shares, the country, the industry and segments in which we currently operate. We have described the risks and uncertainties that our management believes are material but the risks set out in this Placement Document may not be exhaustive and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material in future. If any of the following risks, or other risks that are not currently known or are currently deemed immaterial, actually occur, our business, results of operations, financial condition and cash flows could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. To obtain a complete understanding of our Company, prospective investors should read this section in conjunction with “Our Business”, “Industry Overview” and “Management’s Discussions and Analysis of Financial Condition and Results of Operations” on pages 127, 92 and 146, respectively, as well as the financial, statistical and other information contained in this Placement Document. In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Offer including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in our Equity Shares.

Unless otherwise stated, references in this section to “our Company”, “we”, “us”, or “our” (including in the context of any financial or operational information) are to HFCL Limited and our Subsidiaries on a consolidated basis.

Our fiscal year ends on March 31 of each year. Accordingly, references to a “Fiscal” year are to the 12-month period ended March 31 of the relevant year. The financial information included in this section for Fiscal 2023, Fiscal 2022 and Fiscal 2021 has been extracted from our Audited Consolidated Financial Statements beginning on page 260. The financial information included in this section for the three months ended June 30, 2023 and June 30, 2022 has been extracted from our Unaudited Consolidated Financial Statements approved by the Board of Directors and limited reviewed by statutory auditors of the Company beginning on page 255.

The industry-related information contained in this section is derived from the Feedback Advisory Report. We commissioned and paid for the Feedback Advisory Report for the purposes of confirming our understanding of the industry in connection with the Issue.

Internal Risk Factors

Risks Relating to Our Business

- 1. The contracts in our Order Book may be adjusted, cancelled or suspended by our customers and, therefore our Order Book is not necessarily indicative of our future revenues or profit.**

As at June 30, 2023, our Order Book was ₹ 6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08% comprises other product and services orders. Our “Order Book” comprises anticipated revenues from the unexecuted portions of existing contracts (including signed contracts for which all pre-conditions to entry into force have been met and letters of acceptance issued by the customer prior to execution of the final contract) and from advance purchase orders and advance work orders for which we are yet to receive final purchase orders or work orders.

There can be no assurance that our Order Book will actually be realized as revenues or, if realized, will result in profits. Certain of our contracts are subject to cancellation, termination, or suspension at the discretion of the customer at any stage of the contract. Clauses in the tender documents which may be used to cancel or suspend or terminate the contracts, for example, include statements like “in the event of continuous/continual non-performance, the Purchaser reserves the right to procure the items/goods/services from elsewhere at the sole risk and cost of the supplier and to recover all such extra costs incurred by the Purchaser in procuring such items, etc. from the resources available. Alternatively, the Purchaser may cancel the Contract completely or partly without prejudice to its rights under the alternatives available”.

In addition, the contracts in our Order Book are subject to changes in the scope of services and products to be supplied as well as adjustments to the costs relating to the contracts or place of delivery. Projects can remain in Order Book for extended periods of time because of the nature of the project and the timing of the particular services required by the project. In addition, even where a project proceeds as scheduled, it is possible that contracting parties may default and fail to pay amounts owed. There may also be disputes in relation to our Order Book and receivables outstanding. Any delay, cancellation, dispute or payment default could adversely affect our business, results of operations and financial condition. For more information on our Order Book, see “Our Business — Our Order Book” on page 137.

2. *We are dependent on the award of large-scale turnkey project awards which are subject to cancellation and changes in scope of services and for which cost over-runs and delays may adversely affect our business, results of operations and financial condition.*

In the three months ended June 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, 19.73%, 30.47%, 39.83%, and 56.24% of our consolidated revenue was generated from large-scale turnkey projects (turnkey contracts more than ₹25 crore). The timing of when project awards will be awarded is unpredictable and outside of our control. We operate in competitive markets where it is difficult to predict whether and when we will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. In addition, during an economic downturn, many of our competitors may be more inclined to take greater or unusual risks or terms and conditions in a contract that we might not deem as standard market practice or acceptable. As a result, we are subject to the risk of losing new awards to competitors. Because a substantial portion of our revenues are generated from large projects, our results of operations can fluctuate over fiscal years and quarters, depending on whether and when project awards occur and the commencement and progress of work under such awarded contracts. Hence, there is a risk that revenue may not be derived from awarded projects as quickly as anticipated. Also, any cancellation or suspension of an order by a customer may also affect our business, results of operations and financial condition.

There are various risks associated with the execution of large-scale integrated contracts and turnkey projects including, but not limited to, the following:

- Large scale contracts include manufacturing and procuring many types of products. Any delay in manufacturing or procuring components for manufacturing or procuring the products (which are not manufactured by us) will result in the delay in execution of the project.
- Large contracts also involve partnering with other agencies and partners. Any failure of other agencies or our partners in the execution of their part of the work might affect the execution of all or part of the project.
- Large scale contracts may be delayed due to customer issues and events beyond our control.

At present, large-scale contracts and turnkey projects represent a significant part of our Order Book and may represent a significant part of our Order Book in the future, increasing the potential volatility of our results of operations and cash flows and exposure to individual contract risks. For further information on these projects and our Order Book, see “Our Business - Order Book” on page 137. Managing such large-scale contracts and turnkey projects may also increase the potential relative size of cost overruns and negatively affect our operating margins. If we do not achieve our expected margins or suffer losses on one or more of these large-scale contracts or turnkey projects, our business, results of operations and financial condition could be materially adversely affected.

3. *Our business is dependent on our manufacturing facilities, and we are subject to certain risks in our manufacturing process. Any slowdown or shutdown in our manufacturing operations or strikes, work stoppages by our employees that could interfere with our operations could have an adverse effect on our business, financial condition and results of operations.*

Our manufacturing facilities and R&D centres are subject to operating risks, such as (i) the risk of substantial disruption or shutdown due to breakdowns or failure of equipment, natural disasters, storms, fires, explosions, earthquakes, floods and other catastrophic events, which could cause power interruptions and water shortages, actual, potential or suspected epidemic outbreaks, terrorist attacks and wars, labour disputes, strikes, lock-

outs, loss of services of our external contractors, and industrial accidents, (ii) performance below expected levels of output or efficiency, and (iii) obsolescence.

Our manufacturing facilities are also subject to operating risk arising from any failure to comply with the directives of relevant government authorities (such as environmental authorities) or any changes in governmental regulations affecting our business and our facilities, such as any change in the zoning of the land on which our manufacturing facilities are located into a residential or other non-industrial use, which could lead to a loss of licenses, certifications, permits and the ability to continue operating our current manufacturing facilities and R&D centres. Moreover, catastrophic events could also destroy any inventory and capital assets located at our facilities and R&D centres. If there is any prolonged disruption or shutdown of operations at our manufacturing facilities attributed to various reasons as stated above, we may not be able to replace the equipment or inventories or use different facilities to continue our operations in a timely and cost-effective manner or at all. We may not be able to recover from damages or interruptions caused to our manufacturing facilities in a timely manner or at all. The occurrence of any such event could result in the temporary or long-term closure of any of our manufacturing facilities, severely disrupt our business operations and could have a material adverse effect on our business, results of operations and financial condition. For details of our manufacturing facilities, see “*Our Business*” on page 127.

Success of our operations depends on availability of labour and good relationships with our labour force. We have two labour unions at our manufacturing units. We have not had any labour strikes or cessation of work due to labour disputes in the three months ended June 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021. Strikes and lockouts as a result of disputes with our labour force may adversely affect our operations. We cannot assure you that we shall not experience any strikes or lockouts on account of labour disputes in the future. Such events could disrupt our operations and may have a material adverse effect on our business, results of operations and financial condition. In addition, we also may face protests from local citizens at our existing facilities or while setting up new facilities, which may delay or halt our operations.

4. *We operate in a competitive environment and may not be able to effectively compete which could have a material adverse effect on our business, results of operations and financial condition.*

The market wherein we operate is competitive, rapidly evolving and is characterized by frequent introductions of new and improved solutions, applications and technologies. We expect competition to persist and intensify in the future as the market wherein we operate is constantly evolving and growing with new and existing competitors devote considerable resources to introducing and enhancing products and services. Accordingly, our ability to grow our business in accordance with our strategy will depend on our ability to introduce new products, adapt to new technologies, respond to pricing strategies by competitors, redevelop our brand, execute agreements with technology partners, improve our manufacturing capabilities and technology and develop intellectual property.

Our competitors may devote greater resources to the development, promotion and sale of their products than we do. They may have lower costs and be able to withstand lower prices better in order to gain market share. They may be more diversified than we are and better able to leverage their other businesses, products and services to be able to accept lower returns and gain market share. In addition, our competitors may have greater engineering, technical, manufacturing, research and development, sales, marketing and financial resources and capabilities than we have. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements, including introducing a greater number and variety of products than we can.

To remain competitive, we must continue to invest significant resources in modernisation, research and development, manufacturing, sales and marketing and customer support. We cannot be sure that we will have sufficient resources to make these investments or that we will be able to make the technological advances necessary to be competitive. Failure to compete successfully against current or future competitors could have a material adverse effect on our business, results of operations and financial condition.

We expect that in the future a limited number of large customers will continue to comprise a significant percentage of our operating revenue. Consequently, if we are unable to expand our sales volumes to existing customers, maintain our relationship with our key customers or diversify our customer base, we may experience material fluctuations or decline in our revenue and reduction in our operating margins, as a result of which our business, results of operations and financial condition could be materially and adversely affected.

5. ***Our proposed capacity expansion plans relating to our manufacturing facilities are subject to the risk of unanticipated delays in implementation and cost overruns.***

We are focused on expanding our Optical Fiber and Optical Fiber Cable facilities at Goa and Hyderabad. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; accidents, construction and development delays or defects; construction being affected by adverse weather conditions; satisfactory and timely performance by construction contractors; receipt of any governmental or regulatory approvals and permits; political risk; availability of financing on acceptable terms; and changes in management's views of the desirability of current plans, among others. We may also require additional financing in order to expand and upgrade our existing facilities as well as to construct new facilities. Consequently, we cannot assure you that any of our expansion projects will be completed as planned or on schedule, or that we will achieve our increased planned output capacity or operational efficiency. If we experience significant delays in the implementation of our expansion plans or if there are significant cost overruns, the overall benefit of such plans to our revenues and profitability may decline. If the expenditure that we incur does not produce anticipated or desired results, our business, results of operations and financial condition will be adversely affected. For further information, see "Our Business - Our Strategy" and "Use of Proceeds" on pages 133 and 75, respectively.

6. ***Our funding requirements and proposed deployment of the Net Proceeds have not been appraised by a bank or a financial institution and if there are any delays or cost overruns, we may have to incur additional cost to fund the "USE OF PROCEEDS" because of which our business, financial condition and results of operations may be adversely affected.***

We intend to use the Net Proceeds for the purposes described in the section titled "Use of Proceeds" on page 75. The funding requirements mentioned as a part of the "USE OF PROCEEDS" have not been appraised by any bank or financial institution. While a monitoring agency will be appointed for monitoring utilisation of the Net Proceeds, the proposed utilisation of the Net Proceeds is based on current conditions, internal management estimates, estimates received from the third party agencies and are subject to changes in the external circumstances or costs, or in other financial condition, business or strategy as discussed further below. Based on the competitive nature of our industry, we may have to revise our business plan and / or management estimate from time to time and consequently our funding requirements may also change. Our internal management estimates may exceed fair market value or the value that would have been determined by third party appraisals, which may require us to reschedule or reallocate our capital expenditure and may have an adverse impact on our business, financial condition, results of operations and cash flows. Further, pending utilisation of Net Proceeds towards the "USE OF PROCEEDS", our Company will have the flexibility to deploy the Net Proceeds and to deposit the Net Proceeds temporarily in deposits with one or more scheduled commercial banks included in the Second Schedule of the Reserve Bank of India Act, 1939. Accordingly, prospective investors will need to rely on our management's judgment with respect to the use of Net Proceeds. If we are unable to enter into arrangements for utilisation of the Net Proceeds as expected and assumed by us in a timely manner or at all, we may not be able to derive the expected benefits from the Net Proceeds and our business and financial results may suffer.

7. ***We have not entered into any definitive agreements with respect to certain capital expenditure.***

We intend to use the Net Proceeds of the Issue, *inter alia*, towards funding capital expenditure requirements for capacity expansion of optic fibre and optic fibre cables by the Company or through its Subsidiaries, as set forth in the section "Use of Proceeds – Requirements of Funds – Capital Expenditure" on page 75. We have not entered into any definitive agreements to utilize the Net Proceeds towards the proposed capital expenditure. We have relied on third party quotations to calculate the expected amount of the Net Proceeds to be spent on equipment and machinery. We cannot confirm whether we will be able to purchase the equipment at the same price at which we obtained the quotations. Consequently, we may require additional funds towards such capital expenditure.

8. ***We have not made any alternate arrangements for meeting our capital requirements for the "USE OF PROCEEDS". Further, we have not identified any alternate source of financing the 'Objects of the Offer'. Any shortfall in raising / meeting the same could adversely affect our growth plans, operations and financial performance.***

As on date, we have made partial alternate arrangements for meeting our capital requirements for the "USE OF PROCEEDS". We meet our capital requirements through our bank finance, unsecured loans, owned funds and internal accruals. With respect to capital expenditure which is not proposed to be funded out of the Net

Proceeds, the debt facilities have been sanctioned for a part of the proposed capital expenditure. Any shortfall in our net owned funds, internal accruals and our inability to raise debt in future would result in us being unable to meet our capital requirements, which in turn will negatively affect our financial condition and results of operations. Further, we have not identified any alternate source of funding and hence any failure or delay on our part to raise money from this Offer or any shortfall in the Offer proceeds may delay the implementation schedule and could adversely affect our growth plans. For further details, see “Use of Proceeds” on page 75.

9. ***We could incur losses under our purchase orders with our customers or be subjected to disputes or contractual penalties as a result of cost overruns, delays in delivery or failures to meet contract specifications or delivery schedules which may have a material adverse effect on our business, results of operations and financial condition.***

Our purchase orders with our customers provide for liquidated damages for late delivery of our products and/or services such as instances with Bharat Sanchar Nigam Limited. In the past, there have been instances of time overruns, due to which we have been required to re-negotiate some of the terms, such as date of delivery of our purchase orders and customer contracts due to a delay in delivery (owing to a combination of internal as well as external factors beyond our control). There can be no assurance that our customers in future will not rescind their contracts with us if there is a delay in delivery beyond the time stipulated in the contract or we may need to renegotiate some of our customer contracts. This may have an impact on our reputation, which could have a material adverse effect on our business, results of operations and financial condition. Further, payment of liquidated damages and renegotiation of terms of purchase orders/ contracts could also have an adverse impact on our financial position and cash flows. In addition, certain of our customer purchase orders/ contracts, enable our customers to set off payments for goods delivered against previous outstanding balances. Any such instances may also impact our cash flows and have an adverse impact on our business operations.

10. ***We are dependent on and derive a substantial portion of our revenue from a limited number of Government Customers (as defined below) and exposes us to risks inherent in doing business with them, which may adversely affect our business, results of operations and financial condition.***

We are dependent on a limited number of private and public customers and projects. Many of our customers are PSUs like BSNL, JCNL, the Ministry of Defence, the Ministry of Communications and other GoI agencies, as well as State Government entities (together, “**Government Customers**”).

Our revenue and Order Book are concentrated with, and we are dependent on, a limited number of customers and projects. In the three months ended June 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, our top ten customers accounted for 77.88%, 72.10%, 78.24% and 89.46% of our telecom revenue, and 100.00%, 98.86%, 99.75% and 95.05% of our turnkey revenue respectively; our top five customers accounted for 70.44%, 65.44%, 70.97%, and 80.70% of our telecom revenue and 96.24%, 94.96%, 95.44% and 93.16% of our turnkey revenue respectively. Cancellation by customers or delay or reduction in their orders could have a material adverse effect on our business, results of operations and financial condition. Further, where anticipated orders fail to materialize can result in mismatch between our inventories of raw materials and of manufactured products, thereby increasing our costs relating to maintaining our inventory and reduction of our margins, which may adversely affect our profitability and liquidity. In addition, we may not find any customers or purchasers for the surplus or excess capacity, in which case we would be forced to incur a loss. Further, our inability to find customers for surplus products may result in excessive inventories which may become obsolete and may be required to be written off in the future.

Our revenue and Order book are also concentrated with Government Customers. In three months ended June 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, Government Customers accounted for approximately 18.07%, 17.27%, 32.46% and 49.12% of our revenue from operations, respectively. As at June 30, 2023, approximately 68.87% of our Order book was concentrated in projects with the GoI, PSUs and State Governments as customers.

Given that we derive a significant portion of our revenue from Government Customers, we are exposed to various risks inherent in doing business with them, which may adversely affect our business, results of operations and financial condition. These risks include:

- participation in contracts with Government Customers could subject us to stricter regulatory and testing requirements which may increase our compliance costs;

- execution of the detailed definitive documentation and agreements with Government Customers may take a significant amount of time and cause delays;
- delays in project implementation and key initiatives where we have invested significant costs;
- delays in payment due to the time taken to complete internal processes of Government Customers;
- levy of liquidated damages due to our execution delays, which may adversely affect our profit margins;
- political and economic factors such as pending elections, changes in leadership among key governmental decision makers, changes or delays in the implementation of government policies, revisions to tax policies and reduced tax revenues can affect the number and terms of new government contracts signed;
- any disinvestment by the GoI of its shareholding in such entities could result in a change in business operations of such entities, which may impact existing or future business arrangements between our Company and such entities; and
- terms and conditions of contracts with Government Customers, including requests for proposals and tenders tend to be more onerous and are often more difficult to negotiate than those for other commercial contracts.

11. *The telecommunications technology market and telecommunications equipment manufacturing market are characterised by rapid technological changes. These changes may affect the demand for our products like OFC, telecommunications equipment and defence products. If we are unable to keep abreast of the technological changes and new product introductions, our business, results of operations and financial condition may be adversely affected.*

Fifth generation (5G) telecom networks are expected to power up to 2% of India's GDP, amounting to \$180 billion by 2030 and it is expected to transform the 1.2 billion subscriber telecom industry of India. (*Source: Feedback Advisory Report*). Our future performance will depend on the successful development, introduction and market acceptance of new, improved and enhanced products that address these changes as well as current and potential customer requirements and changing market trends. New products based on new or improved technologies may render existing products obsolete. In addition, a slowdown in demand for our existing products like OFC, certain telecommunications equipment and defence products ahead of a new product introduction could result in a write-down in the value of inventory on hand related to existing products and/or a charge for the impairment of long-lived assets related to such products. If our customers defer or cancel orders for existing products due to a slowdown in demand or in the expectation of a new product release or if there is any delay in development or introduction of our new products or enhancements of our products, our business, results of operations and financial condition would be adversely affected.

Further, we regularly bid for tenders, and execute agreements for manufacturing, developments and supply of products and services in collaboration with our technology partners. We also have relationships with technology and telecommunications companies as well as start-ups to provide us with access to new technology and products to expand our offering to customers as well as to drive our company-wide efforts towards innovation. In the event that we are unable to continue to enter into such arrangements, or renew such arrangements, we may be unable to service the requirements of our existing as well future customers, which may lead to a fall in our market share. Any such inability may lead to a material adverse impact on our business, results of operations and financial condition.

As part of our strategy and to cater to the changing customer preferences and market trends, we have introduced various new products and services in recent years. As we introduce these new products and services, we may face risks including, among other things, disruption in customers' ordering patterns, excessive or insufficient levels of existing product inventories, difficulties in ramping-up our manufacturing arrangements, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers' demand, possible product and technology defects and a potentially different sales and support environment. The development and commercialisation process are both time consuming and capital intensive. We may focus our resources on technologies that may not become widely accepted or may not be commercially viable. Our ongoing investments in research and development and our collaboration with technology partners for new products and processes may result in higher costs without a proportionate increase in revenues. Further, we may be unable to maintain our collaboration with our technology partners

that are necessary for developing our new products and processes. Product development delays may result from numerous factors, including, changing product specifications and customer requirements and unanticipated engineering complexities, difficulties in hiring and retaining necessary technical personnel, difficulties in reallocating engineering resources and overcoming resource limitations and changing market or competitive product requirements.

There is also a possibility that we may miss a market opportunity because we failed to invest, or invested too late, or were unable to enter into an arrangement with a technology partner, in a technology product or enhancement sought by our customers.

Changes in market demand or investment priorities may also cause us to discontinue existing or planned development for new products or features, which can have an adverse effect on our relationships with customers. If we fail to make the right investments or fail to make them at the right time or our failure to manage the introduction of new products and services in line with our strategy and as per the changing customer preferences and market trends could have a material adverse effect on our business, results of operations and financial condition.

- 12. *We rely on a number of third party suppliers for our key components, materials and stock-in-trade as well as customer support services including product repairs and returns. If such third parties fail to deliver such components, products and support services in a timely manner or meet our specifications, our ability to meet our product delivery and quality obligations will be undermined and as a result, our reputation, business, results of operations and financial condition may be materially and adversely affected.***

We rely on a number of suppliers for our components, materials and stock-in-trade which are an integral part of our product and service offering. Further, some of such suppliers are the sole sources for procuring such components. Any defects in quality may not appear during the testing phase in our factory but may appear in the customer network at a later stage, resulting in additional costs as well as loss of reputation for us. In addition, we rely on third party suppliers to provide customer support services including product repairs and returns.

Given our reliance on our suppliers, if any one of our suppliers is unable to deliver the components, materials, stock-in-trade or customer support services in a timely manner, or at all, or meet our design or quality specifications, we may be unable to meet our product and service delivery timelines. Delayed supplies from our suppliers may in turn result in delayed deliveries by us to our customers and we may incur liquidated damages. There can be no assurance that we will be able to maintain strategic relationships with our suppliers or diversify our supplier base. Further, our suppliers may enter into exclusive arrangements with our competitors and we may be unable to obtain alternative sources for our components at commercially reasonable prices, or at all or enter into alternative arrangements with other manufacturing partners.

If we are unable to deliver reliable and high-quality products or services or timely resolve any issues relating to our products and services, confidence in our business could be undermined and we may be unable to expand or maintain our customer base and market share. We may incur additional expenses for resolving errors, providing damages for the defects or delays, extending warranties, increasing insurance coverage, obsolescence of inventory and defective products. In addition, we may have to divert significant research and development efforts to resolve such defects. Our customers may also bring legal actions against us, which could expose us to additional liabilities. Further, we may also be unable to realise any results from our research and development efforts undertaken to develop those products and recognise any revenue from the sales of those products in a timely manner, or at all. If any of these eventualities materialise, our reputation, business, results of operations and financial condition could be materially and adversely affected.

- 13. *We are dependent on our R&D activities for our future success. If we do not successfully develop new products or continue our product portfolio expansion in a timely and cost-effective manner, our business, results of operations and financial condition may be adversely affected.***

We are dependent on our R&D activities and engineers/technical experts at our R&D centres for our future success. In three months ended June 30, 2023, and in Fiscal 2023, Fiscal 2022, and Fiscal 2021, our recurring R&D expenses were ₹ 1.99 crore, ₹4.50 crore, ₹20.71 crore and ₹8.67 crore, respectively, which represented 0.20 %, 0.09%, 0.44% and 0.20% of our consolidated revenue from operations, respectively. In addition, in the three months ended June 30, 2023, in Fiscal 2023, Fiscal 2022 and Fiscal 2021, our capital expenditure on R&D was ₹ 65.47 crore, ₹172.71 crore, ₹61.16 crore and ₹26.78 crore, respectively. Our future results of operations depend, to a significant degree, on our ability to successfully develop new products and continue

our product portfolio expansion in a timely and cost-effective manner. As part of our business strategies, we intend to further diversify our product portfolio by entering into new product value chains. In addition, we intend to expand our capacities in existing products as well as expanding and strengthening our research capabilities in order to ensure rapid product innovation. Innovation continues to be the key determinant for our success. We believe the development and commercialisation of new products are complex, time-consuming, costly and involves a high degree of business risk. We may encounter unexpected delays in the launch of these products or these products, and even if launched as planned, such products may not perform as we expect.

The success of our new product offerings will depend on several factors, including our ability to properly anticipate customer needs; obtain timely regulatory approvals; establish collaborations with suppliers and customers; develop and manufacture our products in a timely and cost-effective manner through our R&D efforts; and successfully market and sell our products. In addition, the development and commercialisation of new products is characterised by significant upfront costs, including costs associated with R&D, product development activities, obtaining regulatory approvals, building inventory and sales and marketing. Our planned investments in new manufacturing facilities and equipment for future expansion could result in higher costs, especially in the event of cost overruns, without a proportionate increase in revenues. Additionally, some of our competitors in telecommunications and defence segments may have greater financial, research and technological resources. They may also be in a better position to identify market trends, adapt to changes in industry and offer innovative new products. Accordingly, if we do not successfully develop new products or continue our product portfolio expansion in a timely, cost-effective manner that is attractive to our customers, our business, results of operations and financial condition may be adversely affected.

14. *Our inability to successfully implement some or all our business strategies in a timely manner or at all could have an adverse effect on our business.*

As part of our strategy aimed towards business growth and improvement of market position, we intend to implement several business strategies, which include:

- Focusing on upcoming opportunities in Telecom, Defence and Railways;
- Improving our product mix to margin accretive own-designed products;
- Expanding and Modernizing Manufacturing Capabilities;
- Extending our market reach; and
- Building internal structures to focus on key specialization areas.

Our strategy may not succeed due to various factors, including our inability to reduce our debt and our operating costs, our failure to develop new products and services with sufficient growth potential as per the changing market preferences and trends, our failure to execute agreements with our technology and strategic partners, our failure to effectively market these new products and services or foresee challenges with respect to our business initiatives, our failure to sufficiently upgrade our infrastructure, machines, automation, equipment and technology as required to cater to the requirement of changing demand and market preferences, our failure to maintain highest quality and consistency in our operations or to ensure scaling of our operations to correspond with our strategy and customer demand, changes in GoI policy or regulation, our inability to respond to regular competition, and other operational and management difficulties. Any failure on our part to implement our strategy due to many reasons as attributed aforesaid could be detrimental to our long-term business outlook and our growth prospects and may materially adversely affect our business, results of operations and financial condition. For further details of our strategies, see “Our Business – Our Strategy” on page 133.

15. *We are dependent on a number of key personnel, including our senior management and qualified and experienced professionals, and the loss of, or our inability to attract or retain such persons could adversely affect our business, results of operations and financial condition.*

Our performance depends largely on the efforts and abilities of our senior management, other key personnel and the performance and productivity of our operational managers. We believe that the inputs and experience of our senior management and our key managerial personnel are valuable for the development of business and operations and the strategic directions taken by our Company. For details in relation to the experience of

our key managerial personnel, see section titled “*Board of Directors and Senior Management*” on page 190. There is no assurance, however, that these individuals or any other member of our senior management team will not leave us or join a competitor. We cannot assure you that we will be able to retain these employees or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Company. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations and financial condition.

16. *Our failure to manage growth effectively may adversely impact our business, results of operations and financial condition.*

Our ability to sustain growth depends primarily upon our ability to manage key issues such as our ability to sustain existing relationships with our clients, ability to obtain raw materials, components and stock-in-trade at better prices, ability to compete effectively, ability to scaling up our operations, adhering to high quality and execution standards, our ability to expand our manufacturing capabilities and our presence in India as well as globally, the effectiveness of our marketing initiatives, selecting and retaining skilled personnel. Sustained growth also puts pressure on our ability to effectively manage and control historical and emerging risks. Our inability to effectively manage any of these issues may adversely affect our business growth and, as a result, impact our business, results of operations and financial condition.

17. *We require sizeable amounts of working capital for our continued operation and growth. Our inability to meet our working capital requirements could have a material adverse effect on our business, results of operations and financial condition.*

Our business requires working capital for day-to-day operations, procurement of raw materials and production. In addition, large-scale turnkey projects and contracts may require us to incur substantial working capital costs before milestone payments are made to cover these costs for the purpose of ensuring that such projects and contracts are delivered and completed on a timely manner. For example, we required substantial working capital for Defence NFS projects and SWSM project executed or under execution. In addition, certain purchase orders may require a considerable increase in materials and production costs, or fees for technology collaborators, particularly in connection with new product areas. The credit period given to customers may be considerable and customers may not be invoiced for products until the time of product delivery or after product delivery and, in some cases, the customer may not pay our invoices on time or at all. As at June 30, 2023, we had total outstanding working capital loans aggregating to ₹ 571.14 crore. Our inability to meet our working capital requirements through borrowings or cash from our operations, as the case may be, could have a material adverse effect on our business, results of operations and financial condition.

18. *We are subject to certain legal proceedings and we cannot assure you that we will be successful in all of these actions. In the event we are unsuccessful in litigating any or all of the disputes, our business, results of operations and financial condition may be adversely affected.*

We are contesting certain legal proceedings in various courts and tribunals, including civil and taxation related cases before various forums and cannot assure you that the outcome of these legal proceedings will be favourable. We have also been issued legal notices by parties and/or received notices by regulatory authorities that could potentially result in legal proceedings. For instance, our Company has received orders from the Directorate of Enforcement, Government of India (“ED”) directing our Company and certain officials of our Company (including our individual Promoter) to provide *inter alia* information and documents with respect to certain GDRs issued by our Company in FY 2002-2003. Our Company has submitted the responses and documents requested from time to time (latest on October 12, 2021) and no further communication has been received from ED in this regard. However, at this stage, we are unable to ascertain the outcome or impact thereof of any action(s) that may be undertaken by the ED in this matter. Any unfavourable order in such matters may adversely affect our Company’s reputation and financial conditions. Further, SEBI had also issued show cause notices in this regard, which have subsequently been settled by way of two settlement orders in 2019, without any admission or establishment of guilt by our Company. Any adverse decision in any of these cases may adversely affect our reputation and financial condition. Such litigation could divert management time and attention and consume financial resources in their defense or prosecution. In addition, should any new developments arise, such as changes in Indian law or rulings against us by the regulators, appellate courts or tribunals, we may need to make provisions in our financial statements. If we fail to successfully defend our claims or if our provisions prove to be inadequate, our business, results of operations

and financial condition could be adversely affected. For further details of the material legal proceedings that we are subject to, see the chapter titled “*Legal Proceedings*” on page 245.

19. ***We require various regulatory approvals and licenses for the purpose of our business. Our inability to obtain such regulatory approvals and licenses for the purpose of our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licenses or maintaining the required filings and registers under such required laws, may have a material adverse effect on the continuity of our business and may impede our effective operations in the future.***

We require certain regulatory approvals, sanctions, licenses, registrations and permissions for operating and expanding our business and also to maintain registers and updated filings under various provisions of law. Further, certain approvals, licenses and permits are valid for a certain period and are required to be renewed at regular intervals in accordance to the timelines prescribed under the relevant statutes or as may be provided under the terms of such approvals, licenses and/or permits. We need to apply for certain approvals, including the renewal of approvals that expire from time to time, in the ordinary course of our business. Any inability to receive or ability to renew such approvals in the time frames prescribed under law or as may be required for the purpose of the business or not maintaining the required registers or updated filings, could adversely affect our business and result in closure of manufacturing facilities and/or the application of penalties. If we do not obtain, renew or maintain the regulatory approvals required to operate our business, it may have a material adverse effect on the continuity of our business and may impede our effective operations in the future.

In addition, as our manufacturing facilities cater to various Government Customers, many of these Government Customers certify our plants and production from time to time and test and certify our products at various stages including at the time of delivery. Any failure of our plants to receive certification by our customers or if a large volume of products were to fail our customers’ testing and certification requirements, our business, results of operations and financial condition could be adversely affected.

Further, the approvals required by our Company are subject to certain conditions and we cannot assure you that these would not be suspended or revoked in the event of non-compliance or alleged non-compliance with terms or condition thereof, or pursuant to any regulatory action.

20. ***We are subject to various laws and regulations, including environmental, health and safety laws and regulations in India, which may subject us to increased compliance costs, which may in turn result in an adverse effect on our business, results of operations and financial condition.***

Our business and operations are subject to a broad range of environmental, health and safety risks. We are subject to various central, state and local laws and regulations in relation to the environment and health and safety of employees, and laws and regulations concerning issues such as damage caused by air emissions, wastewater discharges, solid and hazardous waste handling and disposal. We are required to obtain and maintain various regulatory approvals and registrations for our operations, including consents from the local pollution control board in India to establish and operate manufacturing facilities in India. There can be no assurance that these relevant authorities will issue such permits or approvals, or renewals thereof, in the time frame anticipated by us. While we believe we currently have all the permits and approvals required for operating our manufacturing facilities, certain of these approvals require to be renewed periodically, and we cannot assure you that we would be successful in renewing them in a timely manner or at all.

In addition, being a listed company, we are also covered under various SEBI regulations, including but not limited to the SEBI (Prohibition of Insider Trading) Regulations, 2015, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. In order to comply with all applicable regulations, we may incur compliance costs and such compliance may be time consuming.

These laws, rules and regulations also prescribe for penalties in case of any violations, and such permits or approvals may impose certain additional conditions on our Company. In case of breach of, or non-compliance with such conditions or registration requirements, we may incur additional costs and liabilities in relation to compliance with these laws and regulations or any remedial measures in relation thereto and such permits or approvals granted to our Company may be suspended, revoked or cancelled. These additional costs and liabilities could be on account of penalties, fines, remedial measures and clean-up liabilities or due to compliance with more onerous laws or regulations. Moreover, the laws and regulations under which we operate are subject to change and any change to these laws and regulations could adversely affect our business, results of operations and financial condition.

21. *We have in the past been in non-compliance with certain corporate governance requirements and paid certain fines in respect of the same.*

Our Company, being a public listed company, is required to comply with certain corporate governance requirements as prescribed under the SEBI Listing Regulations. There have been certain non-compliances with such requirements by our Company in the past. For instance, our Company had received communications on November 22, 2021 and February 21, 2022, from both BSE and NSE, for non-compliance with Regulation 17 (1) of the SEBI Listing Regulations in relation to number of independent directors on the Board during the quarters ended September 30, 2021 and December 30, 2021 (up till November 24, 2021) and which levied fines aggregating to Rs. 11,30,000 (excluding applicable GST) for such non-compliance, which were subsequently paid by our Company. While our Company is in compliance with corporate governance requirements as on the date of this Placement Document, if we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, restrictions on the further issuance of securities and freezing of transfers of securities, imposition of fines or penalties on our Company or we may be subject to regulatory action by SEBI, Stock exchanges or the any other relevant authority.

22. *Adverse macroeconomic conditions in India and globally may have an adverse impact on our business, results of operations and financial condition.*

In the event of adverse macroeconomic conditions in India or globally, which may be characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment, higher inflation and lower consumer spending, the demand for our products and services, including insurance products and financing services, could be adversely affected. The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. Economic growth is affected by various factors including domestic consumption and savings, balance of trade movements, namely export demand and movements in key imports, global economic uncertainty and liquidity crisis, volatility in currency exchange rates and outbreak of infectious diseases. For instance, the outbreak of the COVID-19 pandemic led to a major disruption of liquidity across the globe, which in turn affected the spending and investing capacity along with the investment propensity of consumers globally. In response to the global impact of the COVID-19 pandemic, public health officials and government authorities took rampant curtailment measures, including in India.

Similar factors, such as the Russia-Ukraine war, power shortages in Europe, rising inflation rates globally, volatility in interest rates, negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India and could then adversely affect our business, financial performance and the price of our Equity Shares. Demand for our products and services may be adversely affected by an economic downturn in domestic, regional and global economies. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition and results of operations and reduce the price of our equity shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

23. *The majority of our customers operate in the telecommunications industry. Factors that adversely affect this industry or product spending by companies within this industry may adversely affect our business, results of operations and financial condition.*

We derive a large proportion of our revenues from customers that operate in the telecommunications industry. Any significant decrease in product spending by customers in this industry like Reliance Jio Infocomm Limited and other private telecommunications companies or GoI departments and PSUs, like, BSNL, the Ministry of Defence, from which we derive significant revenues may reduce the demand for our products. Further, any significant decrease in the growth of the telecommunications industry, or significant consolidation in this industry, or any decrease in growth or consolidation in other industry segments in which we operate, may reduce the demand for our services and have an adverse effect on our business, results of operations and financial condition. In addition, as fewer customers gain control of the telecommunications

industry as a result of consolidation, pricing pressure is likely to increase and a change of ownership of our customers resulting from such consolidation could also result in the loss of our current customers if the new owners select another networking equipment vendor or vendors over us.

24. *We are subject to foreign currency fluctuations in respect of purchases of raw materials, components and stock-in-trade made in various foreign currencies, payments to foreign technology partners and purchases by foreign customers.*

We import a portion of our equipment as well as components, materials and stock-in-trade used in our business and services. Accordingly, we are subject to foreign currency fluctuations in respect of such transactions made in various foreign currencies. Further, any political or economic disturbances in the countries from where we import could interrupt the timely supply of equipment procured by us. The exchange rate between the Rupee and other currencies, including the US dollar and the Euro, has changed substantially in recent years and may fluctuate substantially in the future.

While most of our revenues and our expenses are denominated in Indian Rupees, we may enter into agreements, including financing agreements and agreements to acquire components and capital equipment, which are denominated in foreign currencies and require us to bear the cost of adverse exchange rate movements. Accordingly, any fluctuation in the value of the Rupee against these currencies has and may affect the cost of servicing and repaying any obligations we may incur that expose us to exchange rate risk.

We engage in a limited amount of hedging in connection with the import of raw materials. We take forward exchange coverage in respect of part of imports through letters of credit. At present, we partly hedge our foreign currency exposure. If, in the future, foreign exchange rates are contrary to our expectations, we could incur losses independent of the relative strength of our business, which could affect our business, results of operations and financial condition.

25. *Negative publicity could damage our reputation and adversely impact our business and financial results.*

Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. Negative public opinion about our industry generally or us specifically, could adversely affect our ability to attract and retain customers, and may expose us to litigation and regulatory action. Negative publicity can result from our actual or alleged conduct in any number of activities, regulatory compliance or actions that may be taken by government regulators.

For example, in September 2021, our Company, through external media reports, became aware of an FIR registered by the Criminal Investigation Department, Government of Andhra Pradesh (“CID”) dated September 9, 2021, against some other companies, our Company, our directors (at the time of bidding for the tender) including our individual Promoter, for certain allegations raised in a complaint filed by the Managing Director, AP State FiberNet Limited in relation to a tender floated in the year 2015. Pursuant to the media reports, our Company reached out to the CID representatives and a statement by the authorized signatory of our Company has been sent to CID on October 29, 2021 and November 1, 2021 clarifying that the Company and its directors had no role in the tender process of Infrastructure Corporation of Andhra Pradesh Limited (now renamed as AP State FiberNet Limited) and our Company was not a party to the agreement entered into with Infrastructure Corporation of Andhra Pradesh Limited. Further, a statement of HFCL’s witness was also recorded under Section 164 of the Code of Criminal Procedure, 1973 before the Additional Metropolitan Magistrate, Vijaywada on July 30, 2022. Subsequent queries from CID were also replied on February 7, 2023. Thereafter, our Company has not received any communication from CID in the matter. However, any negative publicity in traditional or social media may adversely affect our reputation.

26. *Our Statutory auditors provided an emphasis matter included in its report with respect to our financial statements for Fiscal 2021. Further, the audit reports on our financial statements contain adverse reporting under the Companies (Auditor's Report) Order, 2016 and Companies (Auditor's Report) Order, 2020.*

The details of an emphasis of matter included in the report of our Statutory Auditors with respect to our financial statements for Fiscal 2021 is as follows:

“We draw attention to Note 40 of the consolidated financial statements which describes management’s assessment of the impact of the COVID-19 pandemic on its business operations and financial results. The said assessment made by the management is highly dependent upon the circumstances as they evolve in subsequent period.

Our opinion is not modified in respect of this matter.”

There can be no assurance that any similar matters of emphasis will not form part of our financial statements for the future fiscal periods, which could subject us to additional liabilities due to which our financial condition may be adversely affected. Further, for details of the adverse reporting by our Statutory Auditors on our financial statements under the Companies (Auditor's Report) Order, 2016 and Companies (Auditor's Report) Order, 2020, see “*Management's Discussion and Analysis of Financial Condition and Results of Operations – Reservations, Qualifications or Adverse Remarks*” on page 184. Investors are advised to consider the matters when evaluating the financial position, cash flow, and results of operation of the Company.

27. *We may not be able to correct defects or irregularities in title to the land which we own or have right to use on leasehold basis.*

There may be legal defects and irregularities in title to the lands on which we currently own or have right to use on leasehold basis such as parcel of land at Solan, Himachal Pradesh and at Jaipur, Rajasthan. Our rights in respect of these lands may be compromised by unregistered conveyance or leasehold instruments in the property's chain of title and / or litigations on such land. For further details of the legal proceedings that we are subject to, Jaipur Development Authority has filed an appeal before the Supreme Court, see the chapter titled “*Legal Proceedings*” on page 245. Any defects or irregularities of title may result in loss of development rights over such land. Any inability to correct any such defects or irregularities of title may have an adverse effect on our financial condition.

28. *We have incurred significant capital expenditure during the last three Fiscal Years. We may require substantial financing for our business operations and planned capital expenditure and the failure to obtain additional financing on terms commercially acceptable to us may adversely affect our ability to grow and our future profitability.*

During the three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, we incurred capital expenditure of ₹88.48 crore, ₹298.98 crore, ₹183.06 crore and ₹106.07 crore, respectively. A significant amount of our capital expenditure in these periods was aimed at increasing our manufacturing and R&D capacities. Our management adopts and implements business strategies that take into account a number of macro and micro economic considerations, including our current financial condition and expected levels of growth over the medium to long term.

There can be no assurance that our expansion plans will be implemented as planned or on schedule, or that we will achieve our increased planned output capacity or operational efficiency. If we experience significant delays or mishaps in the implementation of the expansion plans or if there are significant cost overruns, then the overall benefit of such plans to our revenues and profitability may decline. To the extent that the planned expansion does not produce anticipated or desired output, revenue or cost-reduction outcomes, our business, financial condition and results of operations will be adversely affected.

In the future, we may require substantial capital for our business operations and planned capital expenditure to maintain and grow our existing infrastructure, purchase equipment and develop and implement new technologies in our new and existing manufacturing facilities. The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns in developing our products, changes in business plans due to prevailing economic conditions, unanticipated expenses and regulatory changes. To the extent our planned expenditure requirements exceed our available resources, we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest costs and require us to comply with additional restrictive covenants in our financing agreements. Additional equity financing could dilute our earnings per Equity Share and your investment in our Company and could adversely impact our future Equity Share price.

Our ability to obtain additional financing on favourable terms, if at all, will depend on a number of factors, including our future financial condition, results of operations and cash flows, the amount and terms of our existing indebtedness, general market conditions and market conditions for financing activities and the economic, political and other conditions in the markets where we operate. Our ability to raise debt financing on acceptable terms also depends on our credit ratings. For further information on the risks associated with credit ratings, see *Risk Factors* - “*Any downgrade of our debt ratings could adversely affect our business.*” We cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner

or at all. Our failure to renew arrangements for existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact our planned capital expenditure, our business, results of operations and financial condition.

29. *Our performance may be adversely affected if we are not successful in forecasting customer demands, managing our inventory or working capital.*

For our product manufacturing, we maintain a raw material inventory of 75 to 85 days. We use our ERP software (SAP) to evaluate our inventory balances of materials based on shelf life, expected sourcing levels, known uses and anticipated demand based on forecasted customer order activity and changes in our product sales mix. Efficient inventory management is a key component of the success of our business, results of operations and financial condition. To be successful, we must maintain sufficient inventory levels and an appropriate product sales mix to meet our customers' demands, without allowing those levels to increase to such an extent that the costs associated with storing and holding other inventory adversely affects our results of operations. If our raw materials, components and stock-in-trade purchase decisions do not accurately predict sourcing levels, customer trends or our expectations about customer demands and needs are inaccurate, we may have to take unanticipated markdowns or impairment charges to dispose of the excess or obsolete inventory, which can adversely affect our results of operations. In addition, our working capital requirements have increased in recent years due to the general growth of our business. If a client defaults in making its payment on a product to which we have devoted significant resources, it may also affect our profitability and liquidity and decrease the capital resources that are otherwise available for other uses. All of these factors may result, or have resulted, in increases in our working capital requirements. If we are unable to finance our working capital needs, or secure other financing when needed, on acceptable commercial terms or at all, it may adversely affect our business, results of operations and financial condition.

30. *We are entitled to certain export incentives for a specified period of time. Expiry or early withdrawal of such subsidies or export incentives may adversely affect our business, results of operations and financial condition. Further, our inability to fulfil our export obligations under Advance Authorization Licenses, could subject us to payment of customs duties together with interest thereby adversely impacting our business, results of operations and financial condition.*

We benefit from certain subsidies and export incentives under export promotion schemes such as Merchandise Exports from India Scheme (MEIS) and Duty Drawback scheme. If these subsidies or export incentives are withdrawn, or there is a delay in disbursements of benefits under such schemes, our business, results of operations and financial condition may be adversely affected. In addition, our business, results of operations and financial condition may be adversely affected if we are subject to any dispute with the tax authorities in relation to these benefits or in the event, we are unable to comply with the conditions required to be complied with in order to avail ourselves of these benefits.

Further, we avail ourselves of exemptions from customs duties under Advance Authorization Licenses. Although there have been no instances in the past of our failure to fulfil our export obligations, our inability to fulfil any of our export obligations under such Advance Authorization Licenses, could subject us to payment of customs duties together with interest thereby impacting our business, results of operations and financial condition.

31. *Our inability to maintain, protect and enforce our intellectual property rights, could adversely affect our business, results of operations and financial condition.*

We rely on a combination of trademark, patent, trade secret, and copyright law and contractual restrictions to protect our intellectual property. We have applied for certain registrations in connection with the protection of our intellectual property relating to our tradenames, trademarks and patents. Our applications and registrations may in the future be opposed, withdrawn, objected or are otherwise under dispute. If any of our unregistered intellectual property are registered in favour of a third party, we may not be able to claim registered ownership of such intellectual property, and consequently, we may be unable to seek remedies for infringement of intellectual property by third parties. Our inability to obtain or maintain these registrations may adversely affect our business, results of operations and financial condition.

Our agreements with our employees and consultants who develop our products on our behalf include confidentiality provisions and provisions on ownership of intellectual property developed during employment or specific assignments; however, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, our intellectual property including our proprietary products,

technology, systems and processes and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information or infringement of our intellectual property. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our proprietary products, technology, systems and processes and use information that we consider proprietary. In addition, unauthorized parties may also attempt, or successfully endeavour, to obtain our intellectual property, confidential information, and trade secrets through various methods, including through cybersecurity attacks, and legal or other methods of protecting this data may be inadequate. In addition, our trade secrets may become known or independently developed by our competitors, and in such cases, we may no longer enjoy the exclusive use of some of our formulations or maintain the confidentiality of information relating to our products.

We may need to litigate to protect our intellectual property or to defend against third party infringement. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect our intellectual property. Any inability to use or protect our intellectual property could affect our relationships with our customers, which could materially and adversely affect our brand, business, results of operations and financial condition.

32. *Failure or disruption of our IT, manufacturing automation systems and/or ERP systems may adversely affect our business, results of operations and financial condition.*

We have implemented various information technology (“IT”) and/or enterprise resource planning (“ERP”) solutions to cover key areas of our operations, procurement, dispatch and accounting. We also have various automation systems and software that automate our manufacturing and production. These systems are potentially vulnerable to damage or interruption from a variety of sources, which could result from (among other causes) cyber-attacks on or failures of such infrastructure or compromises to its physical security, as well as from damaging weather or other acts of nature. For instance, in relation to a commercial fraud committed by a foreign customer (to whom export of optical fiber cables were made), against our Company amounting to approx. ₹ 4.78 crore, our Company filed a complaint under Indian Penal Code, 1860 and Information Technology Act, 2000, with the Deputy Commissioner of Police, EOW, New Delhi, dated March 20, 2023, which was subsequently transferred by the Assistant Commissioner of Police, Economic Offences Wing, New Delhi, by way of its letter dated May 31, 2023, to the Deputy Commissioner of Police, Cyber Cell District, Special Cell, New Delhi. A significant or large-scale malfunction or interruption of one or more of our IT systems, ERP systems or manufacturing automation systems could adversely affect our ability to keep our operations running efficiently and affect product availability, particularly in the country, region or functional area in which the malfunction occurs, and wider or sustained disruption to our business cannot be excluded. In addition, it is possible that a malfunction of our data system security measures could enable unauthorized persons to access sensitive business data, including information relating to our intellectual property or business strategy or those of our customers. Such malfunction or disruptions could cause economic losses for which we could be held liable or cause damage to our reputation. Any of these developments, alone or in combination, could have a material adverse effect on our business, results of operations and financial condition. Further, unavailability of, or failure to retain, well trained employees capable of constantly servicing our IT, manufacturing automation systems and/or ERP systems may lead to inefficiency or disruption of our operations and thereby adversely affecting our business, results of operations and financial condition.

33. *Our success depends on the smooth supply and transportation of raw materials, components and stock-in-trade from our suppliers to our plants and of our products from our plants to our customers, which is subject to various uncertainties and risks.*

We procure our raw materials, electrical components, and stock-in-trade from domestic and international suppliers. Any disruption of our suppliers’ operations and/or inadequate or interrupted transportation of the raw materials and stock-in-trade to our facilities could result in delay in manufacturing the products for the customers and adversely affect our reputation, business, results of operations and financial condition. We depend principally on roadways, seaborne and airborne transportation for the delivery of raw materials, components and stock-in-trade to our manufacturing facilities and the delivery of our products from our manufacturing facilities to our customers. We rely on third parties to provide such services. These transportation providers may not be adequate to support our existing and future operations. Further, disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, geopolitical events, or other events could impair our ability to supply our products to our customers. In the event of any of the foregoing, we may be required to buy our

components, materials and stock-in-trade at unfavourable prices depending on demand and competition for components and materials, which could materially and adversely affect our reputation, business, results of operations and financial condition.

34. ***We are dependent on third parties for the supply of utilities, such as water, gas and electricity, at our manufacturing facilities and any disruption in the supply of such utilities could adversely affect our manufacturing operations.***

We procure utilities such as water, natural gas and electricity from third parties for use at our manufacturing plants. Reliance on third parties for such utilities exposes us to risks such as shortage or break down in supply, the correction of which is in the hands of such third parties. Any breakdown of our relationship with any of our utility providers could adversely affect our operations. In case of a break-down of our relationship with the utility providers, we are unable to assure you that we shall be able to source such utilities from alternate sources in a timely manner, which could adversely affect our business, financial condition and results of operations.

35. ***The demand of our products in foreign countries is subject to international market conditions and regulatory risks that could adversely affect our business, results of operations and financial condition. Further, Our Company may not be successful in penetrating new export markets.***

We export our products to over 45 countries. During the three months ended June 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, our revenues from exports were ₹176.23 crore, ₹817.49 crore, ₹362.94 crore and ₹200.64 crore, respectively, and our revenues from exports as a percentage of consolidated revenues from operations were 17.71%, 17.23%, 7.68%, and 4.54% respectively, during the same periods. Therefore, any developments in the global telecommunications or defence industries could have an impact on our sales from exports. From time to time, tariffs, quotas and other tariff and non-tariff trade barriers may be imposed on our products in jurisdictions in which we operate or seek to sell our products. There can be no assurance that the European Community and the United States, among others, where we seek to sell our products will not impose trade restrictions on us in future. We may also be prohibited from exporting to certain restricted countries that may be added to a sanctions list maintained by the Government of India or other foreign governments, such as the Specially Designated Nationals and Blocked Persons list maintained by the Office of Foreign Assets Control of the US Department of Treasury in the United States. Any such imposition of trade barriers may have a material adverse effect on our business, results of operations and financial condition.

Further, our expansion into new export markets subjects us to various challenges, including those relating to our lack of familiarity with the culture and economic conditions of these new regions, language barriers, difficulties in staffing and managing such operations, and the lack of brand recognition and reputation in such regions. In addition, the risks involved in entering new geographic markets and expanding operations, may be higher than expected, and we may face significant competition in such markets. By expanding into new geographical regions, we could be subject to additional risks associated with establishing and conducting operations, including compliance with a wide range of laws, regulations and practices; exposure to expropriation or other government actions; and political, economic and social instability.

36. ***We might infringe upon the intellectual property rights of others and any misappropriation of our intellectual property could harm our competitive position.***

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty as to whether we are infringing on any existing third-party intellectual property rights, which may require us to alter our technologies, obtain licenses or cease some of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims such as a suit filed by Sterlite Technologies Limited (“**Plaintiff**”) before the High Court of Delhi against our Company alleging infringement of a patent registered in the name of the Plaintiff with respect to optical fiber cable. For details see the chapter titled “*Legal Proceedings*” on page 245. If such claims are raised, those claims could: (a) adversely affect our relationships with current or future customers; (b) result in costly litigation; (c) cause product shipment delays or stoppages; (d) divert management's attention and resources; (e) subject us to significant liabilities; (f) require us to enter into potentially expensive royalty or licensing agreements and (g) require us to cease certain activities. In the case of an infringement claim made by a third party, we may be required to defend such claims at our own cost and liability and may need to indemnify and hold harmless our customers. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. In addition, we may decide to settle a claim or action against us, which settlement could be costly. We may also

be liable for any past infringement that we are not aware of. Any of the foregoing could adversely affect our business, results of operations and financial condition.

In addition, in certain cases, our customers share their intellectual property rights in the course of the product development process that we carry out for them. If our customer's intellectual property rights are misappropriated by our employees in violation of any applicable confidentiality agreements, our customers may seek damages and compensation from us. This could have an adverse effect on our business, results of operations and financial condition and damage our reputation and relationships with our customers.

37. *Failure to maintain confidential information of our customers could adversely affect our results of operations or damage our reputation.*

We enter into confidentiality agreements and non-disclosure agreements with our customers and other third parties. Our agreements with our customers also contain confidentiality and non-disclosure clauses. As per these agreements, we are required to keep confidential, the know-how and technical specifications, if any, provided to us by these customers. In the event of any breach or alleged breach of our confidentiality agreements with our customers, these customers may terminate their engagements with us or initiate litigation for breach of contract. Moreover, most of these contracts do not contain provisions limiting our liability with respect to breaches of our obligation to keep the information we receive from them confidential. As a result, if our customers' confidential information is misappropriated by us or our employees, our customers may consider us liable for that act and seek damages and compensation from us, in addition, to seeking termination of the contract. Assertions of misappropriation of confidential information or the intellectual property of our customers against us, if successful, could have a material adverse effect on our business, results of operations and financial condition. Even if such assertions against us are unsuccessful, they may cause us to incur reputational harm and substantial cost.

38. *Any downgrade of our debt ratings could adversely affect our business.*

As of date of this Placement Document, we have received the following credit ratings on our debt and credit facilities.

Instrument or Rating Type	Amount (₹ in crore)	Entity	Date	Ratings
Long Term Bank Facilities	1,044.54	HFCL	July 3, 2023	A; Care Ratings Ltd
Short Term Bank Facilities	1,984.13	HFCL	July 3, 2023	A1; Care Ratings Ltd
Long Term Bank Facilities	116.32	HTL	July 19, 2023	A-; Care Ratings Ltd
Short Term Bank Facilities	301.50	HTL	July 19, 2023	A2+; Care Ratings Ltd
Long Term Bank Facilities – Term Loan and Cash Credits	486.47	HFCL	November 22, 2022	A; Infomerics Valuation and Rating Pvt Ltd
Short Term Non-Fund Based Bank Facilities – LC/BGs	1826.15	HFCL	November 22, 2022	A1; Infomerics Valuation and Rating Pvt Ltd

These ratings assess our overall financial capacity to pay our obligations and are reflective of our ability to meet financial commitments as they become due. There can be no assurance that these ratings will not be revised or changed by the above rating agencies due to various factors, including on account of the COVID-19 pandemic. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

39. *An inability to comply with repayment and other covenants in the financing agreements could adversely affect our business, financial condition, cash flows and credit rating.*

We have entered into agreements in relation to financing arrangements with certain banks for working capital facilities and bank guarantees. As of June 30, 2023, we had total outstanding borrowings of ₹809.60 crore comprising of non-current borrowings of ₹106.08 crore and current borrowings of ₹703.52 crore. The agreements with respect to our borrowings contain restrictive covenants, including, but not limited to,

requirements that we obtain consent from the lenders prior to undertaking certain matters including, among others, effecting a merger, amalgamation or scheme of arrangement, change in capital structure of our Company and entering into forward contracts, swaps, options, or other liability management contracts in respect of short term facilities.

Further, under the terms of our borrowings, we are required to create a charge by way of hypothecation/ mortgage on the entire current assets/immovable properties of our Company, together with cash in hand, bank accounts and receivables, and, in our term loans, fixed assets. As these assets are hypothecated in favour of lenders, our rights in respect of transferring or disposing of these assets are restricted. There can be no assurance that we will be able to comply with the financial or other covenants prescribed under the documentation for our financing arrangements or that we will be able to obtain consents necessary to take the actions that may be required to operate and grow our business. Further, if we fail to service our debt obligations, the lenders have the right to enforce the security created in respect of our secured borrowings. If the lenders choose to enforce security and dispose our assets to recover the amounts due from us, our business, results of operations and financial condition may be adversely affected.

Any failure to comply with the conditions and covenants in our financing agreements or the creation of additional encumbrances that is not waived by our lenders or guarantors or otherwise cured or occurrence of a material adverse event could lead to an event of default and consequent termination of our credit facilities could adversely affect our business, results of operations, financial condition and cash flows.

40. *Our Company has unsecured loans which are repayable on demand. Any demand from lenders for repayment of such unsecured loans may adversely affect our business, results of operations, financial condition and cash flows.*

As of June 30, 2023, our Company has unsecured loans amounting to ₹ 257.85 crore and may, in the future, continue to avail unsecured borrowings (such as loans from body corporates), which may be recalled at any time, with or without the existence of an event of default, on short or no notice. Such recalls on borrowed amounts may be contingent upon happening of an event beyond our control and there can be no assurance that we will be able to persuade our lender to give us extensions or to refrain from exercising such recalls, which may adversely affect our business, results of operations, financial condition and cash flows.

41. *Employee misconduct could harm us and is difficult to detect and deter.*

Although we closely monitor our employees misconduct, including acts of bribery, corruption or fraud by employees or executives, such acts could include binding us to transactions that exceed authorized limits or present unacceptable risks, or they may hide unauthorized or unlawful activities from us, which may result in substantial financial losses and damage to our reputation and loss of business from our customers. Employee or executive misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm, including harm to our brand. It is not always possible to deter employee or executive misconduct and the precautions taken and systems put in place to prevent and detect such activities may not be effective in all cases. Any instances of such misconduct could adversely affect our business and our reputation.

42. *Information relating to the installed manufacturing capacity of our manufacturing facilities included in this Placement Document are based on various assumptions and estimates and future production and capacity may vary.*

Information relating to the historical installed capacity of our manufacturing facilities included in this Placement Document is based on various assumptions and estimates of our management and independent chartered engineers, including assumptions relating to expected operations, availability of raw materials, expected unit utilization levels, downtime resulting from scheduled maintenance activities, downtime resulting from change in stock keeping units for a particular product, unscheduled breakdowns as well as expected operational efficiencies. Actual production volumes and capacity utilization rates may differ from the estimated production capacities and historical capacity utilization of our manufacturing facilities. Investors should therefore not place undue reliance on our historical installed capacity information for our existing manufacturing facilities included in this Placement Document.

43. *We engage contract labour for carrying out certain business operations.*

In order to retain operational efficiencies, we engage independent contractors through whom we engage

contract labour for performance of certain functions at our manufacturing units as well as at our offices. Although we do not engage these labourers directly, we are responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. Any requirement to fund their wage requirements may have an adverse impact on our business, results of operations and financial condition.

44. *Our business may expose us to potential product liability claims and recalls, which could adversely affect our results operation, goodwill and the marketability of our products.*

We may be exposed to risks of products recalls and returns. In addition, we may be exposed to potential product liability claims, and the severity and timing of such claims are unpredictable. While we have taken insurance to protect us from such claims; however, this insurance coverage may be inadequate or not applicable to a particular set of claims. We face the risk of loss resulting from, and the adverse publicity associated with, product liability lawsuits, whether or not such claims are valid. We may also be subject to claims resulting from manufacturing defects or negligence in storage or handling which may lead to the deterioration of our products. Product liability claims, regardless of their merits or the ultimate success of the defence against them, are expensive. Even unsuccessful product liability claims would likely require us to incur substantial amounts on litigation and require our management's time and focus. Accordingly, such product liability claims, may adversely affect our results of operation, goodwill and the marketability of our products.

45. *Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, results of operations and financial condition.*

Our operations are subject to various risks inherent to the telecommunications industry and to the sale and maintaining inventory of products, as well as other risks such as theft, robbery, acts of terrorism and other force majeure events. We maintain insurance coverage for anticipated risks which are standard for our type of business and operations. As of June 30, 2023, carrying value of property, plant and equipment (including CWIP) and inventories is ₹1,337.85 crore constituting 24.12% of total assets, of which we have an insurance coverage of 111.27% of the carrying value of such assets. Our insurance policies cover our manufacturing facilities, warehouses and offices from losses in the case of fire, special perils, burglary and theft. We have also obtained inventory insurance for our products, insurance for liabilities and losses incurred during implementation of our various projects, and directors' and officers' liability insurance. There are many events that could significantly impact our operations, or expose us to third-party liabilities, for which we may not be adequately insured. There can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part, or on time. To the extent that we suffer any loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition could be adversely affected.

46. *If we are unable to establish and maintain an effective internal controls and compliance system, our business and reputation could be adversely affected.*

We are responsible for establishing and maintaining adequate internal measures commensurate with the size and complexity of operations. Our internal audit functions make an evaluation of the adequacy and effectiveness of internal systems on an ongoing basis in respect of compliance requirements and internal guidelines. We periodically test and update our internal processes and systems and there have been no past material instances of failure to maintain effective internal controls and compliance system. However, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to ensure effective internal checks and balances in all circumstances.

We take reasonable steps to maintain appropriate procedures for compliance and disclosure and to maintain effective internal controls over our financial reporting so that we produce reliable financial reports and prevent financial fraud. As risks evolve and develop, internal controls must be reviewed on an ongoing basis. Maintaining such internal controls requires human diligence and compliance and is therefore subject to lapses in judgment and failures that result from human error. Any lapses in judgment or failures that result from human error can affect the accuracy of our financial reporting, resulting in a loss of investor confidence and a decline in the price of our equity shares.

Further, our operations are subject to anti-corruption laws and regulations. These laws generally prohibit us and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We participate in collaborations and relationships with third parties whose actions could potentially subject us to

liability under these laws or other local anti-corruption laws. While our code of conduct requires our employees and intermediaries to comply with all applicable laws, and we continue to enhance our policies and procedures in an effort to ensure compliance with applicable anti-corruption laws and regulations, these measures may not prevent the breach of such anti-corruption laws, as there are risks of such breaches in emerging markets, such as India, including within telecommunications sector. If we are not in compliance with applicable anti-corruption laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, results of operations and financial condition and liquidity. Likewise, any investigation of any potential violations of anti-corruption laws by the relevant authorities could also have an adverse impact on our business and reputation,

47. *We conduct certain business operations on leased premises and our inability to renew such leases may adversely affect our business, results of operations and financial condition.*

We have lease arrangements for some of our manufacturing facilities, R&D facilities, warehouses, offices, regional and project offices, and guest house. While the lease agreements for our manufacturing facilities are typically long term in nature and provide us with an option to renew them, they also provide the lessor with the right to terminate the lease for non-compliance of the terms of the agreement. A few of our lease agreements in relation to our project and branch offices have expired, and will be renewed, in the ordinary course of business. We cannot assure you that we will be able to renew our leases on commercially acceptable terms or at all. In case of any deficiency in the title of the owners from whose premises we operate, breach of the contractual terms of any lease, leave and licensing agreements, or if any of the owners of these premises do not renew the agreements under which we occupy the premises, or if they seek to renew such agreements on terms and conditions unfavourable to us, or if they terminate our agreements, we may suffer a disruption in our operations and will have to look for alternate premises. Further, some of our lease agreements may not have been duly stamped as per applicable law or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, is not admitted as evidence in any Indian court or may even attract a penalty as prescribed under applicable law.

48. *We have had negative cash flows from investing activities and financing activities, in the past and may continue to have negative cash flows in the future*

We have experienced negative cash flows from investing and financing activities in the recent past. The following table sets forth our cash flows for the periods indicated:

	(₹ in crore)			
	Three months ended June 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Net cash generated from Operating Activities	31.28	236.41	205.37	56.82
Net cash generated from/ (used) in Investing Activities	(58.00)	(44.63)	(457.84)	(76.94)
Net cash (used) in Financing Activities	22.68	(144.80)	247.85	24.98
Net increase in Cash and Cash Equivalents	(4.04)	46.98	(4.62)	4.86

For further details, see “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 254 and 146, respectively. We cannot assure you that our net cash flows will be positive in the future.

49. *Our contingent liabilities that have not been provided for in our financial statements on materialisation may have an adverse impact our financial condition.*

The table below sets out our contingent liabilities (as disclosed in our Audited Consolidated Financial Statements and prepared in accordance with Ind AS) which have not been provided for as of June 30, 2023 and March 31, 2023.

(₹ in crore)

Contingent Liabilities	As of June 30	As of March 31,
	2023	2023
Unexpired Letters of Credit	206.78	263.55
Guarantees given by banks on behalf of the Group	894.48	896.87
Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt	83.42	86.50

Any or all of these contingent liabilities may become actual liabilities. In the event that any of these contingent liabilities materialises, our business, results of operations and financial condition may be adversely affected.

50. *Our Promoters will continue to exert substantial voting control over our Company after completion of the Offer, which may limit your ability to influence the outcome of matters submitted for approval of our shareholders.*

As on the date of this Placement Document, our Promoters hold 540,581,892 of our Equity Shares (which represents 39.24% of our pre-Offer Equity Share capital). For further details, see “*Capital Structure*” on page 84. Following the completion of the Offer, our Promoters, may continue to hold same number of equity shares in the Equity Share capital. This concentration of ownership could limit your ability to influence corporate matters requiring shareholders’ approval. Our Promoters will have the ability to significantly influence matters requiring shareholders’ approval, including the ability to appoint Directors on our Board and the right to approve significant actions at Board and at shareholders’ meetings, including the issuance of Equity Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture arrangements, any amendment to our Memorandum of Association and Articles of Association. In addition, if our shareholders do not act together, such matters requiring shareholders’ approval may be delayed or may not occur at all, which could adversely affect our business. Moreover, these shareholders are not obligated to provide any business opportunities to us. If such other shareholders invest in another company in competition with us, we may lose the support provided to us by them, which could adversely affect our business, results of operations and financial condition and cash flows. We cannot assure you that our existing shareholders will not have conflicts of interest with other shareholders or with our Company. Any such conflict may adversely affect our ability to execute our business strategy or to operate our business.

51. *We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.*

We have entered into various transactions with related parties. While we believe that all such transactions have been conducted on an arm’s length basis and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. For details on our related party transactions, see “*Related Party Transactions*” on page 91. We cannot assure you that such transactions, individually or in the aggregate, even if entered into at arms-length terms, will always be in the best interests of our shareholders and will not have an adverse effect on our business, results of operations and financial condition.

52. *Certain of our Promoters, Directors, Key Managerial Personnel and Senior Management Personnel have interests in our Company in addition to their normal remuneration or benefits and reimbursement of expenses incurred.*

Certain of our Promoters, Directors, Key Managerial Personnel and Senior Management Personnel have interests in our Company that are in addition to reimbursement of expenses and normal remuneration payable to them. Certain Promoters, Directors, Key Managerial Personnel and Senior Management Personnel may be deemed to be interested to the extent of Equity Shares held by them, as well as to the extent of any dividends, bonuses or other distributions on such Equity Shares. We cannot assure you that our Promoters, Directors, and Senior Management Personnel will exercise their rights as shareholders to the benefit and best interest of our Company. For further details of such interests, see “*Board of Directors and Senior Management*” on pages 190, respectively.

53. *We may not be able to utilise the proceeds from this Issue in the manner set out in this Placement Document in a timely manner or at all.*

We propose to utilise the Net Proceeds for the purposes described in “*Use of Proceeds*” on page 75. The funding requirements are based on internal management estimates and current conditions which are subject to changes due to external circumstances, costs, other financial conditions or business strategies. As a consequence of any increased costs, our actual deployment of funds may be higher than our management estimates and may place a burden on our finance plans. Our proposed deployment of Net Proceeds has not been appraised by any bank or financial institution or any other independent agency and is based on management estimates.

Our management will have discretion to decide how the proceeds of the issue will be utilised. We cannot assure that the current business plans and expansion projects will be implemented in their entirety or at all. In view of the highly competitive and dynamic nature of our business, we may have to revise our business plan from time to time and consequently these funding requirements. Any such variance may be on account of one or more factors, some of which may be beyond our control. Occurrence of any such event may delay our business plans and/or may have an adverse bearing on our business, financial condition, results of operations and prospects. Accordingly, prospective investors in the Issue will need to rely upon our management’s judgment with respect to the use of the Net Proceeds. If we are unable to deploy the Net Proceeds in a timely or an efficient manner, it may affect our business, results of operations and financial condition.

We have appointed the Monitoring Agency for monitoring the utilization of Net Proceeds in accordance with Regulation 173A of the SEBI ICDR Regulations and the Monitoring Agency will submit its report to us on a quarterly basis in accordance with the SEBI ICDR Regulations. Various risks and uncertainties, including those set forth in this section “Risk Factors”, may limit or delay our efforts to use the Net Proceeds to achieve profitable growth in our business.

54. *Grant of stock options by our Company will result in a charge to our statement of profit and loss and will, to that extent, reduce our reported profits, and exercise of stock options may lead to dilution.*

Our Company has framed and implemented an employee stock option scheme (the “**ESOP Scheme**”). For further details, see “*Capital Structure – Employee Stock Option Plans*” on page 89.

As of the date of this Placement Document, we have outstanding stock options under our ESOP Scheme. Grant of stock options by our Company will result in a charge to our statement of profit and loss and will, to that extent, reduce our reported profits in future periods. Any issuance of the equity or equity-linked securities by us, including through exercise of employee stock options pursuant to the ESOP Scheme may dilute your shareholding in our Company, adversely affect the trading price of the Equity Shares and our ability to raise capital through an issue of our securities. Our employees may also choose to exercise the vested options and subsequently sell the Equity Shares upon listing. Any perception by investors that such issuances or sale might occur could also affect the trading price of the Equity Shares.

55. *We cannot assure you that our Company will declare dividends to its shareholders in the future.*

The declaration and payment of dividends, if any, in the future will be recommended by our Board of Directors, as per the dividend distribution policy of the Company as approved by the Board of Directors of the Company and will also depend on a number of factors, including our earnings and profitability, cash generated from operations, capital requirements and overall financial conditions. Consequently, we may be unable to pay dividends in the near- or medium-term. In the event we do not declare dividends going forward, our reputation and the price of the Equity Shares shall be adversely affected. While our Company has declared dividend in the past, there can be no assurance that we shall, or shall be able to, declare dividends in future. For further information, see “*Dividends*” on page 92 of this Placement Document.

56. *Our Subsidiaries may not pay cash dividends on shares that we hold in them. Consequently, our Company may not receive any return on investments in our Subsidiaries.*

Our Subsidiaries are separate and distinct legal entities, having no obligation to pay dividends and may be restricted from doing so by law or contract, including applicable laws, charter provisions and the terms of their financing arrangements. We cannot assure you that our Subsidiaries will generate sufficient profits and cash flows, or otherwise be able to pay dividends to us in the future.

57. *We track certain operational metrics with internal systems and tools. Certain of our operational metrics are subject to inherent challenges in measurement which may adversely affect our business and reputation.*

We track certain operational metrics, including key business and non-GAAP metrics such as EBITDA, EBITDA margin, ROE, ROCE, among others, with internal systems and tools and which may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. If the internal systems and tools we use to track these metrics undercount or over count performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring how our platforms are used across large populations. In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If our operating metrics are not accurate representations of our business, if investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, we expect that our business, reputation, results of operations and financial condition would be adversely affected.

58. *Certain sections of this Placement Document contain information from Feedback Advisory Report which has been commissioned and paid for by us and any reliance on such information for making an investment decision in the Issue is subject to inherent risks.*

Certain sections of this Placement Document include information based on, or derived from, the Feedback Advisory Report or extracts of the Feedback Advisory Report prepared by Feedback Advisory, which is not related to our Company, Directors or Promoters. We commissioned and paid for this report for the purpose of confirming our understanding of the industry in connection with the Issue. All such information in this Placement Document indicates the Feedback Advisory Report as its source. Accordingly, any information in this Placement Document derived from, or based on, the Feedback Advisory Report should be read taking into consideration the foregoing.

Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Industry sources do not guarantee the accuracy, adequacy or completeness of the data. Further, the Feedback Advisory Report is not a recommendation to invest or disinvest in any company covered in the Feedback Advisory Report. Accordingly, prospective investors should not place undue reliance on, or base their investment decision solely on this information.

In view of the foregoing, you may not be able to seek legal recourse for any losses resulting from undertaking any investment in the Issue pursuant to reliance on the information in this Placement Document based on, or derived from, the Feedback Advisory Report. You should consult your own advisors and undertake an independent assessment of information in this Placement Document based on, or derived from, the Feedback Advisory Report before making any investment decision regarding the Issue. See “*Industry Overview*” on page 93.

59. *Changes in tax laws or challenges to the Company’s tax position could adversely affect the Company’s business, results of operations and financial condition.*

Our business, results of operations and financial condition could be adversely affected by any change in the extensive central and state tax regime in India applicable to us and our business. Tax and other levies imposed by the central and state governments in India that affect our tax liability, include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges, which are introduced on a temporary or permanent basis from time to time. This extensive central and state tax regime is subject to change from time to time. The final determination of our tax liability involves the interpretation of local tax laws and related regulations in each jurisdiction, as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred.

For instance, the Taxation Laws (Amendment) Ordinance, 2019, a tax legislation issued by India’s Ministry of Finance effective as of September 20, 2019, prescribes certain changes to the income tax rate applicable to companies in India. According to this legislation, companies can henceforth voluntarily opt in favour of a concessional tax regime (subject to no other special benefits/exemptions being claimed), which reduces the rate of income tax payable to 22% plus surcharge and cess, effective tax rate being 24.17% subject to

compliance with conditions prescribed under Section 115 BAA of Income tax Act, 1961 from the erstwhile 25% or 30% depending upon the total turnover or gross receipt in the relevant period. A tax rate of 15% plus surcharge and cess has been introduced under Section 115BAB of Income tax Act 1961 for new manufacturing companies set up after October 1, 2019. Any such future amendments may affect our other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax-free bonds, and long-term capital gains on equity shares if withdrawn by the statute in the future, and the same may no longer be available to us. Any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability.

Further, the Finance Act, 2020, has, amongst others things, notified changes and provided a number of amendments to the direct and indirect tax regime, including, without limitation, a simplified alternate direct tax regime and that dividend distribution tax (“**DDT**”), will not be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident and are subject to tax deduction at source. The Company may or may not grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source from such dividend. Investors should consult their own tax advisors about the consequences of investing or trading in the Equity Shares.

Unfavorable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, financial condition, prospects and results of operations. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current businesses or restrict our ability to grow our businesses in the future.

Further, our Company cannot predict whether any laws or regulations impacting it will be enacted or predict the nature and impact of any such laws or regulations or whether, if at all, any laws or regulations would have an adverse effect on our business, results of operations and financial condition.

Risks Relating to Doing Business in India

60. *A slowdown in economic growth in India could adversely affect our business, results of operations and financial condition and the trading price of the Equity Shares.*

Our performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. Any slowdown or perceived slowdown in the Indian economy or the Indian telecommunications industry could adversely affect our business. Additionally, an increase in trade deficit, a downgrading in India’s sovereign debt rating or a decline in India’s foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. In particular, the COVID-19 pandemic caused an economic downturn in India and globally. The second wave of COVID-19 infections impacted India in April, May and June 2021. The third wave of COVID-19 infections impacted India in January 2022. Any downturn in the macroeconomic environment in India could also adversely affect our business, results of operations and financial condition and the trading price of the Equity Shares.

India’s economy could be adversely affected by a general rise in interest rates or inflation, adverse weather conditions affecting agriculture, commodity and energy prices as well as various other factors. A slowdown in the Indian economy could adversely affect the policy of the GoI towards our industry, which may in turn adversely affect our financial performance and our ability to implement our business strategy.

The Indian economy is also influenced by economic and market conditions in other countries, particularly market fluctuations resulting out of war between Russia and Ukraine. A decline in India’s foreign exchange reserves and exchange rate fluctuations may also affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition. A loss of investor confidence in other emerging market economies or any worldwide financial instability may adversely affect the Indian economy, which could materially and adversely affect our business, results of operations and financial condition.

Further, other factors which may adversely affect the Indian economy are scarcity of credit or other financing

in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of our developments and expansions; volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges; changes in India's tax, trade, fiscal or monetary policies, like application of GST; political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighbouring countries; occurrence of natural or man-made disasters; infectious disease outbreaks or other serious public health concerns; prevailing regional or global economic conditions; and other significant regulatory or economic developments in or affecting India or its telecommunications sector.

61. *Political instability or changes in the economic policies by the GoI could impact our business, results of operations and financial condition.*

We are incorporated in India and derive substantial majority of our revenues from our operations in India. Consequently, our performance and the market price and liquidity of our Equity Shares may be affected by exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The GoI has traditionally exercised and continues to exercise significant influence over many aspects of the Indian economy. Our business, the telecommunications industry and the market price and liquidity of our Equity Shares, may be affected by changes in the GoI's policies, including taxation.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. However, there can be no assurance that such policies will be continued and any significant change in the GoI's policies in the future could affect our business and economic conditions in India in general. As economic liberalisation policies have been a major force in encouraging private funding in the Indian economy, any change in these policies could have a significant impact on business and economic conditions in India, which could adversely affect our business, financial condition and results of operations. In addition, any geopolitical stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could affect the price of our Equity Shares.

62. *Natural calamities, climate change and health epidemics and pandemics such as COVID-19 could adversely affect the Indian economy and our business, results of operations and financial condition. In addition, hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect our business, results of operations and financial condition.*

India has experienced natural calamities, such as earthquakes, floods and drought in recent years. Natural calamities could have an adverse impact on the Indian economy which, in turn, could adversely affect our business, and may damage or destroy our facilities or other assets. Similarly, global or regional climate change or natural calamities in other countries where we operate could affect the economies of those countries. Any of these natural calamities could adversely affect our business, results of operations and financial condition.

A number of countries in Asia, including India, as well as countries in other parts of the world, are susceptible to contagious diseases and, for example, have had confirmed cases of the highly pathogenic H7N9, H5N1 and H1N1 strains of influenza in birds and swine. In addition, the COVID-19 pandemic, has caused a worldwide health crisis and economic downturn. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may, in turn, adversely affect our business. See "*The impact of the COVID-19 pandemic is uncertain and could adversely affect our business, results of operations and financial condition.*"

63. *Differences exist between Ind-AS and other accounting principles, such as U.S. GAAP and IFRS, which may be material to the financial statements prepared and presented in accordance with Ind-AS contained in this Placement Document.*

Our Financial Statements for the three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021 in this Placement Document are prepared and presented in accordance with Ind-AS. Ind-AS differs from accounting principles with which prospective investors may be familiar in other countries, such as U.S. GAAP and IFRS. Differences exist between Ind-AS, U.S. GAAP and IFRS, which may be material to the financial statements prepared and presented in accordance with Ind-AS contained in this Placement Document. Accordingly, the degree to which the financial information included in this Placement Document will provide meaningful information is dependent on the Investor's familiarity with Ind-AS and the Companies Act. Any reliance by persons not familiar with Ind-AS on the financial disclosures presented in this Placement Document should accordingly be limited.

64. *Inflation in India could have an adverse effect on our profitability and if significant, on our financial condition.*

In recent months, consumer and wholesale prices in India have exhibited increased inflationary trends, as the result of an increase in crude oil prices, higher international commodity prices, and higher domestic consumer and supplier prices. The RBI has enacted certain policy measures designed to curb inflation, these policies may not be successful. Continued high rates of inflation may increase our expenses related to salaries or wages payable to our employees, raw materials and other expenses. There can be no assurance that we will be able to pass on any additional expenses to our customers or that our revenue will increase proportionately corresponding to such inflation. Accordingly, high rates of inflation in India could have an adverse effect on our business, results of operations and financial condition.

65. *Any downgrading of India's debt rating by an international rating agency could have an adverse impact on our business and the trading price of the Equity Shares.*

Any adverse revision to the rating of India's domestic or international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such funding is available. This could have an adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of the Equity Shares.

66. *The extent and reliability of Indian infrastructure, to the extent insufficient, could adversely impact our business, results of operations and financial condition.*

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies including our products, and add costs to doing business in India. These problems could interrupt our business operations, which could have adverse effect on our business, results of operations and financial condition.

67. *Our businesses and activities may be regulated under competition laws in India, and any adverse application or interpretation of such laws could adversely affect our business, results of operations and financial condition.*

The Competition Act, 2002 (the “**Competition Act**”) regulates practices that could have an appreciable adverse effect on competition in the relevant market in India. Any adverse application or interpretation of the Competition Act could adversely affect our business, results of operations and financial condition. Under the Competition Act, any arrangement, understanding or action in concert, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and may result in substantial monetary penalties and compensation to be paid to persons shown to have suffered losses. Any agreement among competitors, which, directly or indirectly, determines purchase or sale prices, results in bid rigging or collusive bidding, limits or controls production, supply, markets, technical development, investment or provision of services, or shares the market or source of production or provision of services in any manner, including by way of allocation of geographical area or types of goods or services or number of customers in the market, is presumed to have an appreciable adverse effect on competition.

Further, the Competition Act prohibits abuse of a dominant position by any enterprise, directly or indirectly, including by way of unfair or discriminatory pricing or conditions in sale of goods or services, limiting production of goods, provision of services, or technical or scientific developments relating to goods or services to the prejudice of consumers, using a dominant position in one relevant market to enter into, or protect, another relevant market, denial of market access, or making the conclusion of contracts subject to acceptance of unrelated supplementary obligations. Such practices are subject to substantial monetary penalties and may also be subject to compensation for losses and orders to divide the enterprise.

If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, proceedings initiated by the CCI, any claim by any party under the Competition Act, or any adverse publicity due to scrutiny or prosecution under the Competition Act, including financial penalties, our business, results of operations and financial condition may be adversely affected.

Acquisitions, mergers and amalgamations that exceed certain revenue and asset thresholds require prior approval by the CCI. Any acquisitions, mergers or amalgamations that have an appreciable adverse effect on

competition in India may be subject to remedial measures proposed by the CCI. We cannot assure you that we will be able to obtain approval for any such future transactions on satisfactory terms, or at all.

68. *There may be difficulty in enforcing a judgment obtained outside India against our Company.*

Our Company is a limited liability company incorporated under the laws of India. Our Board of Directors comprises of eight Directors, all of whom are Indian citizens. All of our Key Managerial Personnel are residents of India and majority of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors outside India to effect service of process upon our Company or such persons in India, or to enforce against them judgments obtained in courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code of Civil Procedure, 1908 (the “*Civil Code*”).

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except:

- (a) where it has not been pronounced by a court of competent jurisdiction;
- (b) where it has not been given on the merits of the case;
- (c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable;
- (d) where the proceedings in which the judgment was obtained were opposed to natural justice;
- (e) where it has been obtained by fraud; or
- (f) where it sustains a claim founded on a breach of any law then in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of that section) in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the foreign judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record, but such presumption may be displaced by proving want of jurisdiction. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

Each of the United Kingdom, Singapore and Hong Kong has been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code but the United States has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit based upon the foreign judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy and is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution, and any such amount may be subject to tax in accordance with applicable laws. Any judgment for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment. Our Company cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

For details in relation to enforceability of judgments obtained outside India, see “*Enforcement of Civil Liabilities*” on page 16.

Risks relating to our Equity Shares and the Issue

69. *An investor will not be able to sell any of the Equity Shares other than on a recognized Indian stock exchange for a period of 12 months from the date of this Issue.*

Pursuant to Regulation 178 of the SEBI ICDR Regulations, for a period of 12 months from the date of the allotment of the Equity Shares in the Issue, Eligible QIBs subscribing to the Equity Shares may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. Our Company cannot be certain that these restrictions will not have an impact on the price of the Equity Shares. Further, allotments made to certain categories of Eligible QIBs in the Issue may be subject to the rules and regulations that are applicable to them, including in relation to any lock - in requirements. This may affect the liquidity of the Equity Shares purchased by such investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

70. *Any future issuance of the Equity Shares or sales of the Equity Shares by any of our Company’s significant shareholders may adversely affect the trading price of the Equity Shares.*

A future issuance of Equity Shares by us may dilute your shareholding in the Company. There are no restrictions on our ability to issue further Equity Shares, including allotment of any securities to the Promoters, other than as stipulated under applicable laws. The issue and allotment of Equity Shares by us to third parties would result in a dilution of your shareholding and rights in the Company.

Moreover, any significant disposal of Equity Shares by any of our significant shareholders, or the perception that such sales will occur, may affect the trading price of our Equity Shares. As a publicly traded company, there is no restriction on our shareholders to dispose of a part or the entirety of their shareholding in the Company, which could lead to a negative sentiment in the market regarding the Company that could in turn impact the value of the Equity Shares.

71. *Investors may be restricted in their ability to exercise pre-emptive rights under Indian law and may be adversely affected by future dilution of their ownership position.*

Pursuant to the Companies Act, 2013 a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution when the votes cast in favour of the resolution by the holders who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting. However, if the law of the jurisdiction the Investor is in does not permit them to exercise their pre-emptive rights without us filing a Preliminary Placement Document or registration statement with the applicable authority in the jurisdiction they are in, they will be unable to exercise their pre-emptive rights unless we make such a filing. If we elect not to make such a filing, you may not be able to exercise your pre-emptive rights in relation to such an offering. To the extent that Investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in us would be reduced.

72. *The price of the Equity Shares may be volatile.*

The Issue Price has been determined by our Company in consultation with the Book Running Lead Managers, based on the Bids received in compliance with Chapter VI of the SEBI ICDR Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. The price of the Equity Shares on NSE and BSE may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and the global securities market or prospects for our business and the sectors in which we compete;
- the valuation of publicly traded companies that are engaged in business activities similar to us;
- volatility in the Rupee’s value relative to the U.S. dollar, the Euro and other foreign currencies;
- our Company's profitability and performance;

- perceptions about our Company's future performance or the performance of Indian banks in general;
- the performance of our Company's competitors and the perception in the market about investments in the banking sector;
- adverse media reports about our Company or the Indian banking sector;
- a comparatively less active or illiquid market for the Equity Shares;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal regulations; and
- any other political or economic factors;

We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to this Issue.

73. *Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.*

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on BSE and NSE, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account in a timely manner or that trading in the Equity Shares will commence in a timely manner.

74. *Applicants to the Issue are not allowed to withdraw or revise downwards their Bids after the Bid /Issue Closing Date.*

In terms of Regulation 179 (1) of the SEBI (ICDR) Regulations, investors in the Issue are not allowed to withdraw their Bids or revise their Bids downwards after the Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the investors' demat account with the depository participant could take approximately seven (7) days and up to ten (10) days from the Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in the business, results of operation or financial condition of our Company, or other events affecting the investor's decision to invest in the Equity Shares, would not arise between the Issue Closing Date and the date of Allotment of Equity Shares in the Issue. Occurrence of any such events after the Issue Closing Date could also adversely impact the market price of the Equity Shares. The investors shall not have the right to withdraw their Bids or revise their Bids downwards in the event of any such occurrence. We may complete the Allotment of the Equity Shares even if such events may limit the investor's ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

75. *Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.*

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company is generally taxable in India. A securities transaction tax ("STT") is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of listed equity shares held for more than 12 months may be subject to long-term capital gains tax in India at the specified rates depending on certain factors, such as STT paid, the quantum of gains and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. While non-residents may claim tax treaty benefits in relation to such capital gains income, generally, Indian tax treaties do not limit India's right to impose tax on capital gains arising from the sale of shares of an Indian company.

The Government of India has announced the union budget for the Fiscal 2024, pursuant to which the Finance Bill has introduced various amendments. The Finance Bill has received assent from the President of India on March 31, 2023, and has been enacted as the Finance Act. There is no certainty on the impact of Finance Act

2021 on tax laws or other regulations, which may adversely affect our Company's business, financial condition, results of operations or on the industry in which we operate. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

76. *Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.*

On listing, our Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time that it takes to undertake such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating outside India the proceeds from a sale of Equity Shares, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by equity shareholders. For example, the exchange rate between the Rupee and the U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the trading price of our Equity Shares and returns on our Equity Shares, independent of our operating results.

77. *Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.*

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

MARKET PRICE INFORMATION

As on the date of this Placement Document, 1,37,77,58,321 Equity Shares have been issued, subscribed and paid up. The face value of the Equity Shares is ₹ 1 per Equity Share. The Equity Shares have been listed on BSE since May 5, 1989 and on NSE since March 9, 2011. The Equity Shares are listed and traded on NSE under the symbol HFCL and BSE under the scrip code 500183.

On August 28, 2023, the closing price of the Equity Shares on BSE and NSE was ₹ 71.30 and ₹ 71.45 per Equity Share, respectively. Since the Equity Shares are available for trading on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately.

- The following tables set out the reported high, low and average of the closing prices of the Equity Shares on NSE and BSE and number of Equity Shares traded on the days on which such high and low prices were recorded and the total trading turnover for Fiscals 2023, 2022 and 2021.

BSE									
Fiscal	High (₹)	Date of high	Number of Equity Shares traded on the date of high	Total turnover of Equity Shares traded on date of high (₹)	Low (₹)	Date of low	Number of Equity Shares traded on the date of low	Total turnover of Equity Shares traded on date of low (₹)	Average price for the year (₹)
2023	88.8	December 9, 2022	52,93,357	45,67,22,225	51.55	June 20, 2022	16,48,406	9,06,50,017	71.00
2022	101.35	January 17, 2022	76,87,570	75,27,51,858	23.00	April 12, 2021	13,18,810	3,13,21,907	67.33
2021	34.75	January 15, 2021	48,23,791	16,11,91,342	8.65	April 03, 2020	30,004	2,63,107	18.54

(Source: www.bseindia.com)

NSE									
Fiscal	High (₹)	Date of high	Number of Equity Shares traded on the date of high	Total turnover of Equity Shares traded on date of high (₹)	Low (₹)	Date of low	Number of Equity Shares traded on the date of low	Total turnover of Equity Shares traded on date of low (₹)	Average price for the year (₹)
2023	88.8	December 9, 2022	4,71,28,910	4,06,30,10,273	51.55	June 20, 2022	73,60,163	40,39,36,120	71.02
2022	101.35	January 17, 2022	9,73,03,221	9,53,76,07,162	23.00	April 12, 2021	56,52,182	13,46,45,251	67.33
2021	34.65	January 15, 2021	4,15,58,389	1,39,12,45,974	8.65	April 03, 2020	9,95,524	87,37,444	18.53

(Source: www.nseindia.com)

Note:

- High price indicates intraday high price, low price indicates intraday low price and average prices are based on the daily closing prices, for the respective periods.
- In case of two days with the same high price, low price, the date with the higher traded volume has been chosen.
- In the case of a year, average price for the year represents the average of the closing prices on each day of each year.

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2. The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months, as applicable:

NSE											
Month, year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹)	Average price for the month (₹)*	Equity Shares traded in the month	
										Volume	Turnover (₹)
July, 2023	69.35	July 03, 2023	1,86,79,092	1,27,49,93,787	63.45	July 14, 2023	38,55,274	24,64,02,036	65.41	8,95,27,352	5,91,61,01,424
June, 2023	72.3	June 13, 2023	1,33,23,141	94,58,45,899	64.3	June 02, 2023	56,84,496	36,80,32,076	67.42	15,02,30,667	10,29,29,01,778
May, 2023	69.2	May 15, 2023	83,62,404	56,46,19,429	62.8	May 31, 2023	43,63,560	27,87,60,012	65.48	9,75,21,731	6,44,07,41,724
April, 2023	65.7	April 28, 2023	85,25,932	55,15,36,561	60.2	April 03, 2023	43,01,372	26,46,30,791	62.66	6,00,02,647	3,77,89,47,952
March, 2023	70.2	March 09, 2023	1,05,64,407	73,02,94,412	55.75	March 28, 2023	68,87,297	38,89,74,838	63.39	10,92,12,450	6,86,30,19,349
February, 2023	71.5	February 01, 2023	63,10,033	44,01,35,590	62.8	February 28, 2023	30,57,751	19,39,13,726	67.23	8,29,46,015	5,61,56,72,110

(Source: www.nseindia.com)

BSE											
Month, year	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹)	Average price for the month (₹)	Equity Shares traded in the month	
										Volume	Turnover (₹)
July, 2023	69.35	July 03, 2023	7,01,760	4,78,47,339	63.5	July 28, 2023	2,19,065	1,40,03,668	65.41	86,73,264	57,02,48,220
June, 2023	72.27	June 13, 2023	7,12,930	5,06,52,789	64.11	June 01, 2023	4,65,798	3,02,18,198	67.43	1,60,62,007	1,09,75,23,621
May, 2023	69.15	May 15, 2023	3,11,514	2,08,13,706	62.85	May 31, 2023	3,30,117	2,11,21,978	65.48	80,01,001	52,71,53,515
April, 2023	65.7	April 28, 2023	12,79,538	8,27,87,021	60.4	April 21, 2023	9,41,692	5,82,61,004	62.71	99,67,867	62,73,09,162
March, 2023	70.2	March 09, 2023	11,31,840	7,80,90,865	55.75	March 28, 2023	4,56,529	2,58,07,157	63.35	1,68,87,172	1,06,11,80,134
February, 2023	71.45	February 01, 2023	10,11,575	7,02,32,286	62.8	February 28, 2023	4,23,791	2,68,17,458	67.22	1,21,11,163	82,02,36,857

(Source: www.bseindia.com)

Note:

1. High price indicates intraday high price, low price indicates intraday low price and average prices are based on the daily closing prices, for the respective periods.
2. In case of two days with the same high price, low price, the date with the higher traded volume has been chosen.
3. In the case of a month, average price for the month represents the average of the closing prices on each day of each month.

- The following table set forth the details of the number of Equity Shares traded on the Stock Exchanges and the turnover during Fiscals 2023, 2022 and 2021:

Fiscal	Number of Equity Shares Traded		Turnover (In ₹)	
	BSE	NSE	BSE	NSE
2023	27,00,06,815	2,12,39,89,719	19,70,59,90,036	1,57,63,94,14,240
2022	52,33,22,347	4,32,66,79,949	35,51,54,37,986	2,89,44,01,91,686
2021	23,75,47,380	1,88,35,43,248	5,36,31,48,254	43,00,41,82,199

(Source: www.bseindia.com and www.nseindia.com)

- The following tables set forth the market price on the Stock Exchanges on September 5, 2022 being the first working day following the approval of the Board for the Issue:

BSE					
Open	High	Low	Close	Number of Equity Shares traded	Volume (₹)
77.30	81.20	76.90	78.70	19,70,259	15,57,05,201

(Source: www.bseindia.com)

NSE					
Open	High	Low	Close	Number of Equity Shares traded	Volume (₹)
77.10	81.20	76.85	78.70	2,13,39,429	1,68,59,24,447

(Source: www.nseindia.com)

USE OF PROCEEDS

The gross proceeds of the Issue are approximately ₹ 352.00 crore. After deducting the Issue expenses (including fees and commissions) of approximately ₹ 9.50 crore, the net proceeds of the Issue are approximately ₹ 342.50 crore (the “**Net Proceeds**”).

Purpose of the Issue

Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds towards (i) funding of capital expenditure requirements for capacity expansion of optic fibre and optic fibre cables by the Company or through its subsidiaries (“**OFC Expansion**”), (ii) funding expenditure towards Research and Development initiatives including acquisition of technologies; (iii) repayment/prepayment of our short term borrowings availed from banks, (iv) funding our working capital requirements; and (v) general corporate purposes.

Our main objects clause and objects incidental or ancillary to the main objects clause of our Memorandum of Association enables us to undertake the objects contemplated by us in this Issue.

Requirements of Funds

The Net Proceeds are proposed to be used in accordance with the details provided below:

(a) Capital Expenditure

The Company, itself or through its subsidiaries, is in the process of expanding its Optic Fiber and Optic Fiber Cable facilities (“**OFC Expansion**”). This includes cost for building and civil works, plant and machinery, miscellaneous fixed assets, preoperative and other incidental expenses. Capital expenditure towards OFC Expansion amounting to ₹ 525.04 crore is proposed to be partly funded out of fund raise through QIP. The break-up of the proposed capital expenditure to be incurred for this OFC Expansion, aggregating to ₹ 525.04 crore is set forth below:

Sr. No	Particulars	Estimated cost (in ₹ crore)	Amount to be utilized from the Net Proceeds (in ₹ crore)
1.	Building and civil work	37.70	5.00
2.	Plant and machinery	439.74	70.00
3.	Miscellaneous fixed assets, preoperative and incidental expenses	47.60	-
	Total	525.04	75.00

Source: The estimated cost of the OFC Expansion, has been certified by Dr Mohammad Muazzam, Chartered Engineer, by way of his certificate dated August 28, 2023.

Building and civil works

The breakup of estimated cost of building and civil work is as below:

Sr. No	Particulars	Estimated cost (in ₹ crore)*
1.	Building and civil work	37.70

*As certified by Dr Mohammad Muazzam, Chartered Engineer, pursuant to certificate dated August 28, 2023.

We have not entered into any definitive agreements with any vendor in relation to the aforesaid building and civil works and there can be no assurance that the vendors engaged eventually in relation to the building and civil works will not increase the estimated cost due to a possible cost escalation. Accordingly, the actual costs for the aforesaid building and civil works may differ from the current estimates.

Plant and machinery

The breakup of estimated cost of plant and machinery is as below:

S. No	Particulars	Estimated Cost*# (₹ in crore)
	Imported machinery & utilities	
1	Optical fiber draw tower	166.79
2	Proof testing and rewinding line and coloring line	52.82
3	Quality assessment and quality control test equipment	20.21
4	Glass working lathe	5.94
5	Process equipment - draw tower / proof testing	2.43
6	Centralized acrylate pumping (coating) system	7.01
7	Helium recovery and purification system	3.53
8	Spools	1.97
9	Glass cutting machine	0.64
10	Utilities – HVAC	1.42
11	Installation and commissioning charges	5.91
12	Loose tube 24F DuEX extrusion line for fibre optic loose tube	21.96
13	Low tension type CB-2LT (including packaging, freight and commissioning on site)	3.85
14	12F Compact fiber unit line	2.13
15	Stranding line for optical fiber loose tube	1.96
16	Dual-Fiber LED coloring and rewinding machine	0.87
17	Triple head optical fiber color-ring making machine	0.82
18	Loose tube pay-off	0.53
19	Concentric cross-binder	0.23
20	Distribution premises line	1.79
21	Optical fiber pay-off	0.30
22	Optical fiber Secondary coating line	2.46
23	Steel wire/FRP pay-off	0.25
24	LED ultra violet lamps and accessories	10.52
25	Optical fiber proof testing machines	3.10
	Sub Total (A)	319.44
	Indigenous machinery & utilities	
1	Kardex Bobbin Storage System	3.07
2	D2 N2 Treatment System	5.85
3	Quality Assurance & Quality Check Test Equipments	0.73
4	Process Equipment - Draw Tower / Proof Testing	10.23
5	Material Handling Equipment	2.08
6	Hand Pallet Trucks	0.02
7	Store Racks and Compactor	0.19
8	Utilities – Electricals	25.67
9	Utilities – Water	0.29
10	Utilities – Gas	0.92
11	Chemical	5.61
12	Utilities – HVAC	47.31
13	Fire and safety	3.64
14	MES solution implementation	5.32

15	Information technology infrastructure	4.46
16	Installation and commissioning charges	1.86
17	Aramid/Glass roving Server- 18	1.55
18	80mm Sheathing line without armouring, payoff dancer	1.02
19	Modification of dummy line for cable production by installing caterpillar	0.17
20	Extruder with panel for compact fiber unit production	0.10
21	Optical time domain reflectometer	0.13
22	Ribbon microscope	0.09
	Sub Total (B)	120.30
	Grand Total (A+B)	439.74*

*As certified by Dr Mohammad Muazzam, Chartered Engineer, pursuant to certificate dated August 28, 2023

#Amounts mentioned in certain of the quotations are in Euros and US Dollar, for which conversion rate of ₹ 82.00 per US Dollar, ₹ 90.00 per Euro has been considered.

We have not entered into any definitive agreements with any vendor in relation to the aforesaid purchase of plant and machinery and there can be no assurance that the vendors engaged eventually in relation to the purchase of the plant and machinery will not increase the estimated cost due to a possible cost escalation. Accordingly, the actual costs for the purchase of plant and machinery may differ from the current estimates.

Miscellaneous fixed assets, Pre-Operative and Incidental Expenses

Miscellaneous fixed assets, pre-operative and incidental expenses includes all expenses proposed to be incurred by the Company before start of commercial production. Total amount estimated for this head amounts to ₹ 47.60 crore.

Means of Finance

Total fund requirement towards the proposed OFC expansion is ₹ 525.04 crore, as certified by Dr Mohammad Muazzam, Chartered Engineer, pursuant to certificate dated August 28, 2023. We propose to utilise ₹ 75.00 crore from the net proceeds towards items mentioned in the table above. The remaining ₹ 450.04 crore shall be funded through debt, which will be availed in due course and internal accruals of the Company.

The proposed capital expenditure is expected to (i) add 23.90 million fkm of Optical Fibre ; and (ii) increase in capacities of Optical Fibre Cable at our existing OFC units at Hyderabad & Goa by modernization of plants. The estimated cost of the capital expenditure will be financed by a mix of (a) debt financing facilities from various lenders, which will be availed in due course, (b) a portion of the Net Proceeds, and (c) internal accruals. We intend to complete the utilization of the Net Proceeds towards the aforesaid Capital Expenditure between September 2023 to July 2025.

(b) Research and Development Expenditure

The Company has two R&D centres, one in Gurugram and other in Bengaluru. Company's Bengaluru R&D centre was inaugurated in June 2021 and is primarily dedicated to the development of 5G products. As of June 30, 2023, we are having dedicated in house R&D team of 252 employees which includes 84 employees in the communications area, 124 employees in the 5G technologies area, 19 in the defence technologies area and 25 in the OFC & OF area.

We are having the following products in our portfolio:

Optical Fiber/Optical Fibers Cables	Telecommunications products and solutions	Defence electronic products	Passive connectivity solutions
- Optical Fiber - Armoured and Unarmoured Cable - Micro Cable	- Point to Point and Point to Multipoint backhaul radio - Indoor & outdoor Wifi 5 and 6 access points - Cloud based network management system	- Thermal weapon Sights (TWS) - Electronic fuses	- Cable Assemblies - High Density Cabinets

Optical Fiber/Optical Fibers Cables	Telecommunications products and solutions	Defence electronic products	Passive connectivity solutions
• Micro Module Cable • Ribbon Cable • FTTH Cable	• Ethernet L2/L3 switches • Home mesh routers • Comprehensive solutions for building of wireless and optical telecommunications network • Rural GSM Network • Fiber to Home Network • In-building Solutions • Mobile Backhaul Networks	• High Capacity radio relay • VMS & Video Analytics • Ground Surveillance Radar	• Fiber Termination Box • PLC Splitters • Joint Closures • Aerial/ FTTH Accessories

We have relationships with renowned players and start-ups including 5G solutions like IP Infusion, NXP, Metanoia, Wipro and VVDN. The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services.

Company has been constantly investing in Research & Development to augment its product capabilities and capabilities of innovation and developing of new products. Company's expenditure on research and development during the last three financial years is tabulated below:

(in ₹ crore)

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
Research and development expense*	177.21	81.87	35.45

*including Capital Expenditures & Recurring expenses for R&D

The above mentioned expenses for research & development expense includes, *inter alia*, expenses on manpower, other operating expenses, expenses on purchase of design tools, certifications charges, expenses on development of prototypes, expenses on test & measuring instruments, license & software development charges, support services expenses, which are required for product development purposes

The Company is focusing on Research and development so as to strengthen its product offering in key application sectors. Further the Company also invests a significant amount of resources, in expanding its capabilities to develop new products. Some of the major products under development are as follows:

- **5G Indoor & Outdoor FWA CPE:** It is a home and enterprise solution that offers high speed 5G wireless internet at the last mile. It seeks to unlock a plethora of revenue streams for telcos. Through facilitation of low-cost and ultra-high speed internet, FWA CPE will bridge divide in remote areas and allow telcos to tap into unrealized and undeserved market opportunities.
- **5G Macro Radio Unit Products (8T8R):** It combines the power of vRAN and open standards to integrate with any BBU based on the O-RAN fronthaul interface. It is dual carrier macro RU based on n78 frequency band. It is built with state-of-the-art new-age technology to support Enhanced Mobile Broad Band (eMBB), Ultra Reliable Low Latency Communication (uRLLC) and Massive Machine Type Communication (mMTC) services.
- **5G Indoor & Outdoor Small Cell (2T2R and 4T4R):** 5G 2T2R small cell provides 5G cellular indoor / outdoor coverage. It has a single carrier on the n78 band which supports multiple bandwidths and modulation schemes. 5G 4T4R small cell has 4 ports each transmitting 5 watt power. It harmonize the macro network to improve coverage and capacity. It is based on n78 band having 2 carriers and supports both internal and external antennas.
- **Cell site Router and Centralized unit Aggregation Router:** Cell site router is a L2 / L3 router aggregating traffic from new SG sites along with the traditional traffic from the mobile transport network towards the backbone. Centralized unit Aggregation Router is a L2 /L3 router for deployment in the aggregation network. It can be used for aggregation of traffic from access and mid-haul (in 5G). It can be deployed in small spaces to deliver high bandwidth connectivity.
- **Point-to-point and Point-to-multipoint UBRs:** It is designed to serve highly critical enterprise applications. It has high –precision GPS sync technology which enables reusing the same channel at collocated sites, delivering maximum capacity in areas facing scarce spectrum and congested networks.

- **Wi-Fi 7 access points:** It can cater concurrent clients in ultra-low latency & high density indoor / outdoor applications. It allows coordinated Bi-Directional Multi user Multiple Input Multiple Output (MU-MIMO), EasyMesh Networking, Traffic shaping & Application aware.
- **IBR Cable:** In this FRP rods are embedded in the sheath which provides strength to the cable. It has polyethylene sheath as outer protection.
- **Software Defined Radio:** It can cater to a wide variety of Tactical Deployment scenarios including Manpack, Dismount, Vehicular and Armored Forward Vehicles (AFV). It has an Advanced Audio CODEC for clear and low bandwidth communication in hostile environment.

The Company intends to utilize a sum of ₹ 85.00 crore from the Net Proceeds towards investment in product development activities for research and development and manpower resource. The Company is also focusing on creating a culture of innovation, creating a talent pool through industry-academy collaboration, creating HFCL technology brand in external conferences and technology events. We intend to complete the utilization of the Net Proceeds towards the aforesaid Research & Development Expenditure between September 2023 to March 2026.

However, our investment in research and development is subject to multiple internal and external factors, including applicable business requirements and our ability to compete effectively and to adapt to changes in customer and user preferences, and regulatory tailwinds for this industry and technological advancements.

(c) Repayment / Prepayment of Short term borrowings

Our Company proposes to utilise a sum of ₹ 74.04 crore towards repayment/prepayment of our short term borrowings availed from banks. We intend to complete the utilization of the Net Proceeds towards the repayment of Short Term Borrowings between September 2023 to July 2025

Our Company proposes to utilise an estimated amount of ₹ 74.04 crore from the Net Proceeds towards repayment of certain of loans, from the list below, availed by the Company.

Sr. No	Name of the lender	Date of sanction letter	Purpose	Sanctioned amount (in ₹ crore) *	Outstanding amount as on July 31, 2023 (in ₹ crore) *	Amount to be utilized from the Net proceeds	Interest rate (%) per annum*	Prepayment clause	Whether loan is utilized for the purpose which it was availed*
1.	State Bank of India	December 26, 2022	Project specific working capital limit	15.00	14.26	14.26	9.45%	Not applicable	Yes
2.	Bank of Baroda	December 13, 2022	Project specific working capital limit	60.00	59.78	59.78	9.45%	Not applicable	Yes
	Total			75.00	74.04	74.04			

* Pursuant to certificate dated August 28, 2023, issued by our Statutory Auditors, M/s Oswal Sunil & Company, Chartered Accountants and S Bhandari & Co LLP, Chartered Accountants

(d) Funding Working Capital Requirements

In view of our plans for expansion of our capacities of Optical Fiber and Optical Fiber Cable and in order to support incremental business requirements, our Company requires additional working capital for funding our working capital requirements. Accordingly, our Company proposes to utilise a sum of ₹ 75.00 crore towards funding of working capital requirements in the ordinary course of business.

Basis of Estimation of working capital requirement

The details of Company's working capital as at March 31, 2023, March 31, 2022 and March 31, 2021 on the basis of the standalone audited financials for the financial year ended March 31, 2023, March 31, 2022 and March 31, 2021 as certified by our Statutory Auditors, M/s Oswal Sunil & Company, Chartered Accountants and S Bhandari & Co LLP, Chartered Accountants through their certificate dated August 28, 2023 are provided in the table below:

₹ in crore

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Current Assets			
(a) Inventories	584.45	408.50	306.25
(b) Financial Assets			
(i) Investments	12.19	8.63	5.61
(ii) Trade Receivables	1784.35	1,804.15	2,528.03
(iii) Cash & cash equivalents	61.35	14.33	19.79
(iv) Bank balances other than (iii) above	235.06	490.30	273.95
(v) Loans	18.50	18.50	3.00
(vi) Others	524.48	382.54	457.26
(c) Current Tax Assets (net)	12.85	5.03	74.91
(d) Contract Assets	-	-	20.63
(e) Other current assets	520.22	388.05	215.48
Total Current Assets (A)	3,753.45	3,520.03	3,904.91
Current Liabilities ⁽¹⁾			
(a) Financial Liabilities			
(i) Lease Liabilities	13.61	7.21	3.58
(ii) Operational Buyers Credit	168.13	-	-
(iii) Trade Payables			
- total outstanding dues of micro enterprises and small enterprises	55.49	178.17	166.56
- total outstanding dues to other than micro enterprises and small enterprises	795.35	755.65	1,485.20
(iv) Other financial liabilities	330.31	376.92	474.06
(b) Current tax liabilities (Net)	2.48	20.98	42.33
(c) Other current liabilities	37.12	66.93	68.13
(d) Contract liabilities	-	-	30.11
(e) Provisions	11.91	9.68	11.75
Total Current Liabilities (B)	1,414.40	1,415.54	2,281.72
Net Working Capital (A-B)	2,339.05	2,104.49	1,623.19
Funding Pattern			
Working Capital funding from Banks	411.84	401.44	462.80
Working Capital funding out of QIP ⁽²⁾	101.92	187.96	-
Internal Accruals / unsecured borrowings from other than Banks	1,825.29	1,515.09	1,210.19
Total	2,339.05	2,104.49	1,623.19

(1) Excluding secured and unsecured short term borrowings

(2) QIP issue done by the company in December 2021

Note: Pursuant to certificate dated August 28, 2023, issued by our Statutory Auditors, M/s Oswal Sunil & Company, Chartered Accountants and S Bhandari & Co LLP, Chartered Accountants

Assumptions for our estimated working capital requirements*

The table below contains the details of the holding levels (days) considered:

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Receivable Days ⁽¹⁾	183	204	264
Inventory Days	63	46	35
Total (A)	246	250	299
Trade Payable Days	91	104	186
Total (B)	91	104	186
Net (A-B)	155	146	112

(1) Receivable Days are calculated on current and non-current receivables.

*Pursuant to certificate dated August 28, 2023, issued by our Statutory Auditors, M/s Oswal Sunil & Company, Chartered Accountants and S Bhandari & Co LLP, Chartered Accountants

On the basis of existing working capital requirement of our Company, our plans for expansion of our capacities of Optical Fiber and Optical Fiber Cable and incremental business requirements; our Fund Raising Committee pursuant to its resolution dated August 28, 2023 has projected working capital requirements of ₹ 2,508.50 crore for Fiscal 2024. Accordingly, our Company proposes to utilize ₹ 75.00 crore of the Net proceeds in Fiscal 2024 towards our estimated working capital requirements. The balance portion of our working capital requirement shall be met from internal accruals and working capital facilities.

(e) General corporate purposes

Our Company proposes to deploy the balance Net Proceeds, aggregating to ₹ 33.46 crore, towards general corporate purposes as approved by our management from time to time, subject to such utilisation not exceeding 25% of the Gross Proceeds, in compliance with applicable laws. The general corporate purposes for which we propose to utilise Net Proceeds include meeting exigencies, including but not restricted towards strategic initiatives, investments in subsidiaries of our Company, opening or setting up new offices, business development initiatives including marketing & branding expenses, acquiring fixed assets (other than those mentioned as part of capital expenditure), meeting any expense of our Company, including salaries and wages, rent, administration, insurance, repairs and maintenance, payment of taxes and duties, ESG / renewable energy, meeting expenses incurred in the ordinary course of business and towards any exigencies. In addition to the above, we may utilise the Net Proceeds towards other expenditure considered expedient and as permissible under applicable law and approved by the Board of Directors or a duly constituted committee thereof.

The Net Proceeds which are proposed to be deployed towards these purposes are not proposed to be utilized towards any specific project. Accordingly, the requirement to disclose (i) the break-up of cost of the project (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project, is not applicable in respect of the aforementioned.

If the Net Proceeds are not completely utilised for the purposes stated hereinabove by such periods due to factors such as (i) economic and business conditions; (ii) increased competition; (iii) delay in construction or procuring equipment; (iv) receiving the necessary approvals; and (v) other commercial considerations, the same would be utilised (in part or full) in the subsequent periods as may be decided by our Board, in accordance with applicable laws. Further, the Board may at its discretion, utilise any unutilised portion of Net Proceeds towards general corporate purposes within permissible limits.

In case we require additional capital towards meeting the requirement of funds as stated above, we may explore a range of options including utilising internal accruals and availing additional debt from existing and future lenders. We believe that such alternate arrangements would be available to fund any such shortfalls. If the actual utilisation towards any of the objects is lower than the proposed deployment, such balance will be used for general corporate purposes in accordance with applicable law.

The use of proceeds indicated hereinabove is based on management estimates, current circumstances of our business and the prevailing market conditions, which are subject to change in the future, and have not been appraised by any bank or financial institution or any other independent agency. Subject to applicable law, our management will have flexibility in deploying the Net Proceeds. We may have to revise our funding requirements and deployment from time to time on account of various factors such as financial condition, business strategy and external factors such as market conditions including the competitive environment and interest or exchange rate fluctuations, , increase in input costs of construction materials and labour costs, logistics and transport costs, incremental preoperative expenses, taxes and duties, interest and finance

charges, engineering procurement and construction costs, working capital margin, regulatory costs, environmental factors and other external factors which may not be within the control of our management. This may entail rescheduling the proposed utilisation of the Net Proceeds and changing the allocation of funds from its planned allocation at the discretion of our Board. For further details, see *“Risk Factors – Our funding requirements and proposed deployment of the Net Proceeds have not been appraised by a bank or a financial institution and if there are any delays or cost overruns, we may have to incur additional cost to fund the “USE OF PROCEEDS” because of which our business, financial condition and results of operations may be adversely affected.”* on page 45.

In accordance with applicable laws, we undertake to not utilize proceeds from the Issue unless Allotment is made and the corresponding return of Allotment is filed with the RoC, or final listing and trading approvals are received from each of the Stock Exchanges, whichever is later.

Interim use of funds

In accordance with the policies instituted by our Board and as may be permissible under applicable laws and government policies, our management will have the flexibility in deploying the Issue proceeds. Pending utilisation for the purposes described above, we intend to temporarily invest funds in creditworthy instruments, including money market, mutual funds, deposits with banks and financial institutions, and structured products. Any modification/ change in the investment policy would be at the discretion of the Board from time to time and in accordance with applicable laws.

Monitoring of utilisation of funds

Our Company has appointed CARE Ratings Limited as the monitoring agency in accordance with Regulation 173A of the SEBI ICDR Regulations. The report of the Monitoring Agency shall be placed before the Audit Committee on a quarterly basis, promptly upon its receipt. Such report, along with the comments (if any) of the Monitoring Agency shall be submitted to the Stock Exchanges within 45 days from the end of each quarter, or such other time as may be prescribed under the SEBI Listing Regulations and uploaded on the website of our Company at www.hfcl.com.

Pursuant to Regulation 32(3) of the SEBI Listing Regulations, our Company shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds. On an annual basis, our Company shall (i) prepare a statement of funds utilised for purposes other than those stated in this Placement Document and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilised; and (ii) disclose every year, the utilization of the Net Proceeds during that year in its annual report. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement under (i) above shall be certified by the statutory auditors of our Company. Furthermore, in accordance with Regulation 32(1) of the SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the proceeds of the Issue from the ‘Use of Proceeds’ as stated above; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Issue from the ‘Use of Proceeds’ as stated above. This information will also be published on our website and our Company shall furnish an explanation for the deviations and category-wise variations in its annual report.

Other Confirmations

Neither our Promoters nor our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

Further, neither our Promoters nor our Directors shall receive any proceeds from the Issue, whether directly or indirectly. Since the Issue is only made to Eligible QIBs, our Promoters, Directors, Key Managerial Personnel or Senior Management Personnel are not eligible to subscribe in the Issue.

CAPITALISATION STATEMENT

The following table sets forth the capitalisation of our Company, on a consolidated basis, as at June 30, 2023 and as adjusted to give effect to the receipt of the gross proceeds of the Issue.

This table should be read in conjunction with “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements” on pages 42, 146 and 254, respectively.

(₹ in crores)		
Particulars	Pre-Issue (as at June 30, 2023) (on a consolidated basis) ⁽¹⁾	Post-Issue as adjusted for the Issue (on a consolidated basis) ⁽²⁾⁽³⁾
Short term borrowings		
- Secured	391.67	391.67
- Unsecured	257.85	257.85
Current maturities of long term borrowing/finance lease obligations	54.00	54.00
Long term borrowings		
- Secured	106.08	106.08
- Unsecured	-	-
Total debt (A)	809.60	809.60
Equity:		
Equity Share capital	137.65 ⁽⁴⁾	142.76
Other Equity	3,037.41	3,384.31
Non-controlling interests	44.01	44.01
Total equity (B)	3,219.07	3,571.08
Total capitalization (A+B)	4,028.67	4,380.68

Notes:

1. The above statement does not include lease liability as per Ind AS 116 disclosed under financial liability in the Unaudited Consolidated Financial Results for three-months ended June 30, 2023.
2. Will be finalized upon determination of the Issue Price.
3. Without consideration of share issue expenses. The figures in this column are unaudited and derived by giving effect to the issue of 5,10,14,491 Equity Shares at a price of ₹ 69 per Equity Share (including a premium of ₹ 68 per Equity Share) through the Issue, without consideration for any other transactions or movements in such financial statement line items post June 30, 2023.
4. Equity share capital is net of equity shares held by the HFCL Employees Trust as on June 30, 2023.

CAPITAL STRUCTURE

The share capital of our Company as on date of this Placement Document is as follows:

(in ₹, except share data)

Particulars	Aggregate nominal value [#] (in ₹)
Authorised Share Capital	
5,10,00,00,000 Equity Shares of ₹1 each	5,10,00,00,000
2,50,00,00,000 redeemable cumulative preference shares of ₹100 each	2,50,00,00,000
Issued, subscribed and paid-up share capital prior to the Issue	
1,37,77,58,321 Equity Shares of ₹1 each ⁽¹⁾	1,37,77,58,321
Present Issue in terms of this Placement Document⁽²⁾	
Up to 5,10,14,491 Equity Shares at a premium of ₹ 68	351,99,99,879
Issued, subscribed and paid-up share capital after the Issue	
1,42,87,72,812 Equity Shares	142,87,72,812
Securities premium account	
Prior to the Issue ⁽³⁾	10,567,799,701
After the Issue ⁽⁴⁾	14,03,67,85,089

[#] Except for securities premium account

⁽¹⁾ Equity Shares including the shares allotted under the HFCL Plan 2017 (defined below).

⁽²⁾ The Issue was approved by the Board of Directors in its meeting held on September 2, 2022. Subsequently, our Shareholders, through a special resolution approved the Issue on September 30, 2022 and by the Fund Raising Committee in its meeting held on August 28, 2023.

⁽³⁾ As on the date of this Placement Document.

⁽⁴⁾ The amount has been calculated on the basis of gross proceeds from the Issue.

Equity share capital history of our Company

The history of the equity share capital of our Company as on the date of this Placement Document is provided in the following table:

Date of issue / allotment	Number of equity shares	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason / Nature of allotment	Cumulative number of equity shares	Cumulative paid-up equity share capital (₹)
May 20, 1987	100	10	10	Cash	Initial subscription to the MoA	100	1,000
July 12, 1988	1,70,000	10	10	Cash	Further issue	1,70,100	17,01,000
March 25, 1989	8,30,000	10	10	Cash	Allotment of equity shares pursuant to initial public offer	10,00,100	1,00,01,000
September 8, 1990	17,26,750	10	10	Cash	Rights issue	27,26,850	2,72,68,500
October 8, 1990	73,400	10	10	Cash	Rights issue	28,00,250	2,80,02,500
June 16, 1993	98,00,875	10	30	Cash	Rights issue	1,26,01,125	12,60,11,250
March 17, 1994	18,45,000	10	72	Cash	Private placement	1,44,46,125	14,44,61,250
March 25, 1994	39,40,000	10	30	Cash	Private placement	1,83,86,125	18,38,61,250
March 25, 1994	5,50,000	10	72	Cash	Private placement	1,89,36,125	18,93,61,250
March 30, 1994	6,80,000	10	72	Cash	Private placement	1,96,16,125	19,61,61,250

Date of issue / allotment	Number of equity shares	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason / Nature of allotment	Cumulative number of equity shares	Cumulative paid-up equity share capital (₹)
March 30, 1994	11,00,000	10	30	Cash	Private placement	2,07,16,125	20,71,61,250
March 31, 1994	4,40,000	10	72	Cash	Private placement	2,11,56,125	21,15,61,250
March 31, 1994	14,45,000	10	30	Cash	Private placement	2,26,01,125	22,60,11,250
April 2, 1994	85,000	10	72	Cash	Private placement	2,26,86,125	22,68,61,250
April 8, 1994	13,75,000	10	72	Cash	Private placement	2,40,61,125	24,06,11,250
April 8, 1994	14,00,000	10	30	Cash	Private placement	2,54,61,125	25,46,11,250
April 25, 1994	16,15,000	10	30	Cash	Private placement	2,70,76,125	27,07,61,250
May 3, 1994	15,25,000	10	72	Cash	Private placement	2,86,01,125	28,60,11,250
August 7, 1995	2,15,05,380	10	73.12	Cash	Allotment of equity shares pursuant to issue against GDRs	5,01,06,505	50,10,65,050
January 29, 1997	1,45,50,000	10	10	Other than cash	Allotment pursuant to the scheme of amalgamation of erstwhile Himachal Telematics Limited with our Company	6,46,56,505	64,65,65,050
March 3, 2000	70,00,000	10	1,050	Cash	Further issue	7,16,56,505	71,65,65,050
April 10, 2000	15,76,809	10	1,450	Cash	Private placement	7,32,33,314	73,23,33,140
June 24, 2000	55,88,841	10	1,450	Cash	Private placement	7,88,22,155	78,82,21,550
September 4, 2002	5,43,99,560	10	46.608	Cash	Pursuant to issue against GDRs	13,32,21,715	1,33,22,17,150
January 8, 2003	29,16,969	10	33	Cash	Conversion of FCCBs to equity shares	13,61,38,684	1,36,13,86,840
February 27, 2003	58,70,769	10	26	Cash	Conversion of FCCBs to equity shares	14,20,09,453	1,42,00,94,530
March 10, 2003	9,15,036	10	26.07	Cash	Conversion of FCCBs to equity shares	14,29,24,489	1,42,92,44,890
March 27, 2003	50,79,381	10	18.77	Cash	Conversion of FCCBs to equity shares	14,80,03,870	1,48,00,38,700
April 11, 2003	81,04,273	10	11.70	Cash	Conversion of FCCBs to equity shares	15,61,08,143	1,56,10,81,430
April 19, 2003	1,31,79,913	10	11.70	Cash	Conversion of FCCBs to equity shares	16,92,88,056	1,69,28,80,560
April 28, 2003	52,58,888	10	11.70	Cash	Conversion of FCCBs to equity shares	17,45,46,944	1,74,54,69,440

Date of issue / allotment	Number of equity shares	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason / Nature of allotment	Cumulative number of equity shares	Cumulative paid-up equity share capital (₹)
May 1, 2003	20,24,358	10	11.70	Cash	Conversion of FCCBs to equity shares	17,65,71,302	1,76,57,13,020
May 19, 2003	1,20,94,871	10	11.70	Cash	Conversion of FCCBs to equity shares	18,86,66,173	1,88,66,61,730
May 31, 2003	5,92,13,885	10	11.70	Cash	Conversion of FCCBs to equity shares	24,78,80,058	2,47,88,00,580
July 30, 2003	7,80,101	10	29.65	Cash	Conversion of FCCBs to equity shares	24,86,60,159	2,48,66,01,590
July 30, 2003	3,60,00,000	10	-	Cash	Conversion of loan to equity shares	28,46,60,159	2,84,66,01,590
September 20, 2003	62,59,144	10	11.70	Cash	Conversion of FCCBs to equity shares	29,09,19,303	2,90,91,93,030
September 30, 2003	78,51,282	10	11.70	Cash	Conversion of FCCBs to equity shares	29,87,70,585	2,98,77,05,850
October 31, 2003	52,39,358	10	11.70	Cash	Conversion of FCCBs to equity shares	30,40,09,943	3,04,00,99,430
November 21, 2003	67,78,632	10	11.70	Cash	Conversion of FCCBs to equity shares	31,07,88,575	3,10,78,85,750
December 6, 2003	13,72,777	10	11.70	Cash	Conversion of FCCBs to equity shares	31,21,61,352	3,12,16,13,520
January 16, 2004	9,70,726	10	11.70	Cash	Conversion of FCCBs to equity shares	31,31,32,078	3,13,13,20,780
March 12, 2004	36,79,017	10	11.70	Cash	Conversion of FCCBs to equity shares	31,68,11,095	3,16,81,10,950
April 1, 2004	1,15,94,871	10	11.70	Cash	Conversion of FCCBs to equity shares	32,84,05,966	3,28,40,59,660
June 11, 2004	13,60,200	10	10	Cash	Conversion of FCCBs to equity shares	32,97,66,166	3,29,76,61,660
April 29, 2005	57,95,939	10	11.70	Cash	Conversion of FCCBs to equity shares	33,55,62,105	3,35,56,21,050
July 1, 2005	53,98,461	10	11.70	Cash	Conversion of FCCBs to equity shares	34,09,60,566	3,40,96,05,660
July 22, 2005	18,60,683	10	11.70	Cash	Conversion of FCCBs to equity shares	34,28,21,249	3,42,82,12,490
August 22, 2005	29,79,829	10	11.70	Cash	Conversion of FCCBs to equity shares	34,58,01,078	3,45,80,10,780
September 12, 2005	43,36,581	10	11.70	Cash	Conversion of FCCBs to equity shares	35,01,37,659	3,50,13,76,590
July 6, 2006	6,30,21,734	10	23	Cash	Conversion of FCCBs to equity shares	41,31,59,393	4,13,15,93,930

Date of issue / allotment	Number of equity shares	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason / Nature of allotment	Cumulative number of equity shares	Cumulative paid-up equity share capital (₹)
August 11, 2006	9,69,565	10	23	Cash	Conversion of FCCBs to equity shares	41,41,28,958	4,14,12,89,580
September 4, 2006	16,86,200	10	26.45	Cash	Conversion of FCCBs to equity shares	41,58,15,158	4,15,81,51,580
September 18, 2006	1,18,02,739	10	21.90	Cash	Conversion of OFCDs to equity shares	42,76,17,897	4,27,61,78,970
October 3, 2006	16,86,200	10	26.45	Cash	Conversion of FCCBs to equity shares	42,93,04,097	4,29,30,40,970
November 3, 2006	33,72,400	10	26.45	Cash	Conversion of FCCBs to equity shares	43,26,76,497	4,32,67,64,970
November 13, 2006	33,72,400	10	26.45	Cash	Conversion of FCCBs to equity shares	43,60,48,897	4,36,04,88,970
February 13, 2007	33,72,400	10	26.45	Cash	Conversion of FCCBs to equity shares	43,94,21,297	4,39,42,12,970
March 2, 2007	33,72,400	10	26.45	Cash	Conversion of FCCBs to equity shares	44,27,93,697	4,42,79,36,970
March 26, 2010	2,00,00,000	10	10	Cash	Conversion of loan to equity shares	46,27,93,697	4,62,79,36,970
<i>Pursuant to a special resolution dated November 26, 2010 and an order of the High Court of Himachal Pradesh dated January 5, 2011, approving composite scheme of arrangement and amalgamation of Sunvision Engineering Company Private Limited into our Company, the equity share capital of our Company was reduced from ₹ 4,62,79,36,970 (i.e., 46,27,93,697 equity shares of ₹10 each) to ₹ 46,27,93,697 (i.e., 46,27,93,697 Equity Shares of ₹1 each.)</i>							
February 10, 2011	47,00,00,000	1	11.15	Other than cash	Allotment pursuant to scheme of amalgamation	93,27,93,697	93,27,93,697
February 10, 2011	5,96,01,640	1	11.74	Other than cash	Allotment pursuant to scheme of amalgamation	99,23,95,337	99,23,95,337
November 10, 2011	24,69,81,857	1	9.84	Cash	Preferential allotment to lenders under CDR	1,23,93,77,194	1,23,93,77,194
November 5, 2018	75,00,000	1	16	Cash	Preferential allotment upon conversion of warrants	1,24,68,77,194	1,24,68,77,194
March 29, 2019	2,75,00,000	1	16	Cash	Preferential allotment upon conversion of warrants	1,27,43,77,194	1,27,43,77,194
April 9, 2019	52,08,333	1	16	Cash	Preferential allotment upon conversion of warrants	1,27,95,85,527	1,27,95,85,527
April 29, 2019	47,91,667	1	16	Cash	Preferential allotment upon conversion of warrants	1,28,43,77,194	1,28,43,77,194

Date of issue / allotment	Number of equity shares	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of consideration	Reason / Nature of allotment	Cumulative number of equity shares	Cumulative paid-up equity share capital (₹)
July 15, 2021	49,34,300	1	20.65	Cash	Pursuant to HFCL Plan 2017	1,28,93,11,494	1,28,93,11,494
December 10, 2021	8,72,72,727	1	68.75	Cash	Qualified institutions placement	1,37,65,84,221	1,37,65,84,221
June 8, 2022	11,74,100	1	20.65	Cash	Pursuant to HFCL Plan 2017	1,37,77,58,321	1,37,77,58,321

In the last one year preceding the date of this Placement Document, our Company has not issued any Equity Shares for consideration other than cash.

Pursuant to the terms and conditions of various sanction letters and financing documents pertaining to the facilities availed by our Company from time to time, certain promoters of the Company, namely Anant Nahata, NextWave Communications Private Limited and MN Ventures Private Limited have issued Non-Disposal Undertakings dated June 29, 2021, February 18, 2022, June 14, 2022 and December 28, 2022 (collectively, the “**NDUs**”) in favour of the lenders of the Company i.e., Bank of Baroda, Indian Bank, ICICI Bank Limited, IDBI Bank Limited, Punjab National Bank (including erstwhile Oriental Bank of Commerce and United Bank of India), Union Bank of India, Yes Bank Limited and State Bank of India (collectively, the “**Lenders**”), with respect to 24,15,48,750 Equity Shares (“**NDU Shares**”), being 44.68% of the total Promoters' shareholding and 17.53% of the total paid-up equity share capital of our Company, pursuant to which they shall hold not less than the NDU Shares in the issued and paid-up share capital of the Company and shall not, without the prior approval of the Lenders in writing, pledge or dilute or dispose-off or create any security interest or transfer the NDU Shares held by them in the Company in favour of any person(s), till the date on which all the loans of the Lenders have been irrevocably paid and unconditionally discharged in full to the satisfaction of the Lenders. As on date of this Placement Document, no Equity Shares held by any of the Promoters in the Company are pledged.

Pre-Issue and post-Issue shareholding pattern of Company

The pre-Issue and post-Issue shareholding pattern of our Company, as on June 30, 2023, is set forth below:

#	Category	Pre-Issue (as on June 30, 2023)		Post-Issue*	
		No. of Equity Shares held	% of shareholding	No. of Equity Shares held	% of shareholding
A. Promoter holding [#]					
1.	Indian				
	Individual	39,80,091	0.29	39,80,091	0.28
	Body corporates	53,66,01,801	38.95	53,66,01,801	37.56
	Others	0	0.00	0	0.00
	Sub-total	54,05,81,892	39.24	54,05,81,892	37.84
2.	Foreign promoter	0	0.00	0	0.00
	Sub-total (A)	54,05,81,892	39.24	54,05,81,892	37.84
B. Non-Promoter holding					
1.	Institutional investors	16,47,27,218	11.96	21,57,41,709	15.10
2.	Non-Institutional investors				
	Private corporate bodies	18,37,91,259	13.34	18,37,91,259	12.86
	Directors and relatives (other than Promoters)	7,500	Negligible	7,500	Negligible
	Relatives of Promoters (other than immediate relatives of promoters disclosed under 'Promoter and Promoter Group Category')	82,087	Negligible	82,087	Negligible
	Indian public	47,16,48,438	34.23	47,16,48,438	33.01
	Others including Non-Resident Indians (NRIs)	1,56,83,327	1.14	1,56,83,327	1.10

#	Category	Pre-Issue (as on June 30, 2023)		Post-Issue*	
		No. of Equity Shares held	% of shareholding	No. of Equity Shares held	% of shareholding
	Sub-total (B)	83,59,39,829	60.67	88,69,54,320	62.07
3.	Non-Promoter non-public shareholders (Employee Benefit Trust)	12,36,600	0.09	12,36,600	0.09
	Sub-total (C)	12,36,600	0.09	12,36,600	0.09
	Grand Total (A+B+C)	1,37,77,58,321	100.00	1,42,87,72,812	100.00

* The post-Issue shareholding pattern of our Company reflects the shareholding of the institutional investors category on basis of the Allocation made in the Issue and reflects the shareholding of all other categories as of June 30, 2023.

Includes the shareholding of the members forming part of Promoter Group.

Employee stock option plan

Our Company adopted the Himachal Futuristic Communications Limited (HFCL) Employees' Long Term Incentive Plan – 2017 (“**HFCL Plan 2017**”), which was approved by our Board pursuant to a resolution dated August 26, 2017 and our Shareholders pursuant to a special resolution dated September 25, 2017. Under the HFCL Plan 2017, our Company is allowed to grant up to 2,50,00,000 options or units convertible to Equity Shares to eligible employees of our Company. The objective of the HFCL Plan 2017 is to promote entrepreneurial behaviour among employees of our Company, motivate them with incentives and reward their performance with ownership in proportion to the contribution made by them as well align the interests of the employees with that of our Company. The eligibility and number of options to be granted to an eligible employee is determined on the basis of criteria laid down in the HFCL Plan 2017 and is administered by the Nomination, Remuneration and Compensation Committee through the HFCL Employees' Trust. The options granted shall vest on the eligible employees not earlier than one year and not later than five years from the date of grant of options. The HFCL Plan 2017 is in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

As on the date of this Placement Document, the details of options pursuant to HFCL Plan 2017 are as follows:

Particulars	Number of employee stock options	Number of restricted stock units (“RSUs”)*
Total number of stock options / RSUs	1,00,00,000	1,00,00,000
Options / RSUs granted	70,49,000	70,49,000
Options / RSUs vested	62,55,400	-
Options / RSUs exercised	49,37,800	-
Options / RSUs forfeited	7,93,600	70,49,000
Total options / RSUs outstanding	13,17,600	Nil

* The RSUs granted under the HFCL Plan 2017 are forfeited due to non-achievement of defined annual performance parameters as determined by the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022, and accordingly as on March 31, 2022, the share-based payment reserve is adjusted.

Other confirmations

- Our Company has not made any allotments of Equity Shares, including for consideration other than cash, in the last one year preceding the date of this Placement Document.
- Our Equity Shares have been listed for a period of at least one year prior to the date of the issuance of the notice for the meeting conducted through VC / OAVM facility on September 30, 2022, to the Shareholders for the approval of this Issue.
- There will be no change in control of our Company pursuant to the Issue.
- Except as disclosed below, our Company has not allotted securities on preferential basis or private placement basis or by way of rights issue in the last one year preceding the date of this Placement Document:

Allotment of 1,41,00,000 convertible warrants was made pursuant to a preferential issue, which may be exercised in one or more tranches, to one of the Promoter namely, MN Ventures Private Limited and to certain persons belonging to non-promoter category pursuant to the resolution passed by our Board on September 2, 2022, our Shareholders on September 30, 2022 and Allotment Committee on October 15, 2022.

- (v) Our Company shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue. Further, Equity Shares allotted pursuant to this Issue cannot be sold by the Allottee for a period of one year from the date of allotment, except on the Stock Exchanges.
- (vi) Except as disclosed in this section, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into the Equity Shares as on the date of this Placement Document.

Proposed Allottees in the Issue

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made by our Company, in consultation with the Book Running Lead Manager, to Eligible QIBs only, on a discretionary basis.

The names of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, and the percentage of post-Issue share capital that may be held by them is set forth in “*Proposed Allottees in the Issue*” on page 253.

RELATED PARTY TRANSACTIONS

For details of the related party transactions during (i) Three month period ended June 30, 2023; (ii) Fiscal 2023; (iii) Fiscal 2022; and (iv) Fiscal 2021, as per the requirements under Ind AS 24 'Related party disclosures' notified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standard) Rules 2015, as amended and as reported, please see the section titled "*Financial Statements*" on page 254.

DIVIDENDS

The declaration and payment of final dividends by our Company, if any, will be recommended by our Board and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association and the applicable laws, including the Companies Act. See “*Description of the Equity Shares*” on page 233.

Our Board may also, from time to time, declare interim dividends. Our Board has approved and adopted a formal dividend distribution policy on November 28, 2016 in terms of Regulation 43A of the SEBI Listing Regulations (“**Dividend Distribution Policy**”).

In accordance with the Dividend Distribution Policy, the dividend pay-out shall be determined by our Board after taking into account a number of factors, including but not limited to, working capital requirements, capital expenditure requirement, business expansion and growth, likelihood of crystallisation of contingent liabilities, additional investment in subsidiaries and associates, upgradation of technology and physical infrastructure, acquisition of brands and business, cost of borrowing, creation of contingency fund, changes in economic environment and other factors that may be considered relevant from time to time.

The following table details the dividend declared and paid or payable by our Company on the Equity Shares in respect of the three month period ended June 30, 2023, Fiscals 2023, 2022, 2021 and July 1, 2023 till the date of filing of this Placement Document:

Period	Face Value of Equity Share (in ₹)	Dividend per Equity Share (in ₹)	Total amount of dividend# (in ₹ crores)	Dividend rate (%)
From July 1, 2023 till the date of filing of the PPD	1.00	Nil	Nil	Nil
Three month period ended June 30, 2023[§]	1.00	Nil	Nil	Nil
Fiscal 2023	1.00	0.18	24.80**	18
Fiscal 2022	1.00	0.15	19.34*	15
Fiscal 2021	1.00	-	-	-

[#]Including unclaimed dividend.

[§] Dividend for the financial year ended March 31, 2023 would be declared at the ensuing AGM and if approved, will be paid to the Shareholders during the current year within 30 days of declaration of dividend.

* Dividend for the financial year ended March 31, 2021 declared at the Annual General Meeting (AGM) held on September 30, 2021, was paid to the Shareholders on October 4, 2021.

** Dividend for the financial year ended March 31, 2022 declared at the Annual General Meeting (AGM) held on September 30, 2022, was paid to the Shareholders on October 4, 2022.

*** including equity shares held in the HFCL Employees Trust.

Investors are cautioned not to rely on past dividends as an indication of the future performance of our Company or for an investment in the Equity Shares offered in the Issue. The amounts paid as dividends in the past are not necessarily indicative of the dividend distribution policy of our Company or dividend amounts, if any, in the future. There is no guarantee that any dividends will be declared or paid in the future or that the amount thereof will not be decreased. The form, frequency and amount of future dividends declared by our Company will depend on a number of internal and external factors, including, but not limited to, the factors set out in the Dividend Distribution Policy and such other factors that the Board may deem relevant in its discretion, subject to the approval of our Shareholders.

The Equity Shares to be issued in connection with this Issue shall qualify for dividend including interim dividend, if any, that is declared and record date thereof occurs after the Allotment. See “*Description of the Equity Shares*” on page 233. For a summary of some of the restrictions that may inhibit our ability to declare or pay dividends, See “*Risk Factors – We cannot assure you that our Company will declare dividends to its shareholders in the future.*” on page 63.

For a summary of certain consequences under Indian taxation law of dividend distributions to shareholders, see “*Statement of Possible Tax Benefits*” on page 237.

INDUSTRY OVERVIEW

Information regarding market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by governmental bodies, professional organisations and analysts and on data from other external sources, and on our knowledge of markets in which we compete.

Unless stated otherwise, statistical information, industry and market data used throughout this Placement Document has been obtained from the report titled “*An Industry Report on OFC and Telecom equipment, Railway Communication services & Defence Electronics*”, dated August 2023, which is a report commissioned and paid for by us and prepared by *Feedback Advisory Services Private Limited* (“**Feedback Report**”).

This information is subject to change and cannot be certified with complete certainty due to limits on the availability and reliability of raw data and other limitations and uncertainties inherent in any statistical survey. The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data. Further, the calculation of certain statistical and/ or financial information/ ratios specified in the sections titled “*Business*”, “*Risk Factors*”, “*Management’s Discussions and Analysis of Results of Operations and Financial Condition*” and otherwise in this Placement Document may vary from the manner such information is calculated under and for purposes of, and as specified in, the Feedback Report. Data from these sources may also not be comparable.

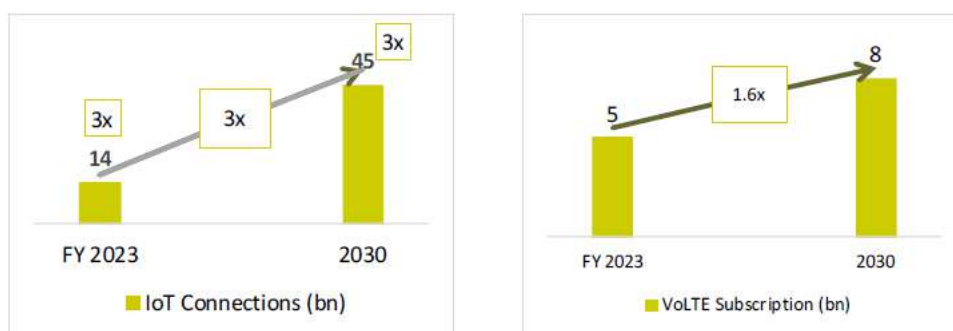
Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information.

Global Economy

The global economy in 2023 is expected to show a slight uptick. In the United States, resilient household spending has prompted upward revision of growth forecast to 1.1 per cent in 2023. The European Union’s economy, driven by robust consumer spending, is now projected to grow by 0.9 per cent. China’s growth this year is forecast at 5.3 per cent as a result of COVID-19 related restrictions being lifted. India’s GDP expanded 6.1% during Jan-March 2023 quarter and growth forecast for FY 2024 (CY 2023) is more than 6%.

Figure: Global Telecom Drivers (FY 2023-2030)





Total Addressable Market (TAM) for Telecom Equipment

The global TAM for telecom equipment and services, including Ethernet Switches, Routers, Enterprise WLAN¹, PON², PtP, PtMP³, 5G Small & Macro Cells, 5G Router, 5G FWA and Integration Services was USD 109.7 bn in FY 2023 and is expected to reach USD 331.5 bn, growing at a CAGR of 17.1% during FY 2023-30.

The total global cumulative opportunity for Telecom equipment of interest, including the 5G opportunity (excluding OF/OFC and Accessories) during FY 23-30, is USD 1,454.3 bn.

Total Addressable Market (TAM) for OF/OFC and Accessories

The global TAM for OF/OFC and Accessories is USD 20.3 Bn in FY 2023 and is expected to reach USD 33.0 bn, growing at a CAGR of 7.2% during FY 23-30.

Figure: TAM for OF/OFC and Accessories (FY 2030)



Table: Summary of TAM for OF/OFC and Accessories (FY 2023-30)

Product Cat.	FY 2016 US\$ mn	FY 2023 US\$ mn	FY 2030 US\$ mn	Cumulative FY 23-30	% CAGR FY16-23	% CAGR FY 23-30	Leading Global Players
OFC	6,300	11,500	18,500	106,606	9.0%	7.0%	Corning, Sumitomo, Prysmian, Furukawa, STL, HFCL
Optic Fiber	3,900	7,000	11,500	65,729	8.7%	7.3%	Corning, Finisar, Furukawa, Leoni, Prysmian, STL, HFCL
Access.	950	1,800	3,000	17,051	9.6%	7.6%	Huber + Suhner, Digi Link, Schneider Electric, CommScope, R&M, Corning, AFL, SFO, Technologies, HFCL, FCI, Veekay, Supreme, nVent, APW, Sunsea, Netrack, Fiber Home

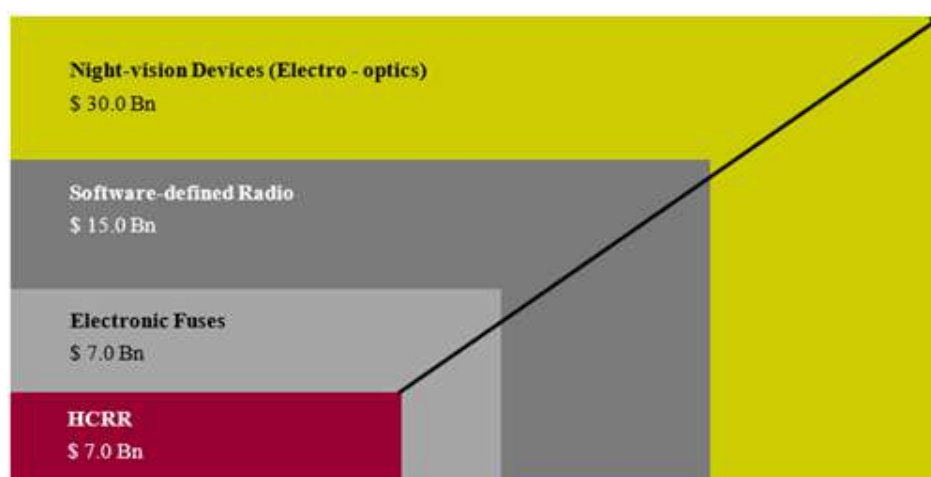
- ¹ IDC report on Networking Equipment
- ² Dell'Oro, Feedback Analysis
- ³ Cambium, Feedback Analysis

The Indian trade balance (export minus import) for OFC is USD 450 Mn in FY 23 and is likely to reach USD 3 Bn+ by FY 30⁴. The export revenues for the industry are expected to be around 2.0 times the domestic sales. The current value share of India's export in the global trade for OFC is less than 5%, which is expected to reach around 20% by FY 30. The growth in the Indian exports is expected to add to the high growth of the domestic markets.

Total Addressable Market (TAM) for Defence Equipment

The global TAM for Defence equipment – Electronic Fuses, Software-defined Radio, Night-vision Devices (Electro-optics) and HCRR (High-Capacity Radio Relay) is USD 31.4 bn in FY 2023 and is expected to reach USD 59.0 bn by FY 2028, growing at 9.4% CAGR during FY 23-30.

Figure: TAM for Defence Equipment (FY 2030)



Total Addressable Market (TAM) for Railway Communication Integration Services

Railway communication integration services include the EPC business integrating communication networks for metros, freight corridors and mainline railways.

Table: Summary of the opportunity landscape in railway communication services

• Opportunity Area	Details of New projects	Likely an Opportunity for Telecommunication Packages
Dedicated Freight Corridors – Green Field Projects	2 new DFC are to be executed. This involves a capital cost of construction worth USD 25 bn	• INR 70 bn (USD 850 Mn) for telecom packages.
Modernization of Signalling & Telecommunication in Indian Railways	Automation of 15k kms rail signaling Train Collision Avoidance System 'KAVACH' to be installed on 37,000 km An overall investment of INR 700 bn (USD 8.5 bn) was unveiled recently and is likely to be implemented over the next 5-7 years	• Addressable potential: INR 80 bn (USD 975 Mn)
Global Metros	The proposed global metro projects are about 35 projects that are in the execution, planning and proposed stage	• Overall Metro projects worth USD 40 Bn spread over the next 2 to 10 years. • An addressable opportunity would be around USD 3 Bn
RRTS Projects	Of the 8 RRTS Projects proposed, 3 have been considered for immediate implementation and 1 is under construction, while 2 are under financial approvals	• For the other 2 RRTS Projects, it is estimated to be in the range of INR 30-35 bn (~USD 375 mn) spread over the next 7-8 years.

The total cumulative opportunity for railway communication integration services is USD 2.2 bn from India, and USD 3.0 bn in the global (outside India) metro projects during FY 23-30.

• ⁴ Source: Feedback Advisory Analysis

Total Addressable Market (TAM) - Summary

Table: Global TAM – Summary (USD mn)

Product Category	Products	Global Market (USD mn)					
		FY16	FY 23	FY 30	Cumulative FY 23-30	% CAGR FY 16-23	% CAGR FY 23-30
A 1. Optical Fibre Cable	Optical Fibre Cable	6,300	11,500	18,500	106,606	9.0%	7.0%
A 2. Optic Fibre	Optical Fibre	3,900	7,000	11,500	65,729	8.7%	7.3%
A 3. Optical Fibre Cable Accessories	Assemblies and Components	950	1,800	3,000	17,051	9.6%	7.6%
B. Telecom Equipment	Switches	23,780	38,880	60,000	351,421	7.3%	6.4%
	Routers	14,440	17,440	25,000	150,768	2.7%	5.3%
	Enterprise WLAN	5,210	10,806	20,000	109,204	11.0%	9.2%
	PON Terminals	3,000	11,300	35,000	158,912	20.9%	17.5%
	PtP and PtMP	3,165	6,300	13,500	69,795	10.3%	11.5%
	5G Small and Macro Cell		7,500	60,000	204,278	-	34.6%
	5G Transport		2,000	30,000	87,277	-	47.2%
	5G FWA		1,500	28,000	77,552	-	51.9%
	5G System Integration		14,000	60,000	245,059	-	23.1%
C. Defence Electronics	HCRR	1,050	2,500	7,000	32,899	13.2%	15.8%
	Electro-optics	12,000	18,000	30,000	170,513	6.0%	7.6%
	Electronic Fuses	1,125	2,400	7,000	32,440	11.4%	16.5%
	SDR	5,000	8,500	15,000	83,402	7.9%	8.5%
D. Railway Communication	Telecom EPC across Metro projects – India, South Asia and MENA only				5,200	-	-

Note: Optical Fibre Cable Accessories include Cable Assemblies, Aerial/FTTX Accessories, and other passive components.

Table: India TAM – Summary (USD mn)

Product Category	Products	Indian Market (USD mn)					
		FY16	FY 23	FY 30	Cumulative FY 23-30	% CAGR FY 16-23	% CAGR FY 22-30
A 1. Optical Fibre Cable	Optical Fibre Cable	380	745	1,600	8,265	10.1%	11.5%
A 2. Optic Fibre	Optical Fibre	300	600	1,250	6,530	10.4%	11.1%
A 3. Optical Fibre Cable Accessories	Assemblies and Components	60	120	250	1,306	10.4%	11.1%
B. Telecom Equipment	Switches	480	754	1,500	7,971	6.7%	10.3%
	Routers	283	355	600	3,392	3.3%	7.8%
	Enterprise WLAN	90	165	325	1,734	9.0%	10.2%
	PON	155	300	550	3,014	9.9%	9.0%
	PtP and PtMP	95	200	400	2,121	11.2%	10.4%
	5G Small and Macro Cell	-	200	5,000	13,022	-	58.4%
	5G Transport	-	70	3,200	7,439	-	72.6%

Product Category	Products	Indian Market (USD mn)					
		FY16	FY 23	FY 30	Cumulative FY 23-30	% CAGR FY 16-23	% CAGR FY 22-30
	5G FWA	-	50	3,500	7,583	-	83.5%
	5G System Integration	-	400	6,500	18,567	-	48.9%
C. Defence Electronics	HCRR	-		100	-	-	
	Electro-optics	600	2,500	5,500	30,635	22.6%	14.0%
	Electronic Fuses	200	300	500	2,842	6.0%	7.6%
	SDR	-		300	1,000	-	
D. Railway Communication	Telecom EPC India Market				2,200	-	

Global Telecom Industry

Global 5G subscription growth

Better connectivity, faster speed, increasing consumption of data, IoT, connected mobility, Industry 4.0 and AR/VR are some of the drivers pushing the growth of the global telecom industry. These drivers have helped the global mobile data traffic to grow by 38% between Oct-Dec 2021 to Oct-Dec 2022⁵

Continued strong smartphone adoption and video consumption are driving up mobile data traffic. Globally, the average monthly usage of smartphones is also increasing and has surpassed 15GB by FY 2023 and is expected to reach 65 GB by FY 2030

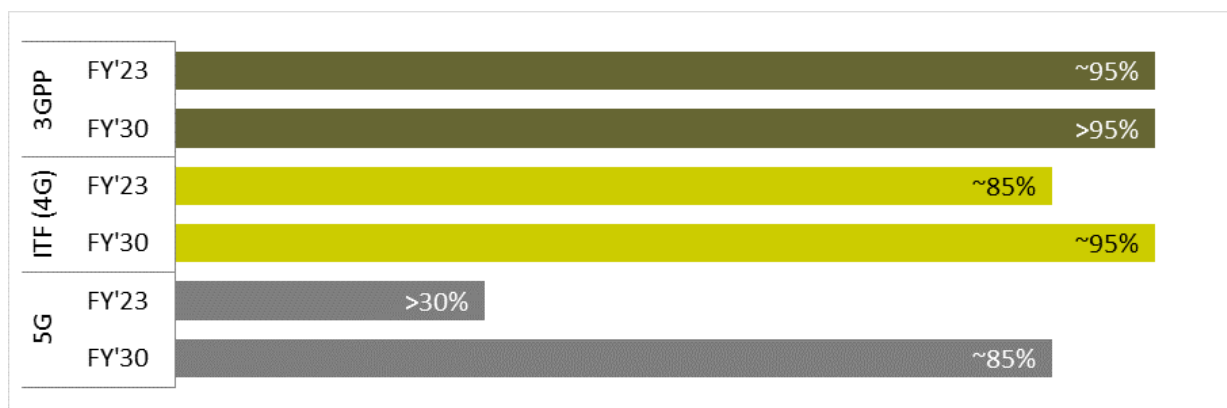
Table: Global mobile data traffic⁶

Mobile data traffic	FY'21	FY'22	FY'23	FY'28 F	FY'30 F	CAGR* 2022-2030	Unit
Data traffic per smartphone	9.3	12	15	46	65	21%	GB/month
Data traffic per mobile PC	16	17	20	31	35	8%	GB/month
Data traffic per tablet	8.1	9.6	11	27	40	17%	GB/month

The overall global data traffic is expected to be four times of FY 2023 to reach 350 Exabytes per month by FY 2030. The pandemic years have helped the data growth, which has accelerated 5G adoption across the globe.

By the end of March 2023, 524 operators in 156 countries and territories were investing in 5G, including trials, acquisition of licenses, planning, network deployment and launches. This number excludes nearly 200 additional companies that were awarded priority access licenses in the US auction of the CBRS spectrum, which could potentially be used for 5G⁷

Figure: Global population coverage by population (FY 2023-2030)⁸



⁵ Source – Ericsson Mobility Report Nov 2022

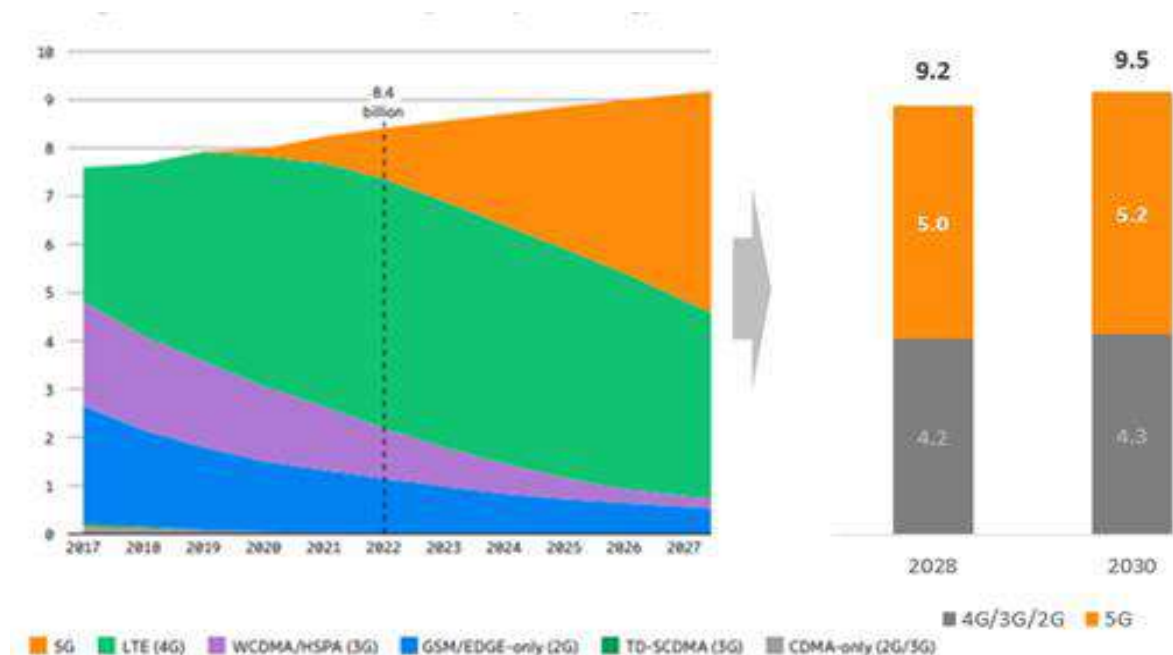
⁶ Source – Ericsson Mobility Report Nov 2022 and Feedback Analysis

⁷ Source - <https://gsacom.com/paper/5g-market-snapshot-may-2023>

⁸ Source – GSA - 5G Market Snapshot 2023

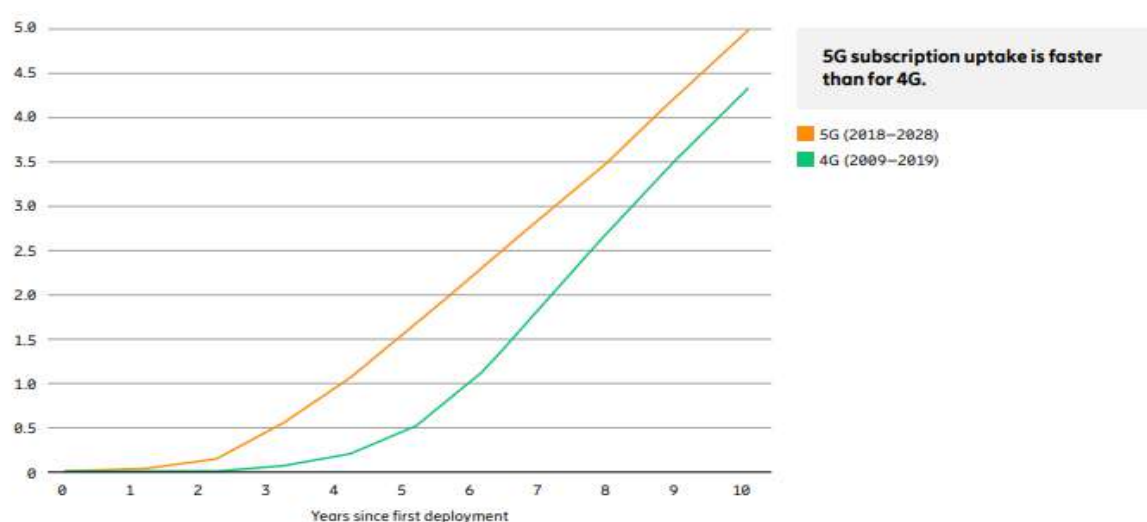
Despite a weaker economy and geopolitical uncertainties, service providers continue to deploy 5G, with 238 operators already launched commercial 5G services globally. Total 5G subscription (5G users) is expected to reach 5.2 Bn by having a 55% share of the total subscription (9.5 bn) by FY'30⁹

Figure: Global mobile Subscriptions by technology (billion)¹⁰



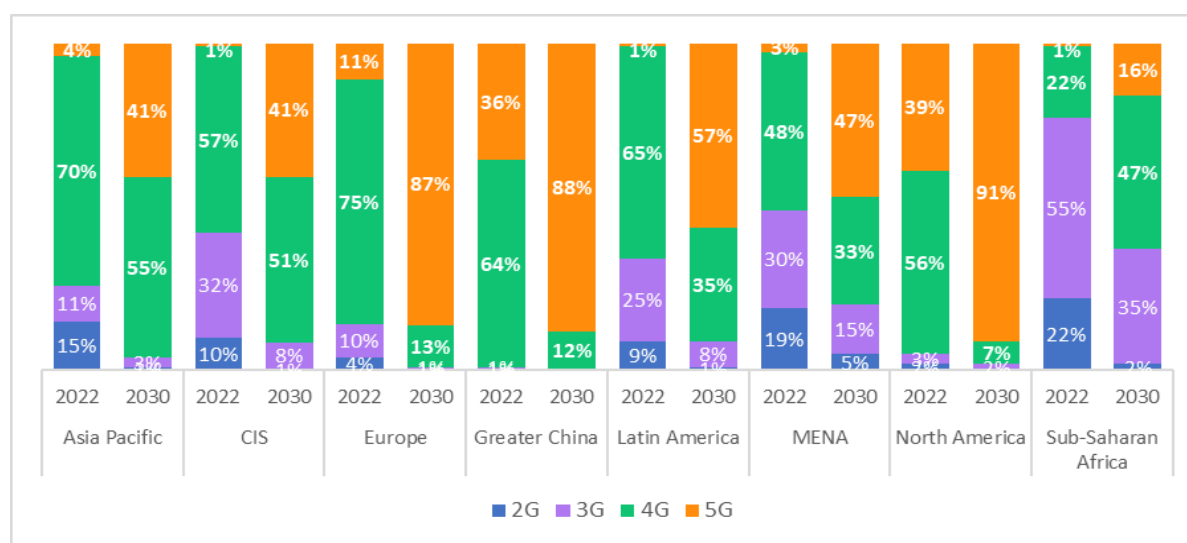
Parallely, the number of announced 5G devices rose by 2.4% between March and April 2023, reaching a total of 1,942 devices. Of these, 1,557 are understood to be commercially available, representing 80.1% of all announced 5G devices. These will further drive the shift of users towards 5G technology, which is witnessing a faster adoption than what 4G technology had seen in its initial 1-3 years¹¹

Figure: Comparison of 5G & 4G subscription uptake in the first years of deployment (billion)¹²



- ⁹ Source: Feedback Analysis
- ¹⁰ Source – Ericsson Mobility Report Nov 2022 and The Mobile Economy 2023 - GSMA
- ¹¹ GSA 5G Snapshot 2023
- ¹² Ericsson Mobility Report Nov 2022

Figure: Mobile subscriptions by region and technology (%)¹³



Indian Telecom Industry

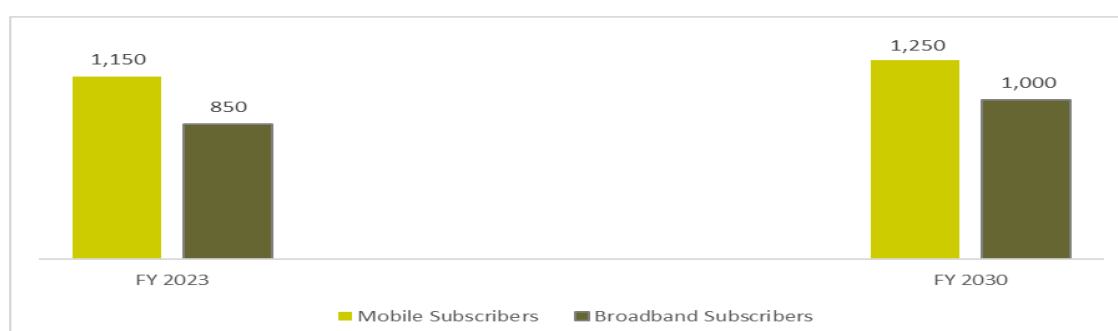
India is among the world's fastest-growing economies. A developed software industry with e-commerce, digital payments and education technology is standing out globally. Industrial enterprises are making unprecedented investments toward the digital transformation of the business, which is driving the demand for reliable network connectivity.

In the region (including India, Nepal, and Bhutan), the share of 4G has grown from 9 per cent of mobile subscriptions in 2016 to 81.9 per cent in 2023. This has had a significant positive impact on India's consumers, economy, and society.

With the low penetration of fixed broadband, consumers have mostly relied on mobile broadband for remote working, education, healthcare services, shopping, and other services during the COVID-19 pandemic. Mobile data traffic¹⁴ has grown by more than 15 times in the past 7 years (from 0.8EB per month in 2016 to 10EB per month in 2023) and is expected to more than double in the next 3 years.

India has around 1,150 million mobile subscribers, with an overall tele-density of 84.52%¹⁵ and the total broadband subscribers are 850 million. Increasing population and overall tele-density will drive the overall mobile subscribers to reach 1,250 Million by FY 30. Along with having an over a billion wireless subscribers, India is also expected to have around 1 Bn broadband users by FY 2030.

Figure: Indian Mobile and Broadband Subscribers (FY 23-30), million¹⁶



¹³ GSMA – The Mobile Economy 2023

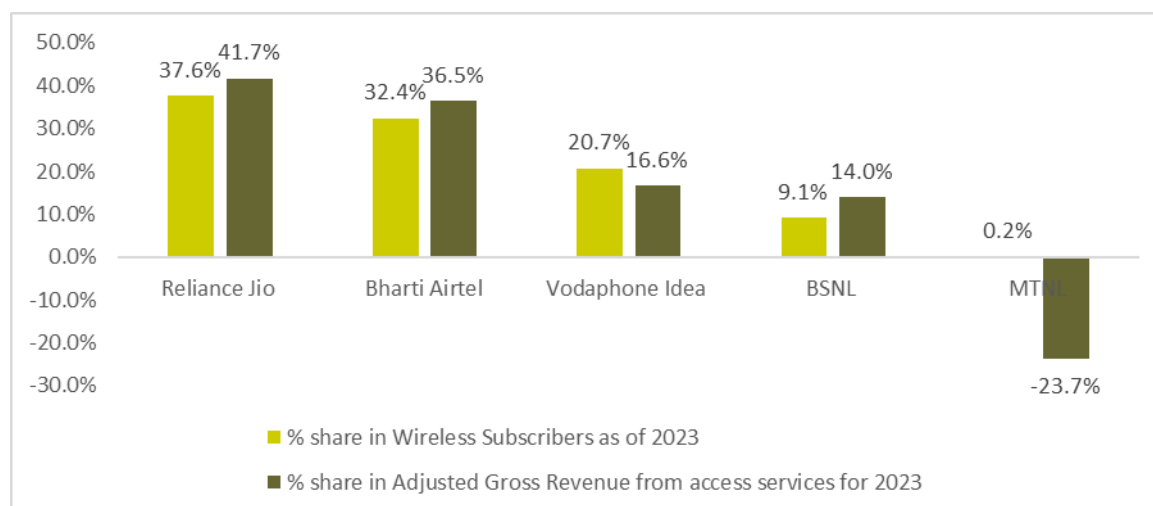
¹⁴ Mobile Traffic – CXO Today

¹⁵ Tele density-INC 42

¹⁶ Mobile & Broadband subscribers & Smart phone Subscription – Ericsson & Economic Times

As per access service provider market share in terms of wireless subscribers as of March 2023, Jio (37.61%), Airtel (32.42%), and Vodafone Idea (20.70%) are the main players having around 90% cumulative market share. The private players are increasing their spend towards 5G capex, whereas public players are accelerating their rural and urban coverage investing in 4G and 5G.

Figure: Market share of key service providers by subscriber base and revenue¹⁷



Investments by the Government of India¹⁸

In 2023-24, the Telecom Department of the Government of India has been allocated Rs 97,579 crore, which represents 2.2% of the total budget of the central government. This allocation shows a 19% increase compared to the revised estimates of 2022-23 (Table 8)

The increased allocation to the Telecom Department in both 2022-23 and 2023-24 is primarily aimed at supporting the revival of the public sector service providers, BSNL and MTNL, the support to BSNL has been announced in two tranches. The first tranche is the revival plan for BSNL and MTNL, which was approved by the Cabinet in October 2019. The second tranche is the revival package for BSNL, amounting to Rs 1.64 lakh crore, which was approved by the Cabinet in July 2022.

Table: Allocation to the Department of Telecommunications (INR bn/USD bn)¹⁹

	2021-2022	2022-23(BE)	2022-23(RE)	2023-24(BE)	% change (22-23 RE to 23-24 BE)
Revenue	INR 284.71 Bn (\$ 3.5 Bn)	INR 304.36 Bn (\$3.7 Bn)	INR 445.75 Bn (\$ 5.4 Bn)	INR 358.87 Bn (\$ 3.6 Bn)	-19%
Capital	INR 33.28 Bn (\$ 0.4 Bn)	INR 541.5 Bn (\$ 6.6 Bn)	INR 372.46 Bn (\$ 4.5 Bn)	INR 616.92 Bn (\$ 6.2 Bn)	66%
Total	INR 317.99 Bn (\$ 3.9 Bn)	INR 845.86 Bn (\$ 10.3 Bn)	INR 818.21 Bn (\$ 9.9 Bn)	INR 975.8 Bn (\$ 9.8 Bn)	19.0

In 2023-24, approximately 56% of the total expenditure is allocated towards supporting Public Sector Undertakings (PSUs), with a significant portion going towards the revival plan for BSNL. This allocation reflects the government's efforts to provide financial support to PSU companies and facilitate their growth.

Pension expenditure is estimated to have the second-largest share in the budget for 2023-24, accounting for 19% of the total expenditure. This increase may be attributed to employees of BSNL and MTNL opting for the voluntary retirement scheme under the 2019 revival plan, leading to pension obligations.

¹⁷ Jio -times of India , Bharti Airtel, Vodafone - Economic Times, BSNL - The economic times & MTNL-NDTV Profit & AGR-TELECOM REGULATORY AUTHORITY OF INDIA

¹⁸ Union Budget Documents of various years; PRS.

¹⁹ Union Budget Documents of various years; PRS; Conversion Rate \$1 = INR 82.

The allocation towards Bharatnet, a scheme aimed at connecting all villages with an optical fiber network, is expected to significantly increase in 2023-24 compared to the previous year. Additionally, the allocation for compensation to telecom service providers (TSPs) is also expected to rise.

The Bharatnet scheme has made progress in connecting villages, with 1.90 lakh Gram Panchayats already connected and 6,00,898 km of Optical Fiber Cable laid. The vision is to provide internet services to 2,50,000 gram panchayats by 2025.

To accelerate the growth of broadband internet services, the government launched the Prime Minister Wi-Fi Access Network Interface (PM-WANI) in May 2022. This public Wi-Fi service is accessible nationwide through Public Data Offices (PDOs) and currently has 2,384 Wi-Fi hotspots at 100 train stations across 22 states. In August 2022, the government introduced a 5-P model (people-panchayat-public-private-partnership) to extend the PM-WANI scheme to rural areas and hinterlands of the country.

Table: Major expenditure heads in FY 2023-24 (INR bn)²⁰

Expenditure (Head)	2021-22 Actual	2022-23 RE	2023-24(BE)	% change (22-23 RE to 23-24 BE)
Support to PSU's	39.6	552.7	601.1	9%
pension	148.6	194.4	206.5	6%
Bharatnet	75.1	15.0	50.0	233%
Compensation to TSPs	7.9	13.8	50.0	262%
Network for Defense services	30.7	19.6	21.6	10%
PLI scheme for Telecom Sector	0.0	0.0	8.0	
Total	301.98	795.44	937.18	17.81%

The Network for Defense scheme has received funding for the 2023-24 period, indicating its ongoing nature. According to the Infrastructure and Project Monitoring Division's report under MoSPI, the project is projected to be finished by September 2023. In the fiscal year 2021-22, the actual expenditure for the scheme fell 41% short of the budget estimates.

No expenses were recorded for the PLI scheme in 2021-22, and there are no expected expenditures for the scheme in 2022-23, despite a budget allocation of Rs 528 crore in the previous year. However, Rs 800 crore has been allocated for the PLI scheme in 2023-24.

The Government of India plans to invest USD 8-10 billion annually over the next 4-5 years to enhance telecom infrastructure.

Key telecom growth drivers

Fifth generation (5G) telecom networks are expected to power up to 2% of India's GDP, amounting to \$180 billion by 2030 and it is expected to transform the 1.2 billion subscriber telecom industry of India.

Key growth drivers

- 5G is expected to account for around 60 per cent of total mobile subscribers by FY 2028 and 1,250 mn by FY 2030. Smartphone users are forecast to consume 65 GB of data per month on average.
- 5G rollout - Indian private telcos are expected to spend around USD 10 bn each year over the next 5-7 years to upgrade the infrastructure. Around USD 60+ bn will the capex spend during FY 24-30. Over USD 10.0 bn will be spent on optical fibre alone by the telcos.
- 4G strengthening and 5G rollout by BSNL will lead the company to strengthen their failing infrastructure to compete with the private telcos. The Government has approved the third revival package of USD 10.79 bn in June, 2023 as budgetary support towards spectrum. To boost the 4G and 5G infrastructure BSNL is expected to spend USD 1-2 bn each year over the next 4-5 years (around USD 6-8 bn).

²⁰ Union Budget Documents of various years; PRS & Conversion Rate \$1 = INR 82.

- The Government of India is expected to continue investing USD 10-12 billion each year towards boosting telecom infrastructure over the next 4-5 years (around USD 50 bn by FY 30) - BharatNet (USD 1-2 bn each year), PLI/DLI (USD 500-1,000 mn by FY 30), support to PSU (USD 15-20 bn by FY 30) and others.
- For FY24, the spending from the Universal Service Obligation Fund (USOF) is pegged at Rs 10,400 crore, over three times higher than the revised estimates for FY23. Currently, a major allocation of the USOF goes towards the BharatNet project.
- Under National Broadband Mission as on 31.03.2023, fiberization (lakh Kms) cumulative, was 37.26 Lakhs with the target of 50 Lakhs by FY 25; fiberisation of the telecom towers (%) was 38.06% and the target is to reach 70%; 7.6 Lakhs towers were installed with the target of 15 Lakhs towers by FY 2025
- Public Wi-Fi services will be offered nationwide through Public Data Offices (PDOs). Nearly 2,400 Wi-Fi hotspots at 100 train stations across 22 states will be free internet zones.
- In October 2022, the government approved INR 260 bn (USD 3.25 bn) to install 25,000 mobile towers over 500 days.
- The National Highway Authority of India (NHAI) is likely to spend USD 1.5-2.0 bn to develop dedicated Right of Way (RoW) for Optical Fibre Cable along the greenfield and brownfield highway over the next 3-4 years.
- Enterprises are expected to increase their investment in 5G spending by around USD 25-30 bn over the next 3-4 years. Smart manufacturing, immersive content and cloud gaming are likely to be the top 5G use cases.
- Over 45 new data centres are expected to come up in India to increase the overall capacity by 1,000 MW by the end of 2025.
- Reliance Jio is expected to have a high share of the 5G SA network based on Open RAN technology. Bharti Airtel & Vodafone Idea have also deployed open RAN across multiple cities in India.
- Jio has recently announced its plan to target 100 million 5G FWA subscribers in India over the next 4-5 years. With this investment, India will have more than 30% installation of 5G FWA worldwide.
- Increase in FDI investments is expected in chip, electronic and telecom equipment manufacturing, which will enable the telecom equipment export from India. Leading global telecom technology players are partnering with Indian companies to design and manufacture locally for the global markets.
- India's export of Optical Fibre Cable is expected to grow five times over the next 4-5 years, becoming more than double the domestic market.

Indian enterprises are increasing their spend on digital infrastructure, Industry 4.0, and other use cases of 5G over the next 3-4 years. This is driving the market for 5G integration services in India, which is expected to reach around 6.5 bn by FY 30.

India and US partnership in the space of telecom is likely to further strengthen in overall eco-system in India. Both the countries have launched two Joint Task Forces on advanced telecommunications, focused on Open RAN and research and development in 5G/6G technologies. Public-private cooperation between vendors and operators will be led by India's Bharat 6G Alliance and the U.S. Next G Alliance. They are partnering on Open RAN field trials and rollouts, including scaled deployments, in both countries with operators and vendors of both markets, backed by U.S. International Development Finance Corporation (DFC) financing.

India's cabinet has approved U.S. chipmaker Micron Technology's USD 2.7 bn plan for a new semiconductor testing and packaging unit in Gujarat, India and several other capacity expansions, both by Indian and foreign players, are likely to boost the supply from India.

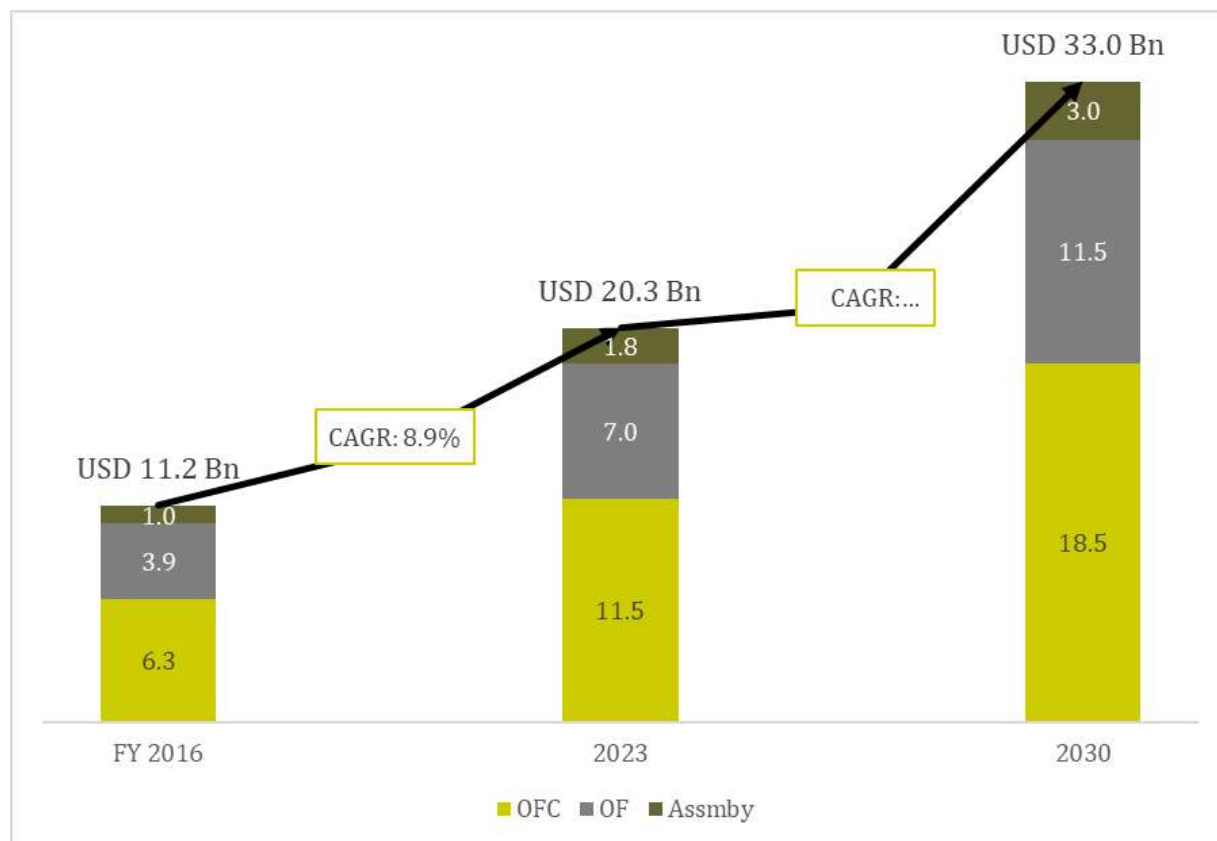
Global geopolitics increased anti-dumping duties for Chinese telecom products in the US and the European markets, and de-risking factors are expected to support the Indian telecom equipment players in the global markets. Global markets are expected to offer revenue more than double the domestic market for many of the leading product segments such as OFC, Small Cell, FWA, 5G services and others.

Optical Fibre Cable Market

Global OF, OFC and Accessories Market

The global market for Optical Fibre, Optical Fibre Cable and cable assemblies/components, is valued at USD 20.3 Bn in FY 2023, and is expected to reach USD 33.0 Bn by FY 2030, growing at a CAGR of 7.2%.

Figure: Global OF, OFC and Accessories market in USD bn



The global Optical Fibre Cable (OFC) market is valued at USD 11.5 bn in FY2023 and is expected to reach USD 18.5 bn by FY 2030, with an anticipated CAGR of 7.0% during FY 2023 - 2030²¹. The global OFC market in volume 550 mn fKM in FY 2023 is expected to exceed 850 mn fKM by FY 2030²². The global volume has shown high growth in FY 2023 to recover the loss in the market growth over the last year due to COVID-19 disruptions.

The global Optical Fibre (OF) market is valued at USD 7.0 bn in FY2023 and is expected to reach USD 11.5 bn by FY 2030, with an anticipated CAGR of 7.3% during FY 2023 – 2030²³.

The global Accessories market, which includes Cable Assemblies, FTTx Accessories and Other Passive Components, is valued at USD 1.8 bn in FY2023 and is expected to reach USD 3.0 bn by FY 2030, with an anticipated CAGR of 7.6% during FY 2023 – 2030²⁴.

Table: Leading global companies in OF/OFC and Accessories market (CY 2021/FY 2022)

SL No.	Company	Head Office	Revenue (in USD Billion)	YoY % CY 2021 / FY 2022
1	Sumitomo Corporation	Japan	38.00	18%
2	Kaile Science and Technology Co Ltd. Hbe	China	15.60	-89%
3	Corning Incorporated	US	14.10	25%

²¹ Source: Feedback Advisory Analysis and <https://www.communicationstoday.co.in/poised-for-a-giant-leap/>

• ²² Source: Feedback Advisory Analysis and https://www.stl.tech/pdf/Investor_Presentation_Aug_22_vf.pdf

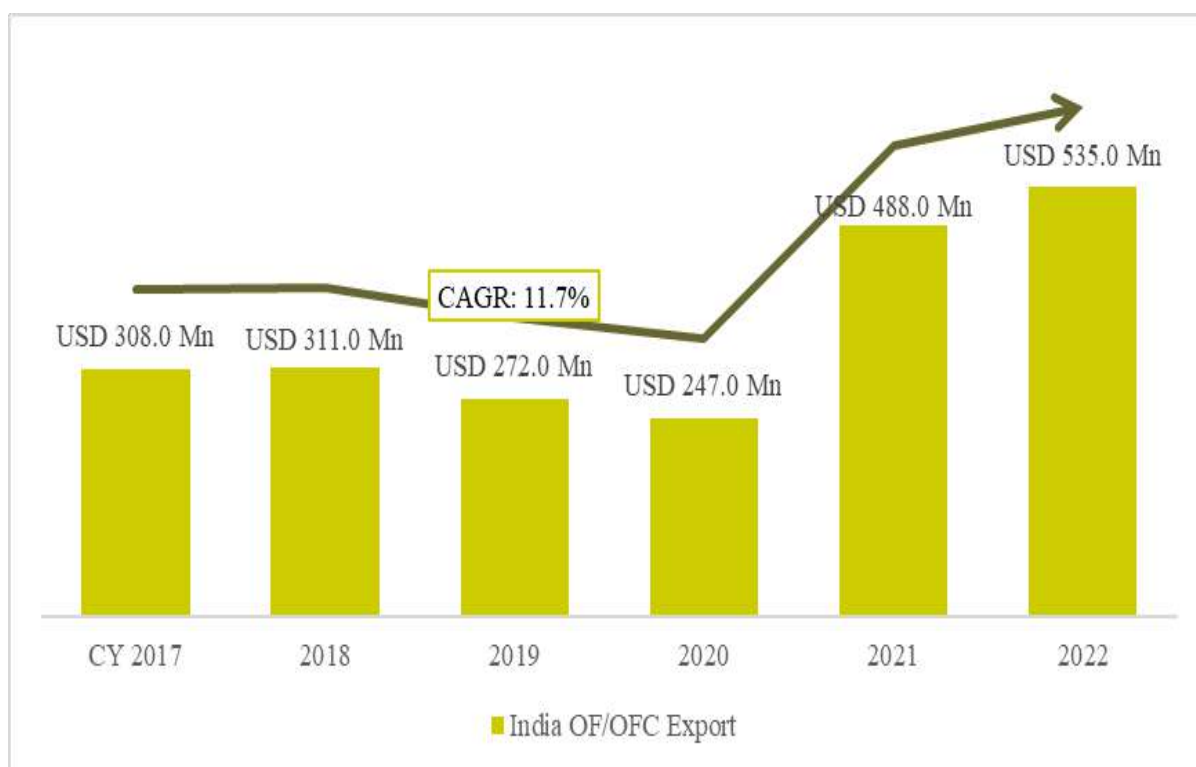
• ²³ Source: Feedback Advisory Analysis

• ²⁴ Source: Feedback Advisory Analysis

SL No.	Company	Head Office	Revenue (in USD Billion)	YoY % CY 2021 / FY 2022
4	Pysmian Spa	Italy	12.70	11%
5	Furukawa Electric	Japan	10.50	13%
6	CommScope	US	8.60	2%
7	Jiangsu Zhongyian Technologies Co. Ltd.	China	6.44	10%
8	Fujikura Ltd.	Japan	5.40	4%
9	Hengtong Optic Electric Co Ltd.	China	3.10	27%
10	Belden Inc	US	2.40	20%
11	Fiberhome Telecommunications Technologies	China	1.96	17%
12	Yangtze Optical Fiber and cable JSC Ltd.	China	1.30	15%
13	Sterlite Technology Ltd.	India	0.77	21%
14	HFCL	India	0.64	7%
15	Tongding Interconnection Information Co. Ltd.	China	0.42	-4%

The value share of India in global trade (export) is less than 5% in FY 2023. The export of OF and OFC from India has almost doubled, from USD 247.1 Mn in CY 2020 to USD 488.4 mn in CY 2021²⁵. Total export value for FY 2023 was USD 535 Mn. The US (United States of America) and Europe (the UK, France, Italy, the Netherlands, Germany) are the main importing countries.

Figure: India Export Data for OF/OFC in USD Mn



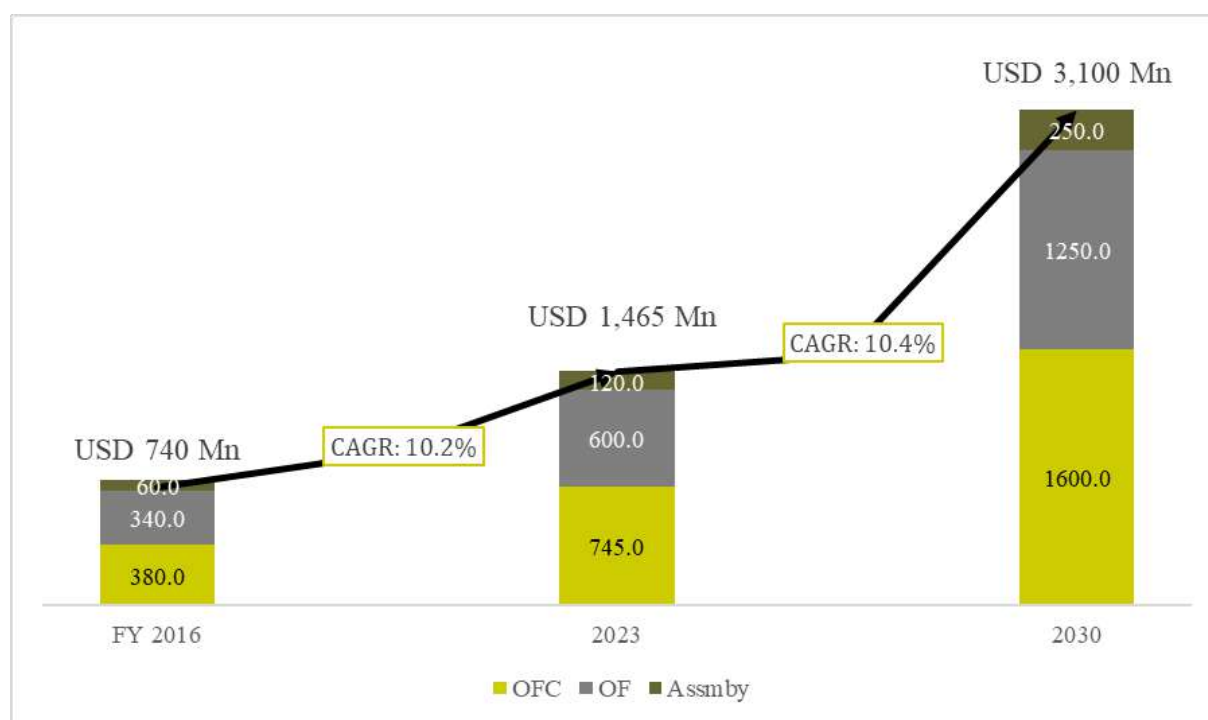
Indian players such as Sterlite Technologies and HFCL are expecting YoY 50% to 100%+ growth in their export OFC sales over the next 2-3 years. Feedback Analysis shows that export value from India has an opportunity to grow at around 30% CAGR over the next 5 years to achieve a USD 3.5+ Bn value and 18-20% share of the global trade.

Indian OF, OFC and Accessories Market

India's market for Optical Fibre, Optical Fibre Cable and cable assemblies/components, is valued at USD 1.46 Bn in FY 2023, which is expected to reach USD 3.1 Bn by FY 2030, growing at a CAGR of 10.4%.

²⁵ Source: Feedback Advisory Analysis of Trade Data (HS Code: 854470 and 900110)

Figure: Indian OF, OFC and Accessories market in USD Mn



India's Optical Fibre Cable (OFC) market is valued at USD 745 mn in FY2023 and is expected to reach USD 1,600 mn by FY 2030, with an anticipated CAGR of 11.5% during FY 2023 - 2030²⁶.

The country's Optical Fibre (OF) demand is valued at USD 600 mn in FY2023 and is expected to reach USD 1,250 mn by FY 2030, with an anticipated CAGR of 11.1% during FY 2023 - 2030²⁷.

The nation's Accessories market, which includes Cable Assemblies, FTTx Accessories and other passive components, is valued at USD 120 mn in FY2023 and is expected to reach USD 250 mn by FY 2030, with an anticipated CAGR of 11.1% during FY 2023 - 2030²⁸.

Key growth drivers

BharatNet Project – BharatNet aims to create a network to connect all the Gram Panchayats (about 2.5 lakh) by broadband which is expected to be extended to cover 6.5 lakhs villages across the country.

- USD 9-10 bn (INR 70,000 Crs+) is expected to be invested by the Government of India towards Phase-III of BharatNet.

Total Optical Fibre Cable (OFC) laid is approximately 34.62 Lakh Km as on June 2022. It is envisaged to be increased up to 50 Lakh Km by 2024-25. It seeks to provide all telecom service providers with non-discriminatory access to the network. These service providers include mobile operators, Internet Service Providers (ISPs), cable TV operators, and content providers. Phase I and Phase II are completed, and Phase III is expected to start from FY 2024 and is likely to drive the market over the next 2-3 years.

- **Tower Fiberisation** – India's tower fiberisation is estimated at 35.11% as of June 2022. Overall tower fiberisation is expected to cross 70% by FY 2024-25, which is likely to continue driving the demand. Launch and growth in the 5G services are likely to maintain the CAPEX investments by the Telcos.
- **5G Services** – Along with the world, India is gearing up to launch 5G services that are likely to further boost the investment towards OFC, along with other telecom equipment.

²⁶ Source: Feedback Advisory Analysis

• ²⁷ Source: Feedback Advisory Analysis

• ²⁸ Source: Feedback Advisory Analysis

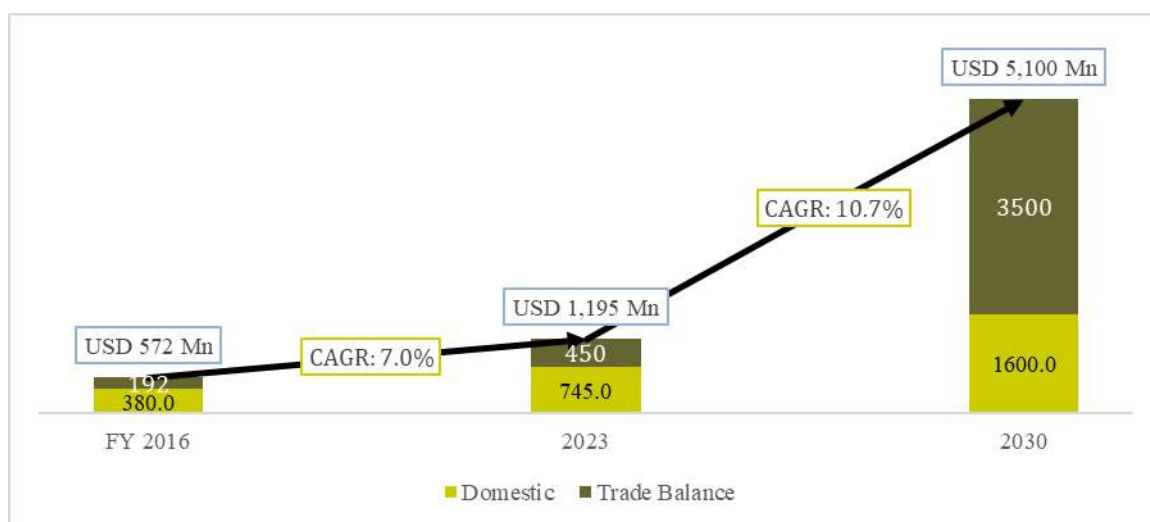
Indian telcos are expected to invest USD 4.0-5.0 Bn on Optical Fibres over the next 3-5 years and this investment is likely to reach USD 7.0+ Bn by FY 2030.

Indian Optical Fibre Cable Industry and Growth

The Indian Optical Fibre Cable industry revenue, which is the sum of domestic sales, and the trade balance (export revenue minus import), is expected to grow at a CAGR of 27% during FY 23-30. This growth is mainly driven by the increasing export opportunities from India.

The trade balance for OFC, which is USD 450 Mn in FY 23, is likely to reach USD 3,500 Mn by FY 30²⁹. The export revenues are expected to be around 2.0 times the domestic sales. The current value share of India's export in the global trade for OFC is less than 5%, and is expected to reach around 15% by FY 22.

Figure: Indian Optical Fibre Cable Industry Revenue in USD Mn



Leading players in India are investing to increase their capacities, investing in R&D to produce new products, working to improve the supply chain, and aggressively targeting foreign markets through partnership, JV, and direct presence.

Table: Leading Indian Optical Fibre Manufacturers³⁰

Key Players	Revenue – FY 22 USD mn	Revenue by product (in crores)	Export %	Total Capacities	Location	Capacity Expansion
Sterlite Tech Ltd.	USD 74.7 Mn	Sale of products: 61% Network integration projects: 34% Others: 5%	58%	OFC: 34 Mn fkm (25fkm in India); OF: 50 fkm	India, China, Italy, Brazil	Annual Capex: USD 30 Mn
HFCL	USD 61.4 Mn	Products: 45% Projects: 55%	8%	OFC: 25.08 Mn fkm OF: 10 fkm	Hyderabad, Goa, Chennai	OFC: 34.75 MfKm and OF: 20 MfKM by FY24
Vindhya TeleLinks	USD 17.2 Mn	OFC and Copper Cables: 40% EPC: 60%	3%	OFC: 4.8 Mn fkm	Madhya Pradesh	Annual Capex: USD 1 Mn
Birla Cables	USD 6.95 Mn	OFC: 50% Other Cables: 50%	34%	OFC: 3.6 Mn fkm	Madhya Pradesh	Annual Capex: USD 0.85 Mn
Finolex Cables	USD 48.9 Mn	OFC: 5-6% Electrical Wire, Cables and others: 95%	~1%	OFC: 3 Mn fkm	Rajasthan	Annual Capex: USD 26 Mn
Akash Opifibre	USD 3.9 Mn	Manufacturing: 80% Trading and Services: 20%	40%	OFC: 3 Mn fkm	Rajasthan	Nil

• ²⁹ Source: Feedback Advisory Analysis

• ³⁰ Source: Companies Annual Report and Website

The Indian Optical Fibre industry is moving towards a duopoly, with HFCL and STL emerging as the leading players, having a 70% share in the total production and sales.

STL is the only Indian player having a high share of export for OFC. The company is further strengthening its capacity and market reach through capacity expansion in India and acquisitions in the US and Europe. Higher investment in the R&D, new product development for telecom industry and expanding global reach is likely to support the company growth.

HFCL is the leading technology company that offers end-to-end solutions establishing network required for telecommunications, defence communication in India. With two research and development centers, HFCL offers global system integration service to government and private enterprises building the Network Highway to power Indian and global communication (4G/5G/OTN) infrastructure, along with quality Optical Fiber, Optical Fiber Cables. They have the largest market share in the Indian market for Optical Fibre Cables in FY 2022 and FY 2023, making one of the largest manufacturer and supplier of OFC (including FTTH) in India. HFCL is also one of the largest manufacturers of Wi-Fi Access Points and Unlicensed Band Radios in India along with other telecom products, which includes 5G Radio Access Network (RAN) products, 5G Transport Products, Switches, Routers, and Software Defined Radios.

HFCL has recently launched a portfolio of 5G solutions, including 5G 8T8R Macro Radio Units, 5G Outdoor Small Cell, along with the World's First Open-source Wi-Fi 7 Access Point, Point to Point and Point to multi-Point backhaul radios, and 5G Lab-as-a-service amongst other products to support 5G roll out and bolster innovations across Indian and global markets.

The Production-Linked Incentive (PLI) and Design-Led Incentive (DLI) Schemes of the Government of India are supporting Indian players to invest in R&D and increase global competitiveness. STL and HFCL are expected to invest USD 500-600 Mn over the next 4-5 years to double their manufacturing capacities in India by FY 27. Birla Group and Finolex Cable are the other leading players working to increase their export values.

Telecom Equipment Market

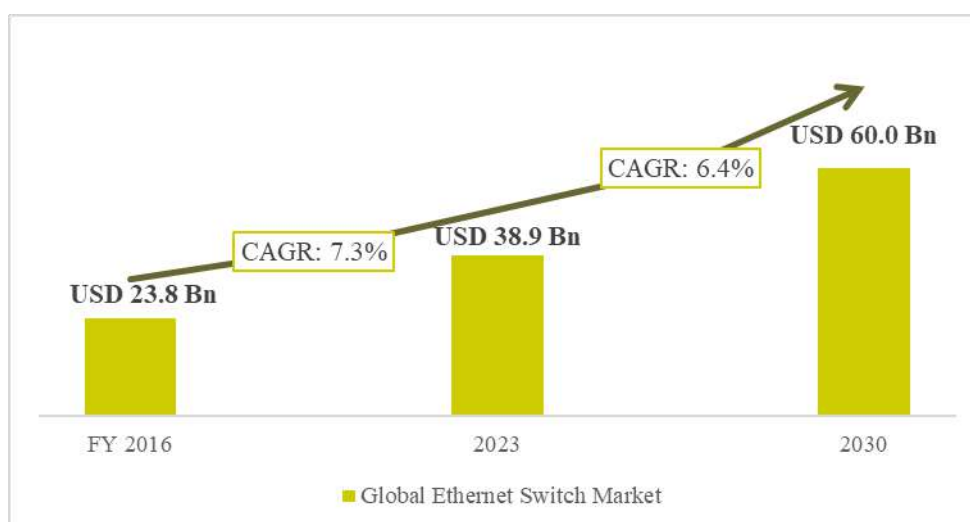
The telecom equipment and services included in this research report are –

- Ethernet Switches
- Routers - Access, Distribution and Aggregation
- Enterprise Wi-Fi Access System - Indoor & Outdoor
- PON Optical Network Terminals
- PtP and PtMP Radio
- 5G Telecom Equipment and Services
 - 5G Small and Macro Cell
 - 5G Fixed Wireless Access System
 - 5G Routers
 - 5G Global System Integration Services

Ethernet Switches Market

The global Ethernet switch market was valued at USD 38.9 billion in FY 2023 and is expected to reach USD 60.0 bn by FY 30, growing at 6.4 % CAGR during FY 23-30.

Figure: Global Ethernet switch market, USD bn³¹



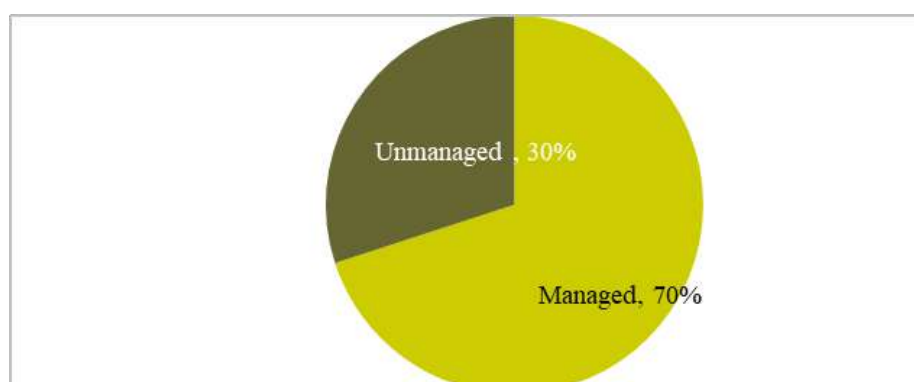
Ethernet switches are of two types:

- Managed Switch**, which provides flexibility to the network administrator to control, manage and prioritise the LAN traffic. Suitable for enterprise-sized businesses with a much larger network scope or those that use things from data centres and need much control over the traffic within the network
- Unmanaged Switch** works like a plug-and-play switch which allows devices on the LAN to communicate with each other without user intervention. Suitable mainly for smaller networks like small businesses, homes, single offices, etc.

Managed Ethernet switches work on different layers. However, there are two popular layers that are widely used, and they are as follows: -

- Layer 2 (L2) switches:** Data link layer which works with frames. The switches of this layer identify and transmit data only through MAC addresses and don't interact with any higher layer addresses, such as IP. L2 switches can be both managed and unmanaged.
- Layer 3 (L3) switches:** Network layer switches already understand the IP addresses of the devices **and** determine the ways to deliver data and the shortest routes (routing) using protocols. L3 switches can only be managed.

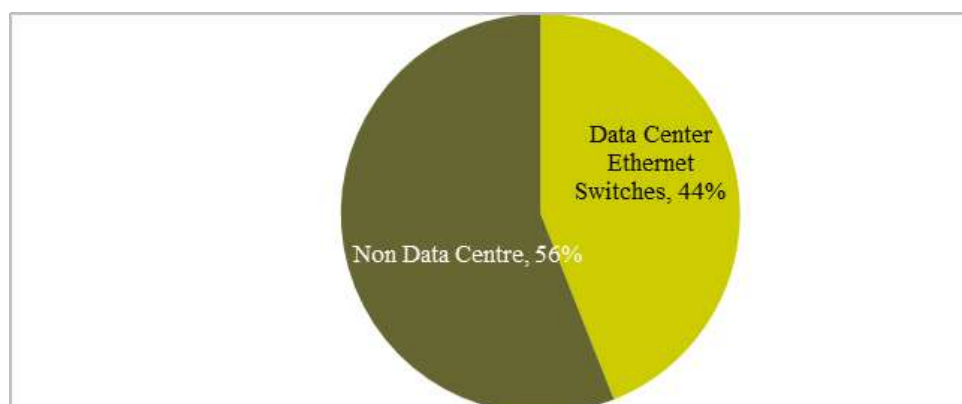
Figure: Global Ethernet switch market by type, FY 23, USD 38.9 bn



• ³¹ IDC and Feedback Analysis

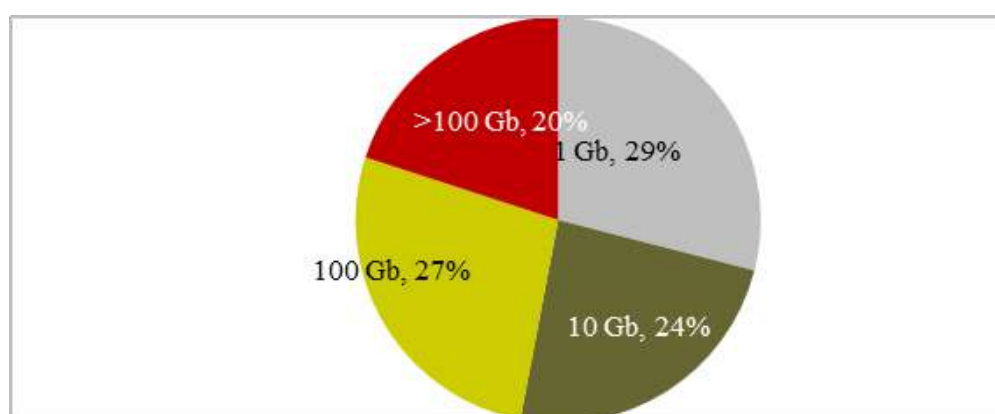
Ethernet Switches can also be divided into Datacenter and non-datacentre switches based on their applications. Datacentre switches have a 44% share in the overall market in FY 22. Data centre switches are high-volume, low-value products. In terms of volume, Datacenter switches account for around 85% of the market share.

Figure: Global Ethernet switch market by type, FY 23, USD 38.9 bn



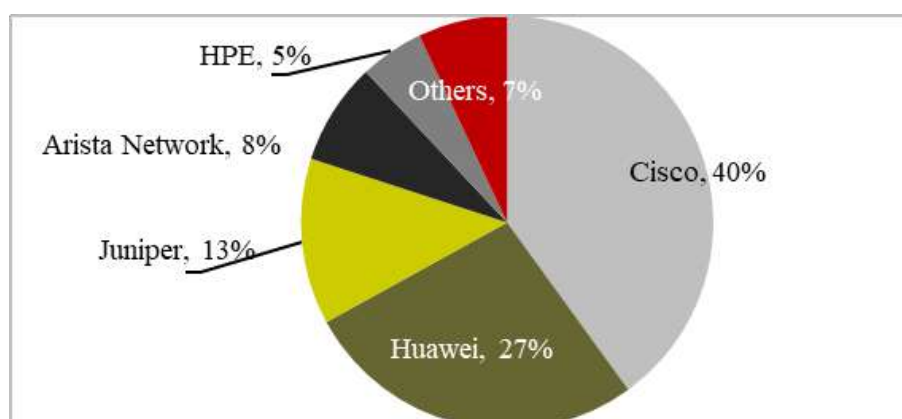
Ethernet switches can also be divided as per their speed capacity. High-speed Ethernet switches (≥ 100 Gb) have a 51% share in FY 22. This segment is fast growing with the rising demand for data volume and speed.

Figure: Global Ethernet switch market by Speed, FY 23, USD 38.9 bn



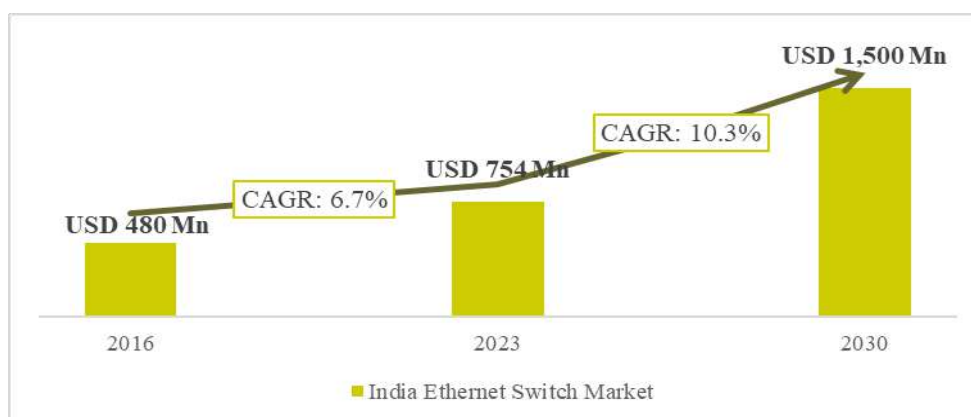
Cisco, Huawei and Juniper are the leading global companies for Ethernet switches. With the current geopolitics, Huawei, which is a leading player from China, is losing its share to its competitors. Moreover, new players are also slowly emerging in this segment. Globally, Cisco has a 40% market share in FY 23, followed by Huawei (27%), Juniper (13%), and Arista (8.0%).

Figure: Global Ethernet switch by players, FY 23, USD 38.9 bn



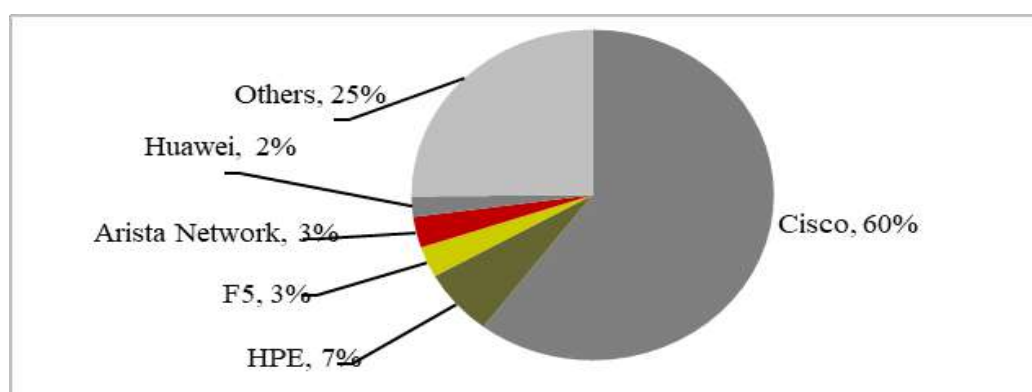
The India Ethernet switch market was valued at USD 754.0 million in FY 2023 and is expected to reach USD 1,500 mn by FY 30, growing at 10.3 % CAGR during FY 23-30.

Figure: India Ethernet Switch market, USD bn³²



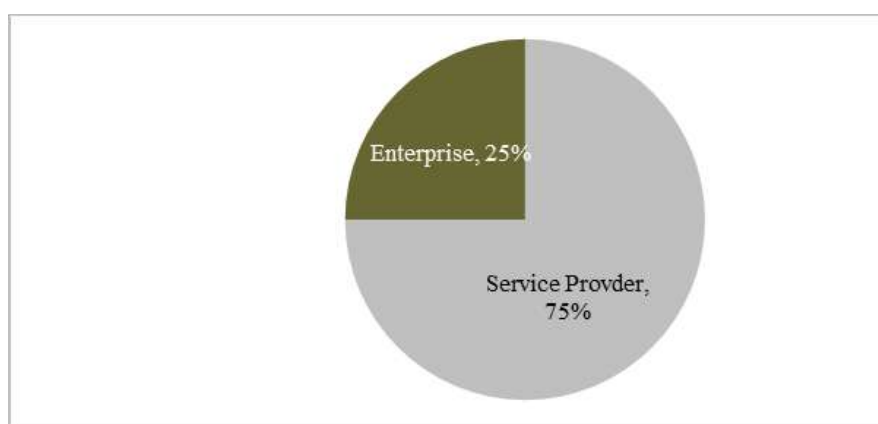
In India, Cisco has a 60% market share in FY 22, followed by HPE (6.5%), F5 (3.0%), and Arista (3.0%). The share of Huawei in India has reduced to <2% in FY 23.

Figure: India Ethernet switch by players, FY 23, USD 754 Mn



The global router market was valued at USD 17.4 billion in FY 2023 and is expected to reach USD 25.0 bn by FY 30, growing at 5.3 % CAGR during FY 23-30.

Figure: Global router market by segment, USD 17.4 bn³³



• ³² IDC and Feedback Analysis

• ³³ IDC and Feedback Analysis

The India router market was valued at USD 355 million in FY 2023 and is expected to reach USD 600 million by FY 30, growing at 7.8 % CAGR during FY 23-30.

Figure: India router market, USD mn³⁴



Cisco and Nokia are the leading players, with a 70%+ market share in India by value. Ericsson, Juniper and H3C are the other key players.

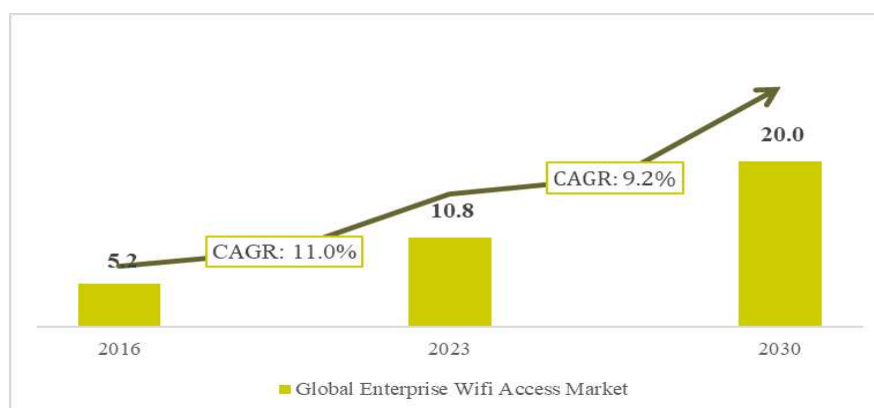
Key market trends and growth drivers:

The router market is expected to witness considerable growth in the coming years owing to factors such as

- Increasing adoption of internet services like telecommuting, video conferencing and entertainment using wireless technologies, growing need for high-speed bandwidth, etc.
- Increasing adoption of broadband services, high demand for intelligent homes and office spaces.
- 85% of enterprise applications are expected to move to the cloud, resulting in significant traffic growth at the egress of enterprise WANs. Software-Defined WAN (SD-WAN) is the best choice for enterprise WAN interconnection in the cloud era, as it can effectively ensure customer service experience.
- Development towards security and privacy for mitigating the concerns, are likely to ease the restraints.

The global enterprise Wifi access system market was valued at USD 10.8 billion in FY 2023 and is expected to reach USD 20.0 billion by FY 30, growing at 9.2% CAGR during FY 23-30.

Figure: Global Enterprise Wi-Fi Access System market, USD bn³⁵



• ³⁴ IDC and Feedback Analysis

• ³⁵ IDC and Feedback Analysis

Key players:

- Globally, Cisco Systems, Hewlett Packard Enterprise (Aruba Networks), Ubiquity Networks, Huawei and CommScope (Ruckus Networks) are the 5 leading players.
- Other key players include –TP Link, D Link, Netgear, Extreme Networks (acquired Aerohive), Sophos Ltd., Avaya Inc, Xirrus, Inc., Zebra, Linksys, Fortinet, Inc.

The India enterprise Wi-Fi access system market was valued at USD 165 million in FY 2023 and is expected to reach USD 325 million by FY 30, growing at 10.2 % CAGR during FY 23-30.

Key player in India:

- Cisco, Hewlett Packard Enterprise, TP-Link, D Link and Netgear are the leading players
- Other key players include Commscope, Extreme Networks (acquired Aerohive), Ubiquiti, Huawei, Sophos Ltd.

Growth drivers:

- The adoption of cloud-based solutions for wireless communication
- Rising implementation of Voice over Internet Protocol (VoIP) For wireless communication across several verticals
- Rising need for improving the connectivity infrastructure across various commercial sectors
- The market is opening with multiple enterprises looking out to adopt cloud-driven WLAN that will enable management efficiency
- Manufacturing and professional services are the top verticals contributing to the enterprise WLAN business, with investments coming from automobiles and pharmaceutical enterprises. Business from other key verticals like government and education remained slow.

PON Optical Network Terminals

A passive optical network is a fibre-optic telecommunications technology for delivering broadband network access to end customers. Its architecture implements a point-to-multipoint topology in which a single optical fibre serves multiple endpoints by using unpowered (*passive*) fibre to divide the fibre bandwidth among the endpoints. Passive optical networks are often referred to as the last mile between an Internet Service Provider (ISP) and its customers.

Types of PON:

- APON - ATM PON
- BPON - Broadband PON
- CPON - Composite PON
- EPON - Ethernet PON
- GPON - Gigabit PON
- WDM PON - Wavelength Division Multiplexing Passive Optical Network

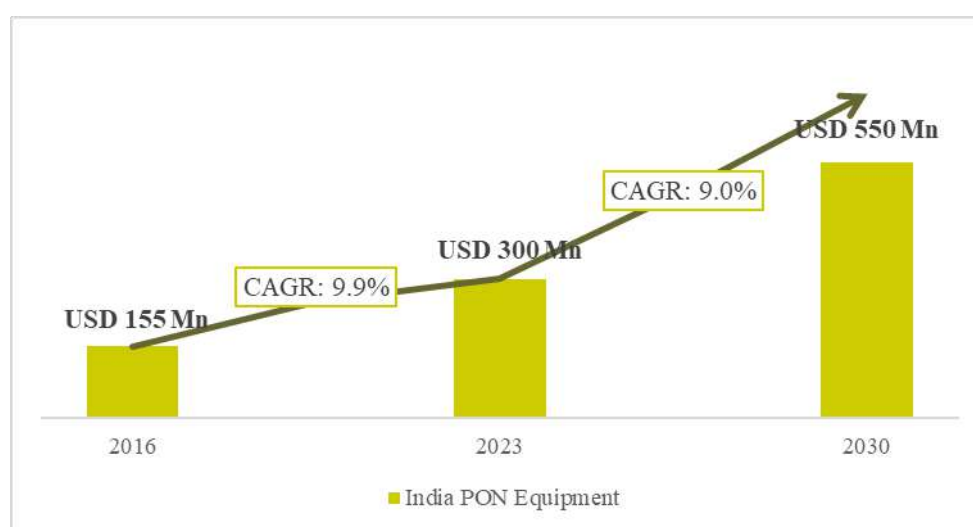
The global PON optical network terminal market was valued at USD 11.3 billion in FY 2023 and is expected to reach USD 35.0 billion by FY 30, growing at 17.5% CAGR during FY 23-30.

Key players in the global market

- Huawei, Calix, Alcatel Lucent, ZTE, and Nokia are the key players, with Huawei accounting for 35% of the total PON market
- Other players include Adtran, Mitsubishi Electric Corporation, Motorola Solutions, Ericsson, Tellabs, Dasan, FibreHome, Cisco, Unizyx, Alphion (US), etc.
- Huawei is also the market leader in the GPON market, followed by Nokia and ZTE

The India PON optical network terminal market was valued at USD 300 million in FY 2023 and is expected to reach USD 550 million by FY 30, growing at 9.0 % CAGR during FY 23-30.

Figure: India PON Optical Network Terminal market, USD mn³⁶



Key players in the Indian market

Cisco Systems, Nokia India, Mitsubishi Electric India, Tejas Networks, ZTE Telecom, Alphion India, Ericsson India, Adtran Networks, Genexis, and others.

Market trends and growth drivers:

- High growth in the fixed broadband connection is expected over the next five years.
- The governments' initiatives like Smart City programs with fibre optic rich networks to enable smooth flow of IoT infrastructure. Fibre optic network allows the technology to drive utilities like water, electricity, wastewater, and sewerage management, as well as security and communication. According to the UN, over 68% of the global population is estimated to live in urban areas by the year 2050, which will fuel more Smart City projects globally.
- The increase in the application of VoIP phones, as well as the cost-effective solution of transferring data & electrical signals together. In addition, there has been an increased focus on upgrading pre-existing networks to a passive optical network for higher broadband and the growing number of connected devices, both inside and outside residential homes, is expected to multiply significantly in the market.
- The increasing demand for energy conservation and strong optical network setup is predicted to fuel the market growth.
- The demand for Gigabyte Passive Optical Network (GPON) equipment will increase due to the increasing penetration of telecom and internet services, as well as the growing need for bandwidth. Data-intensive

³⁶ Dell'Oro estimates and Feedback Analysis

applications like video on demand, videoconferencing, and Voice over Internet Protocol (VoIP) are predicted to increase demand for the development of Ethernet Passive Optical Network (EPON) equipment.

- Increasing demand for scalable mobile backhaul systems and rapid technological advancements to bolster the growth of the GPON industry
- With the accelerating rollout of GPON worldwide, telecom operators are also actively moving towards the next step in fibre rollouts. NG-PON2 is an emerging technology for delivering even faster speed over fibre optics. This is expected to hinder the market growth for GPON in the longer run.
- Fiber-to-the-home (FTTH) applications of the market are gaining traction owing to the increasing adoption among the telecom carriers

PtP and PtMP Radio

The radio frequency spectrum is vital for wireless communication infrastructure. Most of the radio frequencies require a license provided by a national regulatory body or the government. However, many countries have allocated some spectrum for unlicensed use which can be for general purposes or application specific.

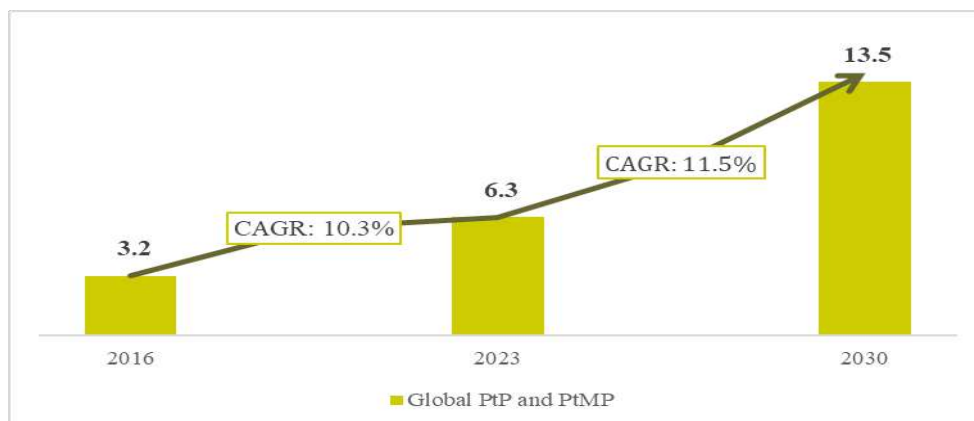
2.4 GHz and 5 GHz bands are widely used in the world for Wi-Fi services. In India, earlier, only 2.400-2.4835 GHz and 5.825-5.875 GHz were unlicensed bands for indoor and outdoor use of low-power equipment. Recently, 5150-5250 MHz, 5250-5350 MHz, 5470-5725 MHz and 5725-5875 MHz frequency bands have been included as unlicensed for use in indoor and outdoor environments. India presently has around 689 MHz of spectrum available for unlicensed use across various bands. However, this is very low in comparison to countries like the USA (15403 MHz), China (15360 MHz), Japan (15377 MHz), the UK (15404 MHz), and Brazil (15360 MHz).

Types of radio network configurations:

1. **Point-to-Point:** It connects two communication devices, a transmitter and a receiver. There are no other connections to or from this wireless radio link; therefore, the capacity of the entire link is reserved to transfer data between these two points. Low latency and reliability are key benefits of PTP.
2. **Point-to-Multipoint:** It includes a single transmitter sending data to multiple receivers. The receivers are not connected to one another, but only to a single transmitter. This is typically viewed as a simple business-class Internet connection. It is ideal when sending small amounts of data to multiple locations or users. The capacity of the entire channel is shared between locations. Data is transmitted to every point in the network and is received by every receiver. Each receiver determines if the information is intended for it or not and processes it or discards it accordingly.

The global PtP and PtMP market was valued at USD 6.3 billion in FY 2023 and is expected to reach USD 13.5 bn by FY 30, growing at 11.5% CAGR during FY 23-30. The United States accounts for 45% of the market share followed by Europe with a 25% share.

Figure: Global PtP and PtMP radio market, USD bn³⁷



• ³⁷ Cambium estimates and Feedback Analysis

Key players in this segment:

- Radwin, Cambium, Mikrotik, Airspan, and Maksat technologies are the key players in this segment
- Other players include Vihaan Networks, Ubiquiti, Huawei global, MIMOSA Networks, Huawei, Redline Communication, Intracom Telecom, Proxim Wireless, Netronics, LigoWave, etc.

The India PtP and PtMP market was valued at USD 200 million in FY 2023 and is expected to reach USD 400 million by FY 30, growing at 10.4 % CAGR during FY 23-30.

Mainly international companies are operating in this space and dominating the Indian market. Key players are - Radwin, Ubiquiti, Alvarion, Cambium, Maksat technologies, Vihaan Networks, MIMOSA Networks, Prima Technologies, Airspan

Growth drivers:

- The Indian government's ambitious project, BharatNet or NOFN, also looks at using the unlicensed airwaves to complement the existing fibre network. These airwaves come in handy, particularly, in cases like difficult and hilly terrains, where it becomes difficult to lay fibre.
- Wi-Fi hotspots in commercial, as well as urban areas to cater to the ever-increasing data requirements, require unlicensed spectrum and related equipment or UBRs, as it is difficult for telecom operators and ISPs to deploy more cellular infrastructure due to cost and spectrum resources.
- Smart Cities project is one more area where unlicensed spectrums are expected to see a demand. A Smart City will be based on the success of the internet of things (IOT) as multiple components like utilities, smart parking, lighting, surveillance etc., will be done automatically through the help of thousands of sensors. A robust network architecture is required to connect all building blocks of a Smart City, and it just can't solely rely on cellular or 4G networks, as in emergency situations, these tend to be jammed. Backhaul through small cells will form the backbone of the network.

Table: Global 5G Equipment and Services market, USD mn³⁸

Products	Global Market (USD mn)					
	FY16	FY 23	FY 30	Cumulative FY 23-30	% CAGR FY 16-23	% CAGR FY 23-30
5G Small and Macro Cell		7,500	60,000	204,278	-	34.6%
5G FWA		1,500	28,000	77,552	-	51.9%
5G Transport (Access, Distribution and Aggregation)		2,000	30,000	87,277	-	47.2%
5G Global System Integration Services		14,000	60,000	245,059	-	23.1%

Cumulative global TAM for 5G RAN (Small & Macro cell and FWA), 5G Transport and 5G Integration services is USD 177.39 bn, USD 50.67bn and USD 175 bn during FY 23-30.

Key growth drivers

- 5G is expected to account for 50 per cent of mobile subscribers by FY 2030. Smartphone users are forecast to consume 50 GB of data per month on an average.³⁹
- 5G rollout - Total spending by Indian telcos will cross USD 50 bn by FY 2030. Around USD 6-7 bn will be spent on the optical fibre alone by the telcos.
- Over 45 new data centres are expected to come up in India to increase the overall capacity by 1,000 MW by

³⁸ IDC and Feedback Analysis

³⁹ Ericsson Mobility, June 2022

the end of 2025.

- Reliance Jio is expected to have a high share of the 5G SA network based on Open RAN technology. Bharti Airtel & Vodafone Idea have also deployed open RAN across multiple cities in India.
- Jio has recently announced its plan to target 100 million 5G FWA subscribers in India over the next 4-5 years. With this investment, India will have more than 30% installation of 5G FWA worldwide.

Table: Indian 5G Equipment and Services market, USD bn⁴⁰

Products	Indian Market (USD mn)					
	FY16	FY 23	FY 30	Cumulative FY 23-30	% CAGR FY 16-23	% CAGR FY 23-30
5G Small and Macro Cell	-	200	5,000	13,022	-	58.4%
5G FWA	-	50	3,500	7,583	-	83.5%
5G Transport (Access, Distribution and Aggregation)	-	70	3,200	7,439	-	72.6%
5G Global System Integration Services	-	400	6,500	18,567	-	48.9%

Defence Electronics Equipment

The defence electronic equipment included in this research report are –

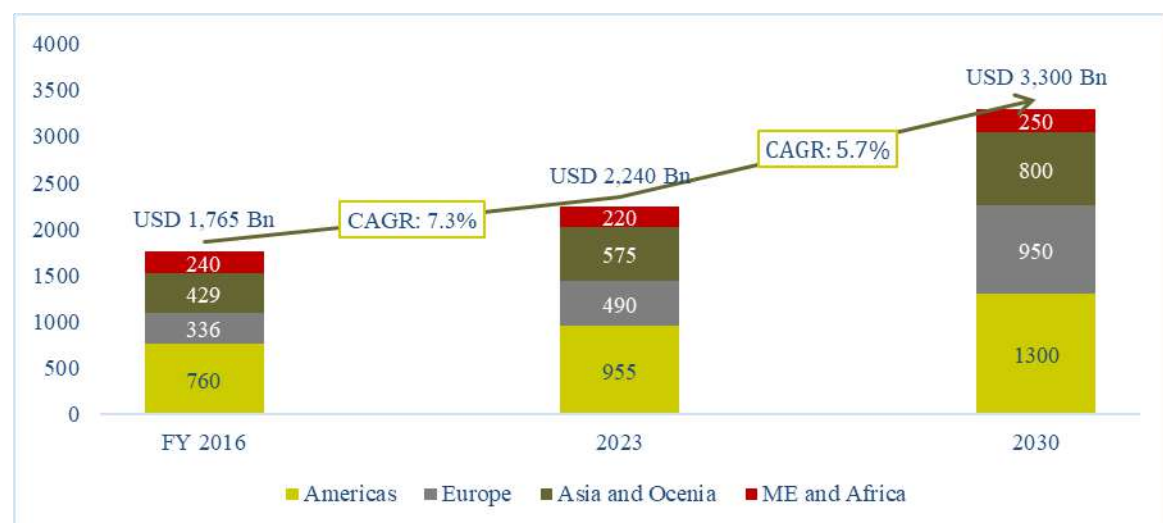
- Night-vision Devices (Electro-optics)
- Electronic Fuses
- High-capacity Radio Relay (HCRR)
- Software-defined Radio

Global Defence Industry

World military expenditure rose by 3.7 per cent in real terms in 2022 (FY2023), to reach a record high of USD 2,240 billion. Demand for military equipment is on the rise as governments across the globe focus on military modernization, given increasing global security concerns. The uncertain and increasingly complex international security environment is forcing countries to re-evaluate their defence spending.

Global defence spending has seen a jump over the last two years, especially post the Ukraine-Russia conflict.

Figure: Global Defence Spending (FY 16-30), USD bn⁴¹



⁴⁰ Feedback Analysis

⁴¹ Feedback Advisory

Indian Defence Industry

India is one of the leading spenders on defence equipment. The defence budget outlay for FY 2023-24 is INR 5.94 trillion (USD 72.6 Bn) which is 13% up from the previous year aiming to add more fighter jets and roads along its tense border with China. India defence spending in FY 2023 was around USD 66 Bn and is expected to grow by a CAGR of 9.3% during FY 23-30 reaching USD 122 bn by FY 2030

The Indian Defence Budget has experienced a CAGR of 6.4% between the period FY 2016-23 in the Indian rupee and a corresponding 3.2% CAGR in USD. The Indian rupee has fallen from INR 65 per USD in FY 2016 to INR 80 in FY 23.

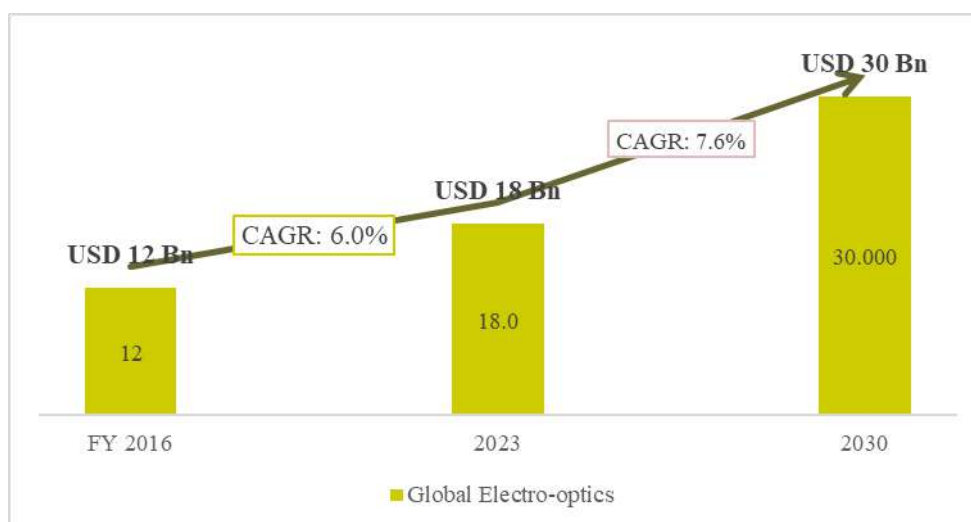
Electro-Optics (Night-vision Devices)

Land based: Night-vision Goggles, Weapon-mounted sights, handheld laser range, thermal imager, laser target designator, vehicle-mounted devices, surveillance cameras and others

- **Airborne:** Optronic sights, airborne observation system, airborne night-vision system and others
- **Naval based:** Infrared imaging and detectors, thermal imaging, periscopes, surveillance and tracking systems

The global electro-optics market was valued at USD 18 Billion in FY 2023 and is expected to reach USD 30 Billion by FY 30, growing at 7.6 % CAGR during FY 23-30.

Figure: Global Electro-optics market, USD Bn⁴²



Companies from the USA and Israel are the leading players in the global market of Electro-optics, along with select players from Europe and the rest of the world. The leading global players are as follows:

Table: Globally leading players for Electro-optics

Sl no	Players	Country
1.	Northrop Grumman	USA
2.	Raytheon	USA
3.	ATN Corporation	USA
4.	General Starlight	Canada
5.	Newcon Optik	USA
6.	FLIR	USA
7.	Thales	France
8.	Sagem	France
9.	Finmeccanica	Italy
10.	Qioptiq	UK
11.	EADS	Netherlands

• ⁴² Defproac and Feedback Analysis

Sl no	Players	Country
12.	Oerlikon Contraves	Swiss
13.	ITL	Israel
14.	ELOP	Israel
15.	Controp Precision Tech Ltd.	Israel
16.	Meprolight	Israel
17.	TAMAM	Israel
18.	Rafae	Israel
19.	Prizmatech	Israel
20.	PCO (Bumar Gp)	Poland
21.	Rosoboron	Russia
22.	Samsung Thales	S Korea
23.	Russia's NPO (Novosibirsk) Optics State Corporation	Russia

The India electro-optics market was valued at USD 2.5 Billion in FY 2023 and is expected to reach USD 6.0 Billion by FY 30, growing at 11.9% CAGR during FY 23-30.

The Indian electro-optics market is dominated by the public sector units (government-owned companies), along with select private sector companies. To promote research and development, new technology and curb import dependencies, the Indian government is promoting increased participation from private companies.

Table: Key players in the Indian electro-optics market

Player	Brief	Core Competencies
Instruments Research and Development	DRDO-owned research and development in the field of optical and electro-optical instrumentation	Optical systems such as day-vision devices, low-light level TV, thermal imaging (FLIR) & laser-based instrumentation, Complete Fire Control Systems, Target Acquisition Systems, Thermal Imagers, Night-vision Devices (II Sight, LLTV), Laser Range Finders/Sensors, Laser Warning Systems, Fiber Optic Systems
Opto-electronics Factory	Government-owned advanced Opto-electronic instruments manufacturing unit of the Ordnance Factory Board under the Ministry of Defence, India	Optical Devices, Night-vision Devices, Night Weapon Sight, Day Weapon Sight, Armoured Sight for Tanks, Telescopic sight, Laser range finder, red dot sight, Periscopes
Bharat Electronics Limited	Government-owned aerospace and defence electronics company, manufacturing advanced electronic products for ground and aerospace applications. BEL is one of nine PSUs under the Ministry of Defence, India	Laser Range Finders, Night-vision Devices, Gap Measuring Devices, Sighting Systems and Integrated Observation Equipment, HHTI
Alpha Design Technology	R&D, manufacture, assembly, testing, qualification, integration & installation of Defence Electronics, Avionics & Space Satellite systems.	Night-vision Devices, Night & Day Weapon Sight, HHTI, Surveillance
Tata Advance System Ltd.	Tata group company for aerospace, defence, military engineering & construction and technology company	Electro-optical payloads, thermal imaging, night-vision systems
MKU	Kanpur-based leading private company manufacturing electro-optic devices and personal and platform armour solutions	Night-vision Instruments, Theodolites, Personal Protection, Platform Protection, Electro Optics
HFCL	Home-grown optical fibre to night-vision devices company	Thermal weapon Sight

Other key players are Newcon optics, a Canadian player who has established a unit in Hyderabad; Kalyani Rafael Advanced System, MEIL, Trident Infosol, Bengaluru; Scientific Engg, Hyderabad and others.

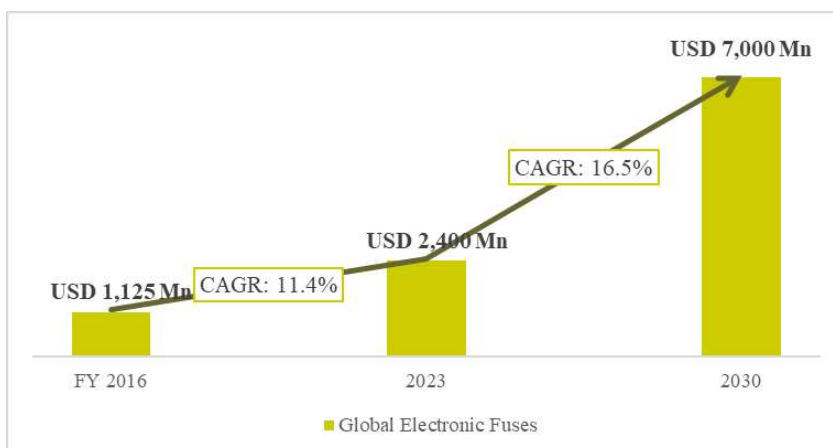
Electronic Fuse

To enhance the lethality and accuracy of the Artillery, Mortar, and Air defence ammunition, the ammunition should have multi-target handling capability along with capabilities of air burst, proximity, point detonation and variable and programmable provisions.

An electronic fuse is a device used in ammunition for target sensing and initiating the explosive function. These devices control the safe separation of the ammunition from the launch platform and trigger the air explosion close to the target. Electronic fuses are used across all types i.e Artillery & Mortar Fuses, Aircraft Fuses and Rocket & Missile Fuses.

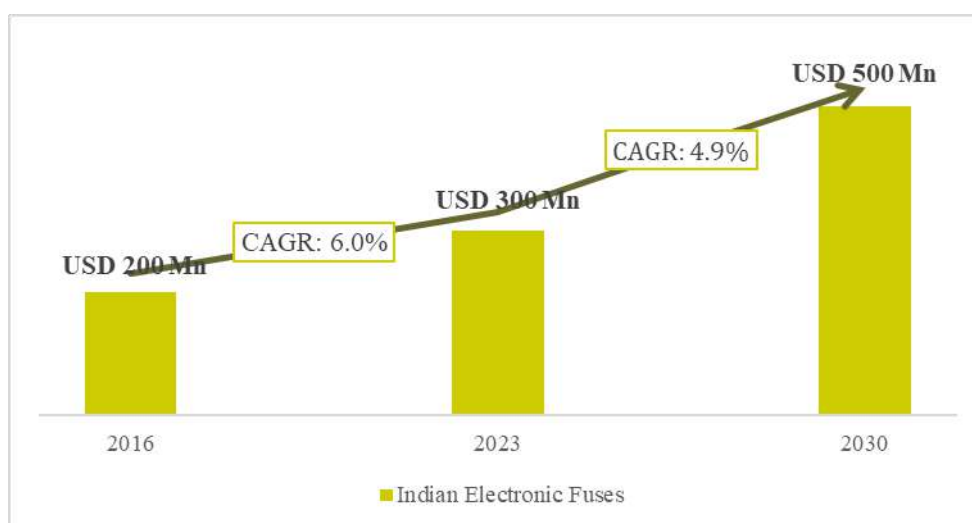
The global Electronic Fuse market was valued at USD 2.4 billion in FY 2022 and is expected to reach USD 7.0 billion by FY 30, growing at 16.5% CAGR during FY 23-30.

Figure: Global Electronic Fuse market, USD bn⁴³



The Indian Electronic Fuse market was valued at USD 300 million in FY 2023 and is expected to reach USD 500.0 million by FY 30, growing at 7.6% CAGR during FY 23-30.

Figure: India Electronic Fuse market, USD mn⁴⁴



High Capacity Radio Relay (HCRR)

HCRR is a Line-of-Sight (LOS) radio link intended for use in a tactical network for long-haul transmission of data traffic. The high-capacity radio relays (HCRR) operate in military high-frequency bands of 1350 to 2690 MHz and 4400 to 5000 MHz. The HCRRs deliver a very high data rate (up to 100 Mbps) utilizing powerful anti-jamming capabilities, enhanced error correction and interleaving.

The field-proven products – Tadiran GRC-408E, GRC-2000 and GRX-4000 ensure optimal jamming immunity and integrate these features with data security, high constellations and highly efficient modems containing soft-decision capabilities. An antenna positioning unit utilized at the tactical mast top for rapid tactical deployment,

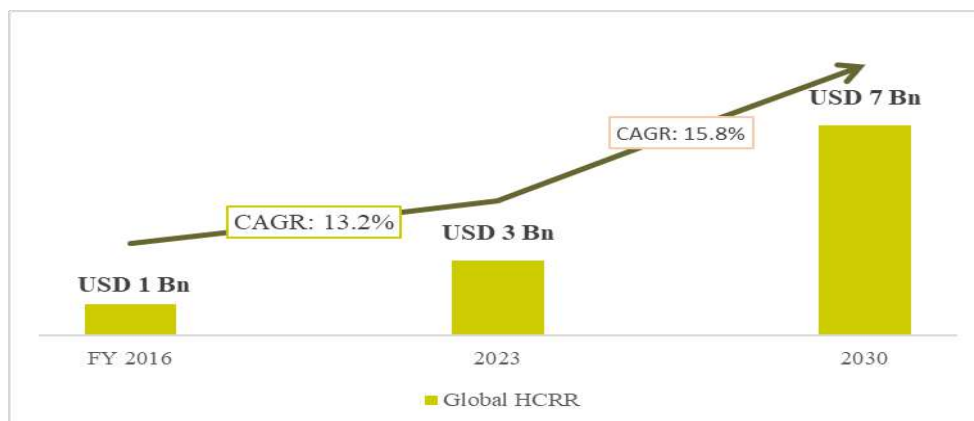
• ⁴³ IDC and Feedback Analysis

• ⁴⁴ IDC and Feedback Analysis

provides optimal and automatic link establishment. These HCRR products feature a user-friendly interface with full remote-control capabilities.

The global HCRR market was valued at USD 2.5 billion in FY 2023 and is expected to reach USD 7.0 bn by FY 30, growing at 15.8% CAGR during FY 23-30.

Figure: Global HCRR market, USD bn⁴⁵



Software-defined Radio

Tactical communication operates at several different frequencies like HF, V/UHF etc. and each has its own unique type of protocol to meet the battlefield demands. Each unit/node in a tactical communication scheme forms a part of a secure interconnected network for communicating with each other. Software-defined Radio (SDR) operates in the same frequency spectrum ranges using multiple protocols. Moreover, SDR is compatible with the legacy military radio systems for feature enhancement, the AI & C4 expert.

Presently, SDR's communication waveform algorithms have been evolved by Indian Defence themselves and this makes the SDR system highly secure. Additionally, SDR research shall be a continuous effort to keep the already deployed SDR resilient enough against jamming or hacking by an adversary with advanced technology.

Global players – General Dynamics, Leonardo, Ultra, Collins Aerospace Systems; Harris Corporation; Elbit Systems Ltd.; L3 Technologies, Inc.; BAE Systems; Huawei Technologies Co. Ltd.; Datasoft Corporation; Raytheon Company; Northrop Grumman Corporation.

The global SDR market was valued at USD 8.5 billion in FY 2023 and is expected to reach USD 15.0 billion by FY 30, growing at 8.5% CAGR during FY 23-30.

Figure: Global SDR market, USD bn⁴⁶



• ⁴⁵ IDC and Feedback Analysis

• ⁴⁶ IDC and Feedback Analysis

In India, the SDR market is just developing. Some of the main players working on the product are BEL, Astra Microwave, HAL, Weapons and Electronics System. India's market of SDR is expected to be USD 300 mn by FY30.

Railway Communication Integration Services

Railways are now adopting Information Technology and computerisation on a large scale for internal use and for meeting passenger expectations. Several mission-critical applications are being developed. This necessitates the transformation of the existing network to deal with data with the same standards of reliability and availability, as is being delivered for earlier voice-based system's requirements.

The railway communication systems are designed to transport various services that include high-bandwidth, latency-sensitive real-time applications, such as Telepresence, CCTV feed, Wi-Fi backhaul, LTE-R backhaul, Terrestrial Trunked Radio etc. to low-bandwidth applications, such as remote monitoring of S&T (Signal and Telecommunication) assets, control communication, E-tender, e-office, email etc.

Railway Communication Integration Services

Green Field Products – Dedicated Freight Corridors

The Indian Railways' quadrilateral linking the four metropolitan cities of Delhi, Mumbai, Chennai, and Howrah, commonly known as the Golden Quadrilateral; and its two diagonals (Delhi-Chennai and Mumbai-Howrah), add up to a total route length of 10,122 km comprising of 16% of the route, carrying more than 52% of the passenger traffic and 58% of revenue-earning freight traffic of IR.

The existing trunk routes of Howrah-Delhi on the Eastern Corridor and Mumbai-Delhi on the Western Corridor were highly saturated, with line capacity utilization varying between 115% to 150%. Railways lost their share in freight traffic from 83% in 1950-51 to 35% in 2011-12. Not only this, but the National Highways along these corridors also comprising 0.5% of the road network, carried almost 40% of the road freight.

Modernization Programs of Signaling & Telecom⁴⁷

It may be noted that giving a boost to the 'Aatmanirbhar Bharat' Mission, Government has approved the allotment of 5 MHz Spectrum in 700 MHz frequency band to Indian Railways for public safety and security services at stations and in trains. With this spectrum, Indian Railways has envisaged providing Term Evolution (LTE)-based Mobile Train Radio Communication on its route. For the convenience of passengers, Train Information Boards have been provided at 1,190 Stations, Public Address (PA) Systems at 5,159 stations and Coach Guidance System at 697.

In addition to the LTE initiative, other major initiatives in Railway Telecom are:

- Wi-Fi facility has been extended at 6002 stations and 101 balance feasible stations will be covered soon. Out of which, 70% of stations are in rural areas. This facility is being used by passengers, local vendors, coolies, etc.
- To improve security, CCTV system has been provided at 801 stations and a balance is also planned.
- 92% route of the railways has been covered with OFC-based system (67,415 RKms). This is being used for railway's internal communication and spare capacity is being commercially utilized by RCIL.
- Indian Railway is deploying an e-filing system in a big way. To improve administrative works, an e-office has been provided at 185 units including all divisions, zones, CTIs & PUs. More than 13.5 million users are using this and over 150 million e-files are created till now. Existing physical files are being converted into digital files.

• ⁴⁷ Source: PIB-Press Release, 15th June 2021

Mobile Train Radio Communication System in Indian Railways⁴⁸

Table: Status of Mobile Train Radio Communication (MTRC) System-based on GSM-R and TETRA over Indian Railways

ZONAL RAILWAY	SECTION	TECHNOLOGY	ROUTE KM
Eastern	Howrah-Dhanbad	GSM(R)	270
East Central	Dhanbad-Mughalsarai	GSM(R)	400
North Central	Palwal - Jhansi	GSM(R)	353
North Central	Ghaziabad-Aligarh-Kanpur- ALD-DDU	GSM(R)	760
Northern	New Delhi-Ambala-Ludhiana, including New Delhi - Palwal and Delhi area	GSM(R)	372
Northern	Ludhiana-Pathankot-Jammu Tawi-Amritsar	GSM(R)	455
Northern	Lucknow – Kanpur	GSM(R)	75
Northeast Frontier	New Jalpaiguri - Bongaigaon-Guwahati	GSM(R)	410
Northeast Frontier	New Jalpaiguri-Barsoi-Malda Town & Barasoi-Katihar	GSM(R)	270
Metro Railway, Kolkata	North-South Corridor – Kabi Subhas to Dakshineswar	GSM(R)	28
Metro Railway Kolkata	East-West Corridor- Phoolbagan to Sector-V	TETRA	7.5
Western	Churchgate – Virar	TETRA	60
	TOTAL		3460.5

GSM(R) = Global System for Mobile Communication-Railway.

TETRA = Terrestrial Trunk Radio

Metro Projects in India

Table: There are various Metro projects happening in India and an overview of these projects and its current status is given below:

Project (State)	Network	Operational	U/Construction	Project Cost
Agra Metro Uttar Pradesh	29.4 km	0.0 km	7.0 km	₹12,900 cr.
Ahmedabad Metro Gujarat	68.28 km	40.3 km	28.2 km	₹16,157 cr.
Bangalore Metro Karnataka	254.85 km	69.66 km	103.3 km	₹58,193 cr.
Bhopal Metro Madhya Pradesh	105 km	0.0 km	6.2 km	₹6,941 cr.
Chennai Metro Tamil Nadu	173.52 km	54.65 km	118.9 km	₹85,613 cr.
Coimbatore Metro Tamilnadu	147.0 km	0.0 km	0.0 km	₹9,424 cr.
Delhi Metro NCR- Delhi	489.38 km	348.12 km	66.192 km	₹117,278 cr.
Delhi Metrolite Delhi-NCR	40.8 km	0.0 km	0.0 km	₹5,587 cr.
Dholera Metro Gujarat	100.0 km	0.0 km	0.0 km	₹7,000 cr.
Gorakhpur Metro Uttar Pradesh	27.4 km	0.0 km	0.0 km	₹4,672 cr.
Gurgaon Metro NCR (Haryana)	43.1 km	12.1 km	0.0 km	₹8,736 cr.
Hyderabad Metro Telangana	134.67 km	67.21 km	0.0 km	₹18,800 cr.
Indore Metro Madhya Pradesh	33.5 km	0.0 km	17.2 km	₹7,500 cr.
Jaipur Metro Rajasthan	35.5 km	12.0 km	0.0 km	₹7,695 cr.
Jammu Metro J&K	23.0 km	0.0 km	0.0 km	₹4,825 cr.
Kanpur Metro Uttar Pradesh	32.4 km	8.98 km	15.08 km	₹11,076 cr.
Kochi Metro Kerala	39.1 km	27.4 km	1.16 km	₹7,138.84 cr.
Kolkata Metro West Bengal	149.27 km	47.85 km	59.15 km	₹50,001.05 cr.
Kozhikode Metro Kerala	13.3 km	0.0 km	0.0 km	₹2,773 cr.
Lucknow Metro Uttar Pradesh	22.9 km	22.9 km	0.0 km	₹11,963 cr.
Madurai Metro Tamil Nadu	31.0 km	0.0 km	0.0 km	₹8,500 cr.
Meerut Metro Maharashtra	35.0 km	0.0 km	20.0 km	₹11,544 cr.
Mumbai Metro Maharashtra	337.1 km	46.39 km	145.1 km	₹140,202 cr.
Mumbai Monorail Maharashtra	19.5 km	19.5 km	0.0 km	₹3,000 cr.
Navi Mumbai Metro Maharashtra	26.3 km	0.0 km	11.1 km	₹8,904 cr.
Nashik Metro Neo Maharashtra	32.0 km	0.0 km	0.0 km	₹2,001 cr.
Nagpur Metro Maharashtra	81.62 km	38.22 km	0.0 km	₹15,388 cr.

• ⁴⁸ Minister of Railways, Commerce & Industry and Consumer Affairs

Project (State)	Network	Operational	U/Construction	Project Cost
Nagpur BG Metro Maharashtra	268.6 km	0.0 km	0.0 km	₹334 cr.
Noida Metro NCR- Uttar Pradesh	44.7 km	29.70 km	0.0 km	₹11,185 cr.
Patna Metro Bihar	30.9 km	0.0 km	7.0 km	₹13,479 cr.
Pune Metro Maharashtra	87.13 km	12 km	54.125 km	₹24,773 cr.
Pune Metro Neo Maharashtra	43.84 km	0.0 km	0.0 km	₹4,940 cr.
Srinagar Metro J&K	25.0 km	0.0 km	0.0 km	₹5,734 cr.
Surat Metro Gujarat	40.3 km	0.0 km	21.6 km	₹12,020 cr.
Thane Metro Maharashtra	29.0 km	0.0 km	0.0 km	₹13,095 cr.
Trivandrum Metro Kerala	21.8 km	0.0 km	0.0 km	₹4,219 cr.
Varanasi Metro Uttar Pradesh	29.2 km	0.0 km	0.0 km	₹17,227 cr.
Vijayawada Metro Andhra Pradesh	66.2 km	0.0 km	0.0 km	₹15,000 cr.
Vizag Metro Andhra Pradesh	140.2 km	0.0 km	0.0 km	₹15,933 cr.
Warangal Metro Neo Telangana	15.0 km	0.0 km	0.0 km	₹1,341 cr.

Global Metro Projects

Table: An overview of the Metro projects in these regions is given below:⁴⁹

Continent	Country	City	Title	Project Status	Project Category	Construction Start	Length (km)	Cost (\$M-USD)
Africa	Algeria	Oran	Oran Metro Phase 2	Preliminary Design	New Line	2030	1.7	
Africa	Algeria	Oran	Oran Metro Phase 3	Preliminary Design	New Line	2030	4.6	
Africa	Algeria	Oran	Oran Metro Phase 1	Preliminary Design	New Line		13.0	1406.6
Africa	Nigeria	Lagos	Lagos MRT Red Line	Under Construction	New Line	2021	37.0	2500.0
Africa	Tunisia	Sfax	Sfax Metro line 1	Planned	New Line	2020	13.5	246.0
Asia	Armenia	Yerevan	Yerevan Metro Line 1 Northwest Extension	Planned	Extension		3.0	218.1
Asia	Bangladesh	Dhaka	Dhaka MRT Line 6 Phase 3	Contract Awarded	New Line	2022	4.7	
Asia	Bangladesh	Dhaka	Dhaka MRT Line 7	Proposed	New Line		36.0	
Asia	Hong Kong	Hong Kong	Tung Chung Line West Extension	Planned	Extension	2023	1.5	774.2
Asia	Hong Kong	Hong Kong	Tuen Mun Line Tuen Mun South Extension	Detailed Design	Extension	2023	2.4	709.3
Asia	Hong Kong	Hong Kong	East Kowloon Line	Proposed	New Line	2025	7.8	3546.7
Asia	Hong Kong	Hong Kong	Northern Link Line	Detailed Design	New Line	2023	10.7	2966.3
Asia	Hong Kong	Hong Kong	North Island Line	Proposed	New Line	2021	5.0	2579.4
Asia	Hong Kong	Hong Kong	South Island Line (West)	Proposed	New Line	2021	7.4	3546.7
Asia	Iran	Tabriz	Tabriz Metro Line 2	Feasibility Study	New Line		26.0	395.8
Asia	Iran	Tabriz	Tabriz Metro Line 3	Planned	New Line		14.7	632.9
Asia	Iran	Tabriz	Tabriz Metro Line 4	Planned	New Line		10.0	
Asia	Kazakhstan	Almaty	Almaty Metro Extension I Dostyk - Kalkaman)	Feasibility Study	Extension	2020	2.6	

• ⁴⁹ Source: <https://irjpro.com>

Continent	Country	City	Title	Project Status	Project Category	Construction Start	Length (km)	Cost (\$M-USD)
Asia	Kazakhstan	Almaty	Almaty Metro Extensan (Moskva - Sariv-Arka - Dostykl	Feasibility Study	Extension		3.1	
Asia	Kuwait	Kuwait City	Kuwait Metro Phase 5	Planned	New Line			
Asia	Kuwait	Kuwait City	Kuwait Metro Phase 2	Planned	New Line		21.0	
Asia	Kuwait	Kuwait City	Kuwait Metro Phase 3	Planned	New Line		24.0	
Asia	Kuwait	Kuwait City	Kuwait Metro Phase 4	Planned	New Line		22.7	
Asia	Malaysia	Kuala Lumpur	Kiang Valley MRT 3	Tendering	New Line	2025	40.0	5486.5
Asia	Malaysia	Kuala Lumpur	Kiang Valley MRT 2 (Sungai Buloh - Putrajaya)	Under Construction	New Line	2016	52.2	375.3
Asia	Malaysia	Kuala Lumpur	Kuala Lumpur MT 3	Under Construction	New Line	2015	37.6	4055.2
Asia	Philippines	Manila	Manila LRT 6	Planned	New Line		19.0	1282.9
Asia	Philippines	Manila	Manila MRT Line 7	Under Construction	New Line	2016	22.8	1235.8
Asia	Philippines	Manila	Manila Subway Project Phase 1 (Quezon City - Ninoy Aquino International Airport)	Under Construction	New Line	2019	36.0	7194.0
Asia	Saudi Arabia	Mecca	Mecca Metro Phase 1- Line 2	Planned	New Line	2021	33.0	
Asia	Saudi Arabia	Mecca	Mecca Metro Phase 1- Line 1	Under Construction	New Line	2017	11.0	2507.9
Asia	Singapore	Singapore	Thomson East Coast Line	Under Construction	New Line	2016	43.0	5433.2
Asia	South Korea	Seoul	Seoul Metro Line 5 Extension (Sangil dong - Hanam)	Under Construction	Extension	2015	7.7	
Asia	Syria	Damascus	Damascus Green Line Extension (Moadamiyeh - Qaboun)	Proposed	Extension		16.5	
Asia	Taiwan	Taichung City	Taichung Blue Line	Planned	New Line	2030	26.2	4144.5
Asia	Taiwan	Taipei City	Taipei Yellow (Circular) Line Phase 2	Proposed	New Line		20.7	
Asia	Thailand	Bangkok	Bangkok Orange Line Phase 2	Contract Awarded	New Line	2026	17.5	4448.6
Asia	Thailand	Bangkok	Bangkok Silom Line Extension (Bang Wa - Taling Chan)	Planned	Extension	2020	7.5	572.5
Asia	Thailand	Bangkok	Bangkok Orange Line Phase 1	Under Construction	New Line	2017	22.6	2.4
Asia	Thailand	Bangkok	Bangkok Brown Line	Detailed Design	New Line	2021	21.6	1481.6
Asia	Turkey	Istanbul	Istanbul (Cekmekoy - Sultanbeyli) Line MS extension	Under Construction	Extension	2017	10.8	

Continent	Country	City	Title	Project Status	Project Category	Construction Start	Length (km)	Cost (\$M-USD)
Asia	Turkey	Istanbul	Istanbul Metro Mahmutbey - Bahoesehir - Esenyurt	Completed	New Line	2017	18.5	496.5
Asia	Turkey	Istanbul	Istanbul Metro Kaynarca - Sabato Golicen (M4 Extension)	Under Construction	Extension	2015	7.4	
Asia	Turkey	Istanbul	Istanbul Metro Bagclar - Halkall	Under Construction	Extension	2017	9.7	168.1
Asia	Turkey	Istanbul	Istanbul Metro Basaksehir - Kayasehir	Under Construction	New Line	2017	6.2	141.5
Asia	Turkey	Istanbul	Istanbul Metro Line M12 (Gortepe - Atasehir - Um rant ye)	Under Construction	New Line	2017	16.0	416.7
Asia	United Arab Emirates	Dubai	Dubai Metro Red Line Rashidiya - Mirdif Extension	Under Construction	Extension	2017	3.5	
Asia	United Arab Emirates	Dubai	Dubai Metro Red Line Jebel Ali-Expo	Completed	New Line	2017	15.0	2886.3
Asia	United Arab Emirates	Dubai	Dubai Metro Green Line Academic City Extension	Tendering	Extension		20.6	
Asia	Vietnam	Ho Chi Minh City	Ho Chi Minh Line 3 Phase 1	Proposed	New Line			
Asia	Vietnam	Ho Chi Minh City	Ho Chi Minh Line 5 Phase 1	Feasibility Study	New Line	2025	9.9	1199.4
Asia	Vietnam	Ho Chi Minh City	Ho Chi Minh Line 5 Phase 2	Feasibility Study	New Line	2028	14.5	
Asia	Vietnam	Ho Chi Minh City	Ho Chi Minh Line 3 Phase 2	Proposed	New Line		12.2	

Rapid Rail Transit System (RRTS) Projects

RRTS is a new concept being introduced in the Indian urban mass transit system. The RRTS Projects are currently planned around the NCR region in India and there are plans that these would be implemented in other parts of India as well.

The National Capital Region (NCR) is a multi-state region with the National Capital as its centre. This region, spread over an area of about 35,000 km, comprises the entire National Capital Territory of Delhi and some parts of the neighbouring states of Haryana, Uttar Pradesh and Rajasthan. The National Capital Region Planning Board (NCRPB), in order to enhance the connectivity within the NCR, has proposed to connect urban, industrial (SEZs/industrial parks), regional and sub-regional centres through a fast rail-based Regional Rapid Transit System (RRTS). The objective of this system is to reduce the dependence of commuters on road-based transportation. The NCRPB conducted a study on Integrated Transportation Plan for NCR projecting figures for 2032, and has identified eight rail-based rapid transit corridors to enhance the efficacy of the transportation system in the NCR. In addition to the rail system, there will also be provisions made for facilities, including road network enhancements.

Opportunity in Railways Communication Business

RRTS is a new concept being introduced in the Indian urban mass transit system.

Given the wide variety of opportunity areas highlighted above, Railway Communications has a huge business potential to expand and grow in India, along with global markets.

Table: Details of New projects

Opportunity Area	Details of New projects	Likely an Opportunity for Telecommunication Packages
Dedicated Freight Corridors – Green Field Projects	3 new DFC are to be executed. This involves a capital cost of construction worth INR 2,000 bn (USD 25 bn)	• INR 70 bn (USD 850 Mn) for telecom packages.
Modernization of Signalling & Telecommunication in Indian Railways	Automation of 15k kms rail signaling Train Collision Avoidance System ‘KAVACH’ to be installed on 37,000 km An overall investment of INR 700 bn (USD 8.5 bn) was unveiled recently and is likely to be implemented over the next 5-7 years	• Addressable potential: INR 80 bn (USD 975 Mn)
Global Metros	The proposed global metro projects are about 35 projects that are in the execution, planning and proposed stage	• Overall Metro projects worth USD 40 Bn spread over the next 2 to 10 years. • An addressable opportunity would be around USD 3 Bn
RRTS Projects	Of the 8 RRTS Projects proposed, 3 have been considered for immediate implementation and 1 is under construction, while 2 are under financial approvals	• For the other 2 RRTS Projects, it is estimated to be in the range of INR 30-35 bn (~USD 375 mn) spread over the next 7-8 years.

The overall opportunity in the Railway Communications business from the above table is estimated to be USD 2.2 bn in India and USD 3 Bn in global projects. These would be spread over the next 7-10 years.

OUR BUSINESS

Before making an investment in the Equity Shares, this section should be read in conjunction with the sections entitled “Risk Factors”, “Industry Overview”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statements” on pages 42, 93, 146 and 254, respectively. This Placement Document contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements because of certain factors, including considerations described below and in the section titled “Forward-Looking Statements” on page 15.

Unless otherwise stated, references in this section to “our Company”, “we”, “us”, or “our” (including in the context of any financial or operational information) are to HFCL Limited and our Subsidiaries and Associates, on a consolidated basis.

Our fiscal year ends on March 31 of each year. Accordingly, references to a “Fiscal” year are to the 12-month period ended March 31 of the relevant year. The financial information included in this section for Fiscal 2023, Fiscal 2022 and Fiscal 2021 has been extracted from our Audited Consolidated Financial Statements beginning on page 260. The financial information included in this section for the three months ended June 30, 2023 and June 30, 2022 has been extracted from our Unaudited Limited Reviewed Consolidated Financial Statements approved by the Board of Directors and limited reviewed by statutory auditors of the Company beginning on page 255.

The industry-related information contained in this section is derived from the Feedback Advisory Report. We commissioned and paid for the Feedback Advisory Report for the purposes of confirming our understanding of the industry in connection with the Issue.

Overview

We are a leading technology company in India manufacturing a range of products in optical fibre cable (“OFC”), optical fibre, cable accessories and telecom equipment. (Source: *Feedback Advisory Report*). We provide an end-to-end portfolio of integrated next generation optical and data networking solutions for telecommunications, defence communication and railway communication. Our network services include OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, fibre to home (“FTTH”) and in-building solutions as well as defence and railway communication networks. Our products and solutions are used by both private and public enterprises, including major Indian telecommunications companies, railway companies and the Indian defence forces. In addition, we export our products to enterprise and business customers in over 45 countries.

With focused efforts towards moving to margin accretive products, our revenue from telecom products and turnkey services (primarily engineering, procurement and construction of various networks and systems) represented 66.56% and 33.44%, respectively, of our consolidated revenue from operations in three months ended June 30, 2023, and 55.61% and 44.35%, respectively, of our consolidated revenue from operations in Fiscal 2023. Our telecommunication products are used to build networks that carry voice, data and video communication, mobile and broadband networks over optical fibre. Our products are CE certified (for use in the EU) and meet all international IEC, EIA/TIA and Bellcore standards. We manufacture OFC which forms the backbone of telecommunication networks used in critical applications. In Fiscals 2022 and 2023, we had the largest market share in India for OFC, making us one of the largest manufacturers and suppliers of OFC (including FTTH) in India. (Source: *Feedback Advisory Report*). Our OFC products include armoured cables, unarmoured cables, aerial cables, micro cables, micro module cables, ribbon cables and FTTH cables.

In addition to OFC, we have backward integration facilities for manufacture of optical fibre, aramid reinforced plastic (“ARP”) rods, fibre reinforced plastic (“FRP”) rods, impregnated glass fibre reinforcement (“IGFR”) yarns and Polymer compound. We are also one of the largest manufacturers of Wi-Fi access points and unlicensed band radios (“UBRs”) in India in Fiscals 2022 and 2023. (Source: *Feedback Advisory Report*). We also produce variety of security and surveillance products. These products include video management systems (“VMS”), video analytics, automatic number plate recognition system and traffic light violation detection systems.

We offer our customers comprehensive digital solutions for telecommunication, defence communication and railway communication. We offer our customers end-to-end network services for OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, FTTH and in-building solutions. By the end of June 30, 2023 we installed over 200,000 kms of OFC. In addition, we have developed a number of networks and systems for deployment in the defence context which include OFC and

optical transport networks, fibre monitoring and management systems, routing networks, and microwave radio solutions. Further, in the railway sector, we offer an expanded portfolio of services comprising of network design, equipment supply, installation and commissioning, network integration, and post deployment support” for metro lines, mainline railways, as well as upcoming dedicated railway freight corridors in India.

As at June 30, 2023, we had five operational manufacturing facilities, including three located at Goa, Chennai (Tamil Nadu), Hosur (Tamil Nadu) and two at Hyderabad (Telangana). Our manufacturing facilities have the combined approximated installed capacity as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai & Hosur, of 25.08 million fkm of OFC; 702,000 ckm of FTTH cables; 10.0 million fkm of optical fibre; 504,000 km/annum of FRP; 660,000 km/annum of ARP; and 2,700 MT/annum IGFR s, and 24,000 MT/annum of Polymer Compound as at June 30, 2023.

Our manufacturing and product offerings are also supported by our two R&D centres in Gurugram and Bengaluru. As of June 30, 2023, we had a dedicated in house R&D team of 252 employees. We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. We have a number of products under development in telecommunications including IBR Cable, Point-to-point and Point-to-multipoint UBRs, Wi-Fi 7 access points, Cell site Router and Centralized unit Aggregation Router, and in defence including software defined radio. We also launched a 5G business unit to cater to the needs of communication service providers, enterprises and industry verticals both in India and overseas. Portfolio of products under development in 5G business unit includes 5G Indoor & Outdoor FWA CPE, 5G Macro Radio Unit Products (8T8R), 5G Indoor & Outdoor Small Cell (2T2R and 4T4R). The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services. In addition, we are the only Indian company to have developed electronic fuses for artillery ammunition with own intellectual property rights. Our electronic fuses are NATO (North Atlantic Treaty Organization) certified resulting in access to a wider customer base among NATO countries. We are currently setting up manufacturing facilities for these electronic fuses in Hyderabad.

As at June 30, 2023, our Order Book was ₹ 6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08 % comprises other product and services orders. For further information on our Order Book, see “*Our Order Book*” on page 137.

Key financial information

Set forth below is certain of our key financial information on a consolidated basis:

(in ₹ crore, except percentages and ratios)

Particulars	Three months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2022 (Unaudited)	Fiscal 2023 (audited)	Fiscal 2022 (audited)	Fiscal 2021 (audited)
Revenue from operations	995.19	1,051.02	4,743.31	4,727.11	4,422.96
Gross margin	307.47	265.50	1,264.40	1,228.37	1,019.04
Gross margin (%)	30.90%	25.26%	26.66%	25.99%	23.04%
EBITDA	159.62	129.76	665.86	692.98	585.71
EBITDA margin	16.04%	12.35%	14.04%	14.66%	13.24%
Profit after tax	75.56	53.10	317.71	325.86	246.24
PAT margin	7.59%	5.05%	6.70%	6.89%	5.57%
Capital expenditure	88.48	60.28	298.98	183.06	106.07
Operating cash flows	31.28	(74.14)	236.41	205.37	56.82
ROCE	13.63%	11.86%	15.64%	19.20%	19.80%
ROE	9.17%	7.26%	10.66%	13.74%	13.71%
Debt / equity ratio	0.25	0.26	0.24	0.26	0.48
Net debt / EBITDA ratio	5.07 [@]	5.72 [@]	1.12	1.07	1.57

[@]Not annualised.

For information about Non-GAAP financial measures as set forth in the table above, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures*” on page 166.

Our Strengths

We believe that we possess a number of competitive strengths, which enable us to successfully execute our business strategies, including the following:

Poised to capitalise on opportunities in Telecom, Defence and Railways

Our strategy is to be positioned for the upcoming opportunities in telecommunications, defence and railways. According to Feedback Advisory, the Indian OFC market is valued at USD 745 million in Fiscal 2023 and is expected to grow to reach USD 1,600 million by Fiscal 2030. (Source: *Feedback Advisory Report*). The global 5G system integration market size is USD 14 billion in Fiscal 2023 and is expected to grow at a CAGR of 23.1% from Fiscal 2023 to Fiscal 2030; and the global 5G small and macro cell market (which are part of the 5G radio coverage) is estimated at USD 7.5 billion in Fiscal 2023 and is expected to grow to USD 60 billion by Fiscal 2030. (Source: *Feedback Advisory Report*). Likewise, the market opportunities in defence will grow over the next five-six years as India plans to spend USD 130-140 billion to modernize its armed forces. (Source: *Feedback Advisory Report*). Further, in railway communications, the overall opportunity is estimated to be USD 3 billion in global metro rail projects over the next 7 to 10 years. (Source: *Feedback Advisory Report*).

As more fully discussed below, we are focused on business strategies to prepare our Company to take advantage of these market opportunities by

- Expanding our manufacturing capabilities;
- Extending our market reach;
- Building internal structures to focus on key specialization areas; and
- Improving our product mix to margin accretive own-designed products.
- It is our intention to continue to be an integral part of India's digital journey by participating in the major national projects planned by the GoI. For example, we won the mandate to implement two pilot public Wi-Fi networks under PM-WANI scheme, a flagship GoI initiative to provide high speed Internet connectivity public Wi-Fi networks in India's remote villages. Both these networks were implemented during Fiscal 2021 in the form of model PM-WANI Villages, one in Baslambi (Haryana) and the other in Baidebettu (Udupi, Karnataka). We are also engaged on a number of hybrid projects for the implementation of BharatNet Phase 2, which is a GoI initiative to connect approximately 650,000 villages with Internet. We intend to continue work with the GoI, PSUs and State Government agencies and companies to help achieve the GoI's "Digital India" goals.

During Fiscal 2023, Company has received the following major orders as enumerated below:

- A metro rail project in Surat: Company emerged successful bidder for a metro rail project (Phase I) in Surat for implementation of design, manufacture, supply, installation, testing and commissioning of telecommunication systems with a total order value of ₹ 282.61 crore.
- EPC contract from State Water and Sanitation Mission (SWSM): Company received contract aggregating ₹1,769.80 crore from State Water and Sanitation Mission (SWSM) for providing EPC services including laying of Optical Fibre Cable and execution of rural water supply network in Varanasi.
- CUPS BNG Contract: Company received order amounting to ₹341.26 crore for supply, installation, commissioning, operation and maintenance of CUPS BNG (Control Plane User Plane Separation Broadband Network Gateway) & associated subscribed policy manager and authentication platform on turnkey basis.
- VSS Contract: Company received order amounting to ₹ 106.55 crore for supply, installation, testing, commissioning, integration with existing infra, operation & maintenance of IP based Video Surveillance System (VSS) at 180 railway stations under western region.

Further, we are an active participant in the GoI's "Make in India" campaign. In line with this policy, we manufacture OFC and electronic equipment for the telecommunications and defence. We intend to leverage the GoI's second round of the production linked incentive ("PLI") scheme for telecom and networking products which provides incentives of 4% to 7% on sales of good manufactured in India for period of five years. We also intend to avail ourselves of the potential benefits of the GoI's Preferential Market Access policy, under which indigenous manufacturers are given preference in procurement by Government agencies over foreign manufacturers.

Leading technology enterprise with diversified product offering and comprehensive network solutions

We are a leading technology company that offers end-to-end solutions establishing network required for telecommunications, defence communication and railway communication in India and certain of our initiatives are propelling us to be one of the largest integrated network solutions providers in India (Source: *Feedback Advisory Report*). Our products are used by both private and public enterprises, including major telecommunications companies and the Indian defense forces. Our expertise includes building integrated network

solutions across the telecommunications, defense, railways and security & surveillance sectors. In Fiscals 2022 and 2023, we were also one of the largest manufacturers of Wi-Fi Access Points and Unlicensed Band Radios (“UBRs”) in India. (Source: Feedback Advisory Report) In Fiscals 2022 and 2023, we also had the largest market share in the Indian market for OFC, making us one of the largest manufacturers and suppliers of OFC (including FTTH) in India. (Source: Feedback Advisory Report).

Our telecommunication products are used to build networks that carry voice, data and video communication, mobile and broadband networks over optical fibre. Our products are CE certified (for use in the EU) and meet all international IEC, EIA/TIA and Bellcore standards. We manufacture OFC which forms the backbone of telecommunication networks used in critical applications. Our OFC products include armoured cables, unarmoured cables, aerial cables, micro cables, micro module cables, ribbon cables and FTTH cables. In addition to OFC, we have backward integrated facilities for manufacture of optical fibre, ARP, FRP and IGFR. Further, we produce a variety of telecommunication equipment for telecom including point-to-point and point-to-multipoint unlicensed band radios and Wi-Fi access points. We also produce variety of security and surveillance products.

We offer our customers comprehensive digital solutions for telecommunication, defence communication and railway communication. We offer our customers end-to-end network services for OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, FTTH and in-building solutions. In addition, we have developed a number of networks and systems for deployment in the defence context which include OFC and optical transport networks, fibre monitoring and management systems, routing networks, and microwave radio solutions. Further, in the railway sector, we offer an expanded portfolio of services comprising of network design, equipment supply, installation and commissioning, network integration, and post deployment support” for metro lines, mainline railways, as well as upcoming dedicated railway freight corridors in India.

As of June 30, 2023, our product, system and network offerings include the following:

Optical Fiber/Optical Fibers Cables	Telecommunications Products	Defence Electronic Products	Passive Connectivity Solutions
- Optical Fiber - Armoured and Unarmoured Cable - Micro Cable - Micro Module Cable - Ribbon Cable - FTTH Cable	- Point to Point and Point to Multipoint backhaul radio - Indoor & outdoor Wifi 5 and 6 access points - Cloud based network management system - Ethernet L2/L3 switches - Home mesh routers - Comprehensive solutions for building of wireless and optical telecommunications network - Rural GSM Network - Fiber to Home Network - In-building Solutions - Mobile Backhaul Networks	- Thermal weapon Sights (TWS) - Electronic fuses - High Capacity radio relay - VMS & Video Analytics - Ground Surveillance Radar - Optical Fiber Cable and Optical Transport Network - Fiber Monitoring & Management Systems - Internet Protocol Multi Protocol Label Switching Network - Microwave Broadband Radio	- Cable Assemblies - High Density Cabinets - Fiber Termination Box - PLC Splitters - Joint Closures - Aerial/ FTTH Accessories

(Source: Feedback Advisory Report).

Strong Diversified Order Book including Marquee Projects

As at June 30, 2023, our Order Book was ₹ 6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08% comprises other product and services orders.

Our “Order Book” comprises anticipated revenues from the unexecuted portions of existing contracts (including signed contracts for which all pre-conditions to entry into force have been met and letters of acceptance issued by the customer prior to execution of the final contract) as at a particular date.

The following table summarizes our Order Book as at June 30, 2023.

Particulars	Outstanding as at June 30, 2023	Percentage of Total Order Book
Type of Project or Products	(in ₹ crore)	(%)
Telecommunications projects and products	4,078.13	61.93%
Defense projects	1,846.57	28.04%
Railway projects	656.92	9.98%
Security and Surveillance projects	3.09	0.05%
Total	6,584.71	100.00%

The following summaries describe certain projects or orders, which are in our Order Book as at June 30, 2023

Telecommunications:

- *Reliance JIO 4G OFC Network:* We are engaged by Reliance Jio in rolling out its backbone and backhaul OFC and FTTH network services across Northern India.
- *Bharat Net Phase-2.* We are engaged on a number of hybrid projects for the implementation of Bharat Net Phase 2 network, setting up OFC, GPON Radio networks, WiFi, and MW network. BharatNet is a GoI initiative to connect every village with Internet and is likely to cover 650,000 villages by 2023.
- *EPC contract from State Water and Sanitation Mission (SWSM):* We have been awarded a contract aggregating ₹1769.80 crore from State Water and Sanitation Mission (SWSM) for providing EPC services including laying of Optical Fibre Cable and execution of rural water supply network in Varanasi.

Defence

- *Network For Spectrum (“NFS”) project:* The GoI is implementing the NFS project (funded by the DoT), which is an India-wide secure, multi-service and multi-protocol converged network based on exclusive and dedicated tri-services optical transport backbone. BSNL is the implementation agency and we received various orders from BSNL including supply of equipment and services along with a 10-year O&M component (including warranty). Company is implementing the following projects under NFS program:
 - *Fibre network overlay:* We are integrating a fibre network overlay with GIS maps, satellite images and commercial land base data for the Indian defense forces including implementation of CCTV surveillance, access system and fire detection system at over 300 army locations.
 - *IP/MPLS:* We are implementing converged nationwide IP/MPLS backbone with 219 X access network and integrated IMS based communication solution on turnkey basis for defence network.
 - *DWDM based optical transmission backbone network:* We are planning, design and implementing of a nationwide IP backbone and access network for the Indian defense forces.
 - *Microwave broadband radio:* We are providing end-to-end solutions for a number of hybrid microwave broadband radio links in remote areas.
 - *Umbrella Network Management System:* We have been sub-contracted as part of this contract and the project is in the execution phase.

Railway

- *Freight Corridor Projects:* We are implementing telecom networks for greenfield domestic railway freight corridor projects, which includes the eastern and western dedicated freight corridors.
- *Kanpur and Agra Metro Rail:* We are setting up telecommunication systems for Kanpur and Agra Metro rail projects.
- *Video Monitoring Systems.* We are installing and activating approximately 25,000 video monitoring systems at more than 600 railway locations in India.
- *Overseas projects:* We were awarded projects to set up telecommunication systems including OFC networks for metro rail in Mauritius and Dhaka.

For further information, see “Our Order Book” on page 137.

Long relationships with major stakeholders

We cater to various customers across different industry segments like telecommunications, defence and railways. Our major customers include

- *Telecommunications:* Reliance Jio, BSNL, Sify,
- *Railway:* Mauritius Metro Rail ; and
- *Defence:* OEM majors across the sector including aerospace.

In addition, we also sell our products and services to PSUs like BSNL, JCNL as well as the other GoI agencies and State governments agencies and companies.

We have a history of high customer retention from our customers and derive a significant proportion of our revenues from repeat business (defined as repeat business generated from a customer in the past three fiscal years) built on our successful execution of prior engagements. For example, we are supplying products and rendering services to BSNL since 1990-91, the Ministry of Defence since 1997-98 and Reliance Jio Infocomm Limited since 2012-2013.

Modern manufacturing infrastructure, equipment and technology

We have upgraded and continue to expand, our manufacturing facilities, infrastructure, machines, equipment and technology to allow us to offer a diverse product suite, reduce operating costs and drive productivity. As at June 30, 2023, we had five operational manufacturing facilities, including three located at Goa, Chennai (Tamil Nadu), Hosur (Tamil Nadu) and two at Hyderabad (Telangana). Our manufacturing facilities have the combined approximated installed capacity as at June 30, 2023, as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai & Hosur, as follows:

- 25.08 million fkm of OFC;
- 702,000 ckm of FTTH cables;
- 10 million fkm of optical fibre;
- 504,000 km/annum of FRP;
- 660,000 km/annum of ARP; and
- 2,700 MT per annum of IGFR.
- 24,000 MT per annum of Polymer Compound.

We are expanding our manufacturing capacity and adding new products lines. See, “*Our Strategy - Increasing Manufacturing Capabilities and backward integration*” on page 133. Our manufacturing is supported by two R&D Centres in Gurugram and Bengaluru. As of June 30, 2023, we had a dedicated in house R&D team of 252 employees We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021 our R&D expenditure (including our investment in R&D entities) was ₹67.45 crore, ₹177.21 crore, ₹81.87 crore, and ₹35.45 crore, respectively.

Healthy financial performance to support growth

We have built our business organically and have demonstrated a healthy financial performance and consistent growth in profitability. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021, our consolidated revenue from operations was ₹995.19 crore, ₹ 4,743.31 crore, ₹ 4,727.11 crore and ₹ 4,422.96 crore. Our consolidated revenue from exports as a percentage of consolidated revenue from operations has grown from 4.54% in Fiscal 2021, 7.68% in Fiscal 2022, 17.23% in Fiscal 2023 and 17.71% in three months ended June 30, 2023. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021, our EBITDA was ₹159.62 crores, ₹665.86 crore, ₹692.98 crore and ₹585.71 crore, respectively, while our EBITDA margins in the same periods were 16.04%,14.04%, 14.66% and 13.24%, respectively. In the three months ended June 30, 2023 and Fiscal 2023, Fiscal 2022 and Fiscal 2021, our profit after tax was ₹75.56 crore, ₹317.71 crore, ₹325.86 crore and ₹246.24 crore, respectively; and our profit after tax margins were 7.59%, 6.70%, 6.89% and 5.57%, respectively, for the same periods.

Our debt-to-equity ratio continues to be low and, as of June 30, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, was 0.25, 0.24, 0.26, and 0.48, respectively; and our debt was ₹809.60 crore, ₹748.31crore, ₹742.80 crore and ₹919.62 crore, as of the same respective periods.

Our results have also benefited from our prudent capital allocation plans. In the three months ended June 30, 2023 and Fiscal 2023 Fiscal 2022 and Fiscal 2021, our capital expenditure was ₹88.48 crore, ₹ 298.98 crore, ₹183.06

crore and ₹106.07 crore, respectively and our ROCE was 13.63%, 15.64%, 19.20% and 19.80% , in the same respective periods.

Strong Promoter led management team with extensive experience

We believe that the experience, depth and diversity of our directors, management team and our Promoter have enabled our Company to be recognized as a customer centric, technology driven organization and to achieve our position as one of the leading OFC and telecom equipment companies in India. Our promoter and Managing Director of our Company, Mr. Mahendra Nahata, has been an executive director of our Company since September 28, 1990 to September 30, 1992 and, thereafter, continued on the Board as a director of our Company. Subsequently, he was appointed as a whole time director with effect from October 1, 1997 and our Managing Director since June 14, 2004. Mr. Nahata is supported by a talented management team. Our core management team is experienced in the telecommunications, defense and rail industries. The majority of our management team have spent more than 10 years with our Company and bring capabilities to enable us to understand and anticipate telecommunication market trends, manage our business operations and growth, leverage our customer relationships and respond to changes in technology in a rapidly changing environment. We intend to continue to leverage on the experience of our management team and their understanding of the telecommunications industry in order to take advantage of current and future market opportunities. For more information, see the sections entitled “*Board of Directors and Senior Management*” on page 190.

Our Strategy

The key elements of our business strategy are as follows:

Improving our product mix to margin accretive own-designed products

We aim to change our revenue mix over time towards margin accretive products through expanded capacity in the OFC and FTTH cable segment and the development of new telecommunications and defense electronics products. With focused efforts towards moving to margin accretive products, our revenue from telecom products and turnkey services (primarily engineering, procurement and construction of various networks and systems) represented 66.56% and 33.44%, respectively, of our consolidated revenue from operations in three months ended June 30, 2023, and 55.61% and 44.35%, respectively, of our consolidated revenue from operations in Fiscal 2023. We intend to achieve this mix by increasing our manufacturing capabilities and high-level backward integration (as discussed below), expanding our R&D activities, growing our global reach and also by leveraging our well established and long-term relations with domestic and foreign customers. By altering our revenue mix, we expect access to new geographies (domestically and internationally), develop a more stable revenue flow and lower our working capital requirements.

Increasing Manufacturing Capabilities and backward integration

To provide us with a foundation to continue to grow our products business, we are expanding our manufacturing capabilities. We are in the process of expanding our backward integration capacity of Optical Fiber by 23.90 million fkm per annum at our Hyderabad facility. The Board of Directors of the Company at its meeting held on January 17, 2022, approved the expansion of Optical Fiber Cable manufacturing capabilities through its wholly owned subsidiary i.e. HFCL Technologies Private Limited, resulting in total capacity to 34.75 mn fkm per annum on consolidated basis. Moreover, the Company is also planning to set up a new facility for manufacturing of telecom and networking products in NCR region.

In addition, we are in the process of establishing a new greenfield manufacturing facility for the manufacture of defense electronic products at Hyderabad. We have been allotted a piece of land measuring 24,282.00 square metres in Hyderabad. We intend to produce defense electronic products like electro optic devices, electronic fuses at this new facility.

For further information, please see “*Risk Factors - Our proposed capacity expansion plans relating to our manufacturing facilities are subject to the risk of unanticipated delays in implementation and cost overruns.*” on page 45.

Expanding our global reach

As part of our initiative to build the product side of our business, we look to expand our reach and thereby increasing our exports to existing and new international markets. In three months ended June 30, 2023 and Fiscal

2023, we exported our products to over 45 countries. Some of the key geographies to which we export our products include the United Kingdom, Germany, Poland, Denmark, Cyprus, France, Spain etc. During three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, our sales from exports as a percentage of our consolidated revenue from operations were 17.71%, 17.23%, 7.68% and 4.54% respectively.

We intend to expand our export to various countries so as to increase our exports as a percentage of our overall business. To that end, we intend to recruit sales and marketing talent internationally and selectively add representative office where necessary to secure business. In addition, we intend to leverage our existing customer relationships to expand our business to mirror their international reach.

Building new structures to focus on key specialization areas

As part of our focus on R&D, we inaugurated a new research and development centre in Bengaluru in June 2021 which is primarily dedicated to the development of 5G products. With this new R&D centre along with our Gurugram R&D centre, as of June 30, 2023, we have a dedicated in house R&D team of 252 employees, which includes 84 employees in the communications area, 124 employees in the 5G technologies area, 19 in the defence technologies area and 25 in the OFC & OF area. In addition, we are investing in technology including 5G solutions by partnering with renowned players and start-ups like IP Infusion, NXP, Metanoia, Wipro and VVDN.

We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. As of June 30, 2023, some of our major products under development are set forth below.

Telecom:

- 5G Indoor & Outdoor FWA CPE
- 5G Macro Radio Unit Products (8T8R)
- 5G Indoor & Outdoor Small Cell (2T2R and 4T4R)
- Cell site Router and Centralized unit Aggregation Router
- Point-to-point and Point-to-multipoint UBRs
- Wi-Fi 7 access points
- IBR Cable

Defense:

- Software defined radio

We also launched a 5G business unit to cater to the needs of communication service providers, enterprises and industry verticals both in India and overseas. The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services.

The table below sets for our portfolio under development, impact and opportunity capitalization and the cumulative market size of each of our 5G segment focus areas.

Addressable product segment	Company Portfolio under development	Impact/Opportunity Capitalization	Cumulative Market Size* (Fiscal 2023-2030)
5G Transport products	• Cell Site Router • DU (Distributed Unit) Aggregation Routers • CU (Centralized Unit) Aggregation Routers	Modernization requirement for transformation of transport network for 5G	USD 87.28 billion
5G RAN products	• 5G 8T8R/32T32R/64T64R Macro RU / mMIMO (Radio Unit) • 5G 2T2R/4T4R Indoor Small Cell for FR1 (Sub 6 GHz) and FR2 (Millimeter Wave) • 5G 2T2R/4T4R Outdoor Small Cell for FR1 and FR2 • FWA CPE (Indoor and Outdoor for FR1 & FR2)	Compliant to 3GPP Release 16 and based on open standards like Open RAN	USD 281.8 billion

Addressable product segment	Company Portfolio under development	Impact/Opportunity Capitalization	Cumulative Market Size* (Fiscal 2023-2030)
5G Global System Integration Services	• ORAN Integration Solution Provider • Private 5G network for Enterprises • 5G enabled solutions for specific industry verticals like Manufacturing, Defence, Railways, Smart Cities, etc • Cloud based network management system	Disaggregated option in 5G to purchase core and access network under Open RAN	USD 245.06 billion

* Total Addressable Market
(Source: Feedback Advisory Report)

Further, we have created a separate delivery organization. Our delivery organization looks after the execution of our various turnkey contracts. It works in close coordination with the respective business units and customers to help our delivery commitments.

Our Products

Optical Fibre Cable (“OFC”) and Optical Fibre

In Fiscals 2022 and 2023, we had the largest market share in the Indian market for OFC. (Source: Feedback Advisory Report). We manufacture OFC which forms the backbone of telecommunication networks used in critical applications. Our products are CE certified (for used in the EU) and meet all international IEC, EIA/TIA and Bellcore standards. Our OFC products include the following:

- *Armoured cable:* Armoured cables are installed in Outside Plant (“OSP”) applications suitable for indoor duct or direct buried installations. Our range includes steel wired armoured fibre optic cable and corrugated steel tape armoured (“CSTA”) fibre optic cable and glass yarn armoured fibre optic cable.
- *Unarmoured cable:* Unarmoured cables used as the backbone OSP environments to be installed into ducts underground either by blowing or pulling methods. A wide range of cables are available as per the specific environmental conditions of cable deployment.
- *Aerial cable:* Aerial cables are best suited as backbone in overhead applications. These cables offer reliable transmission over a broad temperature range. Our range includes All Dielectric Self Supporting (“ADSS”) and Figure 8 self-support cables.
- *Micro cable:* Micro cables offer flexibility of upgrading a network that can quickly grow and change. Micro cables are meant for use in micro ducts by blowing.
- *Micro module cable:* Micro module cables are high density optical cables having a number of individual micro modules.
- *Ribbon cable:* Ribbon cable is a cable with many conducting wires running parallel to each other on the same flat plan and is often used for internal peripheral connections.
- *FTTH cable:* FTTH cable is butterfly shaped and suitable for entering a house by pipe or distribution openly.

In addition to OFC, we also recently completed the backward integration of optical fibre through our Telangana, Hyderabad facility, which commenced commercial production of optical fibre in January 2020. With the objective of keeping pace with the evolving customer demands and technologies in the field of telecommunication, we have enhanced our optical fibre range to include bend insensitive products and smaller diameter products.

Passive Connectivity Solutions

Our passive connectivity solutions product portfolio extends our product range in OFC to provide end-to-end telecommunication solutions. Our product range includes cable assemblies, high density cabinets, fibre termination boxes, joint closures, PLC splitters and aerial and FTTx accessories.

Telecommunications Equipment

We produce a variety of telecommunication equipment including:

- *Point to Point Backhaul Radio*: These are devices that provide wireless connectivity for core links of a cellular network.
- *Wi-Fi Access Points*: An access point is a device that creates a wireless local area network.
- *Unlicensed Band Radio*: Radio that operate on unlicensed frequency bands like 2.4GHz and 5.8GHz.
- *Ethernet L2/L3 Switches*: Ethernet L2 switches route by MAC addresses only and L3 switches are multilayer switches that include static and dynamic routing.

Defense Products

We have developed number of products primarily for defense uses including electro optical devices and electronic fuses, and we are establishing a new greenfield manufacturing facility for the manufacture of these defense electronic products at Hyderabad.

Electro-optics, optical, and opto-electronic components are an important part of defense platforms and are essential in controlling the battlefields. The electro-optical systems refer to various land, air and naval-based discrete technological solutions used for comprehensive situational awareness which includes optic sights, night vision, inspection systems, helmet-mounted displays, optronic devices, thermal imagers, designators detectors, surveillance and tracking systems and photonics mast systems. Electro-optics products such as night vision devices (“NVD”) are basic military requirements to be able to recognize, distinguish and comprehend surroundings under poor light conditions.

Electronic Fuses are devices used in ammunition to initiate an explosive function and to detonate or release the missile or bomb. These devices control the safe separation of the ammunition from the launch platform and trigger the explosion.

Security and Surveillance Products

We produce a number of security and surveillance systems for Smart Cities and other uses. These products include video management systems (“VMS”) for CCTV VMS, video analytics which is software that allows for the monitoring of video streams in near real time, automatic number plate recognition system and traffic light violation detection systems.

Our Network Services and Solutions

We offer network services and solutions for telecommunications, defense and railways.

Telecommunications Networks

We offer our customers comprehensive digital solutions for telecommunication, defence communication and railway communication. We offer our customers end-to-end network services for OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, FTTH and in-building solutions. By the end of June 2023, we have installed over 200,000 kms of OFC.

Defense networks and systems

We provide a complete MPLS based dedicated communication network for defense services. Our offering includes:

- *Network For Spectrum (“NFS”) project*: The GoI is implementing the NFS project (funded by the DoT), which is an India-wide secure, multi-service and multi-protocol converged network based on exclusive and

dedicated tri-services optical transport backbone. BSNL is the implementation agency and we received various orders from BSNL including supply of equipment and services along with a 10-year O&M component (including warranty). Company is implementing the following projects under NFS program:

- *Fibre network overlay*: We are integrating a fibre network overlay with GIS maps, satellite images and commercial land base data for the Indian defense forces including implementation of CCTV surveillance, access system and fire detection system at over 300 army locations.
- *IP/MPLS*: We are implementing converged nationwide IP/MPLS backbone with 219 X access network and integrated IMS based communication solution on turnkey basis for defence network.
- *DWDM based Optical Transmission Backbone Network*: We are planning, designing and implementing a nationwide IP backbone and access network for the Indian defense forces.
- *Microwave broadband radio*: We are providing end-to-end solutions for a number of hybrid microwave broadband radio links in remote areas.
- *Umbrella Network Management System*: We have been sub-contracted as part of this contract and the project is in the execution phase.

Railway Solutions

We have been servicing Indian railways through innovative communication products and solutions. Leveraging on our telecommunications network experience as well as comprehensive project management capabilities, we offer an expanded portfolio of services comprising of network design, equipment supply, installation and commissioning, network integration, and post deployment support for metro rail lines, mainline railways, as well as dedicated railway freight corridors in India.

- *Freight Corridor Projects*: We are implementing telecom networks for greenfield domestic railway freight corridor projects which includes the eastern and western dedicated freight corridors.
- *Kanpur and Agra Metro Rail*: We are setting up telecommunication systems for Kanpur and Agra Metro rail projects.
- *Video Monitoring Systems*: We are installing and activating approximately 25,000 video monitoring systems at more than 600 railway locations in India
- *Overseas projects*: We were awarded projects to set up telecommunication systems including OFC networks for metro rail in Mauritius and Dhaka.

Our Order Book

As at June 30, 2023, our Order Book was ₹6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08% comprises other product and services orders.

Our “Order Book” comprises anticipated revenues from the unexecuted portions of existing contracts (including signed contracts for which all pre-conditions to entry into force have been met and letters of acceptance issued by the customer prior to execution of the final contract) and from advance purchase orders and advance work orders for which we are yet to receive final purchase orders or work orders.

The following table summarizes our Order Book as at June 30, 2023.

Particulars	Outstanding as at June 30, 2023	Percentage of Total Order Book
Type of Project or Products	(in ₹ crore)	
Telecommunications projects and products	4,078.13	61.93%
Defense projects	1,846.57	28.04%
Railway projects	656.92	9.98%
Security and Surveillance projects	3.09	0.05%
Total	6,584.71	100.00%

The following table sets forth certain information relating to our Order Book as at June 30, 2023 by different types of customers.

Particulars	Outstanding as at June 30, 2023	Percentage of Total Order Book as at June 30, 2023
Types of Customers	(in ₹ crore)	
Private sector telecommunications customers	1,765.13	26.81%
Other private sector customers	119.85	1.82%
PSU customers	344.59	5.24%
Ministry of Defense	1,846.57	28.04%
State Government customers	2,343.69	35.59%
International customers	164.88	2.50%
Total	6,584.71	100.00%

Description of projects and orders

For a description of our some of our major projects or orders which are in our Order Book as at June 30, 2023, see “Our Strengths - Strong Diversified Order Book including Marquee Projects” on page 130.

Government Tenders

Most of our contracts with Government agencies and PSU customers are based on tenders. Bids in response to such tenders are first evaluated on a technical basis subsequent to which price bids are opened. Usually, the lowest bidder sets the price and the total order may be placed with one or more bidders using the lowest bidder's price as a benchmark. Such tenders may have one-time ordering or may also include provisions for add-on ordering in the future but use the tender price as the basis.

Preferential Market Access Policy

Under the GoI's Preferential Market Access policy, indigenous manufacturers are given preference in procurement by Government agencies, including PSUs. Indian manufacturers with a defined value addition through contribution within the country (“PMA Manufacturers”) are given preference over foreign manufacturers or domestic manufacturers not meeting the value addition requirement. Under the policy, PMA Manufacturers are given priority for allocation of tenders by Government agencies subject to the condition that their quoted rates are within 20% of the lowest (“L-1”) rate, and such PMA Manufacturer is ready to supply the products or services at the L-1 rate. We believe that this policy may help us and other indigenous manufacturers to compete and get more GoI orders.

Customers

We cater to various customers across different industry segments like telecommunications, defence and railways. Our major customers include

- *Telecommunications:* Reliance Jio, BSNL;
- *Railway:* Mauritius Metro Rail, Uttar Pradesh Metro Rail Corporation Limited – Kanpur Agra Metro.
- *Defence:* OEM majors across the sector including aerospace.

In addition, we also sell our products and services to PSUs like BSNL, JCNL as well as the Ministry of Defence, the Ministry of Communications, other GoI agencies and State governments agencies and companies.

Our revenue and Order Book are concentrated with, and we are dependent on, a limited number of customers and projects. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022, Fiscal 2021 and Fiscal 2020, our top ten customers accounted for 77.88%, 72.10%, 78.24%, and 89.46% of our telecom revenue and 100.00%, 98.86%, 99.75%, and 95.05% of our turnkey revenue, respectively; our top five customers accounted for 70.44%, 65.44%, 70.97%, and 80.70%, of our telecom revenue and 96.24%, 94.96 %, 95.44% and 93.16% of our turnkey revenue, respectively.

In addition, our revenue and Order book are concentrated with the GoI and GoI entities, mainly PSUs like BSNL JCNL and the Ministry of Defence as well as State Governments. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, the GoI, PSUs and State Governments accounted for approximately 18.07%, 17.27%, 32.46% and 49.12% of our revenue from operations, respectively. As at June 30, 2023, approximately 68.87% of our Order book was concentrated in projects with the GoI, PSUs and State Governments as customers.

Exports

In three months ended June 30, 2023 and Fiscal 2023, we exported our products to over 45 countries. Some of the key geographies to which we export our products include the United Kingdom, Germany, Poland, Denmark, Cyprus, France, Spain etc . During three months ended June 30, 2023, Fiscal 2023 Fiscal 2022 and Fiscal 2021, our sales from exports, as a percentage of our consolidated revenue from operations were 17.71% , 17.23%, 7.68% and 4.54% respectively.

Sales and Marketing

Our business is predominantly conducted on a business-to-business basis and our focus is on maintaining constant contact with customers and to ensure timely delivery. Sales and marketing initiatives is undertaken by the product managers, the business development team and the sales team. Our product managers are responsible for ensuring timely supplies, taking new orders, quoting rates and aids in understanding the requirements of the customers. The business development team seek out new geographies and identifies new products, which assists in corporate expansion.

As at June 30, 2023, our sales and marketing team had 55 employees who were involved in sales, pre-sales and marketing activities. As at June 30, 2023, we have branch offices and project offices across 26 states and 6 Union Territories across India. In addition to this, we also have branch offices in Dhaka, Mauritius and the United Kingdom and a representative office in Dubai. Furthermore we have recently opened, two new offices for our foreign subsidiaries in Netherland and USA. Our branch and project offices perform dual operations including (a) marketing of our products and services and extending operational support for the projects undertaken in the respective regions and (b) participating directly in the tenders floated by different agencies in the respective regions and executing orders in case of winning tenders.

Manufacturing Facilities

As at June 30, 2023, we had five operational manufacturing facilities, including three located at Goa, Chennai (Tamil Nadu), Hosur (Tamil Nadu) and two at Hyderabad (Telangana). Our manufacturing facilities have the combined approximated installed capacity as at June 30, 2023, as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai and Hosur, as follows:

- 25.08 million fkm of OFC;
- 702,000 ckm of FTTH cables;
- 10 million fkm of optical fibre;
- 504,000 km/annum of FRP;
- 660,000 km/annum of ARP;
- 2,700 MT per annum of IGFRs; and
- 24,000 MT per annum of Polymer Compound.

A map showing the location of our facilities is set forth below.



Our facilities manufacture a broad range of equipment, components and systems including OFC, optical fibre, cables and OFC accessories.

The following table sets forth the certification, capacity, utilization and product range of each of our manufacturing facilities.

Manufacturing Facility	Certification	Installed Capacity (units per annum) ⁽¹⁾	Principal Product Range
Goa	ISO 9001:2015 ISO 10002:2018 TL 9000:2016-H R6.3/R5.7 & ISO 9001:2015 ISO 14001:2015 ISO 45001:2018 ISO/IEC 27001:2013 ISO/IEC 27001:2013 as extended by ISO/IEC 27701:2019 ISO/IEC 20000-1:2018 ISO 22301:2019 ISO/IEC 17025:2017	8 million fkm	Optical Fiber Cable
Chennai	ISO/IEC 27001:2013 ISO 14001:2015 ISO 45001:2018 TL 9000-H R6.3/R5.7 & ISO 9001:2015	11.88 million fkm 270,000 ckm	- Optical Fiber Cable - FTTH Cable
Hosur	ISO 9001:2015 ISO 14001:2015 ISO 45001:2018	504,000 kms 660,000 kms 2700 MT 24000 MT per annum	- FRP - ARP - IGFR - Polymer Compound
Hyderabad	TL 9000-H R6.3/R5.7 & ISO 9001:2015 ISO 14001:2015 ISO 45001:2018 ISO/IEC 27001:2013 ISO/IEC 20000-1:2018	10.00 million fkm per annum 5.20 million fkm per annum 432,000 ckm per annum	- Optical Fibre - Optical Fiber Cable - FTTH Cable

Notes:

(1) *Our capacity is our installed capacity as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai and Hosur.*

Outsourcing

We outsource some services including for construction of buildings and OFC laying work. In addition, depending on project specifications some products and components may be sourced from original equipment manufacturers (“OEMs”) on an order-by-order basis. In addition, some services like civil activities or optical fibre laying are often outsourced in the ordinary course of business.

Research & Development

We have two R&D Centres in Gurugram and Bengaluru. As part of our focus on R&D, our Bengaluru centre was inaugurated in June 2021 and is primarily dedicated to the development of 5G related products.

As of June 30, 2023 we had a dedicated in house R&D team of 252 employees, which includes 84 employees in the communications area, 124 employees in the 5G technologies area, 19 in the defence technologies area and 25 in the OFC & OF area. We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, our R&D expenditure (including our investment in R&D entities) was ₹67.45 crore, ₹177.21 crore, ₹81.87 crore and ₹ 35.45 crore, respectively.

In addition, we have relationships with renowned players and start-ups in technology including 5G solutions like IP Infusion, NXP, Metanoia, Wipro and VVDN.

We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. As of June 30, 2023, some of our major products under development are set forth below.

Telecom:

- 5G Indoor & Outdoor FWA CPE
- 5G Macro Radio Unit Products (8T8R)
- 5G Indoor & Outdoor Small Cell (2T2R and 4T4R)
- Cell site Router and Centralized unit Aggregation Router
- Point-to-point and Point-to-multipoint UBRs
- Wi-Fi 7 access points
- IBR Cable

Defense:

- Software defined radio

We also launched a 5G business unit to cater to the needs of communication service providers, enterprises and industry verticals both in India and overseas. The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services.

Power, fuel and water

We procure utilities such as water, natural gas and electricity from third parties for use at our manufacturing units. As part of our manufacturing process, we use natural gas supplied by various suppliers that is used as a raw material in the manufacture of optical fibre. Our power, fuel and water expenses together comprised 1.60%, 1.12%, 0.81%, and 0.64%, respectively, of our total expenses in three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively, on a consolidated basis.

Equipment, Components and Materials

Equipment, components and materials essential to our business are available from various sources. The principal materials we use in our products and services include metal plate, various electrical and mechanical

components, switches, optical fibre, pre-form, surface mounted devices, discrete integrated circuits, capacitors, resistors and various application specific integrated circuits.

As of June 30, 2023, we had major suppliers in India and internationally. Some of our suppliers are the sole sources for procuring such components. We procure our components from these suppliers on a regular basis and have back-to-back contracts with OEMs for procurement of customised and proprietary items as per particular tender and purchase order specifications .

We monitor the availability and pricing of equipment and materials on a regular basis. Our procurement department actively leverages our size and purchasing power to ensure that we have access to key equipment, components and materials at the best possible prices and delivery schedule. While we do not currently foresee any lack of availability of equipment, components and materials in the near term, the availability of these items may vary significantly from year to year.

For further information, see *“Risk Factors - We rely on a number of third party suppliers for our key components, materials and stock-in-trade as well as customer support services including product repairs and returns. If such third parties fail to deliver such components, products and support services in a timely manner or meet our specifications, our ability to meet our product delivery and quality obligations will be undermined and as a result, our reputation, business, results of operations and financial condition may be materially and adversely affected.”* on page 48.

Freight and Transportation

Pursuant to certain of our arrangements with our customers, based on customer preferences, we sometimes are required to pay the freight costs for the products we sell. In addition, we may have to pay for transportation costs in relation to the delivery of some of the raw materials and other inputs to our manufacturing facilities. We do not own any vehicles for the transportation of our products and/or raw materials; we therefore rely on third party transportation and logistics providers for delivery of our raw materials and products. However, we have annual contracts with such third-party transportation and logistics providers. Disruptions of logistics could impair our ability to procure raw materials and/or deliver our products on time, which could materially and adversely affect our business, financial condition and results of operations. For further information, see *“Risk Factors - Our success depends on the smooth supply and transportation of raw materials, components and stock-in-trade from our suppliers to our plants and of our products from our plants to our customers, which is subject to various uncertainties and risks.”* on page 56.

In Fiscal 2023, 17.23% of our total net revenue from operations was from exports and consumption of imported goods constituted 29.82% of our total goods consumption. A small portion of our expenses is due to freight carriage and transport and freight and forwarding expense and export freight charges. Freight (inward and outward) represented 0.40%, 0.51%, 0.96% and 0.72% of our total expenses in three months ended June 30, 2023, Fiscal 2023, Fiscal 2022, and Fiscal 2021, respectively, on a consolidated basis.

Customer Support and Services

We believe our ability to provide ongoing customer support is critical for successful long-term relationships with our customers and the success of our business. We aim to provide the highest levels of service and support to our customers. We offer our customers a broad range of support and services, including technical support, repair support, installation, commissioning and training. Our manufacturing plants, corporate headquarters, branch offices and project offices in across 26 states and 6 Union Territories provide our customers with pan-India support.

Product repairs and returns are carried out in-house and by third parties. Our in-house repairs and returns services are provided at our manufacturing facilities. We also use the facilities of our technology partners for repairs and return services.

Risk management

We believe that risk management is an integral part of our operations. We believe that it is essential to identify and manage risks in order to reduce uncertainties and ensure continuity of business. We have a risk management framework which aims at timely identification, evaluation and pre-emption of potential risks. Appropriate risk

mitigation measures are established to overcome adverse situations, which may arise on account of foreseeable risks.

Insurance

We maintain insurance coverage that we consider is necessary for our business. Some of the major risks covered for our business assets are against risks relating to fire and special perils for our plant and machinery, all risks relating to information systems equipment (including losses caused by electrical breakdowns) and certain other losses and damage to buildings, plants, machinery, inventory and office equipment. We also have a directors' and officers' policy for our directors and senior management. For further information, see *"Risk Factors – Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, results of operations and financial condition."* on page 60.

Competition

The markets for OFC and telecommunication and defence equipment are highly competitive, rapidly evolving and are characterized by frequent introductions of new and improved solutions, applications, innovations and technologies. We expect competition to intensify in the future as the market for communication technology grows and new and existing competitors devote considerable resources to introducing and enhancing products and services. Accordingly, our ability to grow our business in accordance with our strategy will depend on our ability to introduce new products, respond to pricing strategies by competitors, expand our manufacturing capabilities, develop intellectual property and reduce our expenses and our debt. For more information about our industry, see *"Industry Overview"* on page 93.

Human Resources

We place importance on developing our human resources. As at June 30, 2023, we had over 3500 employees working across our projects and manufacturing facilities. Our workforce includes over 1900 engineers working across our projects and facilities.

We have two labour unions at our manufacturing units. We experienced a work stoppage and lock out of employees in July 2019 at our Solan facility, which is no longer operational. We have not had any other labour strikes or cessation of work due to labour disputes in three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021.

Our work force is a critical factor in maintaining quality, productivity and safety, which strengthens our competitive position. We aim to develop a culture that is based on fairness and respect. We continuously review our existing human resource initiatives to make them more inclusive, employee engaging and skill-development oriented. We continue to lay emphasis on building and sustaining an excellent organization climate based on human performance. In addition, we have made investments in strengthening the competencies of employees. We provide learning platforms that encourage both self-nominated and manager nominated learning programs through a mix of online, classroom and on-the-job training. Further, we are in the process to build a foundation of next generation talent with our "Spark" program that focuses on talent coming from reputed Indian engineering and MBA campuses.

Environment, Health and Safety

We are subject to national, regional and state laws and government regulations, including in relation to safety, health, environmental protection and labour. These laws and regulations impose controls on air and water discharge, noise levels, storage handling, employee exposure to hazardous substances and other aspects of our manufacturing operations. Further, our products, including the process of manufacture, storage and distribution of such products, are subject to numerous laws and regulations in relation to quality, safety and health. We handle and use hazardous materials in our R&D and manufacturing activities and the improper handling or storage of these materials could result in accidents, injure our personnel, property and damage the environment. We try to prevent such hazards by training our personnel, conducting industrial hygiene assessments and employing other safety measures. We keep ourselves prepared for emergencies through regular emergency drills and safety inspections. Our major manufacturing facilities have ISO 14001:2015 certification for Environment Management and ISO 45001:2018 certification for Occupational Health and Safety.

We focus on managing energy consumption, emission and conservation; investing in water-saving technologies; using recycled water; disposing waste responsibly; and optimising our processes to achieve efficiency in raw material consumption. We have undertaken a number of measures to reduce our operations impact on the environment. For example, we have high efficiency compressed air suction devices on sheathing lines to reduce consumption of compressed air and noise. We also have set up sewage treatment plants (“STP”) of capacity of 30 KL per day at our Goa Facility and of 15KL at our Hyderabad facility to recycle and reuse domestic wastewater. In addition, we replaced all conventional lighting at all our facilities and offices with energy efficient LED lighting. Further, we use sustainable packaging like corrugated paper instead of plastic and have reengineered our packaging drums to save wood and fuel. We also have entered an agreement in respect of e-waste management. Moreover, our OFC is laid by using the horizontal drilling method thus avoiding damage to the trees and shrubs, and we ensure that the earth is restored wherever pits are dug.

We prioritize the health and safety of our employees and undertake several initiatives to promote employee health and quality of life. We work to ensure a safe and healthy workplace and provide our employees with the benefits, resources and flexibility to maintain and improve their wellness. We maintain adequate standards of occupational health, safety and well-being to ensure seamless manufacturing operations, protect our employees and meet legal requirements. For example, at our Goa plant, we have installed an automatic fire detection and suppression system in our UPS rooms, battery rooms and server room.

Intellectual Property

In connection with certain wide angle frequency scanning antennae, micro module cables, optical fibre ribbon structures and optical fibre ribbons, we have 5 patents registered in India.

In addition to our patents, we also rely on a combination of trade secret, and copyright law and contractual restrictions to protect our intellectual property. Most of our agreements with our employees and consultants include confidentiality provisions and provisions on ownership of intellectual property developed during employment or specific assignments, as applicable.

Information Technology

Our IT systems and digital tools are vital to our business, and we have successfully implemented solutions to cater our enterprise automation requirements to enhance employee, customer, partner and stakeholder experience. For example, we use SAP S4 HANA (Enterprise Resource Planning Application), DarwinBox (enhancing employee experience), SAP ARIBA (enhancing partner experience), SAP Fiori Apps (enhancing stakeholders experience) Manufacturing Execution System (for production shop floor automation), and Project Management Tools (for our project business). We are ISO 2700:2018 (Information Security Management System) and ISO 27701:2019 (Privacy Information Management System) certified. ITSM tool (ManageEngine) is implemented across group for Hardware, Software inventory management, IT/SAP service ticket management, patch management etc.

We have launched a digital transformation initiative in March 2021. The key objective of this project is to re-assess business processes in view of best business practices and implement innovative, differentiating solutions aligned with our overall business strategy. We have initiated SAP RISE implementation across group with a vision to consolidate all SAP instances and establish digital core following best practices across business verticals with consolidated reports and KPIs. We expect to use new ERP solutions beginning FY 2024-25. Further, to strengthen the cyber security of HFCL, we have started a campaign for spreading awareness among employees of various cybersecurity threats and attacks which will help employees to further identify and safeguard themselves from these attacks.

For information on the risk to our IT systems, see “*Risk Factors - Failure or disruption of our IT, manufacturing automation systems and/or ERP systems may adversely affect our business, results of operations and financial condition.*” on page 56.

Properties

Our registered office is 8, Electronics Complex, Chambaghat, Solan – 173 213, Himachal Pradesh, India and our corporate office is located at 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi – 110 048. As of March 31, 2023, both offices were held under lease.

We also have three manufacturing facilities located in Goa, Chennai and Hosur and two facilities at Hyderabad, Telangana. Further, we have branch offices and project offices across 26 states and 6 union territories in India. In addition to this, we also have branch offices in Dhaka, Mauritius and the United Kingdom and a representative office in Dubai. We also have warehouses and guest houses.

Legal Proceedings

For details of material ongoing legal proceedings to which we are a party, see “*Legal Proceedings*” on page 245.

Corporate Social Responsibilities

In compliance with the requirements of Section 135 of the Act read with the Companies (Corporate Social Responsibility) Rules, 2014, the Board of Directors have constituted a Corporate Social Responsibility (“CSR”) Committee, which is constituted by three Directors. Our CSR activities are centred on two core themes of healthcare and education.

In healthcare, we engaged in a number of CSR initiatives including

- Serving remote areas of India through our mobile medical units operating in Solan, Goa, Sardarshahar, Ghazipur and Hyderabad in association with HelpAge India and the Wockhardt Foundation.
- Supporting corrective surgeries in association with St. Stephen’s Hospital, New Delhi;
- In association with National Heart Institute, New Delhi,, supporting Cardiac Valves replacement and open heart surgeries for those who urgently require such surgeries but are unable to afford them due to a lack of financial resources.

In education, through Project SAMARTH, we have provided grants for the education of specially-abled children. In the past the Company has also delivered basic education and nutritious meals to the street children in Delhi. Further, the Company has also imparted computer skill training to underprivileged youth at our computer learning centers in Ghazipur (Uttar Pradesh). We have also provided individual education and sports training support grants to provide financial support to meritorious candidates from time to time.

In respect of care for the elderly, we contributed toward the construction of an old age home for women situated at Garhmukteshwar.

We have also supported Care and Compassion Welfare Organization, to work for population control among stray dogs with the help of organizing sterilizations drives for dogs, to arrange for the vaccination to the stray dogs against rabies, to provide immediate medical attention to the wounded animals, to arrange the treatment of terminally ill animals and animals abandoned on the streets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based on, and should be read in conjunction with, the information in the section titled "Selected Financial Information" beginning on page 35 of this Placement Document, and our Audited Consolidated Financial Statements and Limited Reviewed Unaudited Consolidated Financial Results included in the section titled "Financial Statements" beginning on page 254 of this Placement Document.

Our Audited Consolidated Financial Statements as at, and for, the fiscal years ended March 31, 2023, 2022 and 2021 (including the schedules, notes and significant accounting policies thereto), have been prepared in accordance with Ind AS, read with the Companies (India Accounting Standards) Rules, 2015. Ind AS differs in certain respects from IFRS and U.S. GAAP and other accounting principles with which prospective investors may be familiar. Accordingly, the degree to which financial statements included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited.

Statements in this Placement Document that are not historical facts may be forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause our actual financial performance to differ materially from the conditions contemplated in such forward-looking statements. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or any other person, or that these results will be achieved or are likely to be achieved. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors and contingencies that could affect our financial condition, results of operations and cash flows. You are advised to read the sections titled, "Forward-Looking Statements" and "Risk Factors" beginning on pages 15 and 42, respectively, which discuss a number of factors or contingencies that could affect our business, financial condition and results of operations. You are cautioned not to place undue reliance on these forward-looking statements.

Unless otherwise indicated, all industry and market data used in this section has been derived from the "An Industry Report on OFC and Telecom equipment, Railway Communication services & Defence Electronics" prepared and released in August 2023 by Feedback Advisory, and commissioned by us (the "**Feedback Advisory Report**"). Neither our Company nor the Book Running Lead Manager nor any other person connected with the Issue has independently verified such information.

Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12-month period ended March 31 of that year. The financial information for the quarter ended June 30, 2023 are not comparable with our results for the full fiscal years.

In this section, unless the context otherwise requires, a reference to "our Company" is a reference to HFCL Limited on a standalone basis, while any reference to "we", "us" or "our" refers to HFCL Limited and our Subsidiaries and Associates, on a consolidated basis.

Overview

We are a leading technology company in India manufacturing a range of products in optical fibre cable ("OFC"), optical fibre, cable accessories and telecom equipment. (Source: *Feedback Advisory Report*). We provide an end-to-end portfolio of integrated next generation optical and data networking solutions for telecommunications, defence communication and railway communication. Our network services include OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, fibre to home ("FTTH") and in-building solutions as well as defence and railway communication networks. Our products and solutions are used by both private and public enterprises, including major Indian telecommunications companies, railway companies and the Indian defence forces. In addition, we export our products to enterprise and business customers in over 45 countries.

With focused efforts towards moving to margin accretive products, our revenue from telecom products and turnkey services (primarily engineering, procurement and construction of various networks and systems) represented 66.56% and 33.44%, respectively, of our consolidated revenue from operations in three months ended June 30, 2023, and 55.61% and 44.35%, respectively, of our consolidated revenue from operations in Fiscal 2023. Our

telecommunication products are used to build networks that carry voice, data and video communication, mobile and broadband networks over optical fibre. Our products are CE certified (for use in the EU) and meet all international IEC, EIA/TIA and Bellcore standards. We manufacture OFC which forms the backbone of telecommunication networks used in critical applications. In Fiscals 2022 and 2023, we had the largest market share in India for OFC, making us one of the largest manufacturers and suppliers of OFC (including FTTH) in India. (Source: *Feedback Advisory Report*). Our OFC products include armoured cables, unarmoured cables, aerial cables, micro cables, micro module cables, ribbon cables and FTTH cables.

In addition to OFC, we have backward integration facilities for manufacture of optical fibre, aramid reinforced plastic (“ARP”) rods, fibre reinforced plastic (“FRP”) rods, impregnated glass fibre reinforcement (“IGFR”) yarns and Polymer compound. We are also one of the largest manufacturers of Wi-Fi access points and unlicensed band radios (“UBRs”) in India in Fiscals 2022 and 2023. (Source: *Feedback Advisory Report*). We also produce variety of security and surveillance products. These products include video management systems (“VMS”), video analytics, automatic number plate recognition system and traffic light violation detection systems.

We offer our customers comprehensive digital solutions for telecommunication, defence communication and railway communication. We offer our customers end-to-end network services for OFC and optical transport networks, rural GSM networks, broadband networks, access networks, mobile backhaul networks, FTTH and in-building solutions. By the end of June 30, 2023 we installed over 200,000 kms of OFC. In addition, we have developed a number of networks and systems for deployment in the defence context which include OFC and optical transport networks, fibre monitoring and management systems, routing networks, and microwave radio solutions. Further, in the railway sector, we offer an expanded portfolio of services comprising of network design, equipment supply, installation and commissioning, network integration, and post deployment support” for metro lines, mainline railways, as well as upcoming dedicated railway freight corridors in India.

As at June 30, 2023, we had five operational manufacturing facilities, including three located at Goa, Chennai (Tamil Nadu), Hosur (Tamil Nadu) and two at Hyderabad (Telangana). Our manufacturing facilities have the combined approximated installed capacity as certified by our chartered engineers, PM Pai & Associates for Goa and Chand Kumar Bhatia for Hyderabad, Chennai & Hosur, of 25.08 million fkm of OFC; 702,000 ckm of FTTH cables; 10.0 million fkm of optical fibre; 504,000 km/annum of FRP; 660,000 km/annum of ARP; and 2,700 MT/annum IGFR s, and 24,000 MT/annum of Polymer Compound as at June 30, 2023.

Our manufacturing and product offerings are also supported by our two R&D centres in Gurugram and Bengaluru. As of June 30, 2023, we had a dedicated in house R&D team of 252 employees. We are employing our R&D to strengthen our product offering in key application sectors and to develop new products. We have a number of products under development in telecommunications including IBR Cable, Point-to-point and Point-to-multipoint UBRs, Wi-Fi 7 access points, Cell site Router and Centralized unit Aggregation Router, and in defence including software defined radio. We also launched a 5G business unit to cater to the needs of communication service providers, enterprises and industry verticals both in India and overseas. Portfolio of products under development in 5G business unit includes 5G Indoor & Outdoor FWA CPE, 5G Macro Radio Unit Products (8T8R), 5G Indoor & Outdoor Small Cell (2T2R and 4T4R). The primary focus of the 5G business Unit is on 5G transport products, 5G RAN products and global system integration services. In addition, we are the only Indian company to have developed electronic fuses for artillery ammunition with own intellectual property rights. Our electronic fuses are NATO (North Atlantic Treaty Organization) certified resulting in access to a wider customer base among NATO countries. We are currently setting up manufacturing facilities for these electronic fuses in Hyderabad.

As at June 30, 2023, our Order Book was ₹ 6,584.71 crore (including advance purchase orders), of which 71.49% comprises large turnkey projects, 7.43% comprises product orders and 21.08 % comprises other product and services orders. For further information on our Order Book, see “*Our Business - Our Order Book*” on page 137.

Key financial information

Set forth below is certain of our key financial information on a consolidated basis:

(in ₹ crore, except percentages and ratios)

Particulars	Three months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2022 (Unaudited)	Fiscal 2023 (audited)	Fiscal 2022 (audited)	Fiscal 2021 (audited)
Revenue from operations	995.19	1,051.02	4,743.31	4,727.11	4,422.96
Gross margin	307.47	265.50	1,264.40	1,228.37	1,019.04
Gross margin (%)	30.90%	25.26%	26.66%	25.99%	23.04%

Particulars	Three months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2022 (Unaudited)	Fiscal 2023 (audited)	Fiscal 2022 (audited)	Fiscal 2021 (audited)
EBITDA	159.62	129.76	665.86	692.98	585.71
EBITDA margin	16.04%	12.35%	14.04%	14.66%	13.24%
Profit after tax	75.56	53.10	317.71	325.86	246.24
PAT margin	7.59%	5.05%	6.70%	6.89%	5.57%
Capital expenditure	88.48	60.28	298.98	183.06	106.07
Operating cash flows	31.28	(74.14)	236.41	205.37	56.82
ROCE	13.63%	11.86%	15.64%	19.20%	19.80%
ROE	9.17%	7.26%	10.66%	13.74%	13.71%
Debt / equity ratio	0.25	0.26	0.24	0.26	0.48
Net debt / EBITDA ratio	5.07@	5.72@	1.12	1.07	1.57

@Not Annualised.

For information about Non-GAAP financial measures as set forth in the table above, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures*” on page 166.

Significant Factors Affecting Our Results of Operations

Our financial performance and results of operations are influenced by a variety of factors, including without limitation, global and domestic competition, technological developments and innovations in telecommunications equipment, conditions in the markets for telecommunications products, capital expenditure plans of telecommunications service providers, general economic conditions, changes in costs of raw materials and government regulations and policies. Some of the more important factors are discussed in the section “*Risk Factors*” beginning on page 42.

Working capital requirements and access to capital resources

Our business requires significant amounts of working capital, primarily for financing our raw material purchases and manufacturing our products before we receive payments from our customers. Further, our working capital requirements also tend to increase if contractual or sales terms do not include advance payments or if under such contractual arrangements, payment is stipulated at the time of delivery of the final product to our customer. Moreover, our working capital requirements will increase in the event we undertake a larger number of orders as we grow our business. In order to manage our working capital effectively, we are working on aligning vendor payment terms with receivables in some cases.

In terms of the inventory maintained by us, we strive to have sufficient inventory on hand at all times so that we are able to quickly meet the demands of our customers. To this end, we strategically manage our inventories, purchasing raw materials based on our estimated future production requirements, taking into account our views on potential supply shortages, and maintaining finished goods based on our estimates of future customer demand. In recent years, we have increasingly focused on rationalising our inventory management, to meet our future requirements while not carrying undue levels of inventory.

Our working capital requirements can also vary significantly across our business segments, with government contracts and our turnkey projects typically having payment terms on the basis of milestones, and therefore higher working capital requirements. As part of our growth strategy, we expect to grow our telecom products business segment relative to our turnkey contracts and services business segment, which we expect to improve our working capital cycle. However, if our turnkey contracts and services business segment grows faster relative to our telecom products business segment, our working capital requirements could increase and our working capital ratios would be adversely affected. Currently, we fund our working capital requirements from our internal accruals as well as through raising working capital loans.

Investment in innovation

Our Company’s competitive position and financial performance have depended and will continue to depend on our ability to adapt to and incorporate technological advancements and develop new and innovative products relevant to our customer base. We believe that we must continue to invest in our product portfolio. We have two R&D centres in Gurugram and Bengaluru. As part of our focus on R&D, our Bengaluru R&D centre was inaugurated in June 2021 and is dedicated to the development of Fifth Generation (“5G”) and Wi-Fi products.

Research and development activities require significant capital investment by the Company. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, we incurred research and development expenditure (Including our Investment in R&D entities) of ₹ 67.45 crore, ₹177.21 crore, ₹81.87 crore and ₹35.45 crore, respectively, which represented 6.78%, 3.74%, 1.73% and 0.80%, respectively, of our consolidated revenue from operations for each of the respective periods/years. We expect our operations to continue to require cash investment to pursue our research and development activities, including focusing investment on key growth themes of 5G applications and solutions, telecommunications and networking products (e.g., next gen Wi-Fi systems based on Wi-Fi 7 standards, Ultra High Capacity Point-to-point and Point-to-multipoint UBRs, Wi-Fi 7 access points, Access and Aggregation Routers, 5G Transport – Cell site Routers, 5G Indoor & Outdoor FWA CPE, 5G Radio Access Network Products (8T8R), 5G Indoor & Outdoor Small Cell (2T2R and 4T4R) (e.g. software defined radio.) The Company intends to continue making investments in new product development in Fiscal 2024.

Reliance on major customers and large-scale contracts and turnkey project awards

Our top ten customers represent a significant portion of our revenue. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, our top ten customers accounted for 77.88%, 72.10%, 78.24% and 89.46% of our telecom products revenue, and 100.00%, 98.86%, 99.75% and 95.05% of our turnkey contracts and services revenue, respectively; our top five customers accounted for 70.44%, 65.44%, 70.97% and 80.70% of our telecom products revenue, and 96.24%, 94.96%, 95.44% and 93.16% of our turnkey contracts and services revenue, respectively.

We expect that in the foreseeable future a limited number of large customers will continue to comprise a significant percentage of our operating revenue. We have long-term relationships and ongoing active engagements with many of our customers. However, if we are unable to expand our sales volumes to existing customers, maintain our relationships with key customers or diversify our customer base, we may experience material fluctuations or decline in our revenue and reduction in our operating margins, including as a result of any decrease in orders from any of these key customers and/or failure to retain such customers on terms that are commercially viable, as a result of which our business, results of operations and financial condition could be materially and adversely affected. In addition, any defaults or delays in payments by a major customer or a significant portion of our customers may have an adverse effect on business, financial condition and results of operations.

In addition, a substantial portion of our revenue is generated from large-scale contracts and turnkey projects that we are awarded from time to time. The timing of when projects will be awarded is unpredictable and outside of our control. We operate in competitive markets where it is difficult to predict whether and when we will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. We are subject to the risk of losing new awards to competitors. Because a substantial portion of our revenues are generated from large projects, our results of operations can fluctuate over fiscal years and quarters, depending on whether and when project awards occur and the commencement and progress of work under such awarded contracts. Hence, there is a risk that revenue may not be derived from awarded projects as quickly as anticipated. Also, any cancellation or suspension of an order by a customer, or any inability to manage such projects effectively, which may lead to cost overruns and/or significant delays, may also affect our business, results of operations and financial condition.

Raw materials cost

Our total consumption of materials and sub-contracting expenses represented 75.91%, 79.80%, 80.96% and 82.66% of our total expenses for three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively. Our financial condition and results of operations are significantly impacted by the availability and cost of our major raw materials, particularly optical fibre and preform, and the mix of turnkey contracts executed during a particular period.

We procure optical fibre, preform, filling gelly, HDPE, gases, and other project materials from third party suppliers on the basis of purchase orders placed with our suppliers at fixed prices as well as prices determined after suitable negotiations. While we are not significantly dependent on any single raw material supplier, raw material supply and pricing can be volatile due to a number of factors beyond our control, including global demand and supply, general economic and political conditions, transportation and labour costs, labour unrest, natural disasters, competition, import duties, tariffs and currency exchange rates, and there are inherent uncertainties in estimating such variables, regardless of the methodologies and assumptions that we may use. We are also dependent on

supplied raw materials being of high quality and meeting relevant technical specifications and quality standards. Therefore, we cannot assure you that we will be able to procure adequate supplies of raw materials in the future, as and when we need them on commercially acceptable terms.

The volatility in commodity prices can significantly affect our raw material costs. However, our Company continuously tracks the changes in raw material prices and adopts stricter measures to address such fluctuations. We enter into contracts with major OEMs/third party suppliers for complete quantities at fixed prices in cases of turnkey raw materials needs for our turnkey projects. For our manufacturing operations, we retain inventory of raw materials, work-in-progress and stock-in-trade in the range of 75- 85 days, thereby creating a natural risk hedge. Moreover, sales orders from our manufacturing customers are generally for a shorter duration; therefore, any decreases or increases in raw materials prices are factored into subsequent orders from customers. However, if we are not able to compensate for or pass on our increased costs to customers, such price increases could have a material adverse impact on our result of operations, financial condition and cash flows. We are also dependent on supplied raw materials being of high quality and meeting relevant technical specifications and quality standards. Our products are tested by our in-house testing team and thereafter, by external testing agencies pursuant to which, we strive to minimise the probability of defects in such products; however, in the event delivered materials are defective on account of any unforeseen circumstances such as including any accident during transit or adverse weather conditions, we might face warranty and damages claims from our customers. Production errors may lead to product recalls which could also lead to compensation claims and significantly damage our reputation and the confidence of present and potential customers and could have an adverse effect on our results of operations.

Competition

The markets wherein we operate are competitive, rapidly evolving and are characterized by frequent introductions of new and improved solutions, applications and technologies. Both of our business segments face competition from numerous competitors, both domestical and international, within the markets we serve. Many of our competitors may have significant competitive advantages, including greater access to financial, research and development, marketing, distribution and other resources, larger product offerings and greater specialization than us. Additionally, some of our competitors may be able to dedicate significantly larger resources towards developing and manufacturing technologically superior equipment than us and their brands may gain greater visibility within those product verticals. Our competitors may further enter into business combinations or alliances that strengthen their competitive positions or prevent us from taking advantage by entering into such business combinations or alliances. To remain competitive, we must continue to invest significant resources in modernisation, research and development, manufacturing, sales and marketing and customer support. Increasing competition may result in pricing pressures or decreasing profit margins or lost market share or failure to improve our market position, any of which could substantially harm our business and results of operations.

Our turnkey projects segment offerings are generally supplied to telecom operators, Indian defence forces , Indian railway companies and state government undertakings pursuant to project orders secured through a bidding process, which may specify certain pre-qualification requirements. Our products are also supplied to various governmental agencies, based on a pre-qualification process and grant of approval by these governmental agencies. Pre-qualification requirements include past experience in supply, ability to meet specific technical requirements, reputation for quality and safety features present in our products, financial strength and the price competitiveness of our products. While product specifications, certifications and life cycles vary by market, our telecom products segment primarily positions itself as one of the largest suppliers in the telecommunications, defence and railway sectors. These sectors generally have high standards for product certification as deemed by the relevant governmental entity / customers. Our telecom products segment competes primarily on the basis of our products' performance and our ability to meet customers' highly specific design, engineering and delivery needs on a timely basis. While we believe that our ability to adapt our offerings to match the needs of our consumers across a wide range of applications, as well as our pre-qualified status with certain governmental agencies and the Indian defence forces, gives us a competitive edge in the market for such products and services, we will be required to compete effectively with our existing and potential competitors to maintain and grow our market share and, in turn, our results of operations.

Foreign exchange rate risk

Our financial statements are prepared in Indian Rupees. However, our sales from exports and a portion of our raw materials expenditures are denominated in foreign currencies. We export to more than 45 countries and expect to continue to grow our revenue from exports. Accordingly, we have currency exposures relating to buying, selling and financing in currencies other than in Indian Rupees, particularly the U.S. Dollar and Euro. For three months

ended June 30, 2023, Fiscal 2023 Fiscal 2022 and Fiscal 2021, 17.71%, 17.23%, 7.68% and 4.54%, respectively, of our revenue from operations were attributed to exports. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, our net foreign currency denominated sales amounted to ₹176.23 crore, ₹817.49 crore, ₹362.94 crore, and ₹200.64 crore, respectively. For three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, 33.28%, 29.82%, 25.45% and 25.63% respectively, of our total consumption were imported raw material. We enter into certain hedging activities for a portion of our U.S. Dollar and other foreign currency positions. Accordingly, we are affected by fluctuations in exchange rates among the U.S. Dollar, Indian Rupee and other currencies. In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, we recorded gains/(losses) of ₹5.79 crore, ₹19.14 crore, ₹ (5.05) crore and ₹15.76 crore, respectively, due to these fluctuations in foreign currency. There can be no assurance that we will continue to record gains from foreign exchange fluctuations or any hedging measures we take will enable us to avoid the effect of any adverse fluctuations in the value of the Indian Rupee against the U.S. Dollar or other foreign currencies.

Capital Expenditure

We require substantial capital to maintain our existing facilities, as well as to expand and modernize our existing manufacturing facilities. As of June 30, 2023, we have manufacturing facilities at four different locations at (i) Verna, Goa, (ii) Chennai, Tamil Nadu, (iii) Hosur, Tamil Nadu, and (iv) Hyderabad, Telangana (where we operate two separate plants for the manufacture of Optical Fibre and Optical Fibre Cables). The following table summarizes the installed capacity of our manufacturing facilities as at June 30, 2023, as certified by our Chartered Engineers, PM Pai & Associates (for Goa) and Chand Kumar Bhatia (for Hyderabad, Chennai & Hosur):

Product	Installed Capacity (per annum)
OFC	25.08 million fkm
FTTH cables	702,000 ckm
Optical fibre	10.00 million fkm
Fibre reinforced polymer (“FRP”)	5,04,000 km
Aramid reinforced plastic rod (“ARD”)	660,000 km
Impregnated glass fibre reinforcement (“IGFR”) yarns	2,700 MT
Polymer Compound	24,000 MT

In three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, we incurred capital expenditure (including Research & Development) of ₹ 88.48 crore, ₹ 298.98 crore, ₹183.06 crore and ₹106.07 crore, respectively. A significant amount of our capital expenditure has been and is expected to continue to be aimed at development of new products, increasing our manufacturing capacities, upgrading our facilities and diversifying our product lines.

In Fiscal 2021, we commissioned a greenfield facility for the manufacture of Fibre to the Home (“**FTTH Cable**”) at Hyderabad, Telangana and also commissioned a facility for the manufacture of Wire Harness (Automotive and Aviation) at our Chennai Plant. In Fiscal 2023 we expanded our backward integration facility of Optical Fiber at Hyderabad plant from 8 million fkm to 10 million fkm per annum and also commissioned facility for the manufacture of Polymer Compound at our Hosur plant.

We are in the process of expanding our backward integration capacity of Optical Fiber by 23.90 million fkm per annum at our Hyderabad facility. The Board of Directors of the Company at its meeting held on January 17, 2022, approved the expansion of Optical Fiber Cable manufacturing capabilities through its wholly owned subsidiary i.e. HFCL Technologies Private Limited, resulting in total capacity to 34.75 mn fkm per annum on consolidated basis. Moreover, the Company is also planning to set up an assembly unit for manufacturing of telecom products in NCR region.

We are also establishing a new greenfield defence project to support Make in India at Hyderabad. We have recently been allotted a piece of land measuring 24,282 square metres in Hyderabad. We intend to produce defence electronic products, such as Electro Optic Devices, Electronic Fuses and others at this location.

The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns in developing our products, changes in business plans due to prevailing economic conditions, unanticipated expenses and regulatory changes. To the extent our planned expenditure requirements exceed our available resources, we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest costs and require us to comply with additional

restrictive covenants in our financing agreements. Additional equity financing could dilute our earnings per Equity Share and your interest in the Company and could adversely impact our Equity Share price.

Statement of Significant Accounting Policies

Basis of preparation

Compliance with Ind AS

All the Indian Accounting Standards issued under section 133 of the Companies Act, 2013 and notified by the Ministry of Corporate Affairs (MCA) under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are approved have been considered in preparation of these Financial Statements.

Historical Cost Convention

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- certain financial assets and liabilities and contingent consideration is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans - plan assets measured at fair value;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in Indian Rupees except where otherwise stated.

Use of estimates and judgements

The preparation of these Consolidated Financial Statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the Consolidated Financial Statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

Basis of Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Holding Company has control. The Holding Company controls an entity when the Holding Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Holding Company. They are deconsolidated from the date that control ceases. The Holding Company and subsidiaries are collectively called “the Group”.

The group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Holding Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

ii. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group share of the post-acquisition profits or losses of the investee in profit and loss, and the group share of other comprehensive income of the investee in other comprehensive income.

When the group share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Holding Company and its associates and joint ventures are eliminated to the extent of the group interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 - Income Taxes and Ind AS 19- Employee Benefits respectively.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- a) Expected to be realised or intended to be sold or consumed in normal operating cycle; or
- b) Held primarily for the purpose of trading; or
- c) Expected to be realised within twelve months after the reporting period other than for (a) above; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- a) It is expected to be settled in normal operating cycle; or
- b) It is held primarily for the purpose of trading; or
- c) It is due to be settled within twelve months after the reporting period other than for (a) above; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Group categorizes assets and liabilities measured at fair value into one of three levels as follows:

- Level 1 — Quoted (unadjusted)

This hierarchy includes financial instruments measured using quoted prices.

- Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include the following:

- a) quoted prices for similar assets or liabilities in active markets.
- b) quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) inputs other than quoted prices that are observable for the asset or liability.
- d) Market – corroborated inputs.

- Level 3

They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Non-current assets held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Property Plant and Equipment

The Group had elected to continue with the carrying value of all of its Property, Plant and Equipment recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Items of property, plant and equipment acquired/constructed are initially recognized at actual cost. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It includes professional fee and borrowing cost for qualifying assets.

Following initial recognition, freehold land is stated at actual cost. All other items of PPE are stated at actual cost less accumulated depreciation and impairment loss.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress (CWIP) respectively.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the Consolidated Statement of Profit and Loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use. Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortized once classified as held for sale.

Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

Asset Class	Useful Life
Freehold Buildings	Office Building : 60 years Factory Building : 30 years
Leasehold Improvements	Over the period of lease
Plant & Machinery	7.5 - 15 years
Furniture & Fixtures	10 years
Electrical Installations	10 years
Computers	3 – 6 years
Office Equipments	5 years
Vehicles	8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the Group will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit and Loss.

Intangible Assets

a. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

b. Product Development and Intangible Assets under Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate all the following: -

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell of the asset, The ability to measure reliably the expenditure attributable to the intangible asset during development

Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Group to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably. In which case such expenditure is initially recorded as intangible assets under development and is subsequently capitalized when the asset is ready for its intended use.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Statement of Profit and Loss.

During the period of development, the asset is tested for impairment annually.

c. **Other Intangible assets:**

The Group had elected to continue with the carrying value of all of its Intangible Assets recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Cost of other intangible assets or software comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxation authorities), and any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure after its purchase is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An item of Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Holding Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

Any debt instrument, that does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments are measured at fair value. For Equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. This amount is not recycled from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the Consolidated Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

De-recognition

A financial asset is de-recognized only when

- The Group has transferred the rights to receive cash flows from the financial asset or
- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and loss (P&L).

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Consolidated Statement of Profit and loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Credit/ Suppliers' Credit and vendor financing

The Group enters into arrangements whereby banks make direct payments to suppliers for raw materials. The banks are subsequently repaid by the Group at a later date providing working capital timing benefits. These are normally settled between 90 days to 180 days. The economic substance of the transaction is determined to be operating in nature and these are recognised as operational buyers' credit/ suppliers' credit and disclosed on the face of the balance sheet. Interest expense on these are recognised in the finance cost. Payments made by banks to the operating vendors are treated as a noncash item and settlement of due to operational buyer's credit/ suppliers' credit by the Group is treated as an operating cash outflow reflecting the substance of the payment.

Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Consolidated Statement of Profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Standard Cost Method.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Contract Work in Progress: It is valued at cost.

- **Loose Tools (Consumable):** It is valued at cost after write-off at 27.82% p.a.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

- Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.
- Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).
- The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.
- The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fibre Cable and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Group generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- **Contracts with government**

The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Group expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Group reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

- **Warranty**

Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on

historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Group recognises provisions for this warranty.

- **Financial Components**

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue:

- **Interest income**

Interest income on deposits with banks is recognised at effective interest rate applicable. Interest income from other financial assets is recognised at the effective interest rate method on initial recognition.

- **Dividends**

Dividend income is recognised when the right to receive payment is established.

- **Rental income**

Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the Consolidated Statement of Profit and loss.

- **Insurance Claims**

Insurance claims are accounted for as and when admitted by the concerned authority.

Leases

As a lessee

The Group implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

As a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

If an arrangement contains lease and non-lease components, the Group applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the contract.

Foreign currency transactions

The functional currency of the Group is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Group's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

Employee Benefits

Short term employee benefits:-

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other Long-Term employee benefits

The liabilities for earned leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method as per the actuarial valuation carried out at the end of each annual reporting period. Actuarial gains and losses are recognised in full in the consolidated statement of profit and loss in the period in which they occur.

Post-employment obligations

i. Defined contribution plans

Provident Fund and employees' state insurance schemes:

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Group's contributions to both these schemes are expensed in the Consolidated Statement of Profit and Loss. The Group has no further obligations under these plans beyond its monthly contributions.

ii. Defined benefit plans

Gratuity:

The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits". The Group makes periodic contributions to the HDFC Standard Life Insurance Group Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

iii. Actuarial gains and losses are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Statement of Profit and loss.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above) are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Consolidated Financial Statements represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

Termination benefits

Termination benefits are recognized as an expense in the period in which they are incurred.

Employee Share-based payments

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Group but consolidated in the Financial Statement. Any loan from the Group to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognized as an employee benefits expense, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under “share based payment reserve”. The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Consolidated Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Consolidated Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Consolidated Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

Cash Flow Statement

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Group are segregated.

GST Credit

The GST credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST credit is shown under the head “Other Current Assets”.

Earnings per share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are also included in the calculation of basic earnings per share from the date

the contract is entered into. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Changes in the accounting policy if any in the last three years and their effect on our profits and reserves

Changes in the accounting policy during FY 20-21: There were no change in accounting policies in FY 20-21.

Changes in the accounting policy during FY 21-22: There were no change in accounting policies in FY 21-22.

Changes in the accounting policy during FY 22-23: There were no change in accounting policies in FY 22-23.

Non-GAAP Financial Measures

In addition to our results determined in accordance with Ind AS, we believe the following non-GAAP financial measures are useful to our Company and our investors as a means of assessing and evaluating our operating performance in comparison to prior periods: EBITDA, EBITDA Margin, PAT Margin, Return on Equity, Net Worth, Return on Capital Employed, EBIT, Capital Employed and Debt/Equity Ratio. We classify a financial measure as being a non- GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are not included or excluded in the most directly comparable measure calculated and presented in accordance with Ind-AS as in effect from time to time in our financial statements. The non-GAAP financial measures are supplemental measures that are not

required by, or are not presented in accordance with, Ind-AS. Non-GAAP financial measures do not include operating, other statistical measures or ratios calculated using exclusively financial measures calculated in accordance with Ind-AS. Moreover, the way we calculate the non-GAAP financial measures may differ from that of other companies reporting measures with similar names, which may limit these measures' usefulness as a comparative measure. Our management believes these non-GAAP financial measures are useful to compare general operating performance from period to period and to make certain related management decisions. We believe that non-GAAP financial information, when taken collectively with financial measures prepared in accordance with Ind AS, may be helpful to investors because it provides an additional tool for investors to use in evaluating our ongoing operating results and trends and in comparing our financial results with other companies in our industry because it provides consistency and comparability with past financial performance. However, our management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with Ind AS.

Non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with Ind AS. Non-GAAP financial information are not recognized under Ind AS and do not have standardized meanings prescribed by IND AS. In addition, non-GAAP financial measures used by us may differ from similarly titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by Ind AS to be recorded in our financial statements, as further detailed below. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure prepared in accordance with Ind AS. Investors are encouraged to review the related Ind AS financial measures and the reconciliation of non-GAAP financial measures to their most directly comparable Ind AS financial measures included below and to not rely on any single financial measure to evaluate our business.

EBITDA, EBITDA Margin and PAT Margin

We evaluate our operating performance based on several factors, including our primary financial measure of earnings before interest, taxes, depreciation and amortization expenses (“**EBITDA**”). We consider EBITDA to be an important indicator of the operational strengths and performance of our businesses. However, a limitation of the use of EBITDA as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses and other non-operating income. Accordingly, EBITDA should be considered in addition to, not as a substitute for, operating income, profit after tax of the Company and other measures of financial performance reported in accordance with Ind AS.

The following table sets forth our EBITDA as derived from our profit before tax, and the manner in which it is calculated for three months ended June 30, 2023 and June 30, 2022, Fiscal 2023, Fiscal, 2022 and Fiscal 2021, and includes a reconciliation of EBITDA and EBITDA Margin to our profit for each of three months ended June 30, 2023 and June 30, 2022, Fiscal 2023 Fiscal 2022 and Fiscal 2021.

EBITDA Margin: EBITDA Margin is a percentage margin derived by dividing EBITDA by revenue from operations.

PAT Margin: Profit after tax margin is the percentage margin derived by dividing profit after tax by revenue from operations.

(₹ in crore, except percentages)

Particulars	As of, or for the 1st Quarter ended		As of, or for the fiscal year ended,		
	June 31, 2023 (unaudited)	June 31, 2022 (unaudited)	March 31, 2023 (audited)	March 31, 2022 (audited)	March 31, 2021 (audited)
Revenue from operations (A)	995.19	1051.02	4,743.31	4,727.11	4,422.96
Profit before Share of profit of joint venture, exceptional items and income tax (B)	102.42	71.88	430.70	448.33	340.99
Add: Finance costs (C)	36.30	37.80	152.19	166.40	176.09
Add: Depreciation, impairment and amortization expenses (D)	20.90	20.08	82.97	78.25	68.63

Particulars	As of, or for the 1st Quarter ended		As of, or for the fiscal year ended,		
	June 31, 2023 (unaudited)	June 31, 2022 (unaudited)	March 31, 2023 (audited)	March 31, 2022 (audited)	March 31, 2021 (audited)
EBITDA (E=(B+C+D))	159.62	129.76	665.86	692.98	585.71
EBITDA Margin (F=E/A)	16.04%	12.35%	14.04%	14.66%	13.24%
Profit after tax for the period/year (G)	75.56	53.10	317.71	325.86	246.24
PAT Margin (H=G/A)	7.59%	5.05%	6.70%	6.89%	5.57%

EBIT, Net Worth, Average Net Worth, Capital Employed, Average Capital Employed, Return on Capital Employed, Return on Equity and Debt/Equity Ratio

Earnings before interest and tax (EBIT): EBIT is profit after tax before tax expense and interest and finance costs.

Net Worth: Net Worth is the sum of (i) issued, subscribed and paid-up equity share capital at the end of the year, (ii) general reserve as at the end of the year, (iii) securities premium reserve as at the end of the year, and (iv) retained earnings as at the end of the year.

Average Net Worth: Average Net Worth is the average of our Net Worth as on the first day and last day of the relevant fiscal year or period.

Capital Employed: Capital Employed is Net Worth plus borrowing.

Average Capital Employed: Average Capital Employed is the average of the Capital Employed as on the first day and last day of the relevant fiscal year or period.

Return on Capital Employed: Return on Capital Employed is annualised EBIT divided by Average Capital Employed.

Return on Equity: Return on Equity is annualised profit after tax divided by Average Net Worth.

Debt/Equity Ratio: Debt/Equity Ratio is borrowing divided by Net Worth.

(₹ in crore, except ratios and percentages)

Particulars	As of, or for the 1st Quarter ended		As of, or for the fiscal year ended,		
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	March 31, 2023 (audited)	March 31, 2022 (audited)	March 31, 2021 (audited)
Profit for the period/year (I)	75.56	53.10	317.71	325.86	246.24
Add: Total tax expense (J)	26.97	17.85	112.90	116.25	90.62
Add: Finance costs & Exceptional item (K)	36.30	37.80	152.19	172.78	180.22
Earnings before interest & tax (EBIT) (L=I+J+K)	138.83	108.75	582.80	614.89	517.08
Annualised earnings before interest & tax (Annualised EBIT) (M)	555.32	435.00	582.80	614.89	517.08
Annualised profit for the year (N)	302.24	212.40	317.71	325.86	246.24
Net Worth (O=(1+2+3+4+5))	3,219.08	2872.59	3,144.14	2,818.37	1,923.47
Issued subscribed and fully paidup equity share capital (1)	137.65	137.53	137.64	137.49	128.44
General reserve (2)	40.49	26.64	43.82	26.42	38.35
Securities premium reserve (3)	1057.07	1054.69	1,056.78	1,053.85	467.62
Retained earnings (4)	1857.14	1549.10	1,786.58	1,497.92	1,196.28
Other (5)	126.73	104.63	119.32	102.69	92.79
Average Net Worth (P)	3294.95	2925.13	2,981.26	2,370.93	1,795.93
Borrowing (Q)	809.60	742.14	748.31	742.80	919.62
Capital Employed (R=O+Q)	4028.67	3,614.73	3,892.45	3,561.17	2,843.10
Average Capital Employed (S)	4073.90	3,667.60	3,726.81	3,202.13	2,611.57
Return on Equity (T=(N/P)%)	9.17%	7.26%	10.66%	13.74%	13.71%

Particulars	As of, or for the 1st Quarter ended		As of, or for the fiscal year ended,		
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	March 31, 2023 (audited)	March 31, 2022 (audited)	March 31, 2021 (audited)
Return on Capital Employed (U=(M/S)%)	13.63%	11.86%	15.64%	19.20%	19.80%
Debt/Equity Ratio (V=Q/O)	0.25	0.26	0.24	0.26	0.48

In Fiscal 2023, Return on Capital Employed decreased to 15.64% primarily due to constant profit and increase in average capital employed on account of equity fund raising during Fiscal 2022. Our Return on Equity decreased to 10.66% in Fiscal 2023 from 13.74% in Fiscal 2022 primarily due to constant profit and increase in average net worth on account of equity fund raising during Fiscal 2022. In three months ended June 30, 2023, our Return on capital employed increased to 13.63% from 11.86% in three months ended June 30, 2022 primarily due to higher profits earned during the quarter.

Our Debt/Equity Ratio over the last three fiscal years stood at 0.48, 0.26 and 0.24 as at the end of Fiscals 2021, 2022, and 2023, respectively. As at June 30, 2023, our debt equity ratio stood at 0.25.

Income and Expenses

Our income and expenditure are reported in the following manner:

Income

Total income consists of revenue from operations and other income.

Revenue from operations. Revenue from operations mainly comprises of revenue from sales and services. Sales and services consist of manufacturing and trading activities and turnkey project-related activities. Manufacturing and trading activities consists of revenue from the sales of products, such as optical fibre cable, optical fibre, Wi-Fi access points, UBR and FTTH cable, among others. Turnkey project-related activities consist of revenue from execution of various turnkey contracts. We also receive operating revenue from the sales of scrap and export incentives.

Other Income. Other income primarily comprises of recurring non-operating income, such as interest from banks and dividend income, and financial guarantee income, and non-recurring income such as exchange fluctuation income (net), subsidy under state incentives scheme, liquidated damages recovered on Sales and other miscellaneous income.

Expenses

Total expenses comprise of cost of materials consumed, other direct costs, purchases of stock-in-trade, changes in inventories of finished goods, work-in-progress and stock-in-trade, employee benefits expenses, finance costs, depreciation, impairment and amortization expenses and other expenses.

Cost of Materials Consumed, Other Direct Costs, Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade. Cost of materials consumed comprises costs incurred in connection with consumption of various kinds of raw materials required for producing optical fibre, optical fibre cable and FTTH cable, passive connectivity solutions among others, and includes all direct costs incurred in the course of such procurement, such as customs duties, freight, clearing and forwarding charges, etc., for the reporting period. Other direct costs is comprised of project and labour service charges incurred in connection with the execution of turnkey contracts, consumption of packing material, consumption of stores & spare parts and loose tools written off in connection with product manufacturing. Changes in inventories of finished goods, work-in-progress and stock-in-trade comprises of the difference in closing balance vis-à-vis opening balance of finished goods, work-in-progress and stock-in-trade.

Employee Benefits Expenses. Employee benefits expenses comprise of salaries, bonus and allowances, contribution to provident and other funds, staff welfare expenses and share based payment expenses to employees.

Finance Costs. Finance costs comprise of bank loan interest, bank charges and processing fees, other interest (net) and interest on lease liabilities.

Depreciation, Impairment and Amortization Expenses. Depreciation, impairment and amortization expenses comprise of depreciation on property, plant and equipment, depreciation on right-of-use assets, and depreciation and impairment of intangible assets.

Other Expenses. Other expenses primarily comprise of selling and distribution expenses, legal and professional charges, carriage, travelling and conveyance expenses, power and fuel & water charges, insurance, corporate social responsibility expenses and other miscellaneous expenses.

Segmental Information

Basis for segmentation

Our operations primarily relate to the manufacturing of telecom products, executing turnkey contracts and providing related services. Accordingly, our Company has two operating and reporting segments, namely (i) Telecom Products, and (ii) Turnkey Contracts and Services. The following table sets out the consolidated segment revenue and results across our primary reportable segments:

(₹ in crore)

Particulars	June 30, 2023	June 30, 2022	For Fiscal 2023	For Fiscal 2022	For Fiscal 2021
Telecom Products	662.43	620.10	2,637.97	2,055.16	1,205.46
Turnkey Contracts and Services	332.76	430.92	2,103.60	2,671.74	3,217.50
Other	-	-	1.74	0.21	-
Total Segment Revenue	995.19	1051.02	4,743.31	4,727.11	4,422.96
Telecom Products	129.89	64.89	403.12	274.30	154.67
Turnkey Contracts and Services	5.75	41.39	170.15	313.71	353.15
Other	(1.16)	(0.48)	2.27	0.04	(1.10)
Total Segment Results	134.48	105.80	575.54	588.05	506.72
Less: Finance charges	36.30	37.80	152.19	166.40	176.09
Less: Other un-allocable expenditure (net off)	0.11	0.33	8.56	7.61	10.38
Less: Un-allocable income	(4.46)	(3.28)	(15.82)	(28.08)	(16.62)
Profit before tax	102.53	70.95	430.61	442.11	336.86
Less: Taxes	26.97	17.85	112.90	116.25	90.62
Profit for the period / year	75.56	53.10	317.71	325.86	246.24

Geographic information

For three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, our revenue from export sales was 17.71%, 17.23 %, 7.68% and 4.54% of our revenue from operations for the relevant fiscal year/period.

Assets/liabilities information

The following table sets out certain balance sheet items across our reportable segments.

(₹ in crore)

Particulars	As of June 30, 2023	As of March 31,			
		2023	2022	2021	
Segment Assets:					
(i) Telecom Products	1977.12	1,980.88	1,574.25	1,304.84	
(ii) Turnkey Contracts and Services	2963.95	2,900.94	2,823.54	3,400.47	
(iii) Other	5.03	3.89	3.63	0.30	
(iv) Unallocated other assets	601.23	586.89	770.04	510.17	
Total	5547.33	5,472.59	5,171.46	5,215.78	
Segment Liabilities:					
(i) Telecom Products	923.77	1,001.84	955.69	688.02	
(ii) Turnkey Contracts and Services	908.98	937.44	978.42	1,920.43	
(iii) Other	0.56	3.06	1.13	1.40	
(iv) Unallocated other liabilities	494.96	386.11	417.85	682.47	
Total	2328.27	2,328.45	2,353.09	3,292.32	

Our Results of Operations

The following table sets forth our statement of profit and loss data for three months ended June 30, 2023 and June 30, 2022, the components of which are also expressed as a percentage of total income for such periods:

Particulars	Three months ended June 30, 2023 (Unaudited)		Three months ended June 30, 2022 (Unaudited)	
	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)
Income:				
Revenue from operations	995.19	98.69%	1051.02	98.76%
Other income	13.17	1.31%	13.23	1.24%
Total Income	1,008.36	100%	1,064.25	100%
Expenses:				
Cost of materials consumed	268.35	26.61%	267.81	25.16%
Other direct costs	200.23	19.86%	247.02	23.21%
Purchases of stock-in-trade	215.17	21.34%	279.92	26.30%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	3.97	0.39%	-9.23	(0.87)%
Employee benefits expenses	91.42	9.07%	82.02	7.71 %
Finance costs	36.30	3.60%	37.80	3.55%
Depreciation, impairment and amortization expense	20.90	2.07%	20.08	1.89%
Other expenses	69.60	6.90%	66.95	6.29 %
Total Expenses	905.94	89.84%	992.37	93.25%
Profit before share of profit / (loss) of joint venture, exception items and income tax	102.42	10.16%	71.88	6.75%
Share of profit / (loss) of joint venture	0.11	0.01%	-0.93	-0.09%
Profit / (loss) before exception items and income tax	102.53	10.17%	70.95	6.67%
Exceptional item				
Tax expenses:				
Current tax	13.60	1.35%	18.68	1.76%
Deferred tax	13.37	1.33%	-0.83	-0.08%
Total tax expense	26.97	2.68%	17.85	1.68%
Profit for the period	75.56	7.49%	53.10	4.99%
Other comprehensive income for the period (net of tax)	(0.92)	-0.09%	0.24	0.02%
Total comprehensive income for the period	74.64	7.40%	53.34	5.01%

The following table sets forth our statement of profit and loss data for Fiscal 2023, Fiscal 2022 and Fiscal 2021, the components of which are also expressed as a percentage of total income for such periods:

Particulars	Fiscal Year Ended March 31,					
	2023		2022		2021	
	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)
Income:						
Revenue from operations	4,743.31	99.02%	4,727.11	99.10%	4,422.96	99.19%
Other income	47.18	0.98%	42.91	0.90%	36.13	0.81%
Total Income	4,790.49	100.00%	4,770.02	100.00%	4,459.09	100.00%
Expenses:						
Cost of materials consumed	980.87	20.48%	973.54	20.41%	644.22	14.45%
Other direct costs	1,035.98	21.63%	1,362.01	28.55%	973.23	21.83%
Purchases of stock-in-trade	1,564.47	32.66%	1,243.71	26.07%	1,778.40	39.88%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(102.41)	-2.14%	(80.52)	-1.69%	8.07	0.18%
Employee benefits expenses	348.19	7.27%	310.56	6.51%	252.85	5.67%
Finance costs	152.19	3.18%	166.40	3.49%	176.09	3.95%
Depreciation, impairment and amortization expense	82.97	1.73%	78.25	1.64%	68.63	1.54%
Other expenses	297.53	6.21%	267.74	5.61%	216.61	4.86%
Total Expenses	4,359.79	91.01%	4,321.69	90.60%	4,118.10	92.35%

Particulars	Fiscal Year Ended March 31,					
	2023		2022		2021	
	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)
Profit before share of profit / (loss) of joint venture, exception items and income tax	430.70	8.99%	448.33	9.40%	340.99	7.65%
Share of profit / (loss) of joint venture	(0.09)	0.00%	0.16	0.00%	-	0.00%
Profit / (loss) before exception items and income tax	430.61	8.99%	448.49	9.40%	340.99	7.65%
Exceptional item	-	0.00%	6.38	0.13%	4.13	0.09%
Tax expenses:						
Current tax	79.00	1.65%	114.50	2.40%	86.13	1.93%
Deferred tax	33.90	0.71%	1.75	0.04%	4.49	0.10%
Total tax expense	112.90	2.36%	116.25	2.44%	90.62	2.03%
Profit for the year	317.71	6.63%	325.86	6.83%	246.24	5.52%
Other comprehensive income for the year (net of tax)	1.55	0.03%	1.71	0.04%	4.96	0.11%
Total comprehensive income for the year	319.26	6.66%	327.57	6.87%	251.20	5.63%

Results of operations for three months ended June 30, 2023 compared to three months ended June 30, 2022

	Three months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2022 (Unaudited)	Change (%)
Income:			
Revenue from operations	995.19	1051.02	-5.31%
Other income	13.17	13.23	-0.45%
Total Income	1008.36	1064.25	-5.25 %
Expenses:			
Cost of materials consumed	268.35	267.81	0.20%
Other direct costs	200.23	247.02	(18.94)%
Purchases of stock-in-trade	215.17	279.92	(23.13)%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	3.97	(9.23)	(143.01)%
Employee benefits expenses	91.42	82.02	11.46%
Finance costs	36.30	37.80	(3.97)%
Depreciation, impairment and amortization expense	20.90	20.08	4.08%
Other expenses	69.60	66.95	3.96%
Total Expenses	905.94	992.37	(8.71)%
Profit before share of profit / (loss) of joint venture, exception items and income tax	102.42	71.88	42.49%
Share of profit / (loss) of joint venture	0.11	(0.93)	(111.83)%
Profit / (loss) before exception items and income tax	102.53	70.95	44.51%
Exceptional item			
Tax expenses:			
Current tax	13.60	18.68	(27.19) %
Deferred tax	13.37	(0.83)	(1,710.84) %
Total tax expense	26.97	17.85	51.09%
Profit for the period	75.56	53.10	42.30%
Other comprehensive income for the period (net of tax)	(0.92)	0.24	(483.33) %
Total comprehensive income for the period	74.64	53.34	39.93%

Income

Our total income decreased by 5.25% to ₹1,008.36 crore for three months ended June 30, 2023 from ₹ 1,064.25 crore for three months ended June 30, 2022, primarily due to decrease in revenue from operations.

Revenue from Operations. Our revenue from operations decreased by 5.31% to ₹ 995.19 crore for three months ended June 30, 2023 from ₹1,051.02 crore for three months ended June 30, 2022. The decrease in revenue from operations was primarily due to decrease in revenue from turnkey contracts and services.

Other income. Our other income decreased by 0.45% to ₹13.17 crore for three months ended June 30, 2023 from ₹13.23 crore for three months ended June 30, 2022.

Expenses

Cost of material consumed, other direct costs, purchases of stock-in-trade & changes in inventory of finished goods, work-in-progress and stock-in-trade. Our cost of material consumed, other direct costs, purchases of stock-in-trade & changes in inventory of finished goods, work-in-progress and stock-in-trade (in aggregate) decreased by 12.45% to ₹687.72 crore for three months ended June 30, 2023 from ₹785.52 crore for three months ended June 30, 2022, primarily due to low sales during the quarter and reduction in raw material cost.

Employee benefits expenses. Employee benefits expenses increased by 11.46% to ₹91.42 crore for three months ended June 30, 2023 from ₹82.02 crore for three months ended June 30, 2022. This increase was primarily due to an increase in salary, bonus & allowances, and staff welfare expenses on account of new hirings across the group.

Finance costs. Our finance costs decreased by 3.97% to ₹36.30 crore for three months ended June 30, 2023 from ₹37.80 crore for three months ended June 30, 2022. This decrease in finance costs was primarily due to decrease in bank charges and loan processing fees.

Depreciation, impairment and amortization expense. Our depreciation, impairment and amortization expense increased by 4.08% to ₹20.90 crore for three months ended June 30, 2023 from ₹ 20.08 crore for three months ended June 30, 2022, primarily due to various expansion programs at our different manufacturing locations.

Other expenses. Our other expenses increased by 3.96% to ₹69.60 crore for three months ended June 30, 2023 from ₹66.95 crore for three months ended June 30, 2022 on account of following:

- an increase in power and fuel & water charges to ₹14.54 crore for the three months ended June 30, 2023 from ₹10.69 crore for the three months ended June 30, 2022, due to incremental revenue from manufacturing activities; and
- an increase in travel & conveyance expenses to ₹12.96 crore for the three months ended June 30, 2023 from ₹9.18 crore for the three months ended June 30, 2022, due to increased travel activities.
- a decrease in Legal & Professional expenses to ₹12.39 crore in three months ended June 30, 2023 from ₹14.22 crore in three months ended June 30, 2022.

Tax expenses. Our total tax expenses increase by 51.09% to ₹26.97 crore for three months ended June 30, 2023 from ₹17.85 crore for three months ended June 30, 2022 primarily due to increase in profits. Our effective tax rate for three months ended June 30, 2023 and three months ended June 30, 2022 was 26.30% and 25.16%.

Profit for the quarter. Our profit for the quarter increased by 42.30% to ₹75.56 crore for three months ended June 30, 2023 from ₹53.10 crore for three months ended June 30, 2022 due to higher sale of telecom products.

Other comprehensive income for the quarter (net of tax). We recorded other comprehensive income for the quarter (net of tax) of ₹(0.92) crore in three months ended June 30, 2023 as compared to ₹0.24 crore in three months ended June 30, 2022.

In three months ended June 30, 2023, other comprehensive income consisted of a decrease in fair value of various equity instruments of ₹(0.07) crore and re-measurement of defined benefit plan of ₹(1.43) crore which was partially offset by gain on translation of foreign operation of ₹0.24 crore and income tax paid on the recorded re-measurement of defined benefit plan of ₹0.34 crore.

In three months ended June 30 2022, other comprehensive income consisted of a re-measurement of defined benefit plan of ₹ 1.26 crore and and income tax paid on the recorded re-measurement of defined benefit plan of ₹ (0.32) crore , which was partially offset by in fair value of various equity investments of ₹(0.62) crore and a loss on translation of foreign operation of ₹ (0.08) crore.

Total comprehensive income for the quarter. As a result of the foregoing, our total comprehensive income for the quarter increased by 39.93% to ₹74.64 crore for three months ended June 30, 2023 from ₹53.34 crore for three months ended June 30, 2022.

Our Results of Operations for Fiscal 2023, Fiscal 2022 and Fiscal 2021

The following table sets forth select financial data from our audited consolidated statement of profit and loss for Fiscal 2023, Fiscal 2022 and Fiscal 2021:

Results of operations for Fiscal 2023 compared to Fiscal 2022

	Fiscal 2023	Fiscal 2022	Change (%)
Income:			
Revenue from operations	4,743.31	4,727.11	0.34%
Other income	47.18	42.91	9.95%
Total Income	4,790.49	4,770.02	0.43%
Expenses:			
Cost of materials consumed	980.87	973.54	0.75%
Other direct costs	1,035.98	1,362.01	-23.94%
Purchases of stock-in-trade	1,564.47	1,243.71	25.79%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(102.41)	(80.52)	27.19%
Employee benefits expenses	348.19	310.56	12.12%
Finance costs	152.19	166.40	-8.54%
Depreciation, impairment and amortization expense	82.97	78.25	6.03%
Other expenses	297.53	267.74	11.13%
Total Expenses	4,359.79	4,321.69	0.88%
Profit before share of profit / (loss) of joint venture, exception items and income tax	430.70	448.33	-3.93%
Share of profit / (loss) of joint venture	-0.09	0.16	-156.25%
Profit / (loss) before exception items and income tax	430.61	448.49	-3.99%
Exceptional item	-	6.38	-100.00%
Tax expenses:			
Current tax	79.00	114.50	-31.00%
Deferred tax	33.90	1.75	1837.14%
Total tax expense	112.90	116.25	-2.88%
Profit for the year	317.71	325.86	-2.50%
Other comprehensive income for the year (net of tax)	1.55	1.71	-9.36%
Total comprehensive income for the year	319.26	327.57	-2.54%

Income

Our total income increased by 0.43% to ₹4,790.49 crore for Fiscal 2023 from ₹4,770.02 crore for Fiscal 2022, primarily due to increases in revenue from operations.

Revenue from Operations. Our revenue from operations increased by 0.34% to ₹4,743.31 crore for Fiscal 2023 from ₹4,727.11 crore for Fiscal 2022. The increase in revenue from operations was principally due to increases in product revenue to 55.61% of total revenue in Fiscal 2023 from 43.48% of total revenue in Fiscal 2022 with corresponding decrease in revenue from turnkey operations during the same period.

Other income. Our other income increased by 9.95% to ₹47.18 crore for Fiscal 2023 from ₹42.91 crore for Fiscal 2022, primarily on account of exchange fluctuation income.

Expenses

Cost of material consumed, other direct costs, purchases of stock-in-trade & changes in inventory of finished goods, work-in-progress and stock-in-trade. Our cost of material consumed, other direct costs, purchases of stock-in-trade & changes in inventory of finished goods, work-in-progress and stock-in-trade (in aggregate) decreased marginally by 0.57% to ₹3,478.91 crore for Fiscal 2023 from ₹3,498.74 crore for Fiscal 2022.

Employee benefits expenses. Employee benefits expenses increased by 12.12% to ₹348.19 crore for Fiscal 2023 from ₹310.56 crore for Fiscal 2022. This increase was primarily due to an increase in salary, bonus & allowances, and staff welfare expenses on account of new hirings across the group.

Finance costs. Our finance costs decreased by 8.54% to ₹152.19 crore for Fiscal 2023 from ₹166.40 crore for Fiscal 2022. This decrease in finance costs was primarily due to decrease in bank charges and loan processing fees.

Depreciation, impairment and amortization expense. Our depreciation, impairment and amortization expense increased by 6.03% to ₹ 82.97 crore for Fiscal 2023 from ₹ 78.25 crore for Fiscal 2022, primarily due to various expansion programs at our different manufacturing locations.

Other expenses. Our other expenses increased by 11.13% to ₹297.53 crore for Fiscal 2023 from ₹267.74 crore for Fiscal 2022 on account of following:

- an increase in power and fuel & water charges to ₹49.04 crore for the Fiscal 2023 from ₹35.10 crore for the Fiscal 2022, due to incremental revenue from manufacturing activities; and
- an increase in travel & conveyance expenses to ₹44.40 crore for the Fiscal 2023 from ₹39.45 crore for the Fiscal 2022, due to increased travel activities.
- an increase in Selling and Distribution cost to ₹60.62 crore in Fiscal 2023 from ₹36.81 crore in Fiscal 2022 due to increased export turnover.

Tax expenses. Our total tax expenses decreased by 2.88% to ₹112.90 crore for Fiscal 2023 from ₹116.25 crore for Fiscal 2022. Our tax expenses for Fiscal 2023 comprised a current tax expense of ₹79.00 crore and a deferred tax charge of ₹33.90 crore, while our tax expenses for Fiscal 2022 comprised a current tax expense of ₹114.50 crore and a deferred tax charge of ₹1.75 crore. Our effective tax rate for Fiscal 2023 and Fiscal 2022 was 26.22% and 26.29%, respectively.

Profit for the year. Our profit for the year decreased marginally by 2.50% to ₹317.71 crore for Fiscal 2023 from ₹325.86 crore for Fiscal 2022.

Other comprehensive income for the year (net of tax). We recorded other comprehensive income for the year (net of tax) of ₹1.55 crore in Fiscal 2023 as compared to ₹1.71 crore in Fiscal 2022.

In Fiscal 2023, other comprehensive income consisted of an increase in fair value of various equity investments of ₹3.98 crore and income tax paid on the recorded re-measurement of defined benefit plan of ₹0.10 crore, which was partially offset by re-measurement of defined benefit plan of ₹(0.56) crore, and a loss on translation of foreign operation of ₹(1.97) crore.

In Fiscal 2022, other comprehensive income consisted of a re-measurement of defined benefit plan of ₹NIL crore and an increase in fair value of various equity investments of ₹2.02 crore, which was partially offset by income tax paid on the recorded re-measurement of defined benefit plan of ₹0.02crore and a loss on translation of foreign operation of ₹ (0.33) crore.

Total comprehensive income for the year. As a result of the foregoing, our total comprehensive income for the year decreased marginally by 2.54% to ₹319.26 crore for Fiscal 2023 from ₹327.57 crore for Fiscal 2022.

Results of operations for Fiscal 2022 compared to Fiscal 2021

	(₹ in crore, except percentages)		
	Fiscal 2022	Fiscal 2021	Change (%)
Income:			
Revenue from operations	4,727.11	4,422.96	6.88%
Other income	42.91	36.13	18.77%
Total Income	4,770.02	4,459.09	6.97%
Expenses:			
Cost of materials consumed	973.54	644.22	51.12%
Other direct costs	1,362.01	973.23	39.95%
Purchases of stock-in-trade	1,243.71	1,778.40	-30.07%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(80.52)	8.07	-1097.77%
Employee benefits expenses	310.56	252.85	22.82%
Finance costs	166.40	176.09	-5.50%
Depreciation, impairment and amortization expense	78.25	68.63	14.02%
Other expenses	267.74	216.61	23.60%

	Fiscal 2022	Fiscal 2021	Change (%)
Total Expenses	4,321.69	4,118.10	4.94%
Profit before share of profit / (loss) of joint venture, exception items and income tax	448.33	340.99	31.48%
Share of profit / (loss) of joint venture	0.16	-	0.00%
Profit / (loss) before exception items and income tax	448.49	340.99	31.53%
Exceptional item	6.38	4.13	54.48%
Tax expenses:			
Current tax	114.50	86.13	32.94%
Deferred tax	1.75	4.49	-61.02%
Total tax expense	116.25	90.62	28.28%
Profit for the year	325.86	246.24	32.33%
Other comprehensive income for the year (net of tax)	1.71	4.96	-65.52%
Total comprehensive income for the year	327.57	251.20	30.40%

Income

Our total income increased by 6.97% to ₹4,770.02 crore for Fiscal 2022 from ₹4,459.09 crore for Fiscal 2021, primarily due to increases in revenue from operations.

Revenue from Operations. Our revenue from operations increased by 6.88% to ₹4,727.11 crore for Fiscal 2022 from ₹4,422.96 crore for Fiscal 2021. The increase in revenue from operations was principally due to increases in product revenue to 43% of total revenue in Fiscal 2022 from 27% of total revenue in Fiscal 2021 on account of sales of telecom products and different types of OFC cables and passive connectivity solutions.

Other income. Our other income increased by 18.77% to ₹42.91 crore for Fiscal 2022 from ₹36.13 crore for Fiscal 2021, primarily on account of income from subsidy under the state incentive scheme.

Expenses

Cost of material consumed, other direct costs, purchases of stock-in-trade & changes in inventory of finished goods, work-in-progress and stock-in-trade. Our cost of material consumed, other direct costs, purchases of stock-in-trade & changes in inventory of finished goods, work-in-progress and stock-in-trade (in aggregate) increased by 2.79% to ₹3,498.74 crore for Fiscal 2022 from ₹3,403.92 crore for Fiscal 2021, which was in line with our increase in revenue.

Employee benefits expenses. Employee benefits expenses increased by 22.82% to ₹310.56 crore for Fiscal 2022 from ₹252.85 crore for Fiscal 2021. This increase was primarily due to an increase in salary, bonus & allowances, and staff welfare expenses on account of new hiring's across the group.

Finance costs. Our finance costs decreased by 5.50% to ₹166.40 crore for Fiscal 2022 from ₹176.09 crore for Fiscal 2021. This decrease in finance costs was primarily due to decrease in total borrowings to ₹ 742.80 crore in Fiscal 2022 from ₹ 919.62 crore in Fiscal 2021.

Depreciation, impairment and amortization expense. Our depreciation, impairment and amortization expense increased by 14.02% to ₹ 78.25 crore for Fiscal 2022 from ₹68.63 crore for Fiscal 2021, primarily due to various expansion programs at our different manufacturing locations.

Other expenses. Our other expenses increased by 23.60% to ₹267.74 crore for Fiscal 2022 from ₹216.61 crore for Fiscal 2021 on account of following:

- an increase in power and fuel & water charges to ₹35.10 crore for the Fiscal 2022 from ₹26.33 crore for the Fiscal 2021, due to incremental revenue from manufacturing activities; and
- an increase in travel & conveyance expenses to ₹39.45 crore for the Fiscal 2022 from ₹31.29 crore for the Fiscal 2021, due to increased travel activities.
- An increase in research and product development cost to ₹ 20.71 crore in Fiscal 2022 from ₹8.67 crore in Fiscal 2021 due to various product development activities.

Tax expenses. Our total tax expenses increased by 28.28% to ₹116.25 crore for Fiscal 2022 from ₹90.62 crore for Fiscal 2021. Our tax expenses for Fiscal 2022 comprised a current tax expense of ₹114.50 crore and a deferred tax charge of ₹1.75 crore, while our tax expenses for Fiscal 2021 comprised a current tax expense of ₹86.13 crore and a deferred tax charge of ₹4.49 crore. Our effective tax rate for Fiscal 2022 and Fiscal 2021 was 26.29% and 26.90%, respectively.

Profit for the year. Our profit for the year increased by 32.33% to ₹325.86 crore for Fiscal 2022 from ₹246.24 crore for Fiscal 2021 primarily due to increase in revenue and more focus towards product sale as compared to sale from turnkey projects.

Other comprehensive income for the year (net of tax). We recorded other comprehensive income for the year (net of tax) of ₹1.71 crore in Fiscal 2022 as compared to ₹4.96 crore in Fiscal 2021.

In Fiscal 2022, other comprehensive income consisted of a re-measurement of defined benefit plan of ₹NIL crore and an increase in fair value of various equity investments of ₹2.02 crore, which was partially offset by income tax paid on the recorded re-measurement of defined benefit plan of ₹0.02 crore and a loss on translation of foreign operation of ₹(0.33) crore.

In Fiscal 2021, other comprehensive income consisted of a re-measurement of defined benefit plan of ₹3.80 crore and an increase in fair value of various equity investments of ₹2.56 crore, which was partially offset by income tax paid on the recorded re-measurement of defined benefit plan of ₹ (0.95) crore and a loss on translation of foreign operation of ₹ (0.45) crore.

Total comprehensive income for the year. As a result of the foregoing, our total comprehensive income for the year increased by 30.40% to ₹327.57 crore for Fiscal 2022 from ₹251.20 crore for Fiscal 2021.

Liquidity and Capital Resources

Capital Requirements

Our principal capital requirements are for payment of principal and interest on our borrowings, capital expenditure and working capital expenditure. Our principal source of funding has been and is expected to continue to be, cash generated from our operations, supplemented by borrowings from banks and financial institutions and optimization of operating working capital. For Fiscal 2023, Fiscal 2022 and Fiscal 2021, we met our funding requirements, including satisfaction of debt obligations, capital expenditure, investments, other working capital requirements, payouts to shareholders and other cash outlays, principally with funds generated from operations, optimization of operating working capital with the balance met from external borrowings, borrowings from banks and fund raising by way of the issue of warrants.

For the expansion projects that we intend to undertake, we will be utilizing a portion of the funds generated from this Issue along with a mix of debt and internal accruals.

Liquidity

Our liquidity requirements arise principally from our operating activities, capital expenditures for construction of new facilities and undertaking of new projects, the repayment of borrowings and debt service obligations. Historically, our principal sources of funding have included cash from operations, short- and long-term borrowings from banks, overdraft facilities that are repayable on demand, cash and cash equivalents and equity and financing provided by our shareholders. We have also entered into various revolving credit and other working capital facilities, which provides sufficient liquidity for our requirements.

Cash Flows

The following table sets forth our cash flows for three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021:

(₹ in crore)

	Three months ended	Fiscal year ended March 31,		
	June 30, 2023*	2023	2022	2021
Net cash generated from in Operating Activities	31.28	236.41	205.37	56.82
Net cash (used) in Investing Activities	(58.00)	(44.63)	(457.84)	(76.94)
Net cash (used) in / generated from Financing Activities	22.68	(144.80)	247.85	24.98

	Three months ended	Fiscal year ended March 31,		
	June 30, 2023*	2023	2022	2021
Net increase / (decrease) in Cash and Cash Equivalents	(4.04)	46.98	(4.62)	4.86

***Unaudited**

Operating Activities

Net cash generated from operating activities was ₹31.28 crore for three months ended June 30, 2023. While our profit before taxes was ₹102.53 crore, we had an operating profit before working capital changes of ₹157.59 crore, which was primarily due to adjustments for finance costs (net) of ₹36.30 crore and depreciation, impairment and amortization expenses of ₹20.91 crore. Our working capital changes for three months ended June 30, 2023 primarily consisted of a decrease in trade and other receivables of ₹9.17 crore, decrease in other current assets of ₹30.46 crore and increase in other current liability of ₹58.69 crore, which were offset by an increase in inventories of ₹(19.36) crore, increase in other financial asset of ₹(47.68) crore, decrease in trade payables of ₹(49.13) crore. Our cash generated from operating activities was ₹60.37 crore, adjusted by income taxes paid (net of refund and interest) of ₹(29.09) crore.

Net cash generated from operating activities was ₹236.41 crore for Fiscal 2023. While our profit before taxes was ₹430.61 crore, we had an operating profit before working capital changes of ₹642.80 crore, which was primarily due to adjustments for finance costs (net) of ₹152.19 crore and depreciation, impairment and amortization expenses of ₹82.99 crore. Our working capital changes for Fiscal 2023 primarily consisted of a decrease in trade and other receivables of ₹191.17 crore, which were offset by an increase in inventories of ₹(184.47) crore, increase in other financial asset of ₹(146.85) crore, decrease in trade payables of ₹(132.10) crore and an increase in other current assets of ₹(138.79) crore. Our cash generated from operating activities was ₹335.01 crore, adjusted by income taxes paid (net of refund and interest) of ₹(98.60) crore.

Net cash generated from operating activities was ₹205.37 crore for Fiscal 2022. While our profit before taxes was ₹442.11 crore, we had an operating profit before working capital changes of ₹669.24 crore, which was primarily due to adjustments for finance costs (net) of ₹166.41 crore and depreciation, impairment and amortization expenses of ₹78.25 crore. Our working capital changes for Fiscal 2022 primarily consisted of a decrease in trade and other receivables of ₹558.69 crore, which was partially offset by a decrease in trade payables of ₹(711.03) crore. Our cash generated from operating activities was ₹266.75 crore, adjusted by income taxes paid (net of refund and interest) of ₹(61.38) crore.

Net cash generated from operating activities was ₹56.82 crore for Fiscal 2021. While our profit before taxes was ₹336.86 crore, we had an operating profit before working capital changes of ₹585.99 crore, which was primarily due to adjustments for finance costs (net) of ₹176.09 crore and depreciation and amortization expenses of ₹68.63 crore. Our working capital changes for Fiscal 2021 primarily consisted of an increase in other trade and other receivables of ₹(1,330.79) crore, which was partially offset by an increase in trade payables of ₹932.72 crore. Our cash generated from operating activities was ₹74.61 crore, adjusted by income taxes paid (net of refund and interest) of ₹(17.79) crore.

Investing Activities

Net cash used in investing activities was ₹(58.00) crore for three months ended June 30, 2023, primarily due to increase in payments for property, plant and equipment including CWIP by ₹(29.52) crore and payments for intangible assets of ₹(58.97) crore, which was partially offset by increase in bank deposits placed/ matured of ₹19.66 crore and proceeds from sale of investments ₹8.95 crore.

Net cash used in investing activities was ₹(44.63) crore for Fiscal 2023, primarily due to increase in bank deposits placed/ matured of ₹252.59 crore which was primarily set off by increase in payments for property, plant and equipment including CWIP by ₹(193.57) crore and payments for intangible assets of ₹(147.99) crore.

Net cash used in investing activities was ₹(457.84) crore for Fiscal 2022, primarily due to payments for property, plant and equipment including CWIP of ₹(145.21) crore, payment for acquisition of subsidiaries & other investments of ₹(12.00) crore, decrease in bank deposit placed/ matured ₹(252.19) crore and payments for intangible assets ₹(37.86) crore.

Net cash used in investing activities was ₹(76.94) crore for Fiscal 2021, primarily due to payments for property, plant and equipment including CWIP of ₹(97.37) crore, payment for acquisition of subsidiaries & other

investments of ₹ (13.03) crore, and payments for intangible assets ₹ (8.70) crore, which were partially offset by the receipt of proceeds from the sale of investment of ₹ 33.13 crore.

Financing Activities

Net cash from financing activities was ₹ 22.68 crore for three months ended June 30, 2023, primarily comprising of proceeds from borrowings of ₹76.96 crore, which was set off by repayment of borrowings of ₹ (15.67) crore and finance cost of ₹(36.51) crore.

Net cash used in financing activities was ₹(144.80) crore for Fiscal 2023, primarily comprising of proceeds from borrowings of ₹133.29 crore, proceeds from Issue of Convertible Warrants of ₹28.20 crore which was partially set off by repayment of borrowings of ₹ (127.79) crore and payment of finance cost of ₹(147.32) crore.

Net cash generated from financing activities was ₹247.85 crore for Fiscal 2022, primarily comprising the proceeds from proceeds from issue of share capital (including security premium) ₹ 605.78 crore and proceeds from borrowings of ₹79.87 crore, which was partially offset by the payment of finance costs of ₹ (156.41) crore and the repayment of borrowings of ₹ (243.15) crore.

Net cash generated from financing activities was ₹ 24.98 crore for Fiscal 2021, primarily comprising proceeds from borrowings of ₹ 280.95 crore, which was partially offset by the payment of finance costs of ₹ (174.38) crore and the repayment of borrowings of ₹ (73.83) crore.

Financial Indebtedness

The following table sets forth our secured and unsecured debt position as of June 30, 2023 and March 31, 2023.

(₹ in crore)

Indebtedness	As of June 30, 2023	As of March 31, 2023
Short Term		
- Secured Borrowings, comprising of:		
- Loans repayable on demand	391.67	354.14
- Bank term loans (current maturity)	52.89	57.54
- vehicle loans (current maturity)	1.11	1.18
- Unsecured Borrowings	257.85	225.08
Long Term		
- Secured Borrowings, comprising of:		
- Bank term loans	103.64	107.73
- Bank vehicle loans	2.44	2.64
Total Indebtedness	809.60	748.31

Capital and Other Commitments

As of March 31, 2023, our estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) was ₹307.16 crore. As of such date, we had uncalled capital commitments pertaining to investments in the amount of ₹ 5.00 crore.

Capital Expenditure

Capital expenditures consist primarily of investments in new manufacturing facilities and equipment. We also make investments at our manufacturing facilities to add new technologies, modernize facilities and expand our product lines. Capital expenditure will vary from year to year depending upon a number of factors, including the need to replace equipment and the timing of certain projects, such as investment in new technologies. The following table summarizes our capital expenditure for three months ended June 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021:

(₹ in crore)

Particulars	For the year ended March 31,			
	June 30, 2023	2023	2022	2021
Tangible Assets	17.29	84.97	97.92	84.56
Intangible Assets	58.97	147.87	37.86	8.70
Work in Progress	12.22	66.14	47.29	12.81
Total Capital Expenditure	88.48	298.98	183.06	106.07

For three months ended June 30, 2023, we added fixed assets of property, plant and equipment of ₹ 29.51 crore, primarily for plant and machinery of ₹ 21.77 crore, buildings of ₹ 8.75 crore and intangible assets of ₹ 58.97 crore, primarily for the development of in-house products. For Fiscal 2023, we added fixed assets of property, plant and equipment of ₹151.11 crore, primarily for buildings of ₹47.40 crore, plant and machinery of ₹57.30 crore, and land of ₹31.47 crore; and intangible assets of ₹147.87 crore, primarily for the purchase of software and development of in-house products. For Fiscal 2022, we added fixed assets of property, plant and equipment of ₹145.21 crore, primarily for buildings of ₹31.70 crore, plant and machinery of ₹89.57 crore, and electrical installation of ₹7.39 crore; and intangible assets of ₹37.86 crore, primarily for the purchase of software and development of in-house products. For Fiscal 2021, we added fixed assets of property, plant and equipment of ₹97.37 crore, primarily for buildings of ₹21.01 crore, plant and machinery of ₹54.59 crore and electrical installation of ₹2.25 crore; and intangible assets of ₹8.70 crore, primarily for the purchase of software and development of in-house products.

Contingent Liabilities

The following table sets forth certain information relating to our contingent liabilities and claims against us, to the extent provided for, as of March 31, 2023, as determined in accordance with Ind AS 37:

Particulars	Amount (₹ in crore)
(i) Unexpired Letters of Credit	263.55
(ii) Guarantees given by banks on behalf of the Group	896.87
(iii) Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt	86.50
TOTAL	1,246.92

For details, see “Financial Statements – Audited Consolidated Financial Statements as at and for the year ended March 31, 2023 along with audit report issued – Note 48 – Commitments and Contingencies” on page 312.

Interest Coverage Ratio

Computation of Interest Coverage Ratio of HFCL Limited (“the Company”) for the periods indicated below are as follows:

(Rupees in Crore)				
Particulars	Fiscal 2021	Fiscal 2022	Fiscal 2023	Three months ended June 30, 2023
Earnings Before Interest & Tax (A)	517.08	614.89	582.80	138.83
Interest Expenses (B)	176.09	166.40	152.19	36.30
Interest Coverage Ratio (A/B)	2.94	3.70	3.83	3.82

Notes:

1. Earnings Before Interest & Tax includes profit before exceptional item and income tax along with the finance costs during the year/period.
2. Interest expenses are the total Finance cost incurred for the relevant years/period.
3. The above ratios have been computed on the basis of the Audited Consolidated Financial Statements for the Fiscal 2023, 2022 and 2021 and Unaudited Consolidated Financial Results for the three months period ended June 30, 2023.
4. Ratios for current period i.e. three months ended June 30, 2023, are not annualized.

Off-Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties. For details of our related party transactions, see “Related Party Transactions” on page 91.

Quantitative and Qualitative Analysis of Market Risks

Our Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities and financial guarantee contracts. The main purpose of these financial liabilities is to finance our Company's operations and to provide guarantees to support its operations. Our Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

Our Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. Our Company's management has the overall responsibility for the establishment and oversight of the Company's risk management framework. Our Company has constituted a Risk Management Committee, which is responsible for developing and monitoring our Company's risk management policies. Our Company's risk management policies are established to identify and analyse the risks faced by our Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our Company's activities. For further information on our financial instruments, see "Financial Statements – Audited Consolidated Financial Statements as at and for the year ended March 31, 2023 along with audit report issued – Note 58.2 – Management of Financial Risk" on page 318.

The following is an explanation of the sources of risks to which we are exposed and how we manage these risks:

Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of our Company's financial liabilities based on contractually agreed undiscounted cash flows as at the indicated date.

(₹ in crore)				
Particulars	Carrying amount	Less than 12 months	More than 12 months	Total
As at March 31, 2023				
(i) Trade payables	878.02	878.02	-	878.02
(ii) Retention Money	239.79	239.79	-	239.79
(iii) Other liabilities	1,065.22	948.65	116.57	1,065.22
As at March 31, 2022				
(i) Trade payables	1,010.12	1,010.12	-	1,010.12
(ii) Retention Money	256.61	256.61	-	256.61
(iii) Other liabilities	942.24	801.65	140.59	942.24
As at March 31, 2021				
(i) Trade payables	1,747.96	1,747.96	-	1,747.96
(ii) Retention Money	272.38	272.38	-	272.38
(iii) Other liabilities	1,075.66	806.42	269.25	1,075.67

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL & FVTOCI investments. The sensitivity analyses in the following sections relate to the position as at 31 March 2023, 31 March 2022 and 31 March 2021.

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY	SENSITIVITY TO RISK
Price Risk		
The Group is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits as	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY	SENSITIVITY TO RISK
	per the risk management policies.	
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher / lower: Other comprehensive income for the year ended March 31, 2023 would increase / decrease by ₹ 5.14 crore March 31, 2022 would increase / decrease by ₹ 4.36 crore March 31, 2021: increase / decrease by ₹ 4.06 crore as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
Interest Rate Risk		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Group diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Group has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional ₹ 1.93 crore loss for year ended March 31, 2023 ₹ 1.90 crore loss for year ended March 31, 2022 ₹ 2.30 crore loss for year ended March 31, 2021

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Group periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. Counterparty credit limits are reviewed by the management on an annual basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period :

(₹ in crore)

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Debt	748.31	742.80	919.62
Less: Cash and Cash equivalents	(63.67)	(16.69)	(21.30)
Net Debt	684.64	726.11	898.32
Total Equity	3,144.14	2,818.36	1,923.47
Net Debt to Total Equity	0.22	0.26	0.47

Foreign Currency Exposure

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Group's strategy, which provides principles on the use of such forward contracts consistent with Group's Risk Management Policy. The Group does not use forward contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Details of outstanding Hedging Contracts relating to Foreign Letters of Credit

(₹ in crore)

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount in foreign currency	Equivalent in ₹	Amount in foreign currency	Equivalent in ₹	Amount in foreign currency	Equivalent in ₹
USD/INR	1,15,77,243	96.13	52,93,979	40.29	66,48,136	49.58

Foreign Currency Exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows:

(₹ in crore)

Particulars		As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
		Amount in foreign currency	Equivalent in ₹	Amount in foreign currency	Equivalent in ₹	Amount in foreign currency	Equivalent in ₹
Trade Payable	USD/INR	6,14,81,270	506.56	3,19,13,078	242.19	6,22,23,688	455.37
	EUR/INR	12,17,253	11.00	23,75,691	19.99	8,16,532	7.02
	GBP/INR	2,04,376	2.09	1,14,866	1.15	7,76,485	7.84
	MUR/INR	6,46,732	0.12	26,57,241	0.45	-	-
	BDT/INR	2,90,05,177	2.23	11,85,500	0.10	-	-
Trade Receivable	JPY/INR	1,72,000	0.01	-	-	-	-
	USD/INR	1,08,66,168	88.94	53,10,233	40.32	63,85,310	46.73
	EUR/INR	99,76,230	88.56	95,53,598	80.20	-	-
	GBP/INR	1,14,12,639	115.50	32,64,063	32.54	4,20,321	4.24
	AED/INR	1,11,243	0.25	97,45,467	20.15	1,09,09,213	21.73
	MUR/INR	52,21,007	0.95	2,36,10,500	3.97	-	-
	BDT/INR	2,74,13,077	2.10	1,41,78,430	1.25	-	-

Foreign currency sensitivity analysis

The following details demonstrate the Group's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign

currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

(₹ in crore)

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%
USD Impact	20.85	(20.85)	10.09	(10.09)	20.43	(20.43)
EURO Impact	(4.01)	4.01	(3.01)	3.01	0.35	(0.35)
JPY Impact	-	-	-	-	-	-
GBP Impact	(7.46)	7.46	(1.57)	1.57	0.18	(0.18)
AED Impact	(0.01)	0.01	(1.01)	1.01	(1.09)	1.09
MUR Impact	(0.50)	0.50	(0.20)	0.20	-	-
BDT Impact	(0.06)	0.06	(0.06)	0.06	-	-

Unusual or Infrequent Events or Transactions

Except as described in this Placement Document, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Reservations, Qualifications or adverse remarks

a. As at and for the year ended 31 March 2019

The Audit Report contain adverse reporting on below clauses of CARO 2016:

Clause (i) (c)

According to the information and explanation given to us, the title deeds of immovable properties, are held in the name of the Company except the following:

Description of property	Gross carrying value (Rs. in crores)	WDV of Assets (Rs. in crores)	Remark
Leasehold land at Solan	0.28	0.20	Refer Note No.3 to Balance Sheet

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, duty of custom, value added tax, cess have generally been regularly deposited with the appropriate authorities except delay in depositing of Goods and Services Tax (GST).

b. As at and for the year ended 31 March 2020

The Audit Report contain adverse reporting on below clauses of CARO 2016:

Clause (i) (c)

According to the information and explanation given to us, the title deeds of immovable properties, are held in the name of the Company except the following:

Description of property	Gross carrying value (Rs. in crores)	WDV of Assets (Rs. in crores)	Remark
Leasehold land at Solan	0.28	0.20	Refer Note No.3 to Balance Sheet

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, duty of custom, value added tax, cess have generally been regularly deposited with the appropriate authorities except delay in depositing of Goods and Services Tax (GST) and Income Tax.

c. As at and for the year ended 31 March 2021

The Audit Report contain adverse reporting on below clauses of CARO 2016:

Clause (i) (c)

According to the information and explanation given to us, the title deeds of immovable properties, are held in the name of the Company except the following:

Description of property	Gross carrying value (Rs. in crores)	WDV of Assets (Rs. in crores)	Remark
Leasehold land at Solan	0.28	0.20	Refer Note No.3 to Balance Sheet

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, duty of custom, value added tax, cess have generally been regularly deposited with the appropriate authorities except delay in depositing of Goods and Services Tax (GST) and Income Tax.

d. As at and for the year ended 31 March 2022

The Audit Report contain adverse reporting on below clauses of CARO 2020:

Clause (i) (c)

The title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favor of the lessee) disclosed in the financial statements are held in the name of the Company except the following:

Description of property	Gross carrying value (Rs. in crores)	Held in the name of	Whether promoter, director or their relative or employee	Period held- indicate range, whether appropriate	Reason for not being held in name of the Company
Leasehold land at Solan	0.28	State Government of Himachal Pradesh	No	Since 23 rd September, 1994	Property is under dispute for title ship
Freehold land at Jaipur	1.64	Erstwhile amalgamated Company	No	Since 05 th January, 2011	Subject to Mutation of properties

Clause (iii) (c)

In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and the repayments of principal amounts and receipts of interest are generally been regular as per stipulation, except delay in the following cases:

Name of the Entity	Gross amount (in crores)	Due date	Extent of delay
Raddef Private Limited	0.50 (interest)	March 12, 2022	20 days

Clause (vii) (a)

In our opinion, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Duty of Custom, Value added tax, Cess other statutory dues applicable to it with the appropriate authorities except delay in depositing of Goods and Services Tax (GST) and Income Tax.

e. As at and for the year ended 31 March 2023

The Audit Report contain adverse reporting on below clauses of CARO 2020:

Clause (i) (c)

The title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favor of the lessee) disclosed in the financial statements are held in the name of the Company except the following:

Description of property	Gross carrying value (Rs. in crores)	Held in the name of	Whether promoter, director or their relative or employee	Period held- indicate range, whether appropriate	Reason for not being held in name of the Company

Leasehold land at Solan	0.28	State Government of Himachal Pradesh	No	Since 23 rd September, 1994	Property is under dispute for title ship
Freehold land at Jaipur	1.64	Erstwhile amalgamated Company	No	Since 05 th January, 2011	Subject to Mutation of properties
Freehold Land at Telangana	12.41	Telangana State Industrial Infrastructure Corporation Limited (TSIIC)	No	Since 5 th September, 2022	Subject to fulfilment of stipulated conditions

Clause (iii) (c)

In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and the repayments of principal amounts and receipts of interest are generally been regular as per stipulation, except delay in the following cases:

Name of the Entity	Gross amount (in crores)	Due date	Extent of delay
Raddef Private Limited	0.66 (interest)	March 10, 2023	22 days
Satvik securities Private Limited	0.45 (interest)	January 7, 2023	84 days
ESHAN Financial Services Private Limited	0.45 (interest)	December 24, 2022	98 days
Fair deal Enterprises	0.20 (interest)	October 16, 2022	167 days

Clause (vii) (a)

In our opinion, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Duty of Custom, Value added tax, Cess other statutory dues applicable to it with the appropriate authorities except delay in depositing of Goods and Services Tax (GST) and Income Tax.

Clause (xi) (a)

We have been informed by the management that a commercial fraud amounting to INR 4.78 crores has been done on the Company by a foreign customer to whom export of the optical fiber cables were made. A complaint has been filed by the Company with Economic Office Wing, Delhi Police. Full provision has been made against such receivables appearing under "Disputed- Credit Impaired Trade Receivables", except above no other fraud by the Company and no other material fraud on the Company has been noticed or reported during the year.

Emphasis of Matter

a. As at and for the year ended 31 March 2019

Nil

b. As at and for the year ended 31 March 2020

We draw attention to Note 41 of the consolidated financial statements which describes management's assessment of the impact of the COVID-19 pandemic on its business operations and financial results. The said assessment made by the management is highly dependent upon the circumstances as they evolve in subsequent period. Our opinion is not modified in respect of this matter.

c. As at and for the year ended 31 March 2021

We draw attention to Note 40 of the consolidated financial statements which describes management's assessment of the impact of the COVID-19 pandemic on its business operations and financial results. The said assessment made by the management is highly dependent upon the circumstances as they evolve in subsequent period. Our opinion is not modified in respect of this matter.

d. As at and for the year ended 31 March 2022

Nil

e. As at and for the year ended 31 March 2023

Nil

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in *“Significant Factors Affecting our Results of Operations”* above and the uncertainties described in *“Risk Factors”* on page 42. To our knowledge, except as disclosed in this Placement Document, there are no known trends or uncertainties that have had, or are expected to have, a material impact on our business or results of operations.

Future Relationship between Cost and Revenue

Other than as described in *“Risk Factors”*, *“Our Business”* and *“Management’s Discussion and Analysis of Financial Condition and Results of Operations”* on pages 42, 127 and 146, respectively, to our knowledge there are no known factors that may adversely affect our business prospects, results of operations and financial condition.

New Products or Business Segments

Other than as disclosed in this section and in *“Our Business”* on page 127, there are no new products or business segments that have or are expected to have a material impact on our business prospects, results of operations or financial condition.

Dependence on a Few Customers or Suppliers

Other than as described in *“Our Business - Customers”*, *“Risk Factors – We are dependent on and derive a substantial portion of our revenue from a limited number of Government Customers (as defined below) and exposes us to risks inherent in doing business with them, which may adversely affect our business, results of operations and financial condition.”* and *“Significant Factors Affecting our Results of Operations”* above on pages 138 and 46, respectively, we do not have any material dependence on any single or a few customers or suppliers.

Seasonality of Business

Our business is not seasonal in nature.

Competitive Conditions

We operate in a competitive environment. Please refer to *“Our Business”*, *“Industry Overview”*, *“Risk Factors”* and *“Significant Factors Affecting our Results of Operations”* above on pages 127, 93 and 42, respectively, for further information on our industry and competition.

Significant developments subsequent to March 31, 2023

No circumstances have arisen since the date of the last financial statements as disclosed in this Placement Document which materially or adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

ORGANISATIONAL STRUCTURE

Corporate History

Our Company was originally incorporated as 'Himachal Futuristic Communications Limited' as a public limited company under the Companies Act, 1956 pursuant to a certificate of incorporation dated on May 11, 1987 issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar. Our Company commenced business on July 13, 1987 pursuant to a certificate of commencement of business issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. Subsequently, the name of our Company was changed to 'HFCL Limited' pursuant to a certificate of incorporation dated October 1, 2019 issued by the Registrar of Companies, Himachal Pradesh consequent to the change of name of our Company. The CIN of our Company is L64200HP1987PLC007466. The Registered Office of our Company is situated at 8, Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh, India.

Changes in Registered Office

There has been no change in the registered office of our Company since incorporation.

Our Subsidiaries

As on the date of this Placement Document, our Company has nine Subsidiaries as below:

Indian Subsidiaries

1. DragonWave HFCL India Private Limited;
2. HFCL Advance Systems Private Limited;
3. HFCL Technologies Private Limited;
4. HTL Limited;
5. Moneta Finance Private Limited;
6. Polixel Security Systems Private Limited; and
7. Raddef Private Limited.

Foreign Subsidiaries

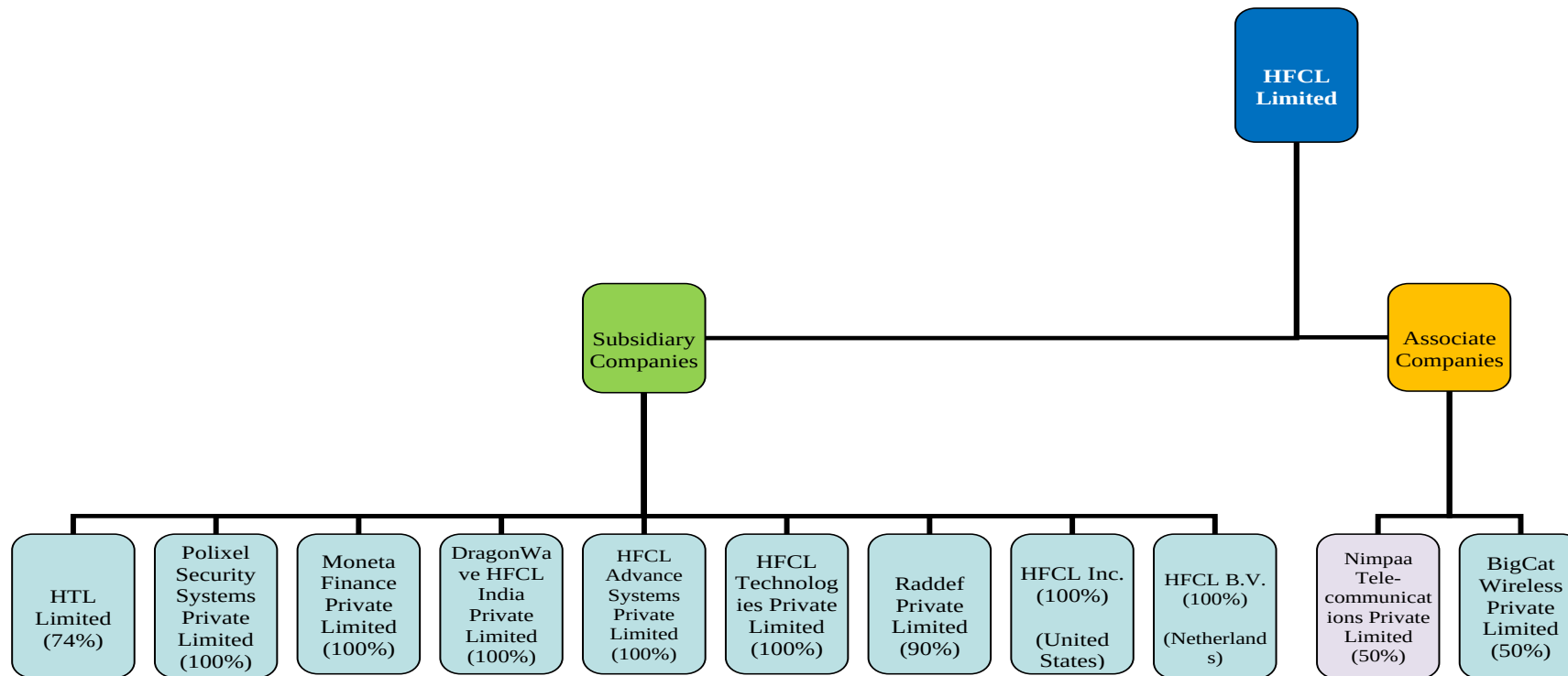
1. HFCL B.V.; and
2. HFCL Inc.

HFCL B.V., a private limited company registered in Amsterdam, the Netherlands and HFCL Inc., a company registered in the state of Texas, in the United States of America, were incorporated by the Company in FY 2022.

Our Associates

As on the date of this Placement Document, our Company has two associate companies namely, Nimpaa Telecommunications Private Limited and BigCat Wireless Private Limited.

The organisational structure of our Company as on the date of this Placement Document is as follows:



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of our Board of Directors is governed by the provisions of the Companies Act, 2013, the SEBI Listing Regulations and the Articles of Association of our Company. The Articles of Association of our Company provide that the number of Directors in our Company shall not be less than three Directors and not more than fourteen Directors, unless otherwise determined by the Company in a general meeting.

As on the date of this Placement Document, our Company has seven Directors, which includes a Managing Director, two Non-Executive Directors and four Independent Directors (including a woman Independent Director).

The following table sets forth details regarding the Board as on the date of this Placement Document:

Sr. No.	Name, address, occupation, term and DIN	Age (in years)	Designation
1.	Mahendra Nahata Address: W-48, Greater Kailash, Part-II, New Delhi – 110 048, Delhi, India Occupation: Business Term: For a period of three years, with effect from October 1, 2021 to September 30, 2024 DIN: 00052898	64	Managing Director
2.	Arvind Kharabanda Address: E-171, East of Kailash, New Delhi – 110 065, Delhi, India Occupation: Professional Term: Liable to retire by rotation DIN: 00052270	76	Non-Executive Director
3.	Ranjeet Mal Kastia Address: A-147, First Floor, New Friends Colony, New Delhi – 110 025, Delhi, India Occupation: Professional Term: Liable to retire by rotation DIN: 00053059	81	Non-Executive Director
4.	Surendra Singh Sirohi Address: D-249, Third Floor, Defence Colony, New Delhi – 110 024, Delhi, India Occupation: Professional Term: For a period of three years, with effect from August 27, 2021 to August 26, 2024 DIN: 07595264	68	Independent Director
5.	Tamali Sen Gupta Address: J-1957, Chittaranjan Park, New Delhi – 110 019, Delhi, India	60	Independent Director

Sr. No.	Name, address, occupation, term and DIN	Age (in years)	Designation
	Occupation: Advocate Term: For a period of three years, with effect from December 24, 2021 to December 23, 2024 DIN: 00358658		
6.	Bharat Pal Singh Address: 1102/1103, 11 th Floor, Daffodils, Neelkanth Gardens, Near Govandi station, Govandi East, Mumbai – 400 088, Maharashtra, India Occupation: Retired Term: For a period of three years, with effect from January 21, 2023 to January 20, 2026 DIN: 00739712	71	Independent Director
7.	Ajai Kumar Address: C-2601, Ashok Tower, Dr. S. S. Rao Marg, Opposite Mahatma Gandhi Hospital, Parel East, Mumbai – 400 012, Maharashtra, India Occupation: Professional Term: For a period of three years, with effect from November 25, 2021 to November 24, 2024 DIN: 02446976	70	Independent Director

Brief profiles of our Directors

Mahendra Nahata is the Managing Director and Promoter of our Company. He has been associated with our Company since incorporation. He is also on the board of various companies including Reliance Jio Infocomm Limited, HTL Limited, HFCL Technologies Private Limited, Krishiv Ventures Private Limited and MN Ventures Private Limited.

Arvind Kharabanda is a Non-Executive Director of our Company. He has been associated with our Company since October 31, 2004. He is also on the board of various companies including Indiasign Private Limited, My Box Technologies Private Limited, HFCL Advance Systems Private Limited and Rajasthan Antibiotics Limited.

Ranjeet Mal Kastia is a Non-executive Director of our Company. He has been associated with our Company since February 7, 1996. He is currently on the board of various companies including Moneta Finance Private Limited, Cosmic Associates Private Limited and HTL Limited.

Surendra Singh Sirohi is an Independent Director on the Board of our Company. He has been associated with our Company since August 27, 2018.

Tamali Sen Gupta is an Independent Director of our Company. She has been associated with our Company since December 24, 2018. She is also the proprietor of T. Sen Gupta and Associates, a corporate law firm. She is also on the board of various companies including TSG Legal Consulting Private Limited and Aria Hotels and Consultancy Services Private limited.

Bharat Pal Singh is an Independent Director of our Company. He has been associated with our Company since January 21, 2020.

Ajai Kumar is an Independent Director of our Company. He has been associated with our Company since November 25, 2021. He is also on the board of various companies including Adani Krishnapatnam Port Limited, Indiabulls Investment Management Limited and Can Fin Homes Limited.

Terms of appointment of our Managing Director

Mahendra Nahata, Managing Director

Mahendra Nahata has been associated with our Company as a Director since incorporation. Pursuant to a resolution of our Board dated July 12, 2021 and a resolution of our Shareholders dated September 30, 2021, he was re-appointed as the Managing Director of our Company with effect from October 1, 2021 for a period of three years until September 30, 2024. The following table sets forth the terms of re-appointment of Mahendra Nahata and the remuneration payable to him as the Managing Director:

Sr. No.	Category	Remuneration
1.	Salary	₹ 5 crore per annum or 2.5% of the net profits of the Company, calculated as per the provisions of Section 198 of the Companies Act, 2013, whichever is higher.
2.	Perquisites and allowances	₹ 1.20 crores per annum The perquisites and allowances shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and family dependants; medical insurance and such other perquisites and/or allowances. Further, he shall be eligible for the following perquisites which shall not be included in the computation of the ceiling on his overall remuneration: i. contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961; ii. gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and iii. encashment of leave at the end of his current tenure.
3.	Commission	Remuneration based on net profits calculated in accordance with applicable law, as determined by the Board and/or the Nomination, Remuneration and Compensation Committee
4.	Others	Reimbursement of expenses incurred for travelling, boarding and lodging including for his spouse and attendant(s) during business trips, provision of cars for use on the Company's business, telephone expenses at the residence and club memberships shall be reimbursed and not considered as the perquisites.

Sitting fees to Independent Directors

Pursuant to the resolution of the Board dated May 15, 2019, our Non-Executive Directors and Independent Directors are entitled to receive a sitting fee of ₹ 50,000 for attending each meeting of our Board and/or its committees.

Remuneration of Directors

Executive Director:

The table below sets forth the details of the remuneration paid to our Managing Director for the three month period ended June 30, 2023 and the last three Fiscals:

(₹ in crores)				
Name	As on June 30, 2023*	Fiscal 2023	Fiscal 2022	Fiscal 2021
Mahendra Nahata	1.62	6.80	6.80	5.78

*From April 1, 2023 to June 30, 2023

Independent Directors and Non-Executive Directors:

The table below sets forth the details of directors' fees and commission paid to our Independent Directors and Non-Executive Directors for the three month period ended June 30, 2023 and the last three Fiscals:

(₹ in crores)

Name	As on June 30, 2023*	Fiscal 2023	Fiscal 2022	Fiscal 2021
Arvind Kharabanda	0.05	0.16	0.14	0.13
Ranjeet Mal Kastia ^{\$\$}	0.03 [@]	0.10 [@]	0.07 [@]	0.06 [@]
Surendra Singh Sirohi	0.03	0.10	0.09	0.09
Tamali Sen Gupta ^{\$\$}	0.03 ^{\$}	0.09 ^{\$}	0.08	0.07
Bharat Pal Singh	0.03	0.10	0.10	0.08
Ramakrishna Eda	NA	NA	0.02	NA [#]
Mahendra Pratap Shukla ^{***}	NA	NA	Negligible [^]	0.05
Ajai Kumar	0.01	0.04	0.01	NA ^{##}

*From April 1, 2023 to June 30, 2023

Note: Pursuant to the approval granted by our Shareholders at the meeting dated September 28, 2019, our Non-Executive Directors and Independent Directors were entitled to be paid commission from Fiscal 2019 to Fiscal 2022 along with reimbursement of expenses, as permitted under the Companies Act, 2013 and the SEBI Listing Regulations.

***Deceased on May 4, 2021.

[^]Mahendra Pratap Shukla was paid ₹ 50,000 for attending a board meeting dated April 5, 2021.

[#] Appointed as Non-Executive Director (Nominee –IDBI Bank Limited) with effect from February 22, 2021 and ceased with effect from May 02, 2022.

^{##} Ajai Kumar was appointed on the Board of Directors on November 25, 2021.

^{\$} Includes sitting fee paid by our Company amounting to ₹ 8,50,000 and ₹ 2,50,000 and sitting fee paid by HTL Limited, one of our Subsidiaries, amounting to ₹ 67,500 and ₹ 45,000 in Fiscal 2023 and the three month period ended June 2023 respectively.

^{\$\$} Director in both HFCL Limited and HTL Limited

[@] Includes sitting fee paid by the Company amounting to ₹ 6,00,000, ₹ 6,50,000, ₹ 9,00,000, ₹ 3,00,000 and sitting fee paid by HTL Limited, one of its Subsidiaries, amounting to ₹ 27,500, ₹ 17,500, ₹ 82,500, ₹ 45,000 in Fiscal 2021, 2022, 2023 and the three month period ended June 2023 respectively.

Shareholding of Directors

Except as stated below, none of the Directors hold any Equity Shares in our Company as on the date of this Placement Document:

Name of Director	Number of Equity Shares held	Percentage of paid-up Equity Share capital (in %)
Mahendra Nahata	13,35,091	0.10

Relationship between our Directors

None of the Directors of our Company are related to each other.

Borrowing powers of the Board

Our Company has, pursuant to board resolution dated October 21, 2019 and a special resolution passed by the Shareholders dated September 28, 2019, passed under Section 180(1)(c) of the Companies Act, 2013, subject to provisions of our Articles of Association and applicable laws, authorised the Committee of Directors (Banking Operation) of our Board to avail various credit facilities from banks, financial institutions, bodies corporate, non-bodies corporate, etc., from time to time, subject to the overall limit the outstanding of which should not exceed ₹ 5,000 crores, at any point of time and to create security on the assets of the Company therefore to that extent and to execute necessary agreements, and other documents in connection therewith.

Interest of Directors

Our Directors may be deemed to be interested to the extent of remuneration, fees and commission, if any, payable to them for attending Board or Board Committee meetings and commission as well as to the extent of reimbursement of expenses payable to them. Further, our Managing Director may be deemed to be interested to the extent of remuneration paid to him for services rendered by him.

Our Directors may also be regarded as interested in the Equity Shares held by them, if any, or held by or that which may be subscribed by or allotted to their relatives or the companies, firms or trusts, in which they are interested as directors, members, partners, trustees or promoters. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares and any other benefits arising out of such holding.

Except as provided in “*Related Party Transactions*” on page 91, we have not entered into any contract, agreement or arrangement during the three Fiscals immediately preceding the date of this Placement Document in which any of our Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them. For further details relating to contracts, agreements or arrangements entered into by our Company during the last three Fiscals, in which the Directors are interested directly or indirectly and for payments made to them in respect of such contracts, agreements or arrangements and for other interest of Directors in respect to the related party transactions, during the last three Fiscals, see “*Related Party Transactions*” on page 91.

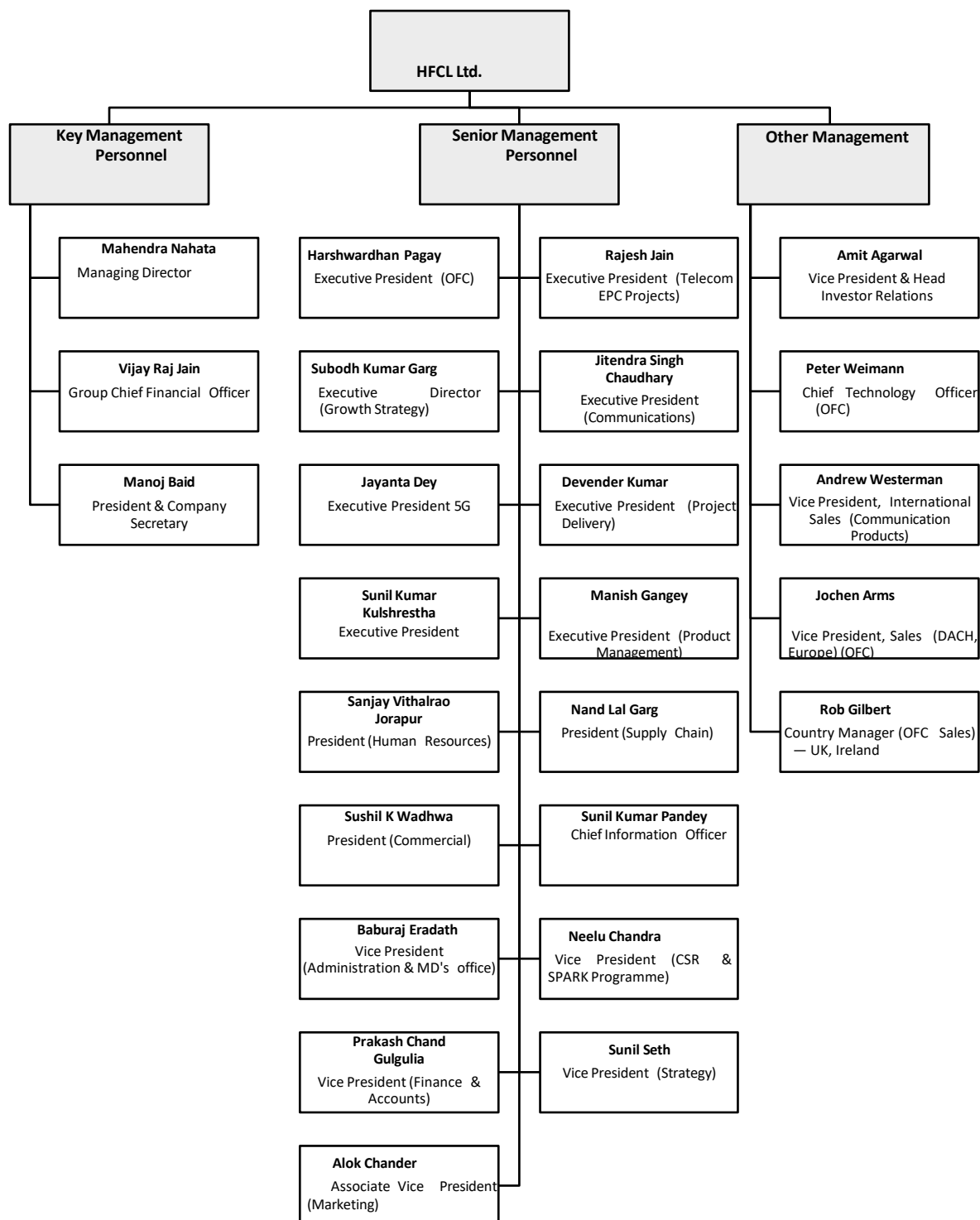
Bonus or profit-sharing plan of the Directors

Except as disclosed in “– *Terms of Appointment of our Managing Director*” on page 192, our Company does not have any bonus or profit-sharing plan with the Directors.

Service contracts with Directors

Our Company has not entered into any service contracts with any Director, which provide for benefits upon termination of employment.

Organisation structure



Corporate Governance

The Board of Directors presently consists of seven Directors. In compliance with the requirements of the SEBI Listing Regulations, the Board of Directors has four Independent Directors (including a woman Independent Director). Our Company is currently in compliance with the corporate governance requirements including the constitution of Board and committees thereof, as prescribed under the Companies Act and SEBI Listing Regulations.

Committees of Board of Directors

The Board of Directors have constituted committees, which function in accordance with the relevant provisions of the Companies Act and the SEBI Listing Regulations. The following table sets forth the members of the aforesaid committees as of the date of this Placement Document:

Committee	Members
Audit Committee	Bharat Pal Singh (<i>Chairman</i>), Surendra Singh Sirohi, Tamali Sen Gupta and Arvind Kharabanda
Nomination, Remuneration and Compensation Committee	Surendra Singh Sirohi, (<i>Chairman</i>) Bharat Pal Singh and Arvind Kharabanda
Stakeholders Relationship Committee	Arvind Kharabanda (<i>Chairman</i>), Ranjeet Mal Kastia and Tamali Sen Gupta
Corporate Social Responsibility Committee	Mahendra Nahata (<i>Chairman</i>), Surendra Singh Sirohi and Ajai Kumar
Risk Management Committee	Mahendra Nahata (<i>Chairman</i>), Arvind Kharabanda and Bharat Pal Singh

Senior Management

The following are our Company's Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel:

Key Managerial Personnel

In addition to Mahendra Nahata, our Managing Director, whose details are set out in “- *Brief profiles of our Directors*” on page 191, the details of our other Key Managerial Personnel are given below:

Name	Designation
Manoj Baid	President and Company Secretary, acting as the Compliance Officer
Vijay Raj Jain	Group Chief Financial Officer

Senior Managerial Personnel

In addition to the details of Manoj Baid, our President and Company Secretary, acting as the Compliance Officer, and Vijay Raj Jain, our Group Chief Financial Officer, whose details are set out in “-*Key Managerial Personnel*” on page 196, the details of our Senior Managerial Personnel are given below:

Name	Designation
Sunil Kumar Kulshrestha	Executive President
Subodh Kumar Garg	Executive Director - Growth Strategy
Baburaj Eradath	Vice President - Administration & MDs Office
Jitendra Singh Chaudhary	Executive President - Communications
Neelu Chandra	Vice President - CSR & Spark Programme
Devender Kumar	Executive President - Project Delivery
Nand Lal Garg	President - Supply Chain
Jayanta Dey	Executive President - 5G
Rajesh Jain	Executive President - Telecom EPC Projects
Harshwardhan Pagay	Executive President - OFC
Sushil K Wadhwa	President - Commercial
Sanjay Vithalrao Jorapur	President - Human Resource
Alok Chander	Associate Vice President - Marketing
Manish Gangey	Executive President - Product Management
Prakash Chand Gulgulia	Vice President - Finance & Accounts
Sunil Seth	Vice President - Strategy
Sunil Kumar Pandey	Chief Information Officer

Other Management Personnel

Name	Designation
Peter Weimann	Chief Technology Officer (OFC) at HFCL Inc.
Jochen Arms	Vice President, Sales (DACH, Europe) (OFC) at HFCL B.V.

Name	Designation
Andrew Westerman	Vice President- International Sales (Communication Products) at HFCL B.V.
Rob Gilbert	Country Manager- OFC Sales (UK, Ireland)
Amit Agarwal	Vice President & Head - Investor Relations

Mahendra Nahata, Manoj Baid and Vijay Raj Jain are Key Managerial Personnel in terms of the Companies Act, 2013.

Except Subodh Kumar Garg and Rob Gilbert, who are deputed on contractual basis, and Peter Weimann, Jochen Arms and Andrew Westerman who are employees of our Subsidiaries, all other Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel are permanent employees of our Company.

Relationship between Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel

None of the Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel of our Company are related to each other.

Bonus or profit-sharing plan of the Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel

Except as disclosed in “- *Terms of Appointment of our Managing Director*” on page 192, our Company does not have any bonus or profit-sharing plan with the Key Managerial Personnel or Senior Managerial Personnel or Other Management Personnel.

Service Contracts with Key Managerial Personnel, Senior Managerial Personnel or Other Management Personnel

Our Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel have not entered into any service contracts with our Company pursuant to which our Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel are entitled to benefits upon termination / retirement of employment. Except for statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company, including Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel, is entitled to any benefit upon termination of employment.

Interest of Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel

The Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration, benefits and stock options to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them and to the extent of the Equity Shares held by them or their dependents in our Company, if any and except as disclosed above in relation to our Managing Director above and in “*Related Party Transactions*” on page 91.

Shareholding of our Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel

Except as stated below, none of the Key Managerial Personnel, Senior Managerial Personnel nor Other Management Personnel hold any Equity Shares / convertible warrants in our Company as on the date of this Placement Document:

Sr. No.	Name of Director/KMP, SMP or other management	Number of Equity Shares held	Percentage of paid-up Equity Share capital (In %)	Number of convertible warrants held
1.	Mahendra Nahata	13,35,091	0.10	Nil
2.	Vijay Raj Jain	3,12,000	0.02	15,00,000
3.	Harshwardhan Pagay	2,27,000	0.02	5,00,000
4.	Jitendra Singh Chaudhary	1,76,400	0.01	5,00,000
5.	Neelu Chandra	1,71,600	0.01	Nil
6.	Sunil Kumar Kulshrestha	1,54,000	0.01	Nil

Sr. No.	Name of Director/KMP, SMP or other management	Number of Equity Shares held	Percentage of paid-up Equity Share capital (In %)	Number of convertible warrants held
7.	Manoj Baid	1,39,000	0.01	2,00,000
8.	Prakash Chand Gulgulia	93,500	0.01	Nil
9.	Subodh Kumar Garg	30,000	Negligible	Nil
10.	Rajesh Jain	20,000	Negligible	2,00,000
11.	Sunil Seth	364	Negligible	Nil
12.	Baburaj Eradath	130	Negligible	Nil
13.	Devender Kumar	Nil	N.A.	2,00,000
14.	Nand Lal Garg	Nil	N.A.	2,00,000
15.	Jayanta Dey	Nil	N.A.	2,00,000
16.	Sushil K Wadhwa	Nil	N.A.	2,00,000

Other confirmations

1. Except as otherwise stated above in “– Interest of our Directors” and “– Interest of Key Managerial Personnel, Senior Managerial Personnel and Other Management Personnel”, none of the Directors, Promoters, Key Managerial Personnel, Senior Managerial Personnel or Other Management Personnel of our Company has any financial or other material interest in the Issue.
2. Our Promoters, Directors and Key Managerial Personnel, Senior Managerial Personnel or Other Management Personnel did participate in the Issue.
3. Neither our Company, nor any of our Directors or Promoters have been declared as a Wilful Defaulter in the last ten years.
4. None of our Directors or Promoters have been declared as a ‘fraudulent borrower’ by lending banks or financial institutions or consortiums.
5. Neither our Company, nor our Directors or Promoter are currently debarred from accessing capital markets under any offence under any order or direction made by SEBI.
6. None of our Directors or Promoters have been declared as a Fugitive Economic Offender.
7. No change in control in our Company will occur consequent to the Issue.
8. No loans have been availed or extended by our Directors, Key Managerial Personnel, Senior Managerial Personnel or Other Management Personnel from, or to, our Company or the Subsidiaries.
9. Except as disclosed below, as on the date of this Placement Document, there are no outstanding options granted to our Directors or Key Managerial Personnel, Senior Managerial Personnel or Other Management Personnel under the HFCL Plan 2017:

Sr. No.	Name	Number of options granted but not yet vested	Number of options vested but not yet exercised
1.	Jitendra Singh Chaudhary	Nil	75,600
2.	Subodh Kumar Garg	Nil	1,44,000
3.	Baburaj Eradath	Nil	1,09,000

For details of our Company’s ESOP Scheme, see “Capital Structure – Employee Stock Option Scheme” on page 89.

Policy on disclosures and internal procedure for prevention of insider trading

SEBI Insider Trading Regulations applies to our Company and our employees and requires our Company to formulate and implement a code of internal practices and procedures for fair disclosure of unpublished price sensitive information and a code of conduct to regulate, monitor and report trading by designated persons. Our Company is in compliance with the same and has implemented an insider trading code of conduct namely, the HFCL Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading in Securities by Designated Persons for prevention of insider trading in accordance with the SEBI Insider Trading Regulations, in terms of which, Manoj Baid, our President and Company Secretary, acts as the Compliance Officer of our Company under the aforesaid code of conduct for the prevention of insider trading.

SHAREHOLDING PATTERN OF OUR COMPANY

The following tables present information regarding the ownership of Equity Shares by the Shareholders as of June 30, 2023:

Table I - Summary statement holding of specified securities:

Category of Shareholder	Nos. of Shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	No. of voting rights	Total as a % of total voting right	No. of shares underlying outstanding convertible securities (including warrants)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) As a % of (A+B+C2)	No. of Shares pledged or otherwise encumbered		No. of equity shares held in dematerialized form
									No.(a)	As a % of total shares held(b)	
(A) Promoter & Promoter Group	7	54,05,81,892	54,05,81,892	39.24	54,05,81,892	39.24	1,00,00,000	39.56	24,15,48,750	44.68	54,05,81,892
(B) Public	5,85,639	83,59,39,829	83,59,39,829	60.67	83,59,39,829	60.67	41,00,000	60.35		0.00	83,54,52,054
(C1) Shares underlying DRs				0.00		0.00		0.00		0.00	
(C2) Shares held by Employee Trust	1	12,36,600	12,36,600	0.09	12,36,600	0.09		0.09		0.00	12,36,600
(C) Non Promoter-Non Public	1	12,36,600	12,36,600	0.00	12,36,600	0.09		0.00		0.00	12,36,600
Grand Total	5,85,647	1,37,77,58,321	1,37,77,58,321	100.00	1,37,77,58,321	100.00	1,41,00,000	100.00	24,15,48,750	17.53	1,37,72,70,546

Notes: Pursuant to the terms and conditions of various sanction letters and financing documents pertaining to the Facilities availed by the Company, from time to time, certain promoters of the Company have issued Non-Disposal Undertakings (NDUs) in favour of the lenders of the Company and Security Trustee acting for the benefits of the lenders of the Company, with respect to 24,15,48,750 equity shares, being 44.68% of the total Promoters' shareholding and 17.53% of the total paid-up equity shares capital of the Company, pursuant to which they shall not pledge or dilute or dispose-off or create any security interest or charge or encumbrance or transfer such number of shares held by them in the Company. We further submit that no equity share held by any of the Promoters in the Company is pledged as on June 30, 2023.

Note: C=C1+C2
Grand Total=A+B+C

Table II - Statement showing shareholding pattern of our Promoters and Promoter Group:

Category of Shareholder	Entity type	Nos. of Shareholders	No. of fully paid up Equity Shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of voting rights held in each class of securities		No. of Shares underlying outstanding convertible securities (including warrants) (X)	Number of shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
						No.(a)	As a % of total Shares held(b)		Class eg: X	Total	
A1) Indian					0.00		0.00			0.00	
Individuals/Hindu undivided Family		2	39,80,091	39,80,091	0.29	39,80,091	0.29		2,39,700	6.02	39,80,091
Anant Nahata	Promoter	1	26,45,000	26,45,000	0.19	26,45,000	0.19		2,39,700	9.06	26,45,000
Mahendra Nahata	Promoter	1	13,35,091	13,35,091	0.10	13,35,091	0.10			0.00	13,35,091
Any Other (specify)		5	53,66,01,801	53,66,01,801	38.95	53,66,01,801	38.95	1,00,00,000	24,13,09,050	44.97	53,66,01,801
MN Ventures Private Limited	Promoter	1	29,33,65,000	29,33,65,000	21.29	29,33,65,000	21.29	1,00,00,000	12,15,78,900	41.44	29,33,65,000
NextWave Communications Private Limited	Promoter	1	21,98,65,000	21,98,65,000	15.96	21,98,65,000	15.96		11,97,30,150	54.46	21,98,65,000
Fitcore Tech-Solutions Pvt. Ltd.	Promoter	1	2,24,00,000	2,24,00,000	1.63	2,24,00,000	1.63			0.00	2,24,00,000
Vinsan Brothers (P) Ltd	Promoter	1	6,71,600	6,71,600	0.05	6,71,600	0.05			0.00	6,71,600
Shanker Sales Promotion (P) Ltd	Promoter	1	3,00,201	3,00,201	0.02	3,00,201	0.02			0.00	3,00,201
Sub Total A1		7	54,05,81,892	54,05,81,892	39.24	54,05,81,892	39.24	1,00,00,000	24,15,48,750	44.68	54,05,81,892
A2) Foreign					0.00		0.00			0.00	
A=A1+A2		7	54,05,81,892	54,05,81,892	39.24	54,05,81,892	39.24	1,00,00,000	24,15,48,750	44.68	54,05,81,892

Table III - Statement showing shareholding pattern of the Public shareholders:

Category & name of the Shareholders	No. of Shareholder	No. of fully paid up Equity Shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No of voting rights	Total as a % of total voting right	No. of Shares underlying outstanding convertible securities (including warrants)	Total shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of equity shares held in dematerialized form (Not applicable)
B1) Institutions (Domestic)	0			0.00		0.00		0.00	
Mutual Funds/	24	3,57,81,529	3,57,81,529	2.60	3,57,81,529	2.60		2.57	3,57,77,759
Quant Capital Trustee Ltd A/C Quant Mutual Fund-Tax Plan	1	3,43,56,772	3,43,56,772	2.49	3,43,56,772	2.49		2.47	3,43,56,772
Banks	7	7,755	7,755	0.00	7,755	0.00		0.00	3,055
Insurance Companies	2	48,23,218	48,23,218	0.35	48,23,218	0.35		0.35	48,23,218
NBFCs registered with RBI	10	2,03,79,057	2,03,79,057	1.48	2,03,79,057	1.48		1.46	2,03,79,057
Reliance Ventures Limited	1	2,00,72,727	2,00,72,727	1.46	2,00,72,727	1.46		1.44	2,00,72,727
Sub Total B1	43	6,09,91,559	6,09,91,559	4.43	6,09,91,559	4.43		4.38	6,09,83,089
B2) Institutions (Foreign)	0			0.00		0.00		0.00	
Foreign Portfolio Investors Category I	112	10,14,48,402	10,14,48,402	7.36	10,14,48,402	7.36		7.29	10,14,42,782
Government Pension Fund Global	1	1,46,39,800	1,46,39,800	1.06	1,46,39,800	1.06		1.05	1,46,39,800
Foreign Portfolio Investors Category II	4	22,81,865	22,81,865	0.17	22,81,865	0.17		0.16	22,81,865
Sub Total B2	116	10,37,30,267	10,37,30,267	7.53	10,37,30,267	7.53		7.45	10,37,24,647
B3) Central Government/ State Government(s)/ President of India	0			0.00		0.00		0.00	
Central Government / President of India	2	5,392	5,392	0.00	5,392	0.00		0.00	5,392
Sub Total B3	2	5,392	5,392	0.00	5,392	0.00		0.00	5,392
B4) Non-Institutions	0			0.00		0.00		0.00	
Directors and their relatives (excluding independent directors and nominee directors)	2	7,500	7,500	0.00	7,500	0.00		0.00	7,500
Key Managerial Personnel	2	4,51,000	4,51,000	0.03	4,51,000	0.03	17,00,000	0.15	4,51,000

Category & name of the Shareholders	No. of Shareholder	No. of fully paid up Equity Shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No of voting rights	Total as a % of total voting right	No. of Shares underlying outstanding convertible securities (including warrants)	Total shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of equity shares held in dematerialized form (Not applicable)
Relatives of promoters (other than 'immediate relatives' of promoters disclosed under 'Promoter and Promoter Group' category)	1	82,087	82,087	0.01	82,087	0.01		0.01	82,087
Resident Individuals holding nominal share capital up to Rs. 2 lakhs	578,501	40,81,09,011	40,81,09,011	29.62	40,81,09,011	29.62	24,00,000	29.49	40,77,79,876
Resident Individuals holding nominal share capital in excess of Rs. 2 lakhs	108	6,35,39,427	6,35,39,427	4.61	6,35,39,427	4.61		4.57	6,35,39,427
Non Resident Indians (NRIs)	4,760	1,50,82,848	1,50,82,848	1.09	1,50,82,848	1.09		1.08	1,49,70,668
Bodies Corporate	2,085	18,37,91,259	18,37,91,259	13.34	18,37,91,259	13.34		13.20	18,37,59,889
GRD Securities Ltd	1	1,77,66,802	1,77,66,802	1.29	1,77,66,802	1.29		1.28	1,77,66,802
MKJ Enterprises Limited	1	2,69,17,415	2,69,17,415	1.95	2,69,17,415	1.95		1.93	2,69,17,415
Reliance Strategic Business Ventures Limited	1	4,85,32,764	4,85,32,764	3.52	4,85,32,764	3.52		3.49	4,85,32,764
Any Other (specify)	19	1,49,479	1,49,479	0.01	1,49,479	0.01		0.01	1,48,479
Overseas Corporate Bodies	4	38,250	38,250	0.00	38,250	0.00		0.00	37,250
Trusts	15	1,11,229	1,11,229	0.01	1,11,229	0.01		0.01	1,11,229
Sub Total B4	585,478	67,12,12,611	67,12,12,611	48.72	67,12,12,611	48.72	41,00,000	48.52	67,07,38,926
B=B1+B2+B3+B4	585,639	83,59,39,829	83,59,39,829	60.67	83,59,39,829	60.67	41,00,000	60.35	83,54,52,054

Details of the shareholders acting as persons in Concert including their Shareholding (No. and %):

Details of Shares which remain unclaimed may be given here along with details such as number of shareholders, outstanding shares held in demat/unclaimed suspense account, voting rights which are frozen etc.

Note

(1) PAN would not be displayed on website of Stock Exchange(s).

(2) The above format needs to disclose name of all holders holding more than 1% of total number of shares

(3) W.r.t. the information pertaining to Depository Receipts, the same may be disclosed in the respective columns to the extent information available.

Table IV - Statement showing shareholding pattern of the Non – Promoter – Non-Public Shareholders:

Category & name of the Shareholders (I)	No. of Shareholder (III)	No. of fully paid up Equity Shares held (IV)	Total no. shares held (VII = IV+V+VI)	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)(VIII)	No. of shares underlying outstanding convertible securities (including warrants) (X)	Number of equity shares held in dematerialized form (XIV) (Not applicable)
C1) Custodian/DR Holder	0	0		0.00		
C2) Employee Benefit Trust	0	0		0.00		
Employee Benefit Trust	1	12,36,600	12,36,600	0.09		12,36,600
Sub Total C2	1	12,36,600	12,36,600	0.09		12,36,600
C= C1+C2	1	12,36,600	12,36,600	0.00		12,36,600

Note

(1) PAN would not be displayed on website of Stock Exchange(s).

(2) The above format needs to disclose name of all holders holding more than 1% of total number of shares

(3) W.r.t. the information pertaining to depository receipts, the same may be disclosed in the respective columns to the extent information available.

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the Bidding, application, payment of Bid Amount, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and investors are assumed to have apprised themselves of the same from our Company or the BRLM. Bidders are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Bidders that apply in the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLM and their respective directors, officers, agents, employees, counsels, shareholders, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Also see “Selling Restrictions” and “Purchaser Representations and Transfer Restrictions” on pages 219 and 227, respectively.

Our Company, the BRLM and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Bidders are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, Bidders are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations and shall be solely responsible for compliance with all the applicable provisions of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations, and other applicable laws.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

The Preliminary Placement Document and this Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue has been made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and 62 other applicable provisions of the Companies Act, through the mechanism of a QIP. Under Chapter VI of the SEBI ICDR Regulations and Sections 42 and 62 of the Companies Act read with Rule 14 of the PAS Rules, and other applicable provisions of the Companies Act, a listed company may issue eligible securities to Eligible QIBs provided that certain conditions are met by such Company. Some of these conditions are set out below:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must *inter alia* specify that, (a) the allotment of securities is proposed to be made pursuant to the QIP; and (b) the relevant date for the QIP;
- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose, among other things, the particulars of the issue including the date of passing the board resolution, the kind of securities being offered and the price at which they are offered, amount which the company intends to raise by way of such securities and the material terms of raising such securities, proposed issue schedule, the purpose or objects of offer, the contribution made by the promoters or directors either as part of the offer or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- under Regulation 172(1)(b) of the SEBI ICDR Regulations, the Equity Shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to seek approval of the shareholders for the above-mentioned special resolution;
- invitation to apply in the QIP must be made through a private placement offer-cum-application form serially numbered and addressed specifically to the Eligible QIBs to whom the QIP is made either in writing or in electronic mode, within 30 days of recording the name of such person in accordance with applicable law;

- the issuer shall have completed allotments with respect to any earlier offer or invitation made by the issuer or shall have withdrawn or abandoned such invitation or offer made by the issuer, except as permitted under the Companies Act;
- the issuer shall not make any subsequent QIP until the expiry of two weeks from the date of the previous QIP;
- an offer to Eligible QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer-cum-application (i.e., the Preliminary Placement Document), the issuer shall prepare and record a list of Eligible QIBs to whom the Issue will be made. The QIP must be made only to such Eligible QIBs whose names are recorded by the issuer prior to the invitation to subscribe;
- the Company acknowledges that the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the QIP is prohibited. In accordance with the SEBI ICDR Regulations, securities will be issued and allotment shall be made only in dematerialized form to the allottees; and
- the promoters and directors of the issuer are not Fugitive Economic Offenders.

At least 10% of the Equity Shares issued to Eligible QIBs shall be available for Allocation to Mutual Funds, provided that, if this portion, or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw or revise downwards their Bids after the Bid/ Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares issued under the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's Equity Shares of the same class quoted on the stock exchanges during the two weeks preceding the relevant date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. However, a discount of not more than 5% of the Floor Price is permitted in accordance with the provisions of the SEBI ICDR Regulations. Our Board through its resolution dated September 2, 2022 and the Fund Raising Committee in its meeting dated August 28, 2023, and our Shareholders through a special resolution on September 30, 2022, have authorised our Board to decide the quantum of discount up to 5% of the Floor Price at the time of determination of the Issue Price.

The "relevant date" mentioned above in case of allotment of Equity Shares, refers to the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue and "stock exchange" means any of the recognised stock exchanges in India on which the Equity Shares of the issuer of the same class are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

The Equity Shares must be allotted within 365 days from the date of the shareholders' resolution approving the QIP and also within 60 days from the date of receipt of subscription money from the relevant Eligible QIBs.

The Equity Shares issued pursuant to the Issue must be issued on the basis of the Preliminary Placement Document and this Placement Document that shall contain all material information including the information specified in Schedule VII of the SEBI ICDR Regulations and the requirements prescribed under PAS Rules and Form PAS-4. The Preliminary Placement Document and this Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of the Preliminary Placement Document addressed to you, you may not rely on the Preliminary Placement Document or this Placement Document uploaded on the website of the Stock Exchanges or our Company for making an application to subscribe to Equity Shares pursuant to the Issue.

The minimum number of Allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 250 crore; and
- five, where the issue size is greater than ₹ 250 crore.

No single Allottee shall be Allotted more than 50% of the Issue Size. Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee for the purpose of the Issue. For details of what constitutes “same group” or “common control”, see “*Bid Process - Application Form*” on page 211.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of a recognised stock exchange.

We have applied for and received the in-principle approval of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for listing of the Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. We have filed a copy of the Preliminary Placement Document and this Placement Document with the Stock Exchanges.

We shall also make the requisite filings with the RoC within the stipulated period as required under the Companies Act and the PAS Rules.

The Issue has been authorised and approved by our Board on September 2, 2022 and by the Fund Raising Committee in its meeting dated August 28, 2023, and our Shareholders by way of a special resolution dated on September 30, 2022 at the 35th AGM held through VC / OAVM facility.

Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and, unless so registered, may not be offered, sold or delivered in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in “*offshore transactions*”, as defined in and in reliance on Regulation S and the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares issued pursuant to this Issue have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. Our Company in consultation with the BRLM has circulated serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form to Eligible QIBs and the Application Form has been specifically addressed to such Eligible QIBs. In terms of Section 42(3) of the Companies Act, our Company shall maintain complete records of such Eligible QIBs in the form and manner prescribed under the PAS Rules, to whom the serially numbered copies of the Preliminary Placement Document, this Placement Document and the serially numbered Application Form have been dispatched or circulated, as the case may be. Our Company will make the requisite filings with RoC within the stipulated time period as required under the Companies Act and PAS Rules.
2. **The list of QIBs to whom the Preliminary Placement Document and the Application Form have been delivered have been determined by our Company in consultation with the BRLM. Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Bid Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to subscribe shall be deemed to have been made to such Eligible QIB. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid. The Application Form may be signed physically or digitally, if required under applicable law in the relevant jurisdiction applicable to each Eligible QIB and as permitted under such applicable law. An Eligible QIB may submit an unsigned copy of the Application Form, as long as the Bid Amount is paid along with submission of the Application Form within the Bid/Issue Period. Once a duly filled Application**

Form is submitted by an Eligible QIB, whether signed or not, and the Bid Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Bid/Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, it shall be assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Bid Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so.

3. Eligible QIBs were required to submit an Application Form, including any revisions thereof, along with the Bid Amount transferred to the Escrow Account specified in the Application Form and a copy of the PAN card or PAN allotment letter and/or any other documents mentioned in the Application Form, during the Bid/Issue Period to the BRLM.
4. Bidders were required to indicate the following in the Application Form:
 - full official name of the Bidder to whom Equity Shares are to be Allotted, complete address, e-mail id, PAN details (if applicable), phone number and bank account details;
 - number of Equity Shares Bid for;
 - price at which they are agreeable to subscribe to the Equity Shares and the aggregate Bid Amount for the number of Equity Shares Bid for;
 - details of the beneficiary account maintained by the Depository Participant to which the Equity Shares should be credited pursuant to the Issue;
 - Equity Shares held by the Bidder in our Company prior to the Issue; and
 - it has agreed to certain other representations set forth in the Application Form and the Preliminary Placement Document.
 - A representation that it is outside the United States acquiring the Equity Shares in an “offshore transaction” as defined in, and in reliance on, Regulation S, and it has agreed to certain other representations set forth in the Preliminary Placement Document and in the Application Form.

NOTE: Eligible FPIs were required to indicate their SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund have not been treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders were advised to ensure that any single Bid from them did not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

5. Bidders were required to make the entire payment of the Bid Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account opened in the name of “HFCL Limited – QIP Escrow” with the Escrow Bank, within the Bid/Issue Period as specified in the Application Form sent to the respective Bidders. Please note that any payment of Bid Amount for the Equity Shares were required to be made from the bank accounts of the relevant Bidders and our Company shall keep a record of the bank account from where such payment has been received. No payment shall be made in the Issue by the Bidders in cash. Bid Amount payable on Equity Shares to be held by joint holders was required to be paid from the bank account of the person whose name appears first in the Application Form. Until Allotment, and the filing of return of Allotment by our Company with the RoC, or receipt of final listing and trading approvals from the Stock Exchanges, whichever is later, Bid Amount received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act. Notwithstanding the above, in the event (a) any Bidder is not allocated Equity Shares in the Issue, (b) the number of Equity Shares Allotted to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Bid Amount has been paid by such Bidder, (c) the Bid Amount has been arrived at using an indicative price higher than the Issue Price, or (d) any Eligible QIB lowers or withdraws their Bid after submission of the Application

Form but on or prior to the Issue Closing Date, the excess Bid Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in “– Refunds” on page 215.

6. Once a duly completed Application Form was submitted by a Bidder and the Bid Amount was transferred to the Escrow Account, such application constituted an irrevocable offer and the Bid could not have been withdrawn or revised downwards after the Bid/ Issue Closing Date. In case of an upward revision before the Bid/ Issue Closing Date, an additional amount shall be required to be deposited towards the Bid Amount in the Escrow Account along with the submission of such revised Bid. The Bid/ Issue Closing Date was notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.
7. Upon receipt of the duly completed Application Form and the Bid Amount in the Escrow Account, on or after the Bid/ Issue Closing Date, our Company has, in consultation with BRLM determined the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue and Allocation. Upon such determination, the BRLM, on behalf of our Company, will send the serially numbered CAN and this Placement Document to the Successful Bidders. The dispatch of a CAN, and this Placement Document to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate price equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN shall contain details such as the number of Equity Shares Allocated to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **Please note that the Allocation will be at the absolute discretion of our Company and shall be in consultation with the BRLM.**
8. Upon determination of the Issue Price and before Allotment of Equity Shares to the Successful Bidders, the BRLM, shall, on our behalf, send a serially numbered Placement Document either in electronic form or through physical delivery to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.
9. Upon dispatch of the serially numbered Placement Document, our Company shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. Our Company will inform the Stock Exchanges of the details of the Allotment.
10. After passing the resolution passed by the Board or its committee approving the Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the Depository Participant, as specified in the records of the depositories or as indicated in their respective Application Form, our Company shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.
11. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.
12. Our Company will then apply for the final trading approvals from the Stock Exchanges.
13. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Successful Bidders shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
14. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Company may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Company and the BRLM shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Eligible QIBs

15. Only Eligible QIBs as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, and not otherwise restricted from participating in the Issue under the applicable law, have been considered as Eligible QIBs. However, with respect to FPIs, only Eligible FPIs applying under Schedule II of the FEMA Rules have been

considered as Eligible QIBs. FVCIs are not permitted to participate in the Issue. Currently, QIBs, who are eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- Eligible FPIs;
- insurance companies registered with the Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India.
- multilateral and bilateral development financial institutions eligible to invest in India;
- Mutual Funds, VCFs, AIFs;
- pension funds with minimum corpus of ₹ 25 crore;
- provident funds with minimum corpus of ₹ 25 crore;
- public financial institutions as defined under Section 2(72) of the Companies Act;
- scheduled commercial banks;
- state industrial development corporations;
- systemically important non-banking financial companies;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India; and

subject to such QIB not being excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations.

ELIGIBLE FPIs WERE PERMITTED TO PARTICIPATE UNDER SCHEDULE II OF FEMA RULES IN THIS ISSUE. ELIGIBLE FPIs WERE PERMITTED TO PARTICIPATE IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND CONDITIONS AND RESTRICTIONS WHICH MAY BE SPECIFIED BY THE GOVERNMENT FROM TIME TO TIME, AND SUCH THAT THE SHAREHOLDING OF THE FPIs DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. FVCI'S ARE NOT PERMITTED TO PARTICIPATE IN THIS ISSUE.

Other eligible non-resident QIBs shall participate in the Issue under Schedule I of the FEMA Rules.

In terms of the SEBI FPI Regulations, the Equity Shares issued to a single Eligible FPI or an investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than fifty per cent or common control) should not exceed 10% of post-Issue Equity Share capital of our Company. Further, in terms of the FEMA Rules, the total holding of each FPI or its investor group shall be below 10% of the total post issue paid-up Equity Share capital of our Company on a fully diluted basis. With effect from April 1, 2020, the aggregate limit for FPI investments is the sectoral cap applicable to our Company i.e. 100% on a fully diluted basis. Hence, Eligible FPIs may invest in such number of Equity Shares in the Issue such that the individual investment of the FPI in our Company does not exceed 10% of the post -Issue paid-up capital of our Company on a fully diluted basis.

In case the holding of an FPI including its investor group increases to 10% or more of the total post-Issue paid-up equity capital, on a fully diluted basis, the FPI including its investor group is required to divest the excess holding within five trading days from the date of settlement of the trades resulting in the breach. In the event that such divestment of excess holding is not done within the above prescribed time, the total investment made by such FPI together with its investor group will be re-classified as FDI as per procedure specified by SEBI and the FPI and its investor group will be prohibited from making any further portfolio investment in our Company under the SEBI FPI Regulations. However, in accordance with Regulation 22(4) of the SEBI FPI Regulations, the FPIs who are: (i) appropriately regulated public retail funds; (b) public retail funds where the majority is owned by appropriately regulated public retail fund on look through basis; or (c) public retail funds and investment managers of such foreign portfolio investors are appropriately regulated, the aggregation of the investment limits of such FPIs having common control, shall not be applicable. Further, the aggregate permissible limit of all FPIs

investments, with effect from April 1, 2020, is the sectoral cap applicable to the sector in which our Company operates.

As per the circular issued by SEBI on November 24, 2014, these investment restrictions shall also apply to subscribers of P- Notes. Two or more subscribers of P-Notes having a common beneficial owner shall be considered together as a single subscriber of the P-Note. In the event an investor has investments as an FPI and as a subscriber of P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Note investments held in the underlying company.

Pursuant to the SEBI Circular dated April 5, 2018 (Circular No: IMD/FPIC/CIR/P/2018/61), our Company has appointed National Securities Depository Limited as the designated depository to monitor the level of FPI / NRI shareholding in our Company on a daily basis and once the aggregate foreign investment of a company reaches a cut-off point, which is 3% below the overall limit a red flag shall be activated. SEBI however, pursuant to its Circular dated May 17, 2018 (Circular No: SEBI/HO/IMD/FPIC/CIR/P/2018/81), directed that this system of monitoring foreign investment limits in Indian listed companies be made operational with effect from June 1, 2018. The depository is then required to inform the Stock Exchanges about the activation of the red flag. The stock exchanges are then required to issue the necessary circulars/ public notifications on their respective websites. Once a red flag is activated, the FPIs must trade cautiously, because in the event that there is a breach of the sectoral cap, the FPIs will be under an obligation to disinvest the excess holding within five trading days from the date of settlement of the trades.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included. For a description of the restrictions applicable to the offer and sale of the Equity Shares in the Issue in certain jurisdictions, see “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 219 and 227, respectively.

Restriction on Allotment

Pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any Eligible QIB being a promoter, or any person related to, the promoters. QIBs, which have all or any of the following rights, shall be deemed to be persons related to the promoters:

- rights under a shareholders’ agreement or voting agreement entered into with the promoters or members of the promoter group;
- veto rights; or
- a right to appoint any nominee director on the board of the issuer.

Provided, however, that an Eligible QIB which does not hold any Equity Shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the promoters.

Our Company, the BRLM and any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, advisors or affiliates shall not be liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Eligible QIBs were advised to make their independent investigations and satisfy themselves that they were eligible to apply. Eligible QIBs were advised to ensure that any single application from them did not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. In case of undersubscription in such portion, such portion or part thereof may be Allotted to other Eligible QIBs.

Note: Affiliates or associates of the BRLM who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Bid Process

Application Form

Bidders shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and/or the BRLM in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document and this Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the Preliminary Placement Document, the Bidder has been deemed to have made all the following representations and warranties and the representations, warranties and agreements made under “*Notice to Investors*”, “*Representations by Investors*”, “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 1, 4, 219 and 227, respectively:

1. Each Bidder confirms that it is a QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;
2. Each Bidder confirms that it is not a Promoter and is not a person related to the Promoter(s), either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter(s) or members of the Promoter Group or persons related to the Promoter(s);
3. Each Bidder confirms that it has no rights under a shareholders’ agreement or voting agreement with the Promoters or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the Promoter(s);
4. Each Bidder confirms that in the event it is resident outside India, it is an Eligible FPI, having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and is eligible to invest in India under applicable law, including the FEMA Rules, as amended, and any notifications, circulars or clarifications issued thereunder, and has not been prohibited by SEBI or any other regulatory authority, from buying, selling, dealing in securities or otherwise accessing the capital markets and is not an FVCI;
5. Each Bidder acknowledges that it has no right to withdraw or revise its Bid downwards after the Bid / Issue Closing Date;
6. Each Bidder confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than the floor of a recognised Stock Exchange;
7. Each Bidder confirms that the Bidder is eligible to Bid and hold Equity Shares so Allotted together with any Equity Shares held by it prior to the Issue, if any. Each Bidder further confirms that the holding of the Bidder, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Bidder;
8. Each Bidder confirms that its Bids would not eventually result in triggering an open offer under the SEBI Takeover Regulations;
9. The Bidder agrees that it will make payment of its Bid Amount along with submission of the Application Form within the Issue Period. Each Bidder agrees that once a duly filled Application Form is submitted by a Bidder, whether signed or not, and the Bid Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Bid/Issue Closing Date;
10. The Bidder agrees that although the Bid Amount is required to be paid by it along with the Application Form within the Issue Period in terms of provisions of the Companies Act, our Company reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the BRLM. The Bidder further acknowledges and agrees that the payment of Bid Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part;

11. The Bidder acknowledges that in terms of the requirements of the Companies Act, upon Allocation, our Company has disclosed names as “proposed Allottees” and percentage of post-Issue shareholding of the proposed Allottees in this Placement Document and such QIB consents of such disclosure, if any Equity Shares are Allocated to it. However, the Bidder further acknowledges and agrees that, disclosure of such details as “proposed Allottees” in this Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Company, in consultation with the BRLM.
12. The Bidder confirms that the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:
 - (a) QIBs “belonging to the same group” shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and Independent Directors, amongst an Bidder, its subsidiary(ies) or holding company and any other Bidder; and
 - (b) ‘Control’ shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the SEBI Takeover Regulations;
13. The Bidders acknowledge that no Allocation shall be made to them if the price at which they have Bid for in the Issue is lower than the Issue Price.
14. Each Bidder confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.
15. Each Eligible FPI, confirms that it will participate in the Issue only under and in conformity with Schedule II of FEMA Rules. Further, each Eligible FPI acknowledges that Eligible FPIs may invest in such number of Equity Shares such that the individual investment of the Eligible FPI or its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than fifty per cent or common control) in our Company does not exceed 10% of the post-Issue paid-up capital of our Company on a fully diluted basis. The Bidder confirms that it, individually or together with its investor group, is not restricted from making further investments in our Company through the portfolio investment route, in terms of Regulation 22(3) of the SEBI FPI Regulations.
16. A representation that it is outside the United States, is acquiring the Equity Shares in an “offshore transaction” as defined in and in reliance on Regulation S and is not an affiliate of the Company or a person acting on behalf of such an affiliate and it has agreed to certain other representations set forth in the Application Form.

BIDDERS MUST PROVIDE THEIR NAME, COMPLETE ADDRESS, PHONE NUMBER, EMAIL ID, BANK ACCOUNT DETAILS, BENEFICIARY ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBs MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THEIR BENEFICIARY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BRLM, THE ELIGIBLE QIBs SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BRLM TO EVIDENCE THEIR STATUS AS A “QIB” AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BRLM, ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER BID/ISSUE CLOSING DATE, THE ELIGIBLE QIBs SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE APPLICABLE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of

all or part of the Bid Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Bid Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Bid Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder and becomes a binding contract on a Successful Bidder upon issuance of the CAN and this Placement Document by our Company (by itself or through the BRLM) in favour of the Successful Bidder.

Submission of Application Form

All Application Forms were required to be duly completed with information including the number of Equity Shares applied for along with proof of payment and a copy of the PAN card or PAN allotment letter (as applicable). The Bid Amount was to be deposited in the Escrow Account as is specified in the Application Form and the Application Form was to be submitted to the BRLM either through electronic form or through physical delivery at the following address:

Name	Address	Contact Person	Website and e-mail	Phone (Telephone)
Monarch Network Capital Limited	4th Floor, B Wing, Laxmi Towers, G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051	Saahil Kinkhabwala	Website: www.mnclgroup.com E-mail: projectnavami@mnclgroup.com	+91 22 6647 6400

The BRLM shall not be required to provide any written acknowledgement of the receipt of the Application Form and the Bid Amount.

All Application Forms were required to be duly completed and Bidders Bidding in the Issue were required to pay the entire Bid Amount along with the submission of the Application Form, within the Issue Period.

Bank account for Payment of Bid Amount

Our Company has opened the Escrow Account in the name of “*HFCL Limited – QIP Escrow*” with the Escrow Bank, in terms of the Escrow Agreement. Each Bidder will be required to deposit the Bid Amount payable for the Equity Shares Bid by it along with the submission of the Application Form and during the Bidding Period. Bidders can make payment of the Bid Amount only through electronic transfer of funds from their own bank account.

Note: Payments are to be made only through electronic fund transfer. Payments made through cash, demand draft or cheques are liable to be rejected. Further, if the payment is not made favouring the Escrow Account, the Application Form is liable to be rejected.

Pending Allotment, our Company undertakes to utilise the amount deposited in “*HFCL Limited – QIP Escrow*” only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of Bid Amount if our Company is not able to Allot Equity Shares in the Issue.

Pricing and Allocation

There is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price is not less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the Stock Exchanges during the two weeks preceding the Relevant Date.

The “Relevant Date” referred to above will be the date of the meeting in which the Board (or a duly constituted committee thereof) decides to open the Issue and “stock exchange” means any of the recognized stock exchanges in India on which the Equity Shares are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. After finalisation of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and has filed such document with the Stock Exchanges as this Placement Document.

Build-up of the Book

The Bidders were required to submit their Bids (including any revision thereof) through the Application Forms within the Issue Period to the BRLM. Such Bids cannot be withdrawn or revised downwards after the Bid/ Issue Closing Date. The book shall be maintained by the BRLM.

Method of Allocation

Our Company shall determine the Allocation in consultation with the BRLM on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations.

Application Forms received from the Bidders at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Bidders will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

In case of cancellations or default by the Bidders, our Company in consultation with BRLM has the right to reallocate the Equity Shares at the Issue Price among existing or new Bidders at their sole and absolute discretion subject to the applicable laws.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BRLM IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBs. ELIGIBLE QIBs MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BRLM AND ELIGIBLE QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE BID AMOUNT AT OR ABOVE THE ISSUE PRICE WITHIN THE ISSUE PERIOD. NEITHER OUR COMPANY NOR THE BRLM ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on receipt of the serially numbered Application Forms and Bid Amount, our Company, in consultation with the BRLM, in their sole and absolute discretion, shall decide the Successful Bidders. Our Company will dispatch a serially numbered CAN to all the Bidders pursuant to which the details of the Equity Shares Allocated to them (if any), the Issue Price and the Bid Amount for the Equity Shares Allocated to them shall be notified to such Successful Bidders. The CAN shall also include details of amount to be refunded, if any, to such Bidders. Additionally, the CAN will include the probable Designated Date, being the date of credit of the Equity Shares to the Bidders' account, as applicable to the respective Bidder.

The Successful Bidders would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in our Company) either in electronic form or by physical delivery.

The dispatch of the serially numbered CAN and this Placement Document, to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to subscribe to the Equity Shares Allocated to such Successful Bidders. Subsequently, our Board / its committee will approve the Allotment of the Equity Shares to the Allottees in consultation with the BRLM.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

By submitting the Application Form, an Eligible QIB would have deemed to have made the representations and warranties as specified in section "Notice to Investors" on page 1 and further that such Eligible QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by Stock Exchanges.

Designated Date and Allotment of Equity Shares

1. Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN.

2. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act. However, transfer of securities of listed companies in physical form is not permitted pursuant to Regulation 40 of the SEBI Listing Regulations.
3. Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
4. Following the Allotment of the Equity Shares pursuant to the Issue, our Company shall apply to the Stock Exchanges for listing approvals and post receipt of the listing approvals from the Stock Exchanges, our Company shall credit the Equity Shares into the beneficiary accounts of the Eligible QIBs.
5. Following the credit of Equity Shares into the Successful Bidders' beneficiary accounts with the Depository Participants, our Company will apply for the final listing and trading approvals from the Stock Exchanges.
6. The monies lying to the credit of the Escrow Account shall not be released until the final listing and trading approvals for the listing and trading of the Equity Shares issued pursuant to this Issue are received by our Company from the Stock Exchanges and our Company files the return of Allotment in connection with the Issue with the RoC within the prescribed timelines under the Companies Act.
7. After finalization of the Issue Price, our Company has updated Preliminary Placement Document with the Issue details and has filed such document with the Stock Exchanges as this Placement Document, which includes names of the proposed Allottees and the percentage of their post-Issue shareholding in the Company. Pursuant to a circular dated March 5, 2010 issued by the SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, namely, names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Company along with this Placement Document.
8. Our Company shall make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the PAS Rules. Further, as required in terms of the PAS Rules, names of the proposed Allottees, and the percentage of their post-Issue shareholding in our Company has been disclosed in this Placement Document.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Bid Amount has been paid by such Bidder, or the Bidder has deposited the Bid Amount arrived at using a price higher than the Issue Price or Equity Shares are not Allocated to a Bidder for any reasons or the Issue is cancelled prior to Allocation, or a Bidder lowers or withdraws the Bid prior to the Bid/ Issue Closing Date, any excess Bid Amount paid by such Bidder will be refunded to the same bank account from which Bid Amount was remitted as set out in the Application Form. The Refund Amount will be transferred to the relevant Bidders within two Working Days from the issuance of the CAN.

In the event that we are unable to issue and Allot the Equity Shares offered in the Issue or if the Issue is cancelled within 60 days from the date of receipt of application monies, our Company shall repay the application monies within 15 days from the expiry of 60 days, failing which our Company shall repay that monies with interest at the rate of 12% p.a. from expiry of the sixtieth day. The application monies to be refunded by us shall be refunded to the same bank account from which application monies was remitted by the Bidders, as mentioned in the Application Form.

We, at our sole discretion, reserve the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, we will apply for final trading and listing approvals from the Stock Exchanges. In the event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by us.

Release of Funds to our Company

The monies lying to the credit of the Escrow Account shall not be released until receipt of notice from the BRLM, the final listing and trading approvals of the Stock Exchanges and our Company files the return of Allotment in connection with the Issue with the RoC, whichever is later.

Other Instructions

Submission of Documents

A physical copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted with the Company/BRLM as soon as practicable.

Permanent Account Number or PAN

Each Bidder should mention its PAN (except Bids from any category of Bidders, which may be exempted from specifying their PAN for transacting in the securities market) allotted under the IT Act. A copy of PAN card is required to be submitted with the Application Form. Further, the Application Forms without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Bank account details

Each Bidder shall mention the details of the bank account from which the payment of Bid Amount has been made along with confirmation that such payment has been made from such account.

Right to Reject Applications

Our Company, in consultation with the BRLM, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company in consultation with the BRLM in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Company, the Bid Amount paid by the Bidder shall be refunded to the same bank account from which the Bid Amount was remitted by such Bidder as set out in the Application Form. For details, see “- Bid Process” and “- Refunds” on pages 211 and 215 respectively.

Equity Shares in dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Successful Bidder, as indicated in the Application Form.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Company and the BRLM shall not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on the part of the Bidders.

PLACEMENT

Placement Agreement

The BRLM has entered into the Placement Agreement dated August 28, 2023 with our Company, pursuant to which the BRLM has agreed, subject to certain conditions, to manage this Issue and to act as the placement agent in connection with the proposed Issue and procure subscription for the Equity Shares to be issued pursuant to the Issue on a reasonable efforts basis.

The Equity Shares will be placed with the QIBs pursuant to this Issue under Chapter VI of the SEBI ICDR Regulations and Section 42 and 62 of the Companies Act and the rules made thereunder. The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and is subject to satisfaction of certain conditions and termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to this Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Preliminary Placement Document and this Placement Document have not been, and will not be, registered as a prospectus with the Registrar of Companies, and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in “*offshore transactions*”, as defined in and in reliance on Regulation S and the applicable laws of the jurisdictions where those offers and sales are made.

Relationship with the Book Running Lead Manager

In connection with the Issue, the Book Running Lead Manager or its affiliates may, for their own account, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and subscription or sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Manager may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Manager may purchase or subscribe to the Equity Shares or be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. For further details, see the section “*Offshore Derivative Instruments*” on page 10.

From time to time, the Book Running Lead Manager, and its respective affiliates and associates may have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, commercial banking, trading services for our Company, our Subsidiary, group companies, affiliates and the Shareholders, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the Book Running Lead Manager and its respective affiliates and associates.

Lock up

The Company undertakes that it will not for a period of 60 days from the date of Allotment under the Issue, without the prior written consent of the Book Running Lead Manager, directly or indirectly, (a) issue, offer, lend, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing; (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, any of the economic consequences associated with the ownership of any of the Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares), regardless of whether any of such transactions are to be settled by the delivery

of Equity Shares or such other securities, in cash or otherwise; (c) deposit Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) with any depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares or such other securities in any depositary receipt facility; or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) pursuant to (A) the Issue; or (B) the issue of Equity Shares pursuant to offer made in terms of any employee stock option/ purchase scheme of the Company; or (C) any transaction required by law or an order of a court of law or a statutory authority.

Lock-up by Promoters

The Company acknowledges that the Promoters have undertaken that they will not for a period ending 60 days after Closing Date under the Issue, without the prior written consent of the Book Running Lead Manager, directly or indirectly: (a) offer, issue, pledge, sell, encumber, contract to sell or announce the intention to sell, lend, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Lock-up Shares or any other securities of the Company substantially similar to the Lock-up Shares, including, but not limited to options, warrants or other securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive Lock-up Shares or any such substantially similar securities, whether now owned or hereinafter acquired, (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Shares and the securities that are convertible into, exercisable or exchangeable for or any such substantially similar securities, whether now owned or hereinafter acquired; whether any such transaction described in clause (a) or (b) above is to be settled by delivery of shares or such other securities, in cash or otherwise, (c) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Shares in any depositary receipt facility, or (d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above. Provided that, the foregoing restriction shall not apply with respect to (i) the inter-se transfer of any shares between Promoters / Promoter Group subject to continuation of remaining lock-in period on the transferee; (ii) the issue of Equity Shares pursuant to offer made in terms of any employee stock option/ purchase scheme of the Company; or (iii) any transaction required by law or an order of a court of law or a statutory authority.

SELLING RESTRICTIONS

The distribution of the Preliminary Placement Document and this Placement Document and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of the Preliminary Placement Document and this Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. The Preliminary Placement Document and this Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which jurisdiction such offer or invitation is not authorised.

This Issue is being made only to Eligible QIBs through a QIP, in reliance upon Chapter VI of the SEBI ICDR Regulations and the Companies Act. Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Notice to Investors", "Representations by Investors" and "Purchaser Representations and Transfer Restrictions" on pages 1, 4 and 227, respectively.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of the Preliminary Placement Document and this Placement Document or any other material relating to our Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither the Preliminary Placement Document and this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations, Section 42 and 62 of the Companies Act, 2013 read with Rule 14 of the PAS Rules and other applicable provisions of the Companies Act, 2013 and the rules made thereunder. Each purchaser of the Equity Shares in the Issue will be deemed to have made acknowledgments and agreements as described under the section entitled "*Purchaser Representations and Transfer Restrictions*" on page 227.

Republic of India

The Preliminary Placement Document and this Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public. The Preliminary Placement Document and this Placement Document has not been and will not be filed as a prospectus with the RoC and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

Bahrain

All marketing and offering of the Equity Shares in the Issue has been made and will be made outside the Kingdom of Bahrain. This Placement Document and the Equity Shares that shall be offered pursuant to this Placement Document have not been registered, filed, approved or licensed by the Central Bank of Bahrain ("**CBB**"), the Bahrain Bourse, the Ministry of Industry, Commerce and Tourism ("**MOICT**") or any other relevant licensing authorities in the Kingdom of Bahrain.

The CBB, the Bahrain Bourse and the MOICT of the Kingdom of Bahrain takes no responsibility for the accuracy of the statements and information contained in this Placement Document, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance on any statements or information contained herein. This Placement Document is only intended for Accredited Investors as defined by the CBB and the Equity Shares offered by way of private placement may only be offered in minimum subscriptions of USD 100,000 (or equivalent in other currencies). No invitation to the public in the Kingdom of Bahrain to subscribe to the Equity Shares is being made and this Placement Document will not be issued to, passed to, or made available to the public generally in the Kingdom of Bahrain. The CBB has not reviewed, nor has it approved this Placement Document and any related offering documents or the marketing thereof in the Kingdom of Bahrain. The CBB is not and will not be responsible for the performance of the Equity Shares.

Cayman Islands

No offer or invitation to subscribe for Equity Shares may be made to the public in the Cayman Islands to subscribe for any of the Equity Shares but an invitation or offer may be made to sophisticated persons (as defined in the Cayman Islands Securities Investment Business Law (the “SIBL”), high net worth persons (as defined in the SIBL) or otherwise in accordance with the SIBL. This Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. The Equity Shares are not being offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

Dubai International Financial Centre

This Placement Document relates to an Exempt Offer in accordance with the Markets Rules Module of the Dubai Financial Services Authority (“DFSA”) Rulebook. This Placement Document is intended for distribution only to persons of a type specified in the Markets Rules Module. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Placement Document nor taken steps to verify the information set forth herein and has no responsibility for this Placement Document. The securities to which this Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this Placement Document you should consult an authorized financial advisor.

In relation to its use in the DIFC, this Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

European Economic Area

In relation to each Member State of the European Economic Area (each a “**Member State**”), no Equity Shares have been offered or will be offered pursuant to the Issue to the public in that Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation), except that offers of Equity Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of Book Running Lead Manager for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or the BRLM of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this section, the expression an “offer of Equity Shares to the public” in relation to any Equity Shares in any Relevant State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares.

Except for each person who is not a qualified investor and who has notified the BRLM of such fact in writing and has received the consent of the BRLM in writing to subscribe for or purchase Equity Shares in the Issue, each person in a Relevant State who acquires Equity Shares in the Issue or to whom any offer is made shall be deemed to have represented that it is a “qualified investor” as defined in the Prospectus Regulation.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares subscribed for or acquired by it in the Issue have not been subscribed for or acquired on a non-discretionary basis on behalf of, nor have they been subscribed for or acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant State to qualified investors (as so defined) or in circumstances in which the prior consent of the BRLM has been obtained to each such proposed offer or resale.

Our Company, the BRLM and their affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

Hong Kong

The Equity Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO has been or will be issued, whether in Hong Kong or elsewhere.

Japan

The Equity Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). The Preliminary Placement Document is not an offer of shares for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used in the Preliminary Placement Document means any person resident in Japan, including any corporation or entity organized under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Republic of Korea

The Equity Shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the “**FSCMA**”), and the Equity Shares have been and will be offered in Korea as a private placement under the FSCMA. None of the Equity Shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the “**FETL**”). Furthermore, the purchaser of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Equity Shares. By the purchase of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the Equity Shares pursuant to the applicable laws and regulations of Korea.

Kuwait

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, the Equity Shares in the State of Kuwait. The Equity Shares have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Equity Shares in State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing

and sale of financial services/products in the State of Kuwait. No private or public offering of the Equity Shares is or will be made in the State of Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in the State of Kuwait.

Malaysia

No approval from the Securities Commission of Malaysia has been applied for or will be obtained for the offer or invitation in respect of the Issue under the Capital Markets and Services Act 2007. Neither has a prospectus been nor will be registered with the Securities Commission of Malaysia in connection with the Issue in Malaysia. Accordingly, this Placement Document or any amendment or supplement hereto or any other offering document in relation to the Issue may not be distributed in Malaysia directly or indirectly for the purpose of any offer of the Equity Shares. The Equity Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act and no person may offer for subscription or purchase any of the Equity Shares directly or indirectly to anyone in Malaysia.

Mauritius

The public of the republic of Mauritius is not invited to subscribe for the interests offered hereby. This memorandum relates to a private placement and does not constitute an offer to the public in Mauritius to subscribe for the interests offered hereby. The interests are only being offered to a limited number of sophisticated investors meeting the eligibility criteria. No regulatory approval has been sought for the offer in Mauritius and it must be distinctly understood that the Mauritius financial services commission does not accept any responsibility for the financial soundness of or any representations made in connection with the issue. The memorandum is for the use only of the named addressee and should not be given or shown to any other person.

Qatar (excluding the Qatar Financial Centre)

The Preliminary Placement Document did not, and was not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Company nor the BRLM is authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. The persons representing the BRLM are, by distributing this document, not advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar and Qatar Financial Centre

Nothing in this Placement Document is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities in the State of Qatar or in the Qatar Financial Centre or the inward marketing of securities or an attempt to do business, as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre other than in compliance with any laws applicable in the State of Qatar or in the Qatar Financial Centre governing the issue, offering and sale of securities under the laws of the State of Qatar and the Qatar Financial Centre.

This Placement Document and any underlying instruments or securities have not been and will not be filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Exchange or any other relevant Qatar governmental body or securities exchange. The Company has not been authorised or licenced by any Qatari governmental body or regulator to market, offer or sell the Equity Shares in the State of Qatar or in the Qatar Financial Centre.

This Placement Document is strictly private and confidential. This Placement Document is provided on an exclusive basis to the specifically intended recipient of such document, upon that person's request and initiative, and for the recipient's personal use only. It is being distributed to a limited number of qualified investors and must not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar or the Qatar Financial Centre and may not be reproduced or used for any other purpose. Any distribution of this document by the recipient to third parties in the State of Qatar or the Qatar Financial Centre is not authorised and shall be at the liability of such recipient.

Recourse against the Company and/or its affiliates may be limited or difficult and may have to be pursued in a jurisdiction outside the State of Qatar and/or the Qatar Financial Centre.

Saudi Arabia

This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority ("CMA"). The CMA does not make any representation as to the accuracy or completeness of this Placement Document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Placement Document, you should consult an authorised financial adviser.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- i. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- ii. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or

- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Sections 309B(1)(a) and 309B(1)(c) of the SFA: We have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Equity Shares are: (A) prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and (B) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice SFA 04-N12: Notice on the Sale of Investment Products).

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Equity Shares are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice SFA 04-N12: Notice on the Sale of Investment Products).

Sultanate of Oman

The information contained in this Placement Document does not constitute a public offer of securities in Oman as contemplated by the Oman Commercial Companies Law (Sultani Decree 18/2019, as amended) or Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended). This Placement Document will only be made available to investors in Oman in accordance with the provisions of Article 139 of the Executive Regulations of the Capital Markets Law (Capital Markets Law Decision No. 1/2009, as amended) (the “**Executive Regulations**”) by an entity duly licenced by the Capital Market Authority of Oman to market non-Omani securities in Oman.

This Placement Document is strictly private and confidential. It is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to invest in the Equity Shares outside of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient. Additionally, this Placement Document is not intended to lead to the making of any contract within the territory or under the laws of Oman.

This Placement Document has not been (and will not be) filed with the Capital Market Authority of Oman (except in accordance with Article 139 of the Executive Regulations) or any other regulatory authority in Oman and the Capital Market Authority of Oman neither assumes responsibility for the accuracy and adequacy of the statements and information contained in this Placement Document nor shall have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

Switzerland

The Equity Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Equity Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Placement Document nor any other offering or marketing material relating to the Equity Shares constitutes a prospectus pursuant to the FinSA, and neither this Placement Document nor any other offering or marketing material relating to the Equity Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The Equity Shares may, however, be offered in Switzerland to professional clients within the meaning of the FinSA, without any public offer and only to investors who do not purchase the Equity Shares with the intention to distribute them to the public. The investors will be individually approached from time to time. This Placement Document may only be used by those investors to whom it has been handed out in connection with the Offer described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Placement Document does not constitute or contain an offer of securities to the general public in the UAE. No offering, marketing, promotion, advertising or distribution (together, “Promotion”) of this document or the Equity Shares may be made to the general public in the United Arab Emirates (the “UAE”) unless: (a) such Promotion has been approved by the UAE Securities and Commodities Authority (the “SCA”) and is made in

accordance with the laws and regulations of the UAE, including SCA Board of Directors' Chairman Decision no. (3/R.M.) of 2017 (the “**Promotion and Introduction Regulations**”), and is made by an entity duly licensed to conduct such Promotion activities in the UAE; or (b) such Promotion is conducted by way of private placement made: (i) only to “Qualified Investors” (excluding “**High Net Worth Individuals**”) (as such terms are defined in the Promotion and Introduction Regulations); or (ii) otherwise in accordance with the laws and regulations of the UAE; or (c) such Promotion is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE. None of the SCA, the UAE Central Bank, the UAE Ministry of Economy or any other regulatory authority in the UAE has reviewed or approved the contents of this document nor does any such entity accept any liability for the contents of this document.

United Kingdom

No Shares have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares which is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Article 74 (transitional provisions) of the Prospectus Amendment etc (EU Exit) Regulations 2019/1234, except that it may make an offer to the public in the United Kingdom of any Shares at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the BRLM for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of the Shares shall require the Company or any BRLM to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an “offer to the public” in relation to the Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The Preliminary Placement Document may not be distributed or circulated to any person in the United Kingdom other than to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”); and (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as “relevant persons”). The Preliminary Placement Document is directed only at relevant persons. Other persons should not act on the Preliminary Placement Document or any of its contents. The Preliminary Placement Document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

United States of America

The Equity Shares have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only outside the United States in ‘*offshore transactions*’, as defined in and in reliance on Regulations S and the applicable laws of the jurisdiction where those offers and sales are made. For further information, see “*Purchaser Representations and Transfer Restrictions*” on page 227.

Other Jurisdictions

The distribution of this Placement Document and the offer and sale of the Equity Shares may be restricted by law in certain jurisdictions. Persons into whose possession this Placement Document comes are required to inform themselves about, and to observe, any such restrictions to the extent applicable.

PURCHASER REPRESENTATIONS AND TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult their legal counsel prior to subscribing for Equity Shares or making any resale, pledge or transfer of the Equity Shares.

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of Equity Shares, except on a recognized stock exchange, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge or transfer of our Equity Shares. In addition to the above, allotments made to Eligible QIBs, including VCFs and AIFs, in the Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, see “*Selling Restrictions*” and “*Purchaser Representations and Transfer Restrictions*” on pages 219 and 227, respectively.

Purchaser Representations and Transfer Restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

By accepting delivery of the Preliminary Placement Document and this Placement Document, submitting a bid to purchase Equity Shares and/or accepting delivery of any Equity Shares, you will be deemed to have represented and agreed as follows:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.
- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Equity Shares are being issued in reliance upon Regulation S and such Equity Shares have not been and will not be registered under the U.S. Securities Act.
- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, is located outside the United States (within the meaning of Regulation S), and it has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States, or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S), and such customer has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States.
- It is aware of the restrictions of the offer, sale and resale of the Equity Shares pursuant to Regulation S.
- It agrees (or it is a broker-deal acting on behalf of a customer that has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, will make any “directed selling efforts” as defined in Regulation S. It acknowledges and agrees that it is not purchasing any Equity Shares as a result of any “directed selling efforts” as defined in Regulation S.
- It understands that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Equity Shares have not been and will not be registered under the U.S. Securities Act and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred only outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the U.S. Securities Act and other applicable U.S. state securities laws.
- It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Bank or any of the BRLMs for all or part of any such loss or losses that may be suffered, (iii)

are able to sustain a complete loss on the investment in the Equity Shares, (iv) is seeking to subscribe to the Equity Shares in this Issue for investment purposes and not with a view to resell or distribute them and it has no reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the Equity Shares, (v) have no need for liquidity with respect to the investment in the Equity Shares, and (vi) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment.

- It has been provided access to the Preliminary Placement Document and this Placement Document which it has read in its entirety.
- It agrees to indemnify and hold the Bank and each of the BRLMs harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. It will not hold any of the Bank or the BRLMs liable with respect to its investment in the Equity Shares. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.
- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing, by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “it” to include such accounts.
- It agrees that any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions shall not be recognised by the Bank.

If such person is a dealer (as such term is defined under the U.S. Securities Act), it may not resell the Equity Shares in the United States prior to 40 days from the commencement of the offering of the Equity Shares. It acknowledges that the Bank and the BRLMs and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate, it will promptly notify the Bank and the BRLMs. It agrees that the terms and provisions of the foregoing acknowledgements, representations and agreements shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by the Bank, its successors and its permitted assigns, and the terms and provisions hereof shall be binding on its permitted successors in title, permitted assigns and permitted transferees. It understands that these acknowledgments, representations and undertakings are required in connection with United States securities laws and irrevocably authorizes the Bank to produce these acknowledgments, representations and undertakings (or any document incorporating them) to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company, the BRLM or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Stock Exchanges Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. On October 3, 2018, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the “**SECC Regulations**”), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum net worth requirements for stock exchanges. The SCRA, the SCRR and the SECC Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations and guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign portfolio investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act, and various guidelines and regulations issued by SEBI including the SEBI ICDR Regulations, SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company’s obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange’s governing body and withdraw recognition of a recognized stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021, to govern the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

All listed companies (except public sector undertakings) are required to maintain a minimum public shareholding at 25%. In this regard, SEBI has provided several mechanisms to comply with this requirement. Further, where the public shareholding in a listed company falls below 25% (except public sector undertakings) at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. Our Company is in compliance with this minimum public shareholding requirement.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at four stages of the index movement, at 5%, 10%, 15% and 20%. The stock exchanges on a daily basis translate the circuit breaker limits based on previous day's closing level of the index. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in all equity and equity derivatives markets nationwide is halted. The markets are required to re-open, after a circuit breaker threshold is hit, with a pre-open call auction session. The timing of the halt and the pre-open call auction session varies depending on the time of day and the circuit breaker breached.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise circuit breakers. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

The NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. It has evolved over the years into its present status as one of the premier stock exchanges of India. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading (“**BOLT**”) facility in 1995. This totally automated screen based trading in securities was put into practice nationwide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. In the year 2014, BSE introduced its new generation trading platform, BOLT Plus

NSE has introduced a fully automated trading system called National Exchange for Automated Trading (“**NEAT**”), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to *inter alia* prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management’s discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to, *inter alia*, continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

SEBI Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the SEBI Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company’s shares/voting rights/control. The SEBI Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition. The SEBI Takeover Regulations also provides certain general exemptions which exempt certain acquisitions from the obligation to make an open offer. The SEBI Takeover Regulations were further amended on June 22, 2020 to exempt any acquisitions by way of preferential issue from the obligation to make an open offer.

SEBI Insider Trading Regulations

The SEBI Insider Trading Regulations have been notified to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information (“**UPSI**”).

The SEBI Insider Trading Regulations were notified on January 15, 2015 and came into effect on May 15, 2015, which repealed the erstwhile regulations of 1992. The SEBI Insider Trading Regulations, *inter alia*, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any UPSI relating to such companies and securities listed or proposed to be listed, to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations also provides for disclosure obligations for promoters, members of the promoter group, designated person or director in case value of trade exceed monetary threshold of ₹ 10 lakh over a calendar quarter, within two trading days of reaching such threshold. However, listed companies who have complied with the requirements of the SEBI circular bearing reference number SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 9, 2020, the manual filing of above disclosure as required under regulation 7(2)(a) &(b) of SEBI Insider Trading Regulations is no longer mandatory. The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the SEBI Insider Trading Regulations. Further, on July 17, 2020, SEBI amended the Insider Trading Regulations to prescribe that the board of directors or head(s) of listed companies shall ensure that a structured digital database be maintained, containing the nature of unpublished price sensitive information, the names and details of persons who have shared the information and the names and details person with whom information is shared.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following information relates to the share capital of our Company, including a brief summary of the Memorandum of Association and Articles of Association and certain provisions of the Companies Act and certain related legislations of India, all as currently in effect. Bidders are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Share capital

The authorized share capital of our Company is ₹ 7,60,00,00,000 divided into 5,10,00,00,000 Equity Shares of ₹ 1 each and 2,50,00,000 preference shares of ₹100 each. For further details, see “*Capital Structure*” on page 84.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM held each fiscal year. Under the Companies Act, unless the board of directors of a company recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 123 of the Companies Act, 2013 no dividend can be declared or paid by a company for any fiscal year except out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act or out of the profits of the company for any previous fiscal year(s) arrived at as laid down by the Companies Act. According to the Articles of Association, the amount of dividends shall not exceed the amount recommended by the Board of Directors. However, our Company may declare a smaller dividend in the general meeting. In addition, as is permitted by the Articles of Association, the Board may from time to time pay to the members such interim dividends of such amount on such class of shares and at such times as it may think fit.

Further, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, in the absence of profits in any year, a company may declare dividend out of surplus, provided: (a) the rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year; provided, this rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial years; (b) the total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of the paid up share capital of the company and free reserves as per the most recent audited financial statement; (c) the amount so drawn shall be first utilised to set off the losses incurred by the company in the financial year in which the dividend is declared before any dividend in respect of equity shares is declared; and (d) the balance of reserves of the company after such withdrawal shall not fall below 15% of the company's paid up share capital as per the most recent audited financial statement of the company.

The Equity Shares issued pursuant to this Placement Document shall rank *pari passu* with the existing Equity Shares in all respects including entitlements to any dividends that may be declared by our Company.

Capitalisation of profits and issue of bonus shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits the board of directors, if so approved by the shareholders in a general meeting, to distribute an amount transferred in the free reserves, the securities premium account or the capital redemption reserve account to its shareholders, in the form of fully paid up bonus ordinary shares, which are similar to stock dividend. These bonus ordinary shares must be distributed to shareholders in proportion to the number of ordinary shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets. Further, any issue of bonus shares would be subject to SEBI ICDR Regulations and the Companies Act, 2013.

As per the Articles of Association, a general meeting may upon the recommendation of the Board resolve that that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution and that such sum be accordingly set free for distribution amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions, in terms of the manner set out under the Articles of Association and under applicable laws.

Alteration of share capital

Subject to the provisions of the Companies Act, our Company may increase its share capital by issuing new shares on such terms and with such rights as it, by action of its shareholders in a general meeting may determine. The Board is entitled to make private placement and preferential issue of Equity Shares, debentures, preference shares or any other instruments to such class of persons as the Board may deem fit which would be convertible or exchanged with Equity Shares, at a later date or such other securities as may be permissible to be issued by our Company under any law from time to time.

According to Section 62(1)(a) of the Companies Act such new shares shall be offered to existing shareholders in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer or as may be permitted by applicable law) within which the offer, if not accepted, will be deemed to have been declined. After such date, the board may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to the Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

Under the provisions of Section 62(1)(c) of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed, if a special resolution to that effect is passed by our shareholders in a general meeting. Further, the Companies (Share Capital and Debentures) Rules, 2014 prescribe that price of shares to be issued on preferential basis by a listed company need not be determined by the valuation report of the registered valuer.

The Articles of Association authorises our Board to increase our authorised capital by increase the authorised share capital by such sum, to be divided into shares of such amount as it thinks expedient. The Articles of Association provide that our Company, subject to compliance with requirements under the Companies Act and the rules thereto, or any other applicable law in force in the general meeting, from time to time, may consolidate, and divide its share capital into shares of larger amount than its existing shares, convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination, sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum or cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

General meetings of shareholders

There are two types of general meetings of the shareholders, namely, AGM and EGM. Our Company must hold its AGM in each Fiscal year, provided that not more than 15 months shall elapse between each AGM, unless extended by RoC at its request for any special reason. Our Board may convene an EGM when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than one tenth of our Company's issued paid-up capital carrying a right to vote on such date.

As per the provisions of the Companies Act and Articles of Association, all general meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Notices, along with statement containing material facts concerning each special item, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to every member or the legal representative of a deceased member, auditors of the company and every director of the company, at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95% of the shareholders entitled to vote in case of annual general meeting and in the case of any other general meeting, by members of the company (a) holding, if the company has a share capital, majority in number of members entitled to vote and who represent not less than ninety-five per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting. Unless, the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with in case of general meeting held other than through electronic mode.

In accordance with Section 110 of the Companies Act, a company intending to pass a resolution relating to matters such as, but not limited to, amendments to the objects clause of the Memorandum, a variation of the rights attached to a class of shares or debentures or other securities, buy-backs of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in our Company's general meeting. Provided that any item of business required to be transacted by means of postal ballot, may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under Section 108, in the manner provided in that section. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the notice. Postal ballot includes voting by electronic mode.

Voting rights

Subject to the provisions of the Companies Act, 2013 and our Articles of Association, votes may be given either personally or by proxy, and in the case of a body corporate, a duly authorized representative under Section 113 of the Companies Act, 2013 shall be entitled to exercise the same powers on behalf of the corporation as if it were an individual member of the company. On a show of hands, every member holding equity shares and present in person shall have one vote. On poll conducted via e-voting or postal ballot, every member holding equity shares therein shall have voting rights in proportion to his share of the paid-up equity share capital. In the case of joint holders, anyone of such persons may vote at any meeting either personally or by his proxy in respect of such share as if he were solely entitled thereto; and if more than one of such joint holders be present at any meeting, that the vote of the first named person of such joint holders in the register of members, who tenders a vote whether in person or proxy shall be accepted to the exclusion of the votes of the other joint holders.

At a general meeting, every member holding shares is entitled to vote through e-voting process and has one vote for every one equity share held. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion to their share in the paid-up equity share capital of the Company and as provided under the Companies Act and rules framed thereunder. The chairperson of the meeting has a casting vote or second vote.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have a right to speak at meetings. No proxy shall be entitled to vote on a show of hands unless such proxy is present on behalf of a company or corporation.

Registration of transfers and register of members

Our Company is required to maintain a register of members wherein the particulars of the members of our Company are entered. We recognize as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into our records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares held by a depository.

For the purpose of determining the shareholders, entitled to corporate benefits declared by our Company, the register may be closed for such period not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board of Directors may deem expedient in accordance with the provisions of the Companies Act. Under the SEBI Listing Regulations of the stock exchanges on which our Company's outstanding Equity Shares are listed, our Company may, upon at least seven working days' or such lesser period as may be prescribed for certain situations (excluding the date of intimation and the record date) advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of Equity Shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance

with the regulations laid down by the SEBI. These provisions provide the regime for the functioning of the depositories and the participants and set out in the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. We have entered into an agreement for such depository services with NSDL and CDSL. SEBI requires that our shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. The registrar and transfer agent shall maintain a register in which every transfer or transmission of shares will be entered. In addition to complying with the Companies Act, 2013 and the other applicable laws, our Company is also required to comply with the provisions of the SEBI Listing Regulations for effecting the transfer of shares. In terms of the SEBI Listing Regulations, except in case of transmission or transposition of shares, requests for effecting transfer of shares shall not be processed unless the shares are held in the dematerialized form with a depository and that transmission or transposition of securities held in physical or dematerialised form shall be effected only in dematerialised form. The Equity Shares shall be freely transferable, subject to applicable laws.

Directors

The Articles provide that the number of Directors shall not be less than three and not be more than 14. The Directors shall be appointed by our Company in the general meeting subject to the provisions of the Companies Act and the Articles. Two-thirds of the total number of Directors is subject to retirement by rotation. Of such Directors, one-third, or if their number is not three or multiples of three, then the number nearest to one-third, must retire every year; the debenture Directors, independent Directors, corporation Directors and managing Directors are to be excluded from this number.

As provided under Section 161 of the Companies Act, 2013, the Director may be appointed by the Board or by the general meeting of the Shareholders. The Directors have the power to appoint any other persons as an additional Director but any Director so appointed shall hold office only up to the date of the next following AGM of our Company but the total number of Directors shall not at any time exceed the maximum strength. The Board shall also have the power to appoint any person to act as an alternate Director for a Director (not being an independent director) during the latter's absence for a period of not less than three months from India. The alternate Director shall vacate the office if and when the original Director returns to India and in case the office of the original Director is determined before he returns, the provisions of the Companies Act, 2013, and the Articles for automatic reappointment shall apply to the original Director and not the alternate Director.

Liquidation rights

In the event of our winding up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not. The liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

Buy back

Our Company may buy back its own Equity Shares or other specified securities subject to the provisions of the Companies Act, 2013 and any related SEBI guidelines issued in connection therewith.

STATEMENT OF POSSIBLE TAX BENEFITS

To,

**The Board of Directors
HFCL Limited**

8 Electronics Complex,
Chambaghat, Solan,
Himachal Pradesh, 173213

Monarch Networth Capital Limited

4th Floor, B Wing, Laxmi Towers,
G Block, Bandra Kurla Complex,
Bandra East, Mumbai 400051

(Monarch Networth Capital Limited referred to as the “Book Running Lead Manager” or the “BRLM”)

Dear Sirs/Madams,

Sub: Statement of Possible Tax Benefits available to HFCL Limited and its shareholders under the Indian tax laws

1. We, Oswal Sunil & Company, Chartered Accountants, (Firm Registration Number: 016520N) and S Bhandari & Co LLP, Chartered Accountants, (Firm Registration Number: 000560C/C400334), have been requested by the Company to report in the enclosed **Annexure**, the possible income-tax benefits available to the Company and its shareholders under the Income-tax Act, 1961 as amended (**'the Act'**), Income Tax rules, 1962, as amended (**'the Rules'**) thereunder and recent amendments/ ordinances as applicable & presently in force in India (collectively, the **“Tax Laws”**).
2. This certificate has been issued at the request of the Company in connection with the Issue and in accordance with our engagement letter with the Company dated December 19, 2022.
3. We hereby report that the enclosed Annexure prepared by the Company, initialled by us for identification purpose, states the possible income-tax benefits available to the Company and its shareholders under the Income Tax Laws as applicable for financial year 2023-24, relevant to the assessment year 2024-25 presently in force in India as on the date of this certificate.
4. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Laws. Hence, the ability of the Company and / or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil.
5. The benefits discussed in the enclosed Annexure are not exhaustive and the preparation of the contents stated in the Annexure is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing Tax Laws, each investor is advised to consult his or her tax consultant with respect to the specific tax implications arising out of their participation in the proposed Issue.
6. We do not express any opinion or provide any assurance as to whether:
 - a. the Company or its shareholders will obtain/ continue to obtain these tax benefits in future;
 - b. conditions prescribed for availing the tax benefits have been / would be met with, and
 - c. the revenue authorities / courts will concur with the views expressed herein

Our views are based on the existing provisions of the income-tax laws and their interpretation, which are subject to change from time to time. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

7. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India (Revised 2016) (“**Guidance Note**”) issued by the Institute of Chartered Accountants of India (“**ICAI**”). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements.
8. We hereby consent to the inclusion and use of this certificate and the Annexure thereto in the Preliminary Placement Document, the Placement Document or other offering materials, as required, in connection with the Issue and for submission to the Securities and Exchange Board of India, Stock Exchanges and any other authority as may be required.
9. The aforesaid consent and information contained herein may be relied upon by the BRLM and legal counsels appointed pursuant to the Issue in conducting and documenting their due diligence in relation to the Issue and may be submitted to SEBI, the Stock Exchanges and any other regulatory or statutory authority in respect of the Issue and for the records to be maintained by the BRLM in connection with the Issue.
10. Based on the information made available to us by the Company, subsequent to the issuance of this certificate, regarding any material change relating to matters stated above, if any, we undertake to immediately inform the BRLM and legal counsels in case of any changes to the above until the date when the Equity Shares issued pursuant to the Issue commence trading on the Stock Exchanges.
11. This certificate may be disclosed by BRLM, if required, (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory / statutory authority, or (ii) in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.
12. We have further authorized the Company to disclose this certificate to the legal advisors appointed in relation to the Offer, i.e., **AZB & Partners, Hogan Lovells Lee & Lee** and **Khaitan & Co**, for their review.
13. Capitalized terms used herein, unless otherwise specifically defined, shall have the same meaning as ascribed to them in the Placement Documents.

For **Oswal Sunil & Company**
Chartered Accountants
Firm Registration Number: 016520N

(**Sunil Bhansali**)
Partner
Membership Number: 054645
UDIN: 23054645BGYNHY3158
Date: August 28, 2023
Place: New Delhi

For **S Bhandari & Co LLP**
Chartered Accountants
Firm Registration Number: 000560C/C400334

(**P.D. Baid**)
Partner
Membership Number: 072625
UDIN: 23072625BGXCUM6457

ANNEXURE

The statement of general tax benefits available to the HFCL Limited (“the Company”) and the Shareholders under the Income Tax Act, 1961 and rules made thereunder.

Outlined below are the Possible General Tax Benefits available to the Company and its shareholders under the Tax Laws. These Possible General Tax Benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the Tax Laws. Hence, the ability of the Company and its shareholders to derive the Possible General Tax Benefits is dependent upon fulfilling such conditions, which are based on business imperatives it faces in the future, it may or may not choose to fulfill.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations provided by the Company. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

Our views expressed in this statement are based on the facts and assumptions as indicated above and in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue or to any third party relying on this statement.

II. TAXABILITY UNDER THE INCOME-TAX ACT, 1961 (HEREINAFTER REFERRED TO AS ‘THE ACT’)

1. General tax benefits available to the Company

The following benefits are available to the Company after fulfilling conditions as per the applicable provisions of the Act:

- a) Benefit of lower rate of tax under Section 115BAA of the Act and corresponding benefit under Minimum Alternative Tax (‘MAT’) provisions under section 115JB of the Act**
Section 115BAA has been inserted in the Act by the Finance Act, w.e.f. AY 2020-21, which grants an option to all domestic companies to compute corporate tax at a reduced rate of 25.168% (22% plus surcharge of 10% and cess of 4%). The said benefit is available subject to the condition that the Company does not claim the deductions/incentives as specified in sub-clause 2(i) of section 115BAA of the Act.

In case a company opts for section 115BAA of the Act, provisions of MAT under section 115JB of the Act would not be applicable and MAT credit of the earlier year(s) will not be available for set-off.

The option needs to be exercised on or before the due date of filing the tax return of a specific year. Option once exercised, cannot be subsequently withdrawn for the same or any other tax year. The Company have opted for the lower tax regime under section 115BAA from FY 2020-21.

In view of the same, the tax rate for the company for FY 2023-24 shall be 25.168% as per the provisions of section 115BAA of the Act and MAT provisions specified in section 115JB of the Act would not apply to the Company.

b) Section 32 of the Act Depreciation Allowance

As per section 32(1) of the Act, the Company can claim depreciation allowance at the prescribed rates in respect of its tangible and intangible assets.

Further, as per the provisions of section 32(1)(ia) of the Act, the Company is entitled to claim additional depreciation at the rate of 20% of the actual cost of any new plant or machinery acquired and installed during the year. In case such new plant or machinery is put to use for less than 180 days, the additional depreciation is allowed at 10% of its actual cost in such year and balance 10% of the actual cost in the immediately succeeding year.

For acquisition and installation of plant and machinery for setting up of manufacturing units in the State of Telangana, higher additional depreciation is allowed at the rate of 35% (instead of 20%) on or after the 1st day of April, 2015. This higher additional depreciation shall be available in respect of acquisition and installation of any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020.

However, the Company shall not be entitled for the additional depreciation under section 32(1)(ia) as it has opted for the benefit of lower rate of tax under section 115BAA of the Act as discussed at para (a) above.

c) Additional Incentive for HYD Plant

An undertaking is set up in the notified backward areas in the States of Andhra Pradesh or Telangana by a company, it shall be eligible to claim deduction under the existing provisions of section 32AC of the Act as well as under the proposed section 32AD if it fulfills the conditions (such as investment above a specified threshold) specified in the said section 32AC and conditions specified under the proposed section 32AD.

Accordingly, the Deductions of 15% as investment allowance on the plant and machinery acquired and installed for the manufacturing plant set-up during the period beginning from the 1st April, 2015 to 31st March, 2020.

However, the Company shall not be entitled for the additional depreciation under section 32(1)(ia) as Company has opted for the benefit of lower rate of tax under section 115BAA of the Act as discussed at para (a) above.

d) Section 36(1)(vii) of the Act Allowance of bad debts written off

Under section 36(1)(vii), any bad debt or part thereof which has been written off as irrecoverable in the books of accounts is allowable as deduction for computing the income under the head “Profit and gains of business or profession”, subject to the fulfilment of the conditions as specified in section 36(2) read with section 36(1)(vii) of the Act.

e) Deductions in respect of donations

A deduction equal to 100% or 50%, as the case may be, on sums paid as donations to certain specified entities is allowable as per section 80G of the Act while computing the total income of the Company.

A deduction amounting to 100% of any sum contributed to a political party or an electoral trust, otherwise than by way of cash, is allowable under section 80GGB of the Act while computing total income of the Company.

However, the above benefit shall not be available to the entity which has opted for the benefit of lower rate of tax under section 115BAA of the Act as discussed at para (a) above.

In view of the same, for FY 2020-21 and onwards the Company shall not be eligible for any deduction under section 80G/80GGB of the Act.

f) Deduction for additional employee cost

As per the provisions of section 80JJAA of the Act, the Company is entitled to claim deduction of an amount equal to thirty per cent of additional employee cost (relating to specified category of employees) incurred in the course of business in the previous year, for three assessment years

including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of conditions prescribed in the Act.

g) Taxation on dividend income

According to the Finance Act, 2020 any income by way of dividends or income from equity shares are now taxable in the hands of shareholder at the applicable rate and the domestic company or specified company are not required to pay any dividend distribution tax (“DDT”) w.e.f. 01.04.2020.

h) Taxability of income from capital gains

As per section 2(42A) of the Act, if the period of holding of a security (other than a unit) listed on a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of an equity oriented fund or a zero coupon bond is more than 12 months, it will be considered a long term capital asset as per section 2(29A) of the Act. With respect to immovable property (being land or building or both) and shares of a company not being listed on a recognized stock exchange, the determinative period of holding shall be more than 24 months for it to be regarded as long-term capital asset. With respect to other assets including a unit of a mutual fund other than equity oriented mutual fund or unit of a business trust, the determinative period of holding is more than 36 months for it to be regarded as long-term capital asset. Asset not considered as long-term capital asset shall be regarded as short-term capital assets

As per the provisions of section 112(1)(d) of the Act, gains arising on the transfer of long-term capital assets shall be chargeable to tax at the rate of 20% (plus applicable surcharge and cess). However, as per the proviso to section 112 of the Act, the tax on long term capital gains resulting on transfer of listed securities (other than those covered under section 112A) and Zero Coupon Bonds shall be the lower of the following:

- a. 20% (plus applicable surcharge and cess) with indexation benefit; or
- b. 10% (plus applicable surcharge and cess) without indexation benefit

The short-term capital gains are chargeable to tax at a normal tax rate (plus applicable surcharge and cess).

As per section 70 read with section 74 of the Act, short term capital loss arising during an year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

i) Section 35- Expenditure on Scientific Research

As per section 35(1)(i) of the Income Tax Act, any expenditure (not being in the nature of capital expenditure) laid out or expended on scientific research related to the business shall be allowed as deduction.

As per section 35(1)(iv) read with section 35(2) of the Income Tax Act, if capital expenditure incurred on scientific research related to business, the whole of such capital expenditure incurred shall be allowed as deduction. However, no deduction shall be admissible in respect of expenditure incurred on the acquisition of any land.

Deduction by way of depreciation is not admissible in respect of an asset used in scientific research, either in the year in which the capital expenditure is incurred or in a subsequent year.

2. General tax benefits available to the Shareholders

The following tax benefits are generally available to the shareholders of all companies subject to the fulfilment of the conditions specified in the Act:

2A. For resident shareholders

a) Exemption on Dividend Income received from Indian Company

Dividend income earned on shares of the Company will be taxable in the hands of shareholders as to such shareholder. The shareholder is eligible to claim deduction of interest expense wholly and exclusively incurred for earning of such dividend income under section 57 of the Act. However, such deduction is restricted to 20 per cent of dividend received.

Further, in case of a shareholder being a company, deduction in respect of dividends received from the Company shall be available under section 80M of the Act, to the extent such dividend is distributed by it on or before the specified due date.

b) Taxability of gain/ loss arising from sale of shares of the Company:

The characterization of gains/ losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the shareholder and various other factors.

i. Taxability under the head ‘capital gains’

Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

Section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs. 1,00,000) arising from equity shares of the Company, if STT has been paid on both acquisition and transfer of such shares. The benefit of indexation under the second proviso to section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act.

As per section 112 of the Act, the tax on long term capital gains resulting on transfer of listed shares of the Company (other than those covered under section 112A) shall be the lower of the following:

- a. 20% (plus applicable surcharge and cess) with indexation benefit; or
- b. 10% (plus applicable surcharge and cess) without indexation benefit

As per the provisions of section 111A of the Act, short term capital gain arising from transfer of equity share in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess if any).

As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

ii. Taxability under the head ‘income from business and profession’:

Where the gains arising on the transfer of shares of the Company are included in the business income of a shareholder and assessable under the head “Profits and Gains from Business or Profession” and on such transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

4B. For non-resident shareholders being Foreign Portfolio Investors (‘FPIs’) / Foreign Institutional Investors (‘FIIs’)

a) Taxability of dividend income from shares of the Company

Dividend income earned on shares of the Company will be taxable in the hands of shareholders as ‘income from other sources’ at tax rate applicable to such shareholder.

b) Taxability of gain/ loss arising from sale of shares of the Company

As per section 2(14) of the Act, transfer of any shares/ securities (other than those held as stock in trade) being invested in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 shall be deemed to be treated as Capital Gains.

Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

Section 115AD read with section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs. 1,00,000) arising from equity shares of the Company, if STT has been paid on both acquisition and transfer of such shares. The benefit of indexation under the second proviso to section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act.

As per section 115AD of the Act, the tax on long term capital gains resulting on transfer of listed shares of the Company (other than those covered under section 112A) shall be 10% (plus applicable surcharge and cess) without indexation benefit.

Under section 115AD(1)(ii) of the Act, income by way of short term capital gains arising to the FPI/ FII on transfer of shares of the Company shall be chargeable at the rate of 15% (plus applicable surcharge and cess) if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT.

As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

Under the provisions of section 90(2) of the Act, a non-resident will be governed by the provisions of the country of tax residence of the FII/ FPI or the provisions of the Act, to the extent they are more beneficial to the FII/ FPI.

4C. For non-resident shareholders, other than FPIs/ FIIs

a) Taxability of dividend income from shares of the Company

Dividend income earned on shares of the Company will be taxable in the hands of shareholders as 'income from other sources' at tax rate applicable to such shareholder. The shareholder is eligible to claim deduction of interest expense wholly and exclusively incurred for earning of such dividend income under section 57 of the Act. However, such deduction is restricted to 20 per cent of dividend received.

b) Taxability of gain/ loss arising from sale of shares of the Company

a. Taxability under the head 'capital gains'

Income arising from transfer of shares of the Company held for more than 12 months and subject to securities transaction tax, shall be considered as long-term capital assets. The shares which are not considered as long-term capital assets shall be considered as short-term capital assets.

Section 112A of the Act provides for concessional rate of 10% (plus applicable surcharge and cess) on long term capital gains (exceeding Rs. 1,00,000) arising from equity shares of the Company, if STT has been paid on both acquisition and transfer of such shares. The benefit of indexation under the second proviso to section 48 of the Act shall not be applicable for computing long term capital gains taxable under section 112A of the Act.

As per section 112 of the Act, the tax on long term capital gains resulting on transfer of listed shares of the Company (other than those covered under section 112A) shall be the lower of the following:

- a. 20% (plus applicable surcharge and cess) with indexation benefit; or
- b. 10% (plus applicable surcharge and cess) without indexation benefit

As per the provisions of section 111A of the Act, short term capital gain arising from transfer of equity share in the Company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess if any).

As per section 70 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years. Long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years.

- b. Taxability under the head ‘income from business and profession’

Where the gains arising on the transfer of shares of the Company are included in the business income of transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

Under the provisions of section 90(2) of the Act, a non-resident will be governed by the provisions of the Double Tax Avoidance Agreement (‘DTAA’) between India and the country of tax residence of the non-resident or the provisions of the Act, to the extent they are more beneficial to the non-resident.

As per Explanation 4 to section 115JB(2), the provisions of section 115JB shall not be applicable to a foreign company if the foreign company is a resident of a country having DTAA with India and such foreign company does not have a permanent establishment within the definition of the term in the relevant DTAA, or the foreign company is a resident of a country which does not have a DTAA with India and such foreign company is not required to seek registration under section 592 of the Companies Act 1956 or section 380 of the Companies Act 2013.

NOTES:

1. The above is as per the current Tax Laws.
2. The above Statement of possible general tax benefits sets out the provisions of Tax Laws in a summary manner only and is not a complete analysis or listing of all the existing and potential tax consequences of the purchase, ownership and disposal of equity shares of the Company.
3. This Statement does not discuss any tax consequences in any country outside India of an investment in the equity shares of the Company. The shareholders / investors in any country outside India are advised to consult their own professional advisors regarding possible income tax consequences that apply to them under the laws of such jurisdiction.

For **HFCL LIMITED**

Mr. Vijay Raj Jain
(Chief Financial Officer)

Date: August 28, 2023
Place: New Delhi

LEGAL PROCEEDINGS

We are involved in various legal proceedings from time to time, including those which arise in the ordinary course of business. These legal proceedings are primarily in the nature of, amongst others, tax disputes, criminal proceedings, regulatory actions and civil proceedings, which are pending before various adjudicating forums.

As on the date of this Placement Document, except as disclosed below, there is no outstanding legal proceeding which has been considered material in accordance with our Company's policy in relation to disclosure of material events framed in accordance with Regulation 30 of the SEBI Listing Regulations, as approved by the Board in its meeting held on July 26, 2023.

However, solely for the purpose of the Issue, our Company has disclosed in this section, to the extent applicable (i) all outstanding criminal proceedings involving our Company, our Subsidiaries, our Directors and our Promoters; (ii) all outstanding actions by statutory or regulatory authorities against our Company and our Subsidiaries; (iii) outstanding civil proceedings involving our Company and its Subsidiaries, where the amount involved in such proceeding exceeds ₹ 14.83 crores i.e., 5% of the average of the absolute value of profit after tax, as per our last three audited consolidated financial statements ("Materiality Threshold"); (iv) consolidated disclosure of the direct and indirect tax matters involving our Company and our Subsidiaries; (v) any other outstanding litigation involving our Company and our Subsidiaries wherein the amount involved cannot be determined or is below the Materiality Threshold, but an adverse outcome of which could materially and adversely affect business, prospects, reputation, operations or financial position of our Company or its Subsidiaries and (vi) any other outstanding litigation involving our Promoters and our Directors wherein an adverse outcome could materially and adversely affect business, prospects, reputation, operations or financial position of our Company and our Subsidiaries (as a whole).

Further, except as disclosed below and in the other sections of this Placement Document, as on the date of this Placement Document, (i) there is no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoters during the last three years immediately preceding the year of circulation of this Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (ii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of circulation of this Placement Document involving our Company or our Subsidiaries, nor are there any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Placement Document involving our Company or Subsidiaries; (iii) there are no defaults in repayment of (a) statutory dues; (b) debentures and interest thereon; (c) deposits and interests thereon and (d) any loan obtained from any bank or financial institution and interest thereon by our Company, as of the date of this Placement Document; (iv) except as disclosed in the section "Risk Factors", there are no material frauds committed against us in the last three years; (v) there are no defaults in annual filing of our Company under the Companies Act, 2013 and the rules made thereunder; (vi) there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations; or (vii) except as disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations", there are no reservations, qualifications or adverse remarks of auditors in the last five Fiscal Years immediately preceding the year of circulation of this Placement Document.

It is clarified that for the purposes of the above, pre-litigation notices received by any of our Company, our Subsidiaries, our Directors and/or our Promoters from third parties (excluding statutory / regulatory / governmental authorities or notices threatening criminal action) shall, not be considered as litigation proceedings till such time that any of our Company, our Subsidiaries, our Directors and/or our Promoters, are impleaded as parties in any such litigation proceedings before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

Capitalised terms used herein shall, unless otherwise specified, have the meanings ascribed to such terms in this section.

Litigation involving our Company

Criminal proceedings involving our Company

By our Company

1. Our Company has, in the ordinary course of business, filed four proceedings under Section 138 of the Negotiable Instruments Act, 1881 in respect of dishonour of cheques aggregating to an amount of ₹ 1.61 crores. Such proceedings are pending before various adjudicating forums.

Against our Company

1. Rosewood Projects Private Limited (“**Complainant**”) had filed a complaint dated November 28, 2016 (“**Complaint**”) before the Economic Offences Wing, New Delhi (“**EOW**”) against our Company, our individual Promoter and others (“**Accused**”) alleging inter alia non-payment of certain dues in accordance with work orders issued by our Company. Thereafter, the Complainant filed two complaints before the Chief Metropolitan Magistrate, Saket Courts, New Delhi (“**CMM Court**”) under Sections 156(3) and 200 of the Code of Criminal Procedure, 1973, seeking an order directing the EOW to register a first information report (“**FIR**”) against the Accused and for issuing summons to the Accused, respectively. The inspector, EOW submitted a status report before the CMM Court stating that the Complaint was closed after enquiry due to it being civil in nature. The CMM Court vide its order dated February 16, 2019 (“**Order**”) directed the EOW to register an FIR against the Accused pursuant to which, the EOW registered an FIR under the provisions of IPC. Our Company and our individual Promoter have challenged the Order and filed two separate writ petitions before the High Court of Delhi (“**High Court**”) for setting aside the Order and quashing the consequent FIR. The High Court by its interim order dated March 27, 2019 has granted a stay on the operation of the Order. The matter is currently pending.
2. A first information report dated September 9, 2021 under Sections 166, 167, 418, 465, 486, 471, 409, 506 read with Section 120B of the IPC and Sections 13(2) and 13(1)(C)(D) of the Prevention of Corruption Act, 1988 has been registered by the Criminal Investigation Department, Government of Andhra Pradesh (“**CID**”) against M/s Tera Software Private Limited (“**Accused 1**”), our Company, our directors (at the time of bidding for the tender) including our individual Promoter and others (collectively, the “**Accused**”) based on the complaint filed by the Managing Director (“**Complainant**”), AP State FiberNet Limited (“**APSFL**”). The Complainant has alleged that the Accused had colluded with the member of the tender evaluation committee and the officials of APSFL and Government of Andhra Pradesh to illegally award tender to Accused 1 despite accused lacking necessary qualifications to bid for the tender. Our Company has made representations to the CID and a statement by the authorised signatory of our Company has been sent to CID on October 29, 2021 and November 1, 2021 clarifying that our Company and its directors (at the time of bidding for the tender) had no role in the tender process of Infrastructure Corporation of Andhra Pradesh Limited (now renamed as APSFL) and our Company was not a party to the agreement entered into with Infrastructure Corporation of Andhra Pradesh Limited. Further, our Individual Promoter, Mahendra Nahata, our present Directors, Arvind Kharabanda and Ranjeet Mal Kastia and our former directors, Bela Banerjee, MP Shukla and Rajiv Sharma (collectively the “**Officials**”) have also received summons from the Directorate of Enforcement, Government of India (“**ED**”) under the provisions of Prevention of Money Laundering Act, 2002 directing them to appear before the ED and submit certain information in connection with the award of tender to Accused 1. The Officials have submitted the required information to the ED. The matters are currently pending.
3. Absolute Business Solutions and another (“**Applicants**”) filed an application dated November 18, 2022 (“**Application**”) under Section 340 of the Code of Criminal Procedure, 1973 before the Court of Principal District and Sessions Judge, Jammu (“**Court**”) against our Company (and another) alleging that our Company had submitted a false affidavit / objections in a separate civil suit which the Applicants have filed against our Company and have prayed before the Court, *inter alia* to conduct an inquiry against our Company. Our Company has filed a reply dated January 5, 2023 against the Application denying the allegations levelled against the Company and has prayed for the dismissal of the Application. The matter is currently pending.

Material civil litigation involving our Company

By our Company

1. Our Company has filed two civil suits (“**Suits**”) against Classic Credit Limited (“**CCL**”) and others before the High Court of Bombay (“**Bombay HC**”) alleging non-performance of agreements entered into between our Company and CCL for i) acquisition of certain shares of a company engaged in the business of corporate internet infrastructure and e-business applications held by CCL (“**Agreement 1**”); and ii) acquisition of certain shares of a company engaged in the business of e-business applications and e-governance applications held by CCL (“**Agreement 2**”), towards which our Company had paid ₹ 198.99 crores and ₹ 84.30 crores, respectively to CCL as part consideration. Upon CCL’s failure to transfer the shares to our Company, the agreements were terminated by our Company. Our Company in their prayers has sought for orders *inter alia* directing payments to be made by CCL aggregating to i) ₹ 225.52 crores along with interest, under Agreement 1; and ii) ₹ 96.52 crores along with interest, under Agreement 2. During the pendency of the Suits, CCL was wound up by the High Court of Calcutta (“**Calcutta HC**”) *vide* its order dated July 7, 2005 and its assets and properties were vested with the official liquidator, High Court of Calcutta (“**Official Liquidator**”). Our Company filed applications before the Calcutta HC requesting to proceed with the Suits in the Bombay HC, which was allowed by the Calcutta HC *vide* its order dated June 17, 2014. Thereafter, the Official Liquidator in their written statement submitted that the Official Liquidator had no funds or assets of CCL left for further realisation. The matters are currently pending.
2. Our Company had initiated arbitration proceedings against I.T.I. Limited (“**Respondent**”) alleging non-compliance of certain terms of a supply contract entered into between our Company and the Respondent and claiming an amount of ₹ 52.88 crores for recovery of certain balance payments and of a performance bank guarantee, along with damages from the Respondent. The arbitral tribunal by its award dated July 7, 2012 (“**Award**”) awarded an amount of ₹ 12.69 crores, along with interest, in favour of our Company. Thereafter, the Respondent has filed an application dated October 6, 2012 under Section 34 of the Arbitration and Conciliation Act, 1996 before the High Court of Delhi (“**High Court**”) seeking *inter alia* quashing of the Award. Our Company has also filed an application dated October 8, 2012 under Section 34 of the Arbitration and Conciliation Act, 1996 before the High Court against the Award seeking for a modification of the Award to grant the full amount as claimed by our Company. The matters are currently pending.
3. Our Company had filed a petition (“**Petition**”) under Section 9 of the Arbitration and Conciliation Act, 1996 (“**A&C Act**”) before the High Court of Delhi (“**High Court**”) against Telecommunications Consultants India Limited (“**Respondent**”) seeking, *inter alia*, an *ex-parte ad interim* stay on four tenders dated May 10, 2022 (“**New Tenders**”) for providing maintenance services in the state of Uttar Pradesh issued by the Respondent. Our Company has alleged that the scope of work of the New Tenders issued was within the scope of work to be performed by our Company under the tenders dated June 21, 2013 issued by BSNL (“**Old Tenders**”) to the Respondent for the purpose of procurement, supply, maintenance, etc. of optical fibre cable and other materials and accessories and as per the memorandum of understanding dated January 30, 2014 (“**MoU**”) between the Respondent and our Company. The single judge of the High Court *vide* its order dated June 3, 2022 (“**Order**”) dismissed the Petition. Thereafter, our Company filed an appeal dated June 7, 2022 (“**Appeal**”) under Section 37 of the A&C Act read with Section 13 of the Commercial Courts Act, 2015 and Section 151 of the Code of Civil Procedure, 1908 before the division bench of the High Court (Commercial Appellate Jurisdiction) (“**DB**”) praying for setting aside of the Order and for grant of an *ad-interim/ex-parte* injunction on the New Tenders. The matter is currently pending.

Against our Company

1. Wireless Advisor, Wireless Planning and Co-ordination, Ministry of Communication (“**Claimant**”) has initiated arbitration proceedings against our Company before an arbitral tribunal in relation to alleged breach of certain contracts entered into amongst our Company, the Claimant and another party. The Claimants have sought for *inter alia* i) refund of payments aggregating to EUR 0.04 million and ₹ 1.21 crores for non-implementation of one part of the contract; ii) liquidated damages aggregating to EUR 0.16 million and ₹ 4.52 crores for delay in execution of another part of the contract (out of which ₹ 5.56 crores had already been recovered from our Company by way of deductions in payments); and iii) damages for non-fulfillment of a third component of the contract pertaining to annual maintenance, along with costs. Our Company has filed a counter claim dated December 19, 2013 amounting to a sum of ₹ 27.35 crores towards *inter alia* certain

non-payment of dues and charges by the Claimant in terms of the contract and deduction of liquidated damages. The matter is currently pending.

2. Sterlite Technologies Limited (“**Plaintiff**”) filed a suit (“**Suit**”) before the High Court of Delhi (“**High Court**”) against our Company alleging infringement of a patent registered in the name of the Plaintiff with respect to optical fiber cable (“**Patent**”) and seeking *inter alia* a decree of permanent injunction restraining our Company from the alleged infringement of the Patent and a decree of damages amounting to ₹ 2 crores. The High Court, vide its order dated January 12, 2022 (“**Order 1**”) granted an *ex-parte ad-interim* injunction in favor of the Plaintiff. Thereafter, our Company filed an application seeking vacation of the Order 1. The High Court vide its order dated September 14, 2022 (“**Order 2**”) vacated the injunction. The matter is currently pending.
3. For details regarding the application dated October 6, 2012 under Section 34 of the Arbitration and Conciliation Act, 1996 before the High Court of Delhi filed by I.T.I. Limited against our Company, see “*Litigation involving our Company – Material civil litigation involving our Company – By our Company*” on page 247.

Litigation involving our Subsidiaries

Criminal proceedings involving HTL Limited

By HTL Limited

1. HTL Limited has, in the ordinary course of business, filed two proceedings under Section 138 of the Negotiable Instruments Act, 1881 in respect of dishonour of cheques aggregating to an amount of ₹ 9,98,289.55. Such proceedings are pending before various adjudicating forums.

Material civil litigation involving HTL Limited

By HTL Limited

1. HTL Limited (“**Petitioner**”) has filed a writ petition dated June 16, 2020 (“**Writ Petition**”) before the High Court of Judicature at Madras (“**High Court**”) against the District Collector, Chennai District and others (collectively, the “**Respondents**”), for quashing of a show cause notice dated June 8, 2020 (“**Notice**”) issued by the Office of the Revenue Divisional Officer, South Chennai Division (“**RDO**”) in relation to land situated in the industrial estate Guindy (“**Land**”) directing the Petitioner to show cause as to why the Land assigned should not be resumed back to the Government. The Petitioner has claimed clear title on the Land and prayed to the High Court to grant an order of interim stay of all further proceedings in pursuance of the Notice pending disposal of the Writ Petition. Pursuant to an order dated June 19, 2020, the High Court has granted an interim stay on all further proceedings in pursuance of the Notice. The matter is currently pending.

Tax proceedings

We have set out below claims relating to direct and indirect taxes involving our Company and our Subsidiaries in a consolidated manner giving details of number of cases and total amount involved in such claims:

Nature of case	Number of cases	Amount involved (in ₹ crore)*
<i>Company</i>		
Direct Tax	2	0.45
Indirect Tax	21	29.06
Total	23	29.51
<i>Subsidiaries</i>		
Direct Tax	3	47.56
Indirect Tax	1	3.14
Total	4	50.70

* To the extent quantifiable

Defaults in repayment of statutory dues*

As on date of this Placement Document, there are no defaults in repayment of statutory dues.

**Tax litigations of income tax, GST, sales tax, custom, etc. involving tax liabilities, if any and pending at various forums are sub judice and therefore not considered as defaults until the final order is received.*

OUR STATUTORY AUDITORS

S Bhandari & Co LLP, Chartered Accountants and Oswal Sunil & Company, Chartered Accountants, are our Statutory Auditors.

S Bhandari & Co LLP, Chartered Accountants and Oswal Sunil & Company, Chartered Accountants have audited the Audited Consolidated Financial Statements which are included in this Placement Document in “*Financial Statements*” on page 254.

S Bhandari & Co LLP, Chartered Accountants and Oswal Sunil & Company, Chartered Accountants have performed a review of the Unaudited Consolidated Financial Results as at and for the three months ended June 30, 2023 and have issued review reports dated July 26, 2023 on the Unaudited Consolidated Financial Results, which is included in this Placement Document in “*Financial Statements*” on page 254.

GENERAL INFORMATION

1. Our Company was originally incorporated as ‘Himachal Futuristic Communications Limited’ as a public limited company under the Companies Act, 1956 pursuant to a certificate of incorporation dated on May 11, 1987 issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar. Our Company commenced business on July 13, 1987 pursuant to a certificate of commencement of business issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. Subsequently, the name of our Company was changed to ‘HFCL Limited’ pursuant to a certificate of incorporation pursuant to change of name dated October 1, 2019 issued by the Registrar of Companies, Himachal Pradesh. The registration number of our Company is 007466 and our CIN is L64200HP1987PLC007466. The Registered Office of our Company is situated at 8, Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh, India and Corporate Office of our Company is situated at 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi - 110 048, India. The website of our Company is www.hfcl.com.
2. The Issue was approved by the resolution of the Board in its meeting held on September 2, 2022 and by the Fund Raising Committee in its meeting held on August 28, 2023. The Shareholders have authorised and approved the Issue by way of a special resolution dated September 30, 2022 at 35th AGM held through VC / OAVM facility.
3. The authorized share capital of our Company as of the date of this Placement Document is ₹ 7,60,00,00,000 divided into 5,10,00,00,000 Equity Shares of ₹ 1 each and 2,50,00,000 redeemable cumulative preference shares of ₹ 100 each. Our issued, subscribed and paid-up equity share capital as of the date of this Placement Document is ₹ 1,37,77,58,321 divided into 1,37,77,58,321 Equity Shares.
4. The Equity Shares are listed on BSE and NSE.
5. Our Company has received in-principle approvals under Regulation 28(1)(a) of the SEBI Listing Regulations from BSE and NSE each on August 28, 2023, respectively. We will apply to the Stock Exchanges for the final listing and trading approvals of the Equity Shares on the Stock Exchanges after Allotment of the Equity Shares in the Issue.
6. In compliance with Regulation 173A of the SEBI ICDR Regulations, our Company has appointed CARE Ratings Limited as the Monitoring Agency, for monitoring the utilisation of the proceeds in relation to the Issue. The Monitoring Agency will submit its report to us on a quarterly basis in accordance with the SEBI ICDR Regulations.
7. Copies of our Memorandum of Association and Articles of Association will be available for inspection between 11:00 am to 1:00 pm on all working days (except Saturdays and public holidays) during the Bid/Issue Period at the Registered Office.
8. Our Company has obtained necessary consents, approvals and authorizations, wherever applicable, in connection with the Issue.
9. No change in control of the Company will occur consequent to the Issue.
10. Except as disclosed in this Placement Document, there are no material litigation or arbitration proceedings pending against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which may have a material adverse effect on the Issue. For further details, see “*Legal Proceedings*” on page 245.
11. There have been no defaults in the annual filings of our Company under the Companies Act or the rules made thereunder.
12. Except as disclosed in this Placement Document, there has been no material change in the financial or trading position of our Company since the date of the Unaudited Consolidated Financial Results, which has been included in this Placement Document.
13. Our Company confirms that it is in compliance with the requirement of minimum public shareholding requirements as required in terms of the SEBI Listing Regulations, SCRA and Rule 19A of the SCRR.

14. The Floor Price for the Equity Shares under the Issue is ₹ 68.61 per Equity Share which has been calculated in accordance with provisions of Chapter VI of the SEBI ICDR Regulations.
15. Our Company and the BRLM accept no responsibility for statements made otherwise than in this Placement Document and anyone placing reliance on any other source of information, including our website, would be doing it at his or her own risk.
16. Details of the Company Secretary and Compliance Officer of our Company:

Mr. Manoj Baid

HFCL Limited,

8, Commercial Complex, Masjid Moth,

Greater Kailash-II, New Delhi-110048

Telephone: +91 11 35209530

E-mail: manoj.baid@hfcl.com

PROPOSED ALLOTTEES IN THE ISSUE

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment pursuant to the Issue shall be made by the Company, in consultation with the BRLM, to Eligible QIBs only, on a discretionary basis.

The names of the proposed Allottees and the percentage of post-Issue capital (assuming that the Equity Shares are Allotted to them pursuant to this Issue) that may be held by them in our Company is set forth below.

No.	Name of the proposed Allottee	Percentage of post-Issue paid-up Equity Share capital [^]
1.	Reliance Ventures Limited	1.59
2.	Ayushmat Limited	1.22
3.	Societe Generale	0.76
4.	Saint Capital Fund	0.41
5.	Quant Mutual Fund – Quant Active Fund	1.53
6.	Quant Mutual Fund – Quant Business Cycle Funs	0.21
7.	Quant Mutual Fund – Quant Manufacturing Fund	0.06
	Total	5.78

[^] Based on beneficiary position as on August 31, 2023. The post-Issue shareholding pattern (in percentage terms) of the proposed Allottees has been disclosed on the basis of their respective PAN, except in case of Mutual Funds, Insurance Companies and FPIs (investing through different sub-accounts having common PAN across such sub-accounts) wherein their respective DP ID and Client ID has been considered.

Note: Subject to Allotment in the Issue.

FINANCIAL STATEMENTS

No.	Financial Statements	Page No.
1.	Unaudited Consolidated Financial Results for the three month period ended June 30, 2023 along with review report issued	255
2.	Audited Consolidated Financial Statements as at and for the year ended March 31, 2023 along with audit report issued	260
3.	Audited Consolidated Financial Statements as at and for the year ended March 31, 2022 along with audit report issued	321
4.	Audited Consolidated Financial Statements as at and for the year ended March 31, 2021 along with audit report issued	382

Independent Auditors' Review Report on Standalone Unaudited Quarterly Financial Results of HFCL Limited ('the Company') pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

**To the Board of Directors of
HFCL Limited**

1. We have reviewed the accompanying Statement of the Unaudited Standalone Financial Results ('the Statement') of **HFCL Limited** ('the Company') for the quarter ended June 30, 2023, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations'), including relevant circulars issued by the SEBI from time to time. The Statement is the responsibility of the Company's Management and has been approved by the Company's Board of Directors. Our responsibility is to issue a report on the Statement based on our review of the Statement, which has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34'), specified under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations.

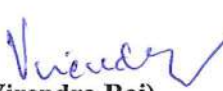
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian accounting standards ('Ind AS') specified under Section 133 of the Companies Act, 2013, read with relevant rules issued there under and other recognised accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations including the manner in which it is to be disclosed, or that it contains any material misstatement.

Other Matter

4. The Statement includes the results for the quarter ended March 31, 2023 being the balancing figure between the audited figures in respect of the full previous financial year ended March 31, 2023 and the published unaudited year-to-date figures up to the third quarter of the previous financial year, which were subjected to a limited review by us, as required under the Listing Regulations.

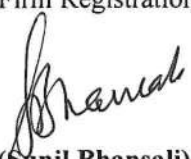
For S. BHANDARI & CO. LLP
Chartered Accountants
Firm Registration No. 000560C/C400334


(Virendra Rai)

Partner
Membership No. 015780
UDIN: 23015780BGXELA5046
Place: Gurugram
Date: July 26, 2023



For OSWAL SUNIL & COMPANY
Chartered Accountants
Firm Registration No. 016520N


(Sunil Bhansali)

Partner
Membership No. 054645
UDIN: 23054645BGYNHI3232
Place: Gurugram
Date: July 26, 2023



Independent Auditors' Review Report on Consolidated Unaudited Quarterly Financial Results of HFCL Limited (the "Parent") pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

**To the Board of Directors of
HFCL Limited**

1. We have reviewed the accompanying Statement of the Unaudited Consolidated Financial Results ("the Statement") of **HFCL Limited** ("the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), and its share of the net profit after tax and total comprehensive profit of its jointly controlled entities, for the quarter ended June 30, 2023, being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations").

2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. Our responsibility is to express a conclusion on the Statement based on our review of the Statement.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the Listing Regulations, as amended, to the extent applicable.

4. The Statement includes the results of following Subsidiaries and Jointly Controlled Entities:

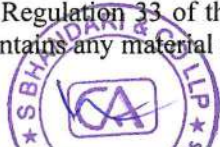
i. Subsidiaries:

- a. HTL Ltd.;
- b. Polixel Security Systems Pvt. Ltd.;
- c. Moneta Finance Pvt. Ltd.;
- d. HFCL Advance Systems Pvt. Ltd.;
- e. Raddef Pvt. Ltd.;
- f. Dragon Wave HFCL India Pvt. Ltd.;
- g. HFCL Technologies Pvt. Ltd.;
- h. HFCL Inc. (United State of America); and
- i. HFCL B.V. (Netherlands)

ii. Jointly Controlled Entities:

- a. Nimpaa Telecommunications Pvt. Ltd; and
- b. BigCat Wireless Pvt. Ltd.

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of the other auditors referred to in paragraph 6, 7 and 8 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.



6. We did not review the interim financial information / financial results of two subsidiaries included in the consolidated unaudited financial results, whose interim financial information / financial results reflect total revenues of Rs. Nil, total net profit after tax of Rs. 0.14 Crore and total comprehensive income of Rs. 0.14 Crore for the quarter ended June 30, 2023, as considered in the Statement. The Statement also includes the Group's share of net profit/ (loss) after tax of Rs. 0.11 Crore and total comprehensive Income/(loss) of Rs. 0.11 Crore, for the quarter ended on 30 June 2023, as considered in the Statement, in respect of two jointly controlled entities, whose interim financial results have not been reviewed by us. These interim financial information / financial results have been reviewed by other respective auditors whose reports have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entities, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph 3 above.

7. The interim financial information / financial results of five subsidiaries included in the unaudited consolidated financial results, whose interim financial information / financial results reflect total revenues of Rs. 305.13 Crore, total net profit after tax of Rs. 27.62 Crore and total comprehensive income of Rs. 27.36 Crore for the quarter ended June 30, 2023, as considered in the Statement, have been reviewed by one of the joint auditors of the Parent and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of such joint auditor.

8. The interim financial information / financial results of two foreign subsidiaries which reflects total revenues of Rs. 4.65 Crore, total net profit/(loss) after tax of (Rs. 0.05) Crore and total comprehensive income of (Rs. 0.12) Crore for the quarter ended June 30, 2023, as considered in the Statement, have been reviewed by the independent auditors in accordance with the regulations of such foreign countries, whose reports has been furnished to us by the management, these financial results have been converted by the management as per accounting principles generally accepted in India which has been considered in the consolidated financial results solely based on such converted financial results.

Our conclusion on the Statement in respect of matters stated in paragraphs 6, 7 and 8 above is not modified.

Other Matter

9. The Statement includes the results for the quarter ended March 31, 2023 being the balancing figure between the audited figures in respect of the full previous financial year ended March 31, 2023 and the published unaudited year-to-date figures up to the third quarter of the previous financial year, which were subjected to a limited review by us, as required under the Listing Regulations.

For S. BHANDARI & CO. LLP
Chartered Accountants
Firm Registration No. 000560C/C400334


(Virendra Rai)
Partner
Membership No. 015780
UDIN: 23015780BGXELB8357

Place: Gurugram
Date: July 26, 2023

For OSWAL SUNIL & COMPANY
Chartered Accountants
Firm Registration No. 016520N


(Sunil Bhansali)
Partner
Membership No. 054645
UDIN: 23054645BGYNHJ9270

Place: Gurugram
Date: July 26, 2023

HFCL LIMITED
 Regd. Office : 8, Electronics Complex, Chambaghat, Solan-173213 (Himachal Pradesh)
 Tel. : (+911792) 230644, Fax No(+911792) 231902, E-mail: secretarial@hfcl.com
 Website: www.hfcl.com / Corporate Identity Number (CIN): L64200HP1987PLC007466

STATEMENT OF UN-AUDITED STANDALONE AND CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 30TH JUNE, 2023

(Rs. in Crore unless otherwise stated)

Sl. No.	Particulars	Standalone				Consolidated			
		Three months ended	Preceding three months ended	Corresponding three months ended in the previous year	Previous Financial Year ended	Three months ended	Preceding three months ended	Corresponding three months ended in the previous year	Previous Financial Year ended
		June 30th 2023	March 31st 2023	June 30th 2022	March 31st 2023	June 30th 2023	March 31st 2023	June 30th 2022	March 31st 2023
		Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
I	INCOME								
	Revenue from Operations	880.32	1,323.11	951.21	4,395.68	995.19	1,432.98	1,051.02	4,743.31
	Other Income (refer note 4)	13.16	14.12	14.08	49.46	13.17	13.74	13.23	47.18
	Total Income	893.48	1,337.23	965.29	4,445.14	1,008.36	1,446.72	1,064.25	4,790.49
II	EXPENSES								
	Cost of materials/services consumed	435.33	574.98	491.39	1,992.02	468.58	590.10	514.83	2,016.85
	Purchases of stock-in-trade	219.53	593.32	260.82	1,508.42	215.17	597.94	279.92	1,564.47
	Change in inventories of finished goods, work-in progress and stock-in trade	0.95	(98.88)	(17.82)	(105.99)	3.97	(87.39)	(9.23)	(102.41)
	Employee benefits expenses	70.27	74.70	67.22	279.60	91.42	92.12	82.02	348.19
	Finance costs	28.89	30.51	28.50	116.83	36.30	37.92	37.80	152.19
	Depreciation, Impairment and Amortisation expenses	14.14	13.78	14.42	57.43	20.90	21.44	20.08	82.97
	Other expenses	58.85	79.22	57.35	255.14	69.60	85.78	66.95	297.53
	Total Expenses	827.96	1,267.63	901.88	4,103.45	905.94	1,337.91	992.37	4,359.79
III	Profit / (loss) before, exceptional items and tax (I-II)	65.52	69.60	63.41	341.69	102.42	108.81	71.88	430.70
IV	Share of net profits / (loss) of jointly control entities accounted for using equity method	-	-	-	-	0.11	0.12	(0.93)	(0.09)
V	Profit / (loss) before exceptional items and tax (III+IV)	65.52	69.60	63.41	341.69	102.53	108.93	70.95	430.61
VI	Exceptional item	-	-	-	-	-	-	-	-
VII	Profit / (Loss) before tax (V-VI)	65.52	69.60	63.41	341.69	102.53	108.93	70.95	430.61
VIII	Tax expense								
	Current Tax	2.87	(16.79)	15.74	52.97	13.60	(6.93)	18.68	79.00
	Deferred Tax	13.90	35.58	(0.38)	34.12	13.37	37.18	(0.83)	33.90
IX	Profit / (Loss) after tax for the period from continuing operations (VII- VIII)	48.75	50.81	48.05	254.60	75.56	78.68	53.10	317.71
X	Other Comprehensive Income								
	Items that will not be reclassified to profit or loss	(1.19)	3.56	0.56	4.05	(1.50)	2.98	0.64	3.42
	Income tax on above item	0.28	0.04	(0.30)	(0.02)	0.34	0.15	(0.32)	0.10
	Items that will be reclassified to profit or loss	0.30	(0.81)	(0.05)	(0.49)	0.24	(0.79)	(0.08)	(1.97)
	Other comprehensive income for the period after tax	(0.61)	2.79	0.21	3.54	(0.92)	2.34	0.24	1.55
XI	Total comprehensive income for the period (IX+X)	48.14	53.60	48.26	258.14	74.64	81.02	53.34	319.26
XII	Profit attributable to:								
	Owners of the Parent	-	-	-	-	68.09	71.82	51.17	300.97
	Non-controlling interests	-	-	-	-	7.46	6.86	1.93	16.74
XIII	Total comprehensive income attributable to:								
	Owners of the Parent	-	-	-	-	67.22	74.26	51.40	302.63
	Non-controlling interests	-	-	-	-	7.41	6.76	1.94	16.63
XIV	Paid-up Equity Share Capital (Face value of Re. 1/- each)	137.65	137.64	137.53	137.64	137.65	137.64	137.53	137.64
XV	Other Equity	-	-	-	2,855.37	-	-	-	3,006.50
XVI	Earnings per Share (face value of Re. 1/- each) -								
	Basic (Rs.)	0.35	0.37	0.35	1.85	0.49	0.52	0.37	2.18
	Diluted (Rs.)	0.35	0.37	0.35	1.85	0.49	0.52	0.37	2.18

Cont...



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Sl. No.	Particulars	Standalone				Consolidated			
		Three months ended	Preceding three months ended	Corresponding three months ended in the previous year	Previous Financial Year ended	Three months ended	Preceding three months ended	Corresponding three months ended in the previous year	Previous Financial Year ended
		June 30th 2023	March 31st 2023	June 30th 2022	March 31st 2023	June 30th 2023	March 31st 2023	June 30th 2022	March 31st 2023
		Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
1	Segment Revenue								
	a. Telecom Products	506.31	489.97	477.93	2,035.38	662.43	654.25	620.10	2,637.97
	b. Turnkey Contracts and Services	374.01	833.14	473.28	2,360.30	332.76	778.29	430.92	2,103.60
	c. Others	-	-	-	-	-	0.44	-	1.74
	Revenue from Operations	880.32	1,323.11	951.21	4,395.68	995.19	1,432.98	1,051.02	4,743.31
2	Segment Results - Profit/(Loss) before tax and interest from each segment								
	a. Telecom Products	82.82	80.38	45.22	277.05	129.89	124.94	64.89	403.12
	b. Turnkey Contracts and Services	6.34	22.13	41.99	171.84	5.75	22.02	41.39	170.15
	c. Others	-	-	-	-	(1.16)	3.10	(0.48)	2.27
	Total	89.16	102.51	87.21	448.89	134.48	150.06	105.80	575.54
	Less: i. Interest	28.89	30.51	28.50	116.83	36.30	37.92	37.80	152.19
	ii. Other un-allocable expenditure net off	0.11	6.68	0.33	8.56	0.11	6.68	0.33	8.56
	iii. Un-allocable income	(5.36)	(4.28)	(5.03)	(18.19)	(4.46)	(3.47)	(3.28)	(15.82)
	Total Profit before Tax	65.52	69.60	63.41	341.69	102.53	108.93	70.95	430.61
3	Segment Assets								
	a. Telecom Products	1,629.47	1,597.26	1,313.22	1,597.26	1,977.12	1,980.88	1,687.35	1,980.88
	b. Turnkey Contracts and Services	2,959.71	2,896.22	2,917.25	2,896.22	2,963.95	2,900.94	2,923.94	2,900.94
	c. Others	-	-	-	0.00	5.03	3.89	6.05	3.89
	d. Un-allocated	601.24	586.90	628.20	586.90	601.23	586.88	615.40	586.88
	Total	5,190.42	5,080.38	4,858.67	5,080.38	5,547.33	5,472.59	5,232.74	5,472.59
4	Segment Liabilities								
	a. Telecom Products	747.73	766.42	796.45	766.42	923.77	1,001.84	1,070.87	1,001.84
	b. Turnkey Contracts and Services	906.29	934.84	819.54	934.84	908.98	937.44	823.21	937.44
	c. Others	-	-	-	-	0.56	3.06	0.88	3.06
	d. Un-allocated	494.96	386.11	465.18	386.11	494.96	386.11	465.18	386.11
	Total	2,148.98	2,087.37	2,081.17	2,087.37	2,328.27	2,328.45	2,360.14	2,328.45

Notes:

- The above Un-Audited Standalone & Consolidated Financial Results of the Company for the first quarter ended 30th June, 2023 have been reviewed and recommended by the Audit Committee and were approved by the Board of Directors of the Company at their respective meetings held on 26th July, 2023.
- The above Results are in compliance with the Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended).
- The Consolidated financial results for the first quarter ended 30th June, 2023 includes the results of the following entities:
 - HFCL Limited (HFCL) (Holding Company)
 - HTL Limited (Subsidiary)
 - Raddef Private Limited (Subsidiary)
 - Moneta Finance Private Limited (Wholly owned Subsidiary)
 - Polixel Security Systems Private Limited (Wholly owned Subsidiary)
 - HFCL Advance Systems Private Limited (Wholly owned Subsidiary)
 - DragonWave HFCL India Private Limited (Wholly owned Subsidiary)
 - HFCL Technologies Private Limited (Wholly owned Subsidiary)
 - HFCL Inc. (Wholly owned Subsidiary) - United States of America
 - HFCL B V (Wholly owned Subsidiary) - Netherlands
 - Nimpaa Telecommunications Private Limited (Jointly Controlled Entity)
 - BigCat Wireless Private Limited (Jointly Controlled Entity with 50% voting rights)
- For the quarter ended 30th June, 2023, Other income for standalone financials includes i) subsidy under state incentive scheme of Rs. 1.35 crore (Previous year: Rs. 5.30 crore), ii) financial guarantee income of Rs. 1.07 crore (Previous year: Rs. 4.02 crore) and (iii) Exchange Fluctuation Income (Net) of Rs. 5.22 crore (previous year: Rs. 18.15 crore)
- Earning per share is not annualised for the Quarter ended 30th June, 2023, quarter ended 31st March, 2023 and quarter ended 30th June, 2022.
- The Figures of the preceding quarter ended 31st March, 2023 were balancing figures between audited figures in respect of the full financial year ended 31st March, 2023 and the published year to date figures upto the third quarter of the previous financial year, which were subject to limited review by the Auditors.
- The figures of the previous periods have been re-grouped/ re-arranged wherever considered necessary.

Place : Gurugram
Date : 26th July, 2023



(Mahendra Nahata)
Managing Director
DIN 00052898

INDEPENDENT AUDITORS' REPORT

To the Members of **HFCL Limited**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **HFCL Limited** (hereinafter referred to as the 'Parent'), its subsidiaries (the parent company and its subsidiaries together referred to as the 'Group') and its jointly controlled entities which comprise the Consolidated Balance Sheet as at March 31, 2023, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

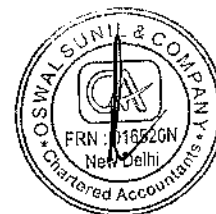
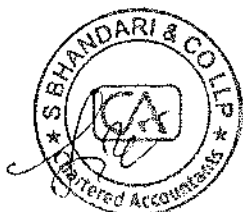
In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of subsidiaries, jointly controlled entities and branches, as referred to in the other matter paragraph below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standard ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entities and consolidated profit (including other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year ended on that date.

Basis for Opinion

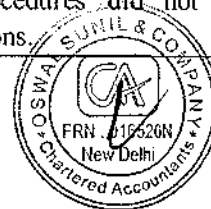
We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its jointly controlled entities in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in sub-paragraph (a) to (e) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

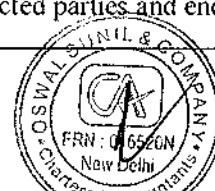
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



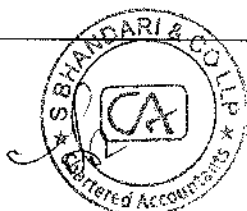
S. No.	Key Audit Matters	Response to Key Audit Matters
1	Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade and other receivables, and accuracy of contract liabilities For the year ended March 31, 2023, revenue from customer contracts amounts to Rs. 4,395.68 Crores whereas as at March 31, 2023, contract assets amount to Rs. 318.32 Crores, the balance of work in progress (WIP) amounts to Rs. 174.15 Crores and retention amounts to Rs. 239.79 Crores. The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. (Refer Notes 31 to the consolidated financial statements). During order fulfilment, contractual obligations may need to be reassessed. In addition, change orders or cancellations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or amounts not	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts. We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off. We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts. Our procedures did not identify any material exceptions.



	justified as well as overstated WIP that requires impairment adjustments.	
2	Valuation of accounts receivable – risk of credit losses Parent Company has a concentration of credit exposure on a number of major customers mainly Government and large organisation. Some of these major customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key factor. Accounts receivable is a significant item in the Parent's financial statements amounting to Rs. 2207.46 crores as of March 31, 2023 and provisions for impairment of receivables is an area which is influenced by management's estimates and judgment. The provision for impairment of receivables amounted to Rs. 19.29 crores as at March 31, 2023. Refer to the Note 15 to the consolidated financial statements.	Our audit incorporated the following activities: - Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk; - Assessment of the Parent's credit policy outlining authority for approving and responsibility to manage credit limits; - Inquiries with committee in order to understand and assess governance and follow-up/monitoring of key customers; - Analytical procedures and inquiries with Business Area; - Detailed testing and assessment of receivables to ensure these are in line with Ind AS, with a focus on significant new provisions. We had a particular focus in our audit on how Company manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to the Group's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables including credit impaired receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3	Recoverability of Project and other vendor advances As at March 31, 2023, current financial assets include Rs. 456.86 crores in respect of Project and other vendor advances and are pending to be adjusted/settled. Management exercises significant judgment when determining whether to record any impairment loss on advances As the carrying amount of Project and other vendor advances accounts for a relatively high proportion of assets, there would be a material impact on the financial statements if such advances cannot be settled on schedule or fail to be recovered /settled. Therefore, we regard the	Our audit procedures involve the following activities: - Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; - Assessment of the Parent's procurement policy outlining authority for approving and responsibility to manage vendor advances; - Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; - Analytical procedures and inquiries with Business Area; - Obtain balance confirmations from selected parties to ensure existence thereof - Review of Purchase orders and/or agreements for selected parties and enquire



	recoverability of Project and other vendor advances as a key audit matter. Refer Note 19 to the Consolidated Financial Statements.	management regarding reasons for unsettled advances as on date. We agree with management's view that there is no reduction in the value of the advances outstanding in the books.
4	Recoverability relating to Goods and Services Tax recoverable: As at March 31, 2023, under other current assets, indirect taxes recoverable include Rs. 161.10 crores in respect of GST Input receivables by parent Company. The Parent has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Consolidated Financial Statements.	Our audit procedure involves the following activities: - Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers - Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.
5	Recoverability and Contingencies relating to other Indirect tax matters As at March 31, 2023, "Indirect Tax Recoverable" includes Rs. 4.06 crores in respect of Commercial taxes recoverable which are pending adjudication. The Parent Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 21 to the Consolidated Financial Statements.	We performed the following substantive procedures: - Understanding the process of estimation, recording and reassessing tax provisions and contingencies. - Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters - We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. - Inspecting the correspondence with tax authorities. - Inspecting reports on open tax assessments prepared by the Parent Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Parent. We also assessed the adequacy of the Group's financial statements disclosure in respect of the tax positions and contingent liabilities.



		We agree with management's evaluation.
With Respect to Subsidiary Company – HTL Limited		
5	Provision of Interest on Government of India (GOI) Loan Pending the response to the company's letter to GOI and also confirmation of balance from GOI, provision of interest on GOI loan has been made after adjustment of claim recoverable from BSNL. As on 31 st March 2023, total loan outstanding is Rs. 473.00 Lacs and Interest Accrued is Rs. 2347.13 Lacs.	Principal Audit Procedures Obtained details of correspondence with Government of India for settlement of claim. Verified the reconciliation statement prepared by the management after adjustment of claim recoverable from BSNL against the interest portion of the outstanding loan from GOI. Discussion with the management on the current status on the loan reconciliation.

Other Information

The Parent's Board of Directors is responsible for the preparation of other information. The other information comprises of the information to be included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility and Sustainability Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements and our auditor's report thereon. The other information comprising the above documents is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information comprising the above documents and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read the other information comprising the above documents, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as per applicable laws and regulations.

Management's Responsibility for the Consolidated Financial Statements

The Parent's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group and its jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. The respective board of directors of the Companies included in the Group and its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the



purpose of preparation of the consolidated financial statement by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective board of directors of the Companies included in the Group and its jointly controlled entities are responsible for assessing the ability of the Group and its jointly controlled entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

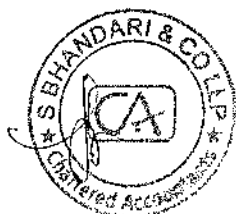
The respective board of directors of the Companies included in the Group and its jointly controlled entities are responsible for overseeing the financial reporting process of the Group and its jointly controlled entities.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company and its subsidiary companies which are companies incorporated in India has adequate internal financial controls system with reference to consolidated financial statement in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its jointly controlled entities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its jointly controlled entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statement of such entities included in the consolidated financial statement of which we are the independent joint auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors or one of the joint auditor, such other auditors and one of the joint auditors is responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

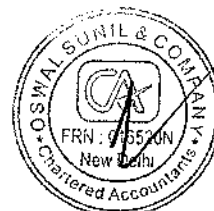
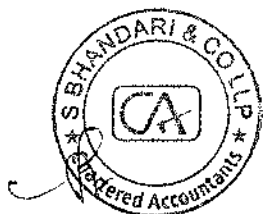
We communicate with those charged with governance of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- a) We did not audit the financial statements/financial information of two subsidiaries included in the consolidated financial statement, whose financial statements/ financial information reflect total assets of Rs. 12.13 Crores as at March 31, 2023, total revenues of Rs. 0.60 Crore, Net profit after tax of Rs. 0.96 Crores, total comprehensive income of Rs. 0.97 Crores and net cash inflows of Rs. 0.04 Crores for the year ended on that date, as considered in the consolidated financial statement. These financial statements / financial information have been audited by the other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of the other auditors.
- b) Financial statements of five subsidiaries whose financial statements / financial information reflect total assets of Rs. 616.48 Crores as at March 31, 2023, total revenues of Rs. 1267.07 Crores, Net profit after tax of Rs. 62.01 Crores, total comprehensive income of Rs. 61.50 Crores, and net cash inflows of Rs. (0.31) Crores for the year ended on that date, as considered in the Consolidated Financial statement, have been audited by one of the joint auditors of the Parent Company and our opinion on the consolidated Financial statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of such joint auditor.



- c) The Consolidated Financial Statements includes financial performance of three foreign branches which reflects total assets of Rs. 75.27 Crores as at March 31, 2023, total revenues of Rs. 52.95 Crores, Net profit after tax of Rs. 8.61 Crores, total comprehensive income of Rs. 8.69 Crores, and net cash inflow of Rs. 15.68 Crores for the year ended on that date, which were audited by respective independent branch auditors. The independent branch auditor's report on the financial statements of these branches have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these branches and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid foreign branches is solely based on the report of such independent branch auditor's.
- d) The Consolidated Financial Statements includes financial performance of two foreign subsidiaries which reflects total assets of Rs. 4.75 Crores as at March 31, 2023, total revenues of Rs. 13.43 Crores, Net profit after tax of Rs. 2.38 Crores, total comprehensive income of Rs. 2.46 Crores, and net cash inflows of Rs. 0.98 Crores for the year ended March 31, 2023, which was audited by the independent auditors in accordance with the regulations of such foreign countries, whose reports has been furnished to us by the management, these financial Statements have been converted by the management as per accounting principles generally accepted in India which has been considered in the consolidated financial statements solely based on such converted financial statements. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these foreign subsidiaries and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid foreign subsidiaries is solely based on the report of such independent auditor's.
- e) We did not audit the financial statements/financial information of two jointly controlled entities included in the consolidated financial statements, whose financial statements include total net profit after tax of Rs. 1.55 Crores, total comprehensive income of Rs. 1.55 Crores, for the year ended March 31, 2023 as considered in the Consolidated financial statements which have been audited by their respective independent auditors. The independent auditor's report on the financial statements of these entities have been furnished to us by the Management and our opinion on the Consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid jointly controlled entities is based solely on the reports of such auditors.

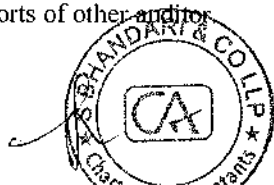
Our opinion on the consolidated financial statement above, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters as stated in pare (a) to (e) which respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure-A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, based on our audit, and on the consideration of the report of other auditors on separate financial statement/financial information of subsidiaries as referred to in the other matters paragraph above, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statement.

(b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid consolidated financial statement have been kept by so far as it appears from our examination of those books and reports of other auditor



(c) The reports on the accounts of the foreign branches audited by independent branch auditors of the Group have been furnished to us by the management of the Parent Company and have been properly dealt with by us in preparing this report.

(d) the consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the consolidated statement of changes in equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of consolidated financial statement

(e) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

(f) On the basis of the written representations received from the Directors of the Parent Company as on 31st March, 2023 taken on record by the Board of Directors of the Parent Company and on the basis of written representations received by the management of its subsidiaries incorporated in India and its jointly controlled entities, none of the Directors of the Group companies incorporated in India and jointly controlled entities is disqualified as on 31st March, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the adequacy of the internal financial controls over financial reporting of the parent and its subsidiaries incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to be read with other matters paragraph above.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the parent company and its subsidiaries incorporated in India to its Directors during the year is in accordance with the provisions of Section 197 of the Act.

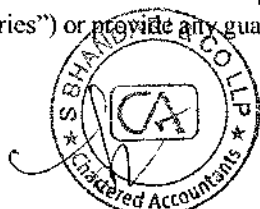
(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i) The Group has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements – Refer Note 48 to the consolidated financial statements;

ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 48 to the consolidated financial statements;

iii) There has been no delay in transferring amount, required to be transferred to the Investor Education and Protection Fund by the parent company and its subsidiaries incorporated in India.

iv) (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the parent company, its subsidiaries incorporated in India or its jointly controlled entities to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the parent company, its subsidiaries incorporated in India or its jointly controlled entities ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;



(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the parent company, its subsidiaries incorporated in India or its jointly controlled entities from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the parent company, its subsidiaries incorporated in India or its jointly controlled entities shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

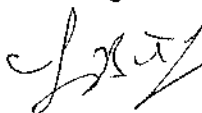
(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v) (a) The final dividend declared and paid by the Parent Company during the year is in accordance with Section 123 of the Act, as applicable.

(b) As stated in Note 42 to the consolidated financial statements, the Board of Directors of the parent company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting of the parent company. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.

vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, to the Company, its subsidiaries incorporated in India and its jointly controlled entities, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

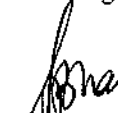
For S Bhandari & Co LLP
Chartered Accountants
Firm Registration No. 000560C/C400334


(P. D. Baid)
Partner
Membership No: 0726026



Place: New Delhi
Date: May 08, 2023
UDIN: 23072625BGXCTG8886

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No. 016520N


(Sunil Bhansali)
Partner
Membership No: 054645



Place: New Delhi
Date: May 08, 2023
UDIN: 23054645BGYNGJ4831

ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

(Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of HFCL Limited of even date)

- xxi. Qualifications or adverse remarks by the respective auditors in the Companies (Auditors Report) order (CARO) reports of the respective company's incorporated in India included in the consolidated financial statements are as under:

S. No.	Name	CIN	Holding Company / Subsidiary / Jointly Controlled Entity	Clause number of the CARO report which is qualified or is adverse
1.	HFCL Limited	L64200HP1987PLC007466	Holding Company	Clause i(c), iii(c), vii(a) and xi(a)
2.	HTL Limited	U93090TN1960PLC004355	Subsidiary	Clause i(c), vii (b), and ix(a)
3.	HFCL Advance Systems Private Limited	U29253HP2015PTC000880	Subsidiary	Clause xvii
4.	Polixel Security System Private Limited	U93000DL2010PTC199073	Subsidiary	Clause vii(b) and xvii
5.	Raddef Private Limited	U74999KA2017PTC105873	Subsidiary	Clause xvii
6.	DragonWave HFCL India Private Limited	U64200DL2010PTC211117	Subsidiary	Clause iii (e)
7.	HFCL Technologies Private Limited	U29309DL2021PTC382794	Subsidiary	Clause xvii
8.	Bigcat Wireless Private Limited	U72900TN2013PTC089742	Jointly Controlled Entity	Clause xvii



ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HFCL LIMITED AS ON MARCH 31, 2023

(Referred to in paragraph 2(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls over financial reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

**To the Members of
HFCL LIMITED**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, we have audited the internal financial controls over financial reporting of **HFCL LIMITED** (herein after referred as the "Parent") and its subsidiary companies incorporated in India (herein after referred as the "Group"), including those audited by other auditors as on that date.

Management's Responsibility for Internal Financial Controls

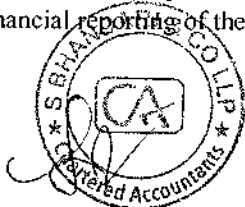
The respective board of the directors of the Parent Company and its subsidiary companies incorporated in India are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the guidance note on Audit of Internal financial control over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Internal Financial Controls over financial reporting of the parent company and its subsidiaries incorporated in India based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as prescribed under Section 143(10) of the companies act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those standards and the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit obtained by the other auditors of the subsidiary companies incorporated in India in terms of their reports referred to in other matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on Internal Financial Controls system over financial reporting of the parent company and its subsidiaries incorporated in India.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph below, the parent company and its subsidiaries incorporated in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2023, based on the internal control over financial reporting criteria established by the respective companies of the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

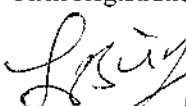
Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to seven subsidiary companies incorporated in India is based solely on the corresponding report of the auditors of such companies.

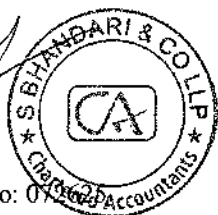
Our opinion is not modified in respect of the above matters.

For S Bhandari & Co LLP

Chartered Accountants

Firm Registration No. 000560C/C400334


(P. D. Baid)
Partner
Membership No: 072662



Place: New Delhi

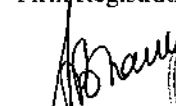
Date: May 08, 2023

UDIN: 23072625BGXCTG8886

For Oswal Sunil & Company

Chartered Accountants

Firm Registration No. 016520N


(Sunil Bhansali)
Partner
Membership No: 054645



Place: New Delhi

Date: May 08, 2023

UDIN: 23054645BGYNGJ4831

HFCL Limited
Consolidated Balance Sheet as at March 31, 2023
(All amounts are in Rs. Crore)

Particulars	Note No(s)	As at March 31, 2023	As at March 31, 2022
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	487.09	464.63
(b) Capital work-in-progress	4	70.50	47.46
(c) Right-of-use-assets	43	17.32	24.07
(d) Goodwill		26.17	26.17
(e) Intangible assets (other than Goodwill)	5	17.65	13.41
(f) Intangible assets under development	6	197.66	60.69
(g) Investments accounted for using equity method	7	18.57	11.66
(h) Financial Assets			
(i) Investments	8	39.03	34.90
(ii) Trade Receivables	15	423.11	395.61
(iii) Loans	9	9.50	10.50
(iv) Others	10	44.29	40.54
(i) Deferred tax assets (net)	11	-	4.97
(j) Other non-current assets	12	39.55	17.55
Total Non Current Assets		1,390.44	1,352.16
Current Assets			
(a) Inventories	13	757.85	573.38
(b) Financial Assets			
(i) Investments	14	12.38	8.80
(ii) Trade Receivables	15	1,886.11	1,895.94
(iii) Cash & cash equivalents	16	63.67	16.69
(iv) Bank balances other than (iii) above	17	258.92	511.55
(v) Loans	18	21.49	26.04
(vi) Others	19	533.57	386.31
(c) Current Tax Assets (net)	20	15.19	6.39
(d) Other current assets	21	532.97	394.20
Total Current Assets		4,082.15	3,819.30
Total Assets		5,472.59	5,171.46
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	137.64	137.49
(b) Other Equity	22	2,969.90	2,660.91
Equity attributable to owners of the Company		3,107.54	2,798.40
Non-controlling interest		36.60	19.97
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	110.37	121.25
(ii) Lease liabilities	43	6.20	19.34
(b) Provisions	24	40.90	34.74
(c) Deferred tax liabilities (Net)	11	28.82	-
Total Non Current Liabilities		186.29	175.33
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	637.94	621.55
(ii) Lease Liabilities	43	13.61	7.21
(iii) Operational Buyers Credit	47	168.13	13.79
(iv) Trade Payables			
- total outstanding dues of Micro Enterprises and Small Enterprises	26	65.03	192.80
- total outstanding dues to other than Micro and Small Enterprises		812.99	817.32
(v) Other financial liabilities	27	368.75	415.71
(b) Current tax liabilities (Net)	28	19.52	30.32
(c) Other current liabilities	29	43.89	68.90
(d) Provisions	30	12.30	10.16
Total Current Liabilities		2,142.16	2,177.76
Total Liabilities		2,328.45	2,353.09
Total Equity and Liabilities		5,472.59	5,171.46

The accompanying notes form an integral part of the consolidated financial statements
As per our report of even date attached

For S Bhaurari & Co LLP
Chartered Accountants
Firm Reg. No. 000560/C/400334

P. D. Baid
Partner
M.No. 072055

For Oswat Sunil & Company
Chartered Accountants
Firm Reg. No. 016520/N/L/S COMPANY

Sunil Bhansali
Partner
M.No.: 054645

For and on behalf of the Board

Dr. R M Kashin
Director
DIN: 00053059
Place: New Delhi

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834
Place: New Delhi

HFCL Limited
Consolidated Statement of Profit and Loss for the year ended March 31, 2023
(All amounts are in Rs. Crore)

Particulars	Note No(s)	For the year ended March 31, 2023	For the year ended March 31, 2022
I INCOME			
Revenue from operations	31	4,743.31	4,727.11
Other Income	32	47.18	42.91
Total Income (I)		4,790.49	4,770.02
II EXPENSES			
Cost of Materials Consumed	33	980.87	973.54
Other Direct costs	34	1,035.98	1,362.01
Purchases of stock-in trade		1,564.47	1,243.71
Change in inventories of finished goods, work-in progress and stock-in trade	35	(102.41)	(80.52)
Employee benefits expense	36	348.19	310.56
Finance Costs	37	152.19	166.40
Depreciation and amortization expenses	3, 5, 43	82.97	78.25
Other Expenses	38	297.53	267.74
Total Expenses (II)		4,359.79	4,321.69
III Profit before Share of profit of joint venture, exceptional items and income tax (I-II)		430.70	448.33
IV Share of profit/ (loss) of jointly controlled entities		(0.09)	0.16
V Profit before exceptional items and income tax (III+IV)		430.61	448.49
VI Exceptional item		-	6.38
VII Profit before tax (V - VI)		430.61	442.11
VIII Tax expense			
- Current tax		79.00	114.50
- Deferred Tax		33.90	1.75
IX Profit for the year (VII-VIII)		317.71	325.86
X Other Comprehensive Income (OCI):			
Items that will not be reclassified to profit or loss			
(i) Remeasurements of defined benefit plans		(0.56)	-
(ii) Income tax on above item		0.10	0.02
(iii) Gain on Equity Instruments designated through OCI		3.98	2.02
Items that will be reclassified to profit or loss			
(i) Loss on translation of foreign operation		(1.97)	(0.33)
Total Other comprehensive income for the year		1.55	1.71
XI Total comprehensive income for the year (IX+X)		319.26	327.57
XII Profit attributable to:			
Owners of the Parent		300.97	313.12
Non-controlling interest		16.74	12.75
XIII Total comprehensive income for the year attributable to:			
Owners of the Parent		302.63	314.87
Non-controlling interest		16.63	12.71
XIV Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the year	39		
- Basic		2.18	2.38
- Diluted		2.18	2.38

The accompanying notes form an integral part of the consolidated financial statements
As per our report of even date attached

For S Bhandari & Co LLP
Chartered Accountants
Firm Reg. No. 000560/C/400334

For Oswal Sunil & Company
Chartered Accountants
Firm Reg. No. 016520/N

P. D. Baid
Partner

Sunil Bhansali
Partner

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place : New Delhi

V. R. Jain
Chief Financial Officer
Place : New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place : New York

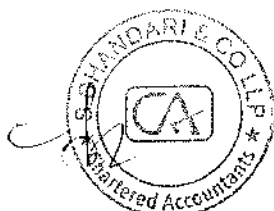
Manoj Baid
Senior Vice-President (Corporate)
Place : New Delhi

New Delhi, 8th May, 2023

8th May, 2023

HFCL Limited
Consolidated Statement of Cash Flow for the year ended March 31, 2023
(All amounts are in Rs. Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
I. Cash Flow From Operating Activities		
Net Profit before Taxes	430.61	442.11
Adjustments for		
Depreciation & Amortization expenses	82.99	78.25
(Gain)/Loss on disposal of property, plant and equipment	-	0.01
Financial Guarantee Income	(0.30)	(0.36)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	4.70	5.57
Liquidated Damages recovered on Sales	(2.73)	-
Unrealised gain on foreign exchange fluctuation	(10.09)	-
Employee Share based payments expenses	-	(8.68)
Share of profit/ (loss) of an associate	0.09	(0.16)
Dividend and interest income classified as investing cash flows	(14.66)	(13.91)
Finance costs (net)	152.19	166.41
	212.19	227.13
Change in operating assets and liabilities		
(Increase)/Decrease in Trade and other receivables	191.17	558.69
(Increase)/Decrease in Inventories	(184.47)	(138.11)
Increase/(Decrease) in Trade payables	(132.10)	(711.03)
Increase/ (Decrease) in other financial assets	(146.85)	106.31
(Increase)/ Decrease in other financial liabilities	154.34	-
(Increase)/Decrease in other non-current assets	(3.39)	(2.85)
(Increase)/Decrease in other current assets	(138.79)	(152.12)
Increase/(Decrease) in provisions	2.15	(2.26)
Increase/(Decrease) in other Non current liabilities	3.63	(1.79)
Increase/(Decrease) in other current liabilities	(53.47)	(59.33)
	(307.78)	(402.49)
Cash generated from/(used in) operations	335.01	266.75
Income taxes paid (net)	(98.60)	(61.38)
Net cash inflow from/(used in) operating activities	236.41	205.37
II Cash flows from investing activities		
Payment for acquisition of subsidiaries & other investments	(10.25)	(12.00)
Capital Receipt of Subsidy on Fiber Plant	42.58	-
Payments for property, plant and equipment including CWIP	(193.57)	(145.21)
Payments for Intangible Assets	(147.99)	(37.86)
Proceeds from sale of property, plant and equipment	0.60	0.74
Bank deposits placed/matured (net)	252.59	(252.19)
Payment for loan to body corporate	5.55	(18.16)
Dividends received	-	-
Interest received	5.86	6.84
Net cash inflow from /(used in) investing activities	(44.63)	(457.84)
III Cash flows from financing activities		
Proceeds from Issue of Convertible Warrants	28.20	-
Proceeds from issues of Share Capital (including security premium)	3.08	605.78
Share issue expenses	-	(10.50)
Proceeds from borrowings	133.29	79.87
(Repayment) of borrowings	(127.79)	(243.15)
(Repayment) of lease liabilities	(9.81)	(8.69)
	26.97	423.31
Less:		
Finance Costs paid	(147.32)	(156.41)
Dividend paid	(24.45)	(19.05)
Net cash inflow from/(used in) financing activities	(144.80)	247.85
IV Net increase /(decrease) in cash and cash equivalents (I+II+III)	46.98	(4.62)
V Cash and cash equivalents at the beginning of the financial year	16.69	21.31



HFCL Limited
Consolidated Statement of Cash Flow for the year ended March 31, 2023
(All amounts are in Rs. Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Notes:		
1 The Consolidated Statement of Cash flow has been prepared under the indirect method as set-out in the Ind AS - 7 "Statement of Cash Flow" as specified in the Companies (Indian Accounting Standards) Rules, 2015		
2 Figures in bracket indicate cash outflow.		
3 Cash and cash equivalents (refer note 16) comprise of the followings:		
Cash on hand	0.07	0.09
Balances with Banks		
Current accounts*	32.76	12.80
Fixed Deposits with Bank	30.84	3.80
Balances per statement of cash flows	63.67	16.69
4 Analysis of movement in borrowings		
Borrowings at the beginning of the year	742.80	906.08
Movement due to cash transactions per the Consolidated Statement of Cash Flows	5.50	(163.28)
Borrowings at the end of the year	748.30	742.80

* Rs. 0.75 crore (Previous year Rs. 0.41 crore) has restricted use.

The accompanying notes form an integral part of the consolidated financial statements

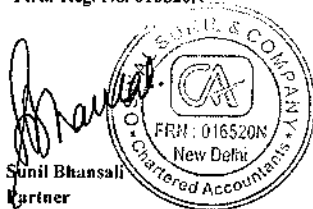
As per our report of even date attached

For S Bhandari & Co LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334



P. D. Baid
Partner
M.No. 072625

For Oswal Sunil & Company
Chartered Accountants
Firm Reg. No. 016520N



Sunil Bhansali
Partner
M.No.: 054645

For and on behalf of the Board

R. M. Kastia
Dr. R M Kastia
Director
DIN: 00053059
Place : New Delhi

V. R. Jain
V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Place : New Delhi

Mahendra Nahata
Mahendra Nahata
Managing Director
DIN: 00052898
Place : New York

Manoj Baid
Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834
Place : New Delhi

New Delhi, 8th May, 2023

8th May, 2023

HFCL Limited
Consolidated Statement of Changes in Equity for the year ended March 31, 2023
(All amounts are in Rs. Crores)

A. Equity Share Capital			
Particulars	Amount		
As at April 1, 2021	118.44		
Changes in equity share capital	9.05		
As at March 31, 2022	127.49		
Changes in equity share capital (refer note no. 22A)	0.15		
As at March 31, 2023	127.64		

B. Other equity												
Particulars	Money received against Convertible Warrants *	Share based payment reserve	Reserves and Surplus				Items of Other Comprehensive Incomes			Total Equity attributable to Owners of the Company	Non-Controlling Interest	Total Equity
			Securities Premium	Capital Redemption Reserve	Debt Redemption Reserve	Capital Reserve	Retained Earnings	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve		
Balance as at April 1, 2021	-	15.58	467.62	80.50	2.81	2.22	1,196.28	10.65	12.64	(0.53)	1,787.77	7.26
Remeasurement of defined benefit plans	-	-	-	-	-	-	12.64	-	(12.64)	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	2.81	-	-	-	-	-
Dividends paid for the previous year	-	-	-	-	(2.81)	-	(19.34)	-	-	-	(19.34)	-
Issue of equity share capital (net of share issue expenses of Rs. 10.53 crore)	-	-	580.57	-	-	-	-	-	-	-	580.57	-
Employee Share Options outstanding	-	(8.67)	-	-	-	-	-	-	-	-	(8.67)	-
Transfer on allotment of shares to employees pursuant to ESOP scheme	-	(5.01)	-	-	-	-	5.01	-	-	-	-	-
Adjustment of dividend paid to HFCL Employees Trust	-	-	-	-	-	-	0.05	-	-	-	0.05	-
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	(3.24)	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2022	-	1.90	1,033.95	80.50	-	2.22	1,510.63	12.67	-	(0.86)	2,660.91	19.97
Other Comprehensive Income for the year	-	-	-	-	-	-	200.97	-	-	-	300.97	16.74
Warrant subscription price equivalent to 25% of the issue price (refer note 22(D)(2))	28.20	-	-	-	-	-	(0.46)	4.09	-	-	1.66	(0.11)
Dividends paid for the previous year	-	-	-	-	-	-	-	-	-	-	-	-
Issue of equity share capital to HFCL Employees Trust	-	-	-	-	-	-	-	-	-	-	28.20	-
Transfer on allotment of shares to employees pursuant to ESOP scheme	-	-	5.65	-	-	-	(24.80)	-	-	-	(24.80)	-
Adjustment of dividend paid to HFCL Employees Trust	-	(0.21)	-	-	-	-	0.21	-	-	-	5.65	-
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	(2.72)	-	-	-	0.03	-	-	-	0.03	-
As at March 31, 2023	28.20	1.69	1,056.78	80.50	-	2.22	1,786.58	16.76	-	(2.83)	2,969.90	36.60

The accompanying notes form an integral part of the consolidated financial statements
As per our report of even date attached

For S Bhandari & Co LLP

Chartered Accountants

Firm Reg. No. 006560/C/406334

For Oswal Sunit & Company

Chartered Accountants

Firm Reg. No. 046520/N/IL & COMPANY

New Delhi

FRN : 016520/N

Chartered Accountants

FRN : 016520/N

New Delhi

Chartered Accountants

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FRN : 016520/N

New Delhi

Chartered Accountants

FRN : 016520/N

New Delhi

For and on behalf of the Board

Ronketo

Dr. R M Kasla

Director

DIN: 00053859

Place : New Delhi

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Mahendra Nahata

Managing Director

DIN: 00052808

Place : New York

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Manoj Baid

Senior Vice-President (Corporate

& Company Secretary

M.No. FCS 5814

Place : New Delhi

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Place : New Delhi

New Delhi, 8th May, 2023

8th May, 2023

HFCL Limited

Notes forming part of Consolidated Financial Statements for the year ended March 31, 2023

(All amounts are in Rs. Crore)

1. Corporate information

HFCL Limited ('HFCL' or 'the Holding Company') is a public limited company domiciled and incorporated in India and having its registered office at 8, Electronics Complex, Chambaghat, Solan, Himachal Pradesh-173213. The Holding Company's shares are listed and traded on National Stock Exchanges of India Ltd. (NSE) and BSE Ltd. (BSE). Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment, Optical Fiber and Optic Fiber Cable (OFC).

The Consolidated Financial Statements have been approved by the Board of Directors of the Holding Company at its meeting held on May 8, 2023.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

All the Indian Accounting Standards issued under section 133 of the Companies Act, 2013 and notified by the Ministry of Corporate Affairs (MCA) under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are approved have been considered in preparation of these Financial Statements.

2.1.2. Historical Cost Convention

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- certain financial assets and liabilities and contingent consideration is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans - plan assets measured at fair value;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

The preparation of these Consolidated Financial Statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the Consolidated Financial Statements and the reported amounts of income and expense for the periods presented.

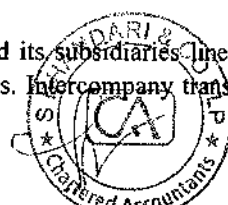
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

2.2. Basis of Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Holding Company has control. The Holding Company controls an entity when the Holding Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Holding Company. They are deconsolidated from the date that control ceases. The Holding Company and subsidiaries are collectively called "the Group".

The group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions,



balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Holding Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

ii. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group share of the post-acquisition profits or losses of the investee in profit and loss, and the group share of other comprehensive income of the investee in other comprehensive income.

When the group share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

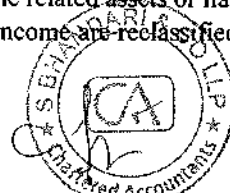
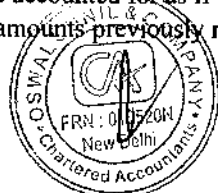
Unrealised gains on transactions between the Holding Company and its associates and joint ventures are eliminated to the extent of the group interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.



If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 - Income Taxes and Ind AS 19- Employee Benefits respectively.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.4. Current versus non-current classification

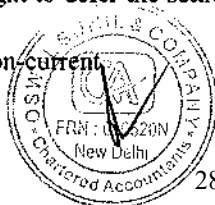
The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- a) Expected to be realised or intended to be sold or consumed in normal operating cycle; or
- b) Held primarily for the purpose of trading; or
- c) Expected to be realised within twelve months after the reporting period other than for (a) above; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- a) It is expected to be settled in normal operating cycle; or
- b) It is held primarily for the purpose of trading; or
- c) It is due to be settled within twelve months after the reporting period other than for (a) above; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.



2.5. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Group categorizes assets and liabilities measured at fair value into one of three levels as follows:

- **Level 1 — Quoted (unadjusted)**
This hierarchy includes financial instruments measured using quoted prices.
- **Level 2**
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 2 inputs include the following:
 - a) quoted prices for similar assets or liabilities in active markets.
 - b) quoted prices for identical or similar assets or liabilities in markets that are not active.
 - c) inputs other than quoted prices that are observable for the asset or liability.
 - d) Market – corroborated inputs.
- **Level 3**
They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

2.6. Non-current assets held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2.7. Property Plant and Equipment

The Group had elected to continue with the carrying value of all of its Property, Plant and Equipment recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Items of property, plant and equipment acquired/constructed are initially recognized at actual cost. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It includes professional fee and borrowing cost for qualifying assets.

Following initial recognition, freehold land is stated at actual cost. All other items of PPE are stated at actual cost less accumulated depreciation and impairment loss.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress (CWIP) respectively.



Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the Consolidated Statement of Profit and Loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use. Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortized once classified as held for sale.

Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

Asset Class	Useful Life
Freehold Buildings	Office Building : 60 years Factory Building : 30 years
Leasehold Improvements	Over the period of lease
Plant & Machinery	7.5 - 15 years
Furniture & Fixtures	10 years
Electrical Installations	10 years
Computers	3 - 6 years
Office Equipments	5 years
Vehicles	8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the Group will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit and Loss.

2.8. Intangible Assets

a. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

b. Product Development and Intangible Assets under Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate all the following: -

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell of the asset, The ability to measure reliably the expenditure attributable to the intangible asset during development

Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Group to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably. In which case such expenditure is initially recorded as intangible assets under development and is subsequently capitalized when the asset is ready for its intended use.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Statement of Profit and Loss.

During the period of development, the asset is tested for impairment annually

c. Other Intangible assets:

The Group had elected to continue with the carrying value of all of its Intangible Assets recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Cost of other intangible assets or software comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxation authorities), and any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure after its purchase is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An item of Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

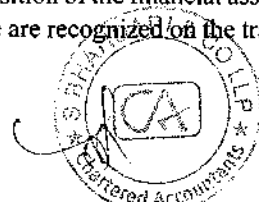
2.9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

2.9.1. Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.



Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Holding Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

Any debt instrument, that does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

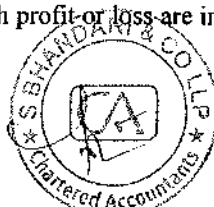
Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments are measured at fair value. For Equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. This amount is not recycled from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the Consolidated Statement of Profit and Loss.



Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

De-recognition

A financial asset is de-recognized only when

- The Group has transferred the rights to receive cash flows from the financial asset or
- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and loss (P&L).

2.9.2. Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Consolidated Statement of Profit and loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.



Credit/ Suppliers' Credit and vendor financing

The Group enters into arrangements whereby banks make direct payments to suppliers for raw materials. The banks are subsequently repaid by the Group at a later date providing working capital timing benefits. These are normally settled between 90 days to 180 days. The economic substance of the transaction is determined to be operating in nature and these are recognised as operational buyers' credit/ suppliers' credit and disclosed on the face of the balance sheet. Interest expense on these are recognised in the finance cost. Payments made by banks to the operating vendors are treated as a noncash item and settlement of due to operational buyer's credit/ suppliers' credit by the Group is treated as an operating cash outflow reflecting the substance of the payment.

Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.10. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

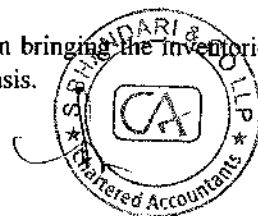
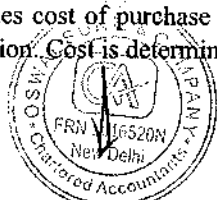
Impairment losses of continuing operations, including impairment on inventories, are recognized in the Consolidated Statement of Profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

2.11. Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Standard Cost Method.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.



- Contract Work in Progress : It is valued at cost
- Loose Tools (Consumable) : It is valued at cost after write-off at 27.82% p.a.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12. Revenue recognition

- A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.
- B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).
- C. The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.
- D. The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fibre Cable and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Group generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

• **Contracts with government**

The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Group expects to be entitled to.

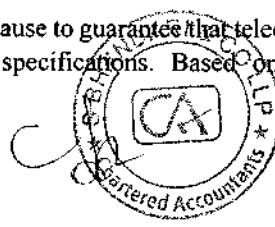
If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Group reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

• **Warranty**

Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and



arrangement entered with respective vendors of equipment's supplied under contract, the Group recognises provisions for this warranty.

- **Financial Components**

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue :

- **Interest income**

Interest income on deposits with banks is recognised at effective interest rate applicable.

Interest income from other financial assets is recognised at the effective interest rate method on initial recognition.

- **Dividends**

Dividend income is recognised when the right to receive payment is established.

- **Rental income**

Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the Consolidated Statement of Profit and loss.

- **Insurance Claims**

Insurance claims are accounted for as and when admitted by the concerned authority.

2.13. Leases

As a lessee

The Group implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.



The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

As a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

If an arrangement contains lease and non-lease components, the Group applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the contract.

2.14. Foreign currency transactions

The functional currency of the Group is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Group's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

2.15. Employee Benefits

Short term employee benefits:-

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other Long-Term employee benefits

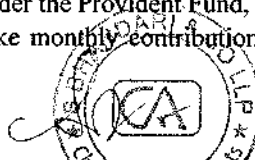
The liabilities for earned leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method as per the actuarial valuation carried out at the end of each annual reporting period. Actuarial gains and losses are recognised in full in the consolidated statement of profit and loss in the period in which they occur.

Post-employment obligations

i. Defined contribution plans

Provident Fund and employees' state insurance schemes:

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a



predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Group's contributions to both these schemes are expensed in the Consolidated Statement of Profit and Loss. The Group has no further obligations under these plans beyond its monthly contributions.

ii. Defined benefit plans

Gratuity:

The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits". The Group makes periodic contributions to the HDFC Standard Life Insurance Group Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

iii. Actuarial gains and losses are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Statement of Profit and loss.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above) are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Consolidated Financial Statements represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

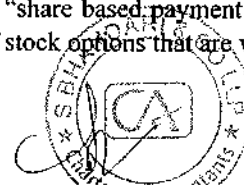
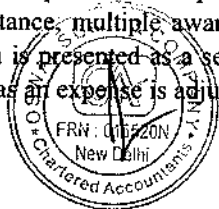
Termination benefits

Termination benefits are recognized as an expense in the period in which they are incurred.

2.16. Employee Share-based payments

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Group but consolidated in the Financial Statement. Any loan from the Group to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognized as an employee benefits expense, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the



option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

2.17. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Consolidated Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Consolidated Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

2.19. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Consolidated Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

2.20. Cash Flow Statement

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Group are segregated.

2.21. GST Credit

The GST credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST credit is shown under the head "Other Current Assets".

2.22. Earnings per share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are also included in the calculation of basic earnings per share from the date the contract is entered into. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.23. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.



The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

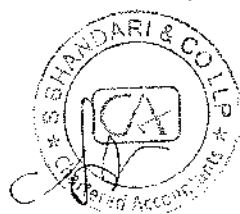
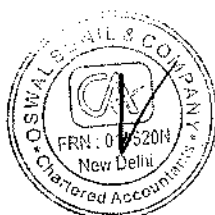
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.



3 Property, Plant and Equipment

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipments	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance As at April 1, 2021	518.62	148.69	22.16	34.84	11.85	10.12	25.23	15.34	8.89	0.88	801.55
Additions	73.17	17.20	2.67	4.46	6.12	1.50	7.36	5.67	-	-	118.17
Disposals / Adjustments	38.96	5.51	0.01	2.67	0.13	0.55	1.52	4.10	0.36	-	53.81
Balance As at March 31, 2022	552.83	160.38	29.76	36.63	17.84	11.06	31.09	16.91	8.53	0.88	865.91
Additions	82.54	21.08	-	2.90	3.79	1.05	7.49	3.09	12.41	-	124.35
Disposals / Adjustments	34.28	4.63	-	4.85	0.73	1.45	2.43	2.51	-	-	50.88
Balance As at March 31, 2023	601.09	176.83	29.76	34.68	20.90	10.66	36.15	17.49	20.94	0.88	949.38
Accumulated Depreciation and Impairment											
Balance As at April 1, 2021	362.47	20.81	9.87	17.85	7.60	6.67	20.38	12.32	-	0.23	358.20
Depreciation for the year	44.91	5.02	1.28	4.69	2.23	1.93	4.11	1.59	-	0.01	65.77
Disposals / Adjustments	16.85	-	0.60	0.50	0.10	0.04	1.47	3.73	-	-	22.69
Balance As at March 31, 2022	290.53	25.83	11.15	22.04	9.73	8.56	23.02	10.18	-	0.24	401.28
Depreciation for the year	47.24	5.54	1.37	3.44	2.22	0.70	5.82	2.47	-	0.01	68.81
Disposals / Adjustments	1.44	-	-	1.18	0.19	0.51	2.12	2.36	-	-	7.89
Balance As at March 31, 2023	336.33	31.37	12.52	24.30	11.76	8.95	26.72	10.29	-	0.25	462.39
Net Carrying Value											
Balance as at April 1, 2021	256.15	127.88	17.23	16.99	4.25	3.44	4.85	3.02	8.89	0.65	443.35
Balance as at March 31, 2022	262.30	134.55	18.61	14.59	8.11	2.50	8.07	6.73	8.53	0.64	464.63
Balance As at March 31, 2023	264.76	145.46	17.24	10.38	9.14	1.91	9.43	7.20	20.94	0.63	487.09

Notes:

1 The following properties are pending for title transfer in the name of the Group Companies.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date
Property, plant and equipment (HFCL Limited)	Land (Leasehold)	0.28 of State Government of Himachal Pradesh	No	No	23rd September, 1994
Property, plant and equipment (HFCL Limited)*	Land (Freehold)	1.64 of Ertible amalgamated Company	No	No	5th January, 2011
Property, plant and equipment (HFCL Limited)**	Land (Freehold)	12.41 of Telangana State Industrial Infrastructure Corporation Limited (TSIIC)	No	No	5th September, 2022
Property, plant and equipment (HTL Limited) - refer Note 57(b)(ii)	Land (Freehold)	- of State Government of Tamil Nadu	No	No	30th September, 1970

* By virtue of Scheme of Amalgamation sanctioned vide order passed by the Hon'ble High Court of Himachal Pradesh on 5th January, 2011, the above said land was transferred to the Holding Company. Accordingly, the Holding Company had filed an application before Jaipur Development Authority (JDA) for mutation of the aforesaid land in favour of the Holding Company. The Collector (Stamps), Jaipur Cutch-II raised a demand of Rs. 25 Crores towards payment of stamp duty for carrying out such mutation. The Holding Company filed a petition before the Hon'ble High Court of Jaipur against the demand made by the Deputy Registrar, Collector (Stamps), Jaipur. On 29th July 2022, the division bench of the Hon'ble High Court of Jaipur passed an order quashing the demand and directed fresh assessment of duty payable by the Holding Company. Against the High Court order, JDA has filed a special leave petition before the Hon'ble Supreme Court of India and the matter is yet to be listed for hearing.

** The aforesaid land is allotted to the Holding Company for setting up manufacturing facility in the state of Telangana. The agreement to sell has been executed with TSIIC and Holding Company is currently having physical possession of the said land. TSIIC will execute sale deed in favour of the Holding Company on fulfillment of the conditions stipulated in the agreement to sell.

2. The Holding Company has been sanctioned & disbursed capital subsidy amounting to Rs. 42.58 crs for investment in its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana under Modified Special Incentive Package Scheme (MSIPS) by the Ministry of Electronics and Information Technology Department. The said capital subsidy has been duly adjusted against the carrying value of related Property, Plant and Equipment.

3. In the previous year the Holding Company had been sanctioned capital subsidy under the Incentive scheme of Industries and Commerce Department (IP&IC), Government of Telangana for its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana. The subsidy includes capital subsidy of Rs. 30 crores, interest subsidy of Rs. 2.63 crores, power subsidy of Rs. 31 crores and interest duty reimbursement of Rs. 0.36 crores. The Company has adjusted capital subsidy (including stamp duty reimbursement) aggregating to Nil (Previous year: Rs. 30.36 crores) against the related Property, Plant and Equipment and power and interest subsidy aggregating to Rs. 5.30 crore (Previous year: Rs. 15.20 crores) has been recognized under the head 'Other Income' in the Statement of Profit and Loss.

4. Refer Note 22 and 25 for details of assets pledged.



4 Capital work-in-progress

Particulars	Buildings	Plant & Machinery	Electrical Installation	Furniture & Fixture	Total
Balance as at April 1, 2021	2.63	8.84	0.35	-	11.82
Additions	16.25	27.21	3.25	0.58	47.29
Disposals / Adjustments	2.51	8.78	0.36	-	11.65
Balance as at March 31, 2022	16.37	27.27	3.24	0.58	47.46
Additions	38.90	23.80	1.42	2.02	66.14
Disposals / Adjustments	13.42	26.63	3.05	0.00	43.10
Balance as at March 31, 2023	41.85	24.44	1.61	2.60	70.50

4.1 Ageing of Capital work-in-progress

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress*					
As at March 31, 2023	65.81	4.57	0.12	-	70.50
As at March 31, 2022	45.62	1.84	-	-	47.46

*Project execution plans are modulated annually on the basis of capacity requirement assessment and all projects are executed as per rolling annual plan.

5 Intangible Assets (Other than Goodwill)

Particulars	Amount
Gross Carrying Value	
Balance as at April 1, 2021	37.47
Additions	1.37
Disposals / Adjustments	-
Balance as at March 31, 2022	38.84
Additions	11.02
Disposals / Adjustments	0.76
Balance as at March 31, 2023	49.10
Accumulated Amortisation	
Balance as at April 1, 2021	19.50
Amortisation for the year	5.93
Disposals / Adjustments	-
Balance as at March 31, 2022	25.43
Amortisation for the year	6.66
Disposals / Adjustments	0.64
Balance as at March 31, 2023	31.45
Net Carrying Value	
Balance as at April 1, 2021	17.97
Balance as at March 31, 2022	13.41
Balance as at March 31, 2023	17.65

6 Intangible assets under development

Particulars	Product Development
Balance as at April 1, 2021	24.20
Additions	37.63
Disposals / Adjustments	1.14
Balance as at March 31, 2022	60.69
Additions	137.62
Disposals / Adjustments	0.65
Balance as at March 31, 2023	197.66

Note : Includes Technology licence fee paid in the nature of advance till the date of actual utilisation of technology.

6.1 Ageing of Intangible assets under development

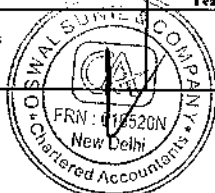
Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress					
As at March 31, 2023	142.13	37.29	3.53	14.71	197.66
As at March 31, 2022	37.29	5.39	4.07	13.94	60.69

6.2 Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2023

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	4.20	19.19	-	-	23.39
- SG/4G Technological Products	-	-	9.91	-	9.91
Total	4.20	19.19	9.91	-	33.30

Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2022

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	19.19	-	-	-	19.19
- SG/4G Technological Products	-	9.91	-	-	9.91
Total	19.19	9.91	-	-	29.10



7 Investments accounted for using equity method

Particulars	As at March 31, 2023	As at March 31, 2022
Unquoted Investments		
Investment in Equity Instruments		
(i) Jointly Controlled Entities	18.50	11.50
Add / (Less) : Cumulative Share of profits / (Loss)	0.07	0.16
Total	18.57	11.66

7.1 - Investments accounted for using equity method

Particulars	Face value per share	As at Mar 31, 2023		As at Mar 31, 2022	
		No. of Shares	Amount	No. of Shares	Amount
Unquoted Investments					
Investment in Equity Instruments - Equity Shares					
NIMPAA Telecommunication Pvt Ltd (includes Goodwill of Rs 1 crs)	10	10,00,000	1.00	10,00,000	1.00
Add / (Less) : Cumulative Share of profits			1.50		0.72
Big Cat Wireless Pvt Ltd*	10	4,000	2.50	4,000	2.50
BigCat Wireless Pvt Ltd. - (Partly paid @ Rs.6.50 per share (previous year : Rs 3.50 per share) out of the face value of Rs.10/- per share)	10	32,000	15.00	32,000	8.00
Add / (Less) : Cumulative Share of (Loss)			(1.43)	-	(0.56)
Total aggregate unquoted investments			18.57		11.66
Aggregate carrying value of unquoted investments			18.57		11.66
Aggregate amount of impairment in value of investments			-		-

* includes Goodwill of Rs 5.36 crs

7.2 Additional details of Jointly Controlled Entities

Particulars	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group	
			As at March 31, 2023	As at March 31, 2022
NIMPAA Telecommunication Pvt Ltd	Manufacturing of FRP and ARP	India	50.00%	50.00%
BigCat Wireless Pvt. Limited (Jointly Controlled Entity with 50% voting right)	Development of software and hardware products for wireless networking	India	50.00%	50.00%

8 Non-Current Financial Assets - Investments

Particulars	As at March 31, 2023	As at March 31, 2022
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	37.18	33.05
(ii) Investments in Debt instruments	1.85	1.85
Total	39.03	34.90

8.1 Detail of Non Current Financial Assets - Other Investments

Particulars	Face value per share/ Debenture	As at March 31, 2023		As at March 31, 2022	
		No. of Shares/ Debentures	Amount	No. of Shares/ Debentures	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments- Equity Shares					
Exicom Tele-Systems Ltd.	10	6,30,223	19.35	6,30,223	16.83
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.05	4,000	0.05
India Card Technologies Pvt.Ltd.	10	19,900	-	19,900	-
Shankar Sales Promotion Pvt.Ltd.	100	2,000	0.09	2,000	0.09
HFCL Bezaq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt Ltd.	1	2,17,594	17.69	2,17,594	16.08
Total Investment in Equity Instruments measured at FVTOCI			37.18		33.05
(ii) Investment in Debt Instruments					
Atul Properties Pvt. Ltd. (OFCDs)	100	1,85,000	1.85	1,85,000	1.85
Total Investment in Debt Instruments measured at FVTOCI			1.85		1.85
Aggregate Carrying value of unquoted investments			39.03		34.90
Aggregate amount of impairment in value of investments			-		-



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crore)
9 Non-Current Financial Assets-Loans

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Loans to other parties	6.50	6.50
Loans to related parties (refer note 51)	3.00	4.00
Which have significant increase in credit risk	0.21	0.21
Less: expected credit loss allowance	(0.21)	(0.21)
Total	9.50	10.50
Movement in the expected loss of Other Loans are as follows:		
Balance at the Beginning of the year	0.21	0.21
Add: Provided during the year	-	-
Less: Amount written off	-	-
Balance at the end of the year	0.21	0.21

10 Non-Current Financial Assets - Others

Particulars	As at March 31, 2023	As at March 31, 2022
Fixed Deposits with Bank (maturity more than 12 months)*	36.21	35.85
Security Deposit	8.08	4.69
Total	44.29	40.54

* Above fixed deposits are held as margin money/securities with banks.

11 Deferred tax assets (net)

Deferred income tax reflect the net tax effects of temporary difference between the carrying amount of assets and liabilities for the financial reporting purposes and the amounts used for income tax purposes. Significant component of the Group's net deferred income tax are as follows:-

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	Total
As at 1 April, 2021	10.28	(10.97)	7.40	6.71
(Charged)/Credited:				
- to Statement of profit and loss	0.32	0.32	(2.40)	(1.76)
- to other comprehensive income	0.02	-	-	0.02
As at 31 March, 2022	10.62	(10.65)	5.00	4.97
(Charged)/Credited:				
- to Statement of profit and loss	2.93	(37.72)	0.89	(33.90)
- to other comprehensive income	0.11	-	-	0.11
As at 31 March, 2023	13.66	(48.37)	5.89	(28.82)

Note: In the absence of reasonable certainty of future taxable income, no deferred tax assets have been created in the books of such subsidiaries

12 Other Non-Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, Considered Good		
Capital Advances-others	39.55	17.55
Total	39.55	17.55



13 Inventories (at cost or net realisable value whichever is lower)

Particulars	As at March 31, 2023	As at March 31, 2022
Inventories (As Certified and valued by the management)		
Raw Material	218.84	199.05
Raw Materials in transit	82.57	13.95
	301.41	213.00
Work-in-progress	227.06	193.93
Finished goods	86.87	63.08
Stock-in-trade	120.73	75.23
Stock-in-trade in transit	0.52	8.63
Stores and Spares	17.12	14.65
Loose tools	2.57	1.29
Others (Packing Material)	1.57	3.57
Total	757.85	573.38

Notes:

Work in progress includes contract work in progress of Rs. 174.15 crore (Previous year: Rs. 153.04 crore)

14 Current Financial Assets - Investments

Particulars	As at March 31, 2023	As at March 31, 2022
Quoted Investments		
(i) Investments in Mutual Funds	7.11	3.69
(ii) Investments in Equity Instruments - other	5.27	5.11
Total	12.38	8.80

14.1 Detail of Current Financial Assets - Investments

Particulars	Face Value	As at March 31, 2023		As at March 31, 2022	
		No. of Shares/ Units	Amount	No. of Shares/ Units	Amount
Financial assets carried at fair value through Statement of Profit or Loss (FVTPL)					
(i) Investments in mutual funds - Quoted Investment					
Union Liquid Fund Growth - Direct plan	1000	9,398	2.04	9,398	1.93
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.08	50,000	0.08
Union Bank Medium duration fund Regular	10	4,99,975	0.55	4,99,975	0.53
Union Hybrid Equity Fund-Growth	10	4,99,975	0.63	4,99,975	0.63
Daroda Business cycle fund-Regular Growth	10	4,99,965	0.49	4,99,965	0.50
Principal Cash Management fund - Dividend reinvestment plan	1000	235	0.03	235	0.02
MCNL Capital Compounder Fund - I	100	3,09,000	3.06	-	-
Quant Large Cap Fund - Regular Plan Growth	100	2,40,987	0.23	-	-
Total Investment FVTPL			7.11		3.69
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	64,08,000	-	64,08,000	-
Manvius Biotech Ltd.	1	17,000	-	17,000	-
Sunmedia Fiscal Services Ltd.	10	18,200	0.10	18,200	0.11
Valient Communications Ltd.	10	8,700	0.12	8,700	0.06
Poonawalla Fincorp Ltd.	2	1,52,830	4.47	1,52,830	4.15
Media Matrix Worldwide Ltd.	1	4,750	0.01	4,750	0.01
Sahara One Media and Entertainment Ltd.	10	2,50,950	0.39	2,50,950	0.61
			5.09		4.94
(iii) Investment in equity instruments - Unquoted Equity Shares					
Optimates Textile Industries Ltd.	2	13,02,500	-	13,02,500	-
Rashel Agrotech Ltd.	10	4,78,500	-	4,78,500	-
NSL Wind Power Company (Phoolwadi) Private Ltd.	10	1,85,995	0.18	1,70,795	0.17
			0.18		0.17
Total Investment FVTOCI			5.27		5.11
Total Current Financial Investments			12.38		8.80
Aggregate Carrying value of quoted investments			12.20		8.63
Aggregate Carrying value of unquoted investments			0.18		0.17
Aggregate amount of impairment in value of investments			-		-



15 Current Financial Assets - Trade Receivables

Particulars	As at March 31, 2023		As at March 31, 2022	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good:	423.11	1,842.68	595.61	1,889.10
Which have significant increase in credit risk	-	57.93	-	21.77
Credit Impaired	-	5.50	-	0.72
Total	423.11	1,896.11	595.61	1,895.94
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	15.65	-	10.64
Add: Provided during the year	-	4.78	-	5.01
Less: Provision reversed	-	0.42	-	-
Balance at the end of the year	-	30.00	-	15.65

15.1 Ageing analysis of Trade Receivables as at March 31, 2023

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,410.74	538.68	223.26	62.33	20.40	0.51	2,255.92
- which have significant increase in credit risk	-	-	-	-	-	57.93	57.93
- credit impaired	-	-	-	-	-	0.72	0.72
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.87	9.87
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	4.78	-	-	-	4.78
Total	1,410.74	538.68	228.04	62.33	20.40	69.03	2,329.22
Less : Amount disclosed under non-current financial assets							(423.11)
Less: Expected credit loss allowance of trade receivables							(20.00)
Total current trade receivables							1,896.11

15.1 Ageing analysis of Trade Receivables as at March 31, 2022

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,563.19	713.55	105.55	59.26	19.37	13.92	2,474.84
- which have significant increase in credit risk	-	-	-	-	-	21.77	21.77
- credit impaired	-	-	-	-	-	0.72	0.72
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.87	9.87
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-
Total	1,563.19	713.55	105.55	59.26	19.37	46.28	2,507.20
Less : Amount disclosed under non-current financial assets							(595.61)
Less: Expected credit loss allowance of trade receivables							(15.65)
Total current trade receivables							1,895.94

15.2 The credit period towards trade receivables related to turnkey projects generally ranges between down to achievement of specified milestones (execution based) and average project execution cycle is around 6 to 18 months. General payment terms include process time with the respective customers ranging between 60 to 90 days from the date of invoices / achievement of specified milestones.

15.3 In determining the allowance for trade receivables the Group has used practical expedients based on financial condition of the customers, ageing of the customer receivables & over-dues, availability of collaterals and historical experience of collections from customers. The concentration of risk with respect to trade receivables is reasonably low as most of the customers are Government and large Corporate organisations though there may be normal delays in collections.

15.4 Above balance of trade receivable include recoverable from related party (refer note 51)

16 Current Financial Assets - Cash & cash equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Cash & Cash Equivalents		
Balance with Banks in current account**	32.76	12.80
Cash on hand	0.07	0.09
Fixed Deposits with Bank	30.84	3.80
Total	63.67	16.69

** Rs. 0.75 crore (Previous year Rs. 0.41 crore) has restricted use.



17 Current Financial Assets - Other Bank Balances

Particulars	As at March 31, 2023	As at March 31, 2022
Fixed Deposits with Bank (Maturity less than 12 months)*	258.09	511.04
Balance with Bank in Dividend account**	0.83	0.51
Total	258.92	511.55

* Out of above, fixed deposits of Rs. 257.39 crore (Previous year Rs. 286.84 crore) are held as margin money/securities with banks.

** Rs. 0.83 crore (Previous year Rs. 0.52 crore) has restricted use.

18 Current Financial Assets - Loans

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good Other Loans	21.49	26.04
Total	21.49	26.04

19 Current Financial Assets - Other Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Security Deposits	9.72	7.04
Project & other vendor advances	462.10	321.16
Interest Receivable	10.21	9.30
Subsidy claim receivable from government	48.29	45.56
Receivables for sales of Investments	3.25	3.25
Total	533.57	386.31

20 Current Tax Assets (net)

Particulars	As at March 31, 2023	As at March 31, 2022
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	15.19	6.39
Total	15.19	6.39

21 Other Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Indirect tax recoverable	171.63	211.50
Prepaid Expenses	35.95	31.31
Export Incentive receivable	0.80	2.53
Other Receivables	2.47	1.98
Contract Assets-Unbilled revenue (refer Note 31)	322.12	146.88
Total	532.97	394.20



22 A. Share Capital

(i) Authorised Share Capital

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2021	5,10,00,00,000	510.00	2,50,00,000	250.00
Increase during the year	-	-	-	-
As at March 31, 2022	5,10,00,00,000	510.00	2,50,00,000	250.00
Increase during the year	-	-	-	-
As at March 31, 2023	5,10,00,00,000	510.00	2,50,00,000	250.00

(ii) Shares issued, subscribed and fully paid-up

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2021	1,28,43,77,194	128.44	-	-
Add: Shares issued during the year to the ESOP Trust *	49,34,300	0.49	-	-
Add: shares issued during the year to Qualified Institutional Buyers **	8,72,72,727	8.73	-	-
Less: Equity shares held in Trust for employees under ESOP Scheme	16,99,900	0.17	-	-
As at March 31, 2022	1,37,48,84,321	137.49	-	-
Add: Shares issued during the year to the ESOP Trust *	11,74,100	0.12	-	-
Add: Equity shares held in Trust during previous year under ESOP scheme	16,99,900	0.17	-	-
Less: Equity shares held in Trust for employees under ESOP Scheme	13,82,200	0.14	-	-
As at March 31, 2023	1,37,63,76,121	137.64	-	-

* During the previous year the Board of Directors of the Holding Company had approved allotment of 49,34,300 equity shares and on 8th June, 2022, the Board of Directors of the Company has also approved allotment of 11,74,100 equity shares of face value of Re.1/- each at applicable grant price to HFCL Employee's Trust under HFCL Employee's Long Term Incentive Plan 2017.

** During the previous year, the Holding Company through Qualified Institutions Placement (QIP) allotted 8,72,72,727 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of Rs. 68.75 per equity share of Re. 1 face value (inclusive of premium of Rs. 67.75 per share) aggregating to approximately Rs. 600.00 Crore. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Funds received in the QIP of equity shares have been utilised for the purpose mentioned in the objects of the issue in the offer document.

(iii) Shareholders holding more than 5 percent of Equity Shares

Name of Shareholder	As at March 31, 2023		As at March 31, 2022	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures Private Limited	29,33,65,000	21.29	29,33,65,000	21.31
Nextwave Communications Private Limited	21,98,65,000	15.96	21,98,65,000	15.97

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents legal ownership of shares.

(iv) Shares held by promoters and change in their holdings

Name of promoters	As at March 31, 2023		As at March 31, 2022		% Change during the year
	No. of share held	% of Holding	No. of share held	% of Holding	
Anant Nahata	26,45,000	0.19	26,45,000	0.19	-
Mahendra Nahata	13,35,091	0.10	8,35,091	0.06	0.04
MN Ventures Private Limited	29,33,65,000	21.29	29,33,65,000	21.31	(0.02)
NextWave Communications Private Limited	21,98,65,000	15.96	21,98,65,000	15.97	(0.01)
Fitcore Tech-Solutions Pvt. Ltd.	2,24,00,000	1.63	2,24,00,000	1.63	-
Vinsan Brothers Private Ltd	6,71,600	0.05	6,71,600	0.05	(0.00)
Shanker Sales Promotion Private Ltd	3,00,201	0.02	3,00,201	0.02	(0.00)
Total	54,05,81,892	39.24	54,00,81,892	39.23	0.01

(v) Terms/right attached to Equity/Preference Shares -

The Holding Company has issued equity share of Re.1/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up equity capital of the Company held by them. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amount in proportion to their shareholdings.

(vi) Shares reserved for issue under options:

Information related to Employee Stock Option Plan, including details of options issued, exercised, expired and forfeited during the previous financial year and options outstanding at the end of the reporting period, is set out in note 55.



B. Other Equity

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Retained Earnings	1,786.58	1,510.63
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	16.76	12.67
b. Foreign currency translation reserve	(2.83)	(0.86)
(iii) Other Reserves*		
a. Securities Premium	1,056.78	1,053.85
b. Capital Redemption Reserve	80.50	80.50
c. Employee Share based payment reserve	1.69	1.90
d. Capital reserve (on bargain purchase)	2.22	2.22
(iv) Money received against Convertible Warrants **	28.20	-
Total	2,969.90	2,660.91

*** Brief description of Other Reserves:**

a. Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.

b. Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 80,50,000 (previous year 80,50,000) CRPSs of Rs. 100/- each

c. Employee share based payment reserve is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Holding Company for employees of the Group.

** The Board of Directors and Shareholders of the Holding Company at their meetings held on September 02, 2022 and September 30, 2022 respectively, has approved the issuance up to 1,41,00,000 (One crore forty one lakhs) warrants convertible into 1,41,00,000 equity shares at a price of Rs.80/- per equity share to one of the Promoters of the Company and certain persons belonging to non-Promoter category being senior leadership team. Subsequently, on receipt of warrant subscription price being Rs.20/- per warrant equivalent to 25% of the Warrant Exercise Price i.e., Rs.80/- per warrant, aggregating to Rs.28.20 crores, the Allotment Committee of the Board of Directors at its meeting held on October 15, 2022, has allotted 1,41,00,000 (One Crore Forty-One Lacs) Warrants, being the entire issue, on preferential basis to aforesaid entity/persons. Balance consideration of Rs. 60/- per warrant, being 75% of the Warrant Exercise Price shall be payable within 18 months from the allotment date, at the time of exercising the warrants to apply for fully paid-up equity share of Rs.1/- each of the Holding Company, against each warrant held by the warrant holders.

(i) Retained Earnings

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the reporting period	1,510.63	1,196.28
Add: Net profit for the period	317.71	325.86
Remeasurement of Defined benefit plans	-	12.64
Add/Less: adjustments for-		
Other Comprehensive Income for the year	(0.46)	0.06
Transfer from Debenture redemption reserve	-	2.81
Transfer on allotment of shares to employees pursuant to ESOP scheme	0.21	5.01
Dividend paid on Equity shares	(24.80)	(19.34)
Adjustment of dividend to ESOP trust	0.03	0.05
Non-Controlling Interest	(16.74)	(12.74)
Closing Balance	1,786.58	1,510.63

(ii) Components of Other Comprehensive Income

Particulars	Changes in fair value of FVOCI equity instruments	Foreign currency translation reserve
As at April 1, 2021	10.65	(0.53)
Increase during the year	2.02	-
Decrease during the year	-	0.33
As at March 31, 2022	12.67	(0.86)
Increase during the year	4.09	-
Decrease during the year	-	1.97
As at March 31, 2023	16.76	(2.83)

(iii) Other Reserves

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve	Capital Reserve
As at April 1, 2021	467.62	2.81	80.50	15.58	2.22
Increase during the year	589.57	-	-	-	-
Decrease during the year	3.34	2.81	-	13.68	-
As at March 31, 2022	1,053.85	-	80.50	1.90	2.22
Increase during the year	5.65	-	-	-	-
Decrease during the year	2.72	-	-	0.21	-
As at March 31, 2023	1,056.78	-	80.50	1.69	2.22

(iv) Money received against convertible warrants

Particulars	Amount
As at April 1, 2021	-
Increase during the year	-
Decrease during the year	-
As at March 31, 2022	-
Increase during the year	28.20
Decrease during the year	-
As at March 31, 2023	28.20



HFCL Limited

Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023

(All amounts are in Rs. Crore)

23 Non-Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured Borrowings		
Term Loans from Banks*	165.27	163.49
Vehicle Loans from Banks	3.82	3.07
	169.09	166.56
Less: Current maturities of long term debt - Term Loans	(57.54)	(44.18)
Less: Current maturities of long term debt - Vehicle Loans	(1.18)	(1.13)
Total	110.37	121.25

* net off of Rs.1.04 crore (Previous year Rs.1.51 crore) as finance charge

Regarding Holding Company:

a) Term Loan of Rs.86.67 crore (Previous year Rs.108.94 crore) from the Banks are secured by pari-passu first charge on entire Optical Fibre Project Assets at Hyderabad (Unit-1), both present and future, by way of equitable mortgage. The loan is further secured by personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

b) Term Loan of Rs.30.57 crore (Previous year Rs.13.34 crore) as disbursed against sanctioned of Rs.48.00 crore from the Bank, are secured by exclusive first charge on entire Optical Fibre Cable Project Assets at Hyderabad (Unit -2), both present and future, by way of equitable mortgage except land which is pari-passu charge with the lenders of Unit 1. The loan is further secured by personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

c) Working Capital Facilities (Covid -19 Emergency Credit line) of Rs.Nil (Previous year Rs. 0.86 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties except Hyderabad units of the Company and are also secured by personally guarantee of Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

d) Other Vehicle Loans of Rs. 3.82 crore (Previous Year Rs.3.07 crore) from banks and others are secured by way of hypothecation of respective vehicle.

Regarding Subsidiary Company:

e) Term Loan of Rs. 31.03 crore (Previous year Rs. 14.79 crore) from Yes Bank Ltd and Term Loan of Rs 17.00 crore (Previous year 25.56 crore) from State Bank of India is secured by way of pari passu charge on all fixed assets (both present and future), 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, current assets (both present and future), and on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited (Holding Company), personal guarantee of Managing Director of HFCL Limited, Corporate Guarantee of M/s MN Ventures Private Limited and pledge of 23.90% shareholding of the Holding Company in HTL Ltd.

Secured term and other Loans - Repayment schedule and rate of interest :

Particulars	Term Loan	Term Loan	Term Loan	Term Loan	Vehicle Loan
Secured					
Rate of Interest	7.65% to 14.50%	9.85%	10.10%	14.50%	7.50% to 10.30%
Outstanding amount	86.67	30.57	31.03	17.00	3.82
Repayment Due					
FY 2023-24	25.00	11.29	12.70	8.56	1.18
FY 2024-25	25.00	12.00	9.79	8.44	1.11
FY 2025-26	14.92	7.28	6.83	-	0.63
FY 2026-27 to 2027-28	21.75	-	1.71	-	0.90

24 Non-Current Liabilities - Provisions

Particulars	As at March 31, 2023	As at March 31, 2022
Provisions for Employee Benefits (refer note no. 46)		
Provision for Gratuity	19.75	16.64
Provision for Leave Encashment	21.15	18.10
Total	40.90	34.74



25 Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	354.14	342.24
(ii) Current maturities of long-term borrowings; (refer note 23)	58.72	45.31
Unsecured		
(i) from banks - Vendors bills discounting	148.36	136.08
(ii) from other parties - Inter Corporate Deposit**	71.99	91.68
(iii) from Government of India (Refer Note 57 (i))	4.73	6.24
Total	637.94	621.55

*terms of short term borrowings from banks:

A. Regarding Holding Company:

* a) Working Capital Loans from banks aggregating to Rs.230.76 crore (Previous year: Rs.218.81 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. and all other current assets of the company as well as by way of first pari passu charge on entire fixed assets of the company (both present and future) excluding fixed assets of manufacturing facility at Telangana and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

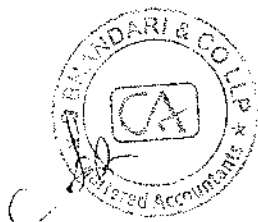
b) Working Capital Loans from Banks aggregating to Rs. 73.64 crore (Previous year: Rs.73.37 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of IPMPLS back bone Project for Network for Spectrum (NFS). The loan is further secured by first pari passu charge on entire fixed assets of the company (both present and future) excluding fixed assets of manufacturing facility at Telangana, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Private Limited, first pari passu charge of cash flows of the project for working capital consortium.

B. Regarding Subsidiary Companies:

c) Working capital loan of Rs 49.74 crore (Previous year: Rs 50.06 crore) to HTL Ltd from Banks is secured against pari passu charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, current assets (both present and future) and all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited, personal guarantee of Chairman of the Company, Corporate Guarantee of M/s MN Ventures Private Limited and pledge of 23.90% shareholding of the Holding Company in HTL Ltd. .

C. Quarterly returns/statements of current assets filed by the Group with Banks are in agreement with the books of accounts.

** Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 12% to 13%.



HFCL Limited**Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023***(All amounts are in Rs. Crore)***26 Current Financial Liabilities - Trade Payables**

Particulars	As at March 31, 2023	As at March 31, 2022
Trade Payables - Undisputed		
Due to Micro and Small Enterprises	65.03	192.80
Others	812.99	817.32
Total	878.02	1,010.12

Ageing of undisputed trade payables as at March 31, 2023

Particular	Due to Micro and Small Enterprises	Others
Not due	52.01	588.33
Less than 1 year	12.29	189.36
1-2 years	0.38	9.27
2-3 years	0.18	24.16
More than 3 years	0.17	1.87
Total	65.03	812.99

Note: There are no disputed trade payables.

Ageing of undisputed trade payables as at March 31, 2022

Particular	Due to Micro and Small Enterprises	Others
Not due	147.00	578.19
Less than 1 year	44.87	229.05
1-2 years	0.89	4.15
2-3 years	0.04	1.84
More than 3 years	-	4.09
Total	192.80	817.32

Note: There are no disputed trade payables.

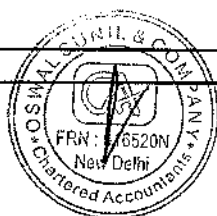
27 Other Financial Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Retention Money*	239.79	256.61
Other Financial Liabilities		
Interest accrued but not due	23.74	29.05
Security deposit	4.87	4.15
Creditors for Capital Goods	5.38	19.59
Expenses Payables	74.64	89.02
Other Employees related liabilities	19.50	16.77
Total	368.75	415.71

* retention money are due on completion of erection/contracts/final acceptance by the Group.

28 Current Tax Liabilities (Net)

Particulars	As at March 31, 2023	As at March 31, 2022
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	19.52	30.32
Total	19.52	30.32

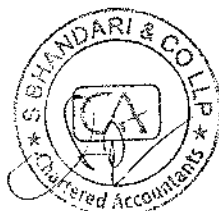


HFCL Limited**Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023***(All amounts are in Rs. Crore)***29 Other Current Liabilities**

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory Liabilities payable	39.91	21.20
Advance from Customers	3.98	47.70
Total	43.89	68.90

30 Current Liabilities - Provisions

Particulars	As at March 31, 2023	As at March 31, 2022
Provisions for Employee Benefits (refer note no. 46)		
-Provision for Gratuity	4.11	3.13
-Provision for Leave Encashment	5.64	4.37
Provisions - Others	2.55	2.66
Total	12.30	10.16



HFCL Limited**Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023***(All amounts are in Rs. Crore)***31 Revenue from operations**

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Sale and Services		
- Manufacturing and trading activities	2,371.57	1,938.48
- Turnkey project related activities	2,363.21	2,779.50
Other Operating Revenues		
- Scrap sale	4.66	4.12
- Export Incentives	3.87	5.01
Total	4,743.31	4,727.11

Notes:

- (i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115.
- (ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revaluations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is Rs. Nil (Previous year Rs.Nil) which is expected to be recognised as revenue in the next year.

(iii) Contract balances

- (a) Changes in Contract assets (Unbilled revenue) are as follows-**

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Balance at the beginning of the year	146.88	20.70
Revenue recognised during the year	309.66	143.47
Invoices raised during the year	134.42	17.29
Balance at the end of the year	322.12	146.88

- (b) Changes in contract liabilities (Unearned revenue) are as follows -**

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Balance at the beginning of the year	-	30.11
Increase due to invoicing during the year	-	-
Revenue recognised that was included in the unearned and deferred revenue	-	30.11
Balance at the end of the year	-	-

* including performance obligation pertaining to projects suspended.

Revenues in excess of invoicing are classified as contract assets (which can also be referred to as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which can also be referred to as unearned revenues). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the Customer.



32 Other Income

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Other non-operating income		
Interest Income	14.72	15.54
Financial guarantee Income	0.30	0.36
Exchange Fluctuation Income (net)	19.14	-
Reversal of Share based payments to employees expenses (refer note 55)	-	8.68
Subsidy under state incentives scheme	5.30	15.20
Liquidated Damages recovered on Sales (Net)	2.73	-
Others	4.99	3.13
Total	47.18	42.91

33 Cost of Material Consumed

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Opening Stock	199.05	114.78
Add : Purchases during the year	1,000.66	1,057.81
	1,199.71	1,172.59
Less: Closing Stock	218.84	199.05
Total material consumed	980.87	973.54

34 Other Direct Costs

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Project and labour service charges	953.29	1,304.42
Consumption of Packing Material	49.62	33.66
Consumption of stores and spares parts	32.07	23.42
Loose Tools written off	1.00	0.51
Total	1,035.98	1,362.01

35 Change in inventories of finished goods, work-in progress and stock-in trade

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Closing Stock		
Finished Goods	86.87	63.08
Stock in Trade- Goods	120.73	75.24
Work in process	227.06	193.93
	434.66	332.25
Opening Stock		
Finished Goods	63.08	57.38
Stock in Trade- Goods	75.24	67.52
Work in process	193.93	126.83
	332.25	251.73
Total	(102.41)	(80.52)



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crore)
36 Employee benefits expenses

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Salaries, bonus and allowances	318.46	282.96
Contribution to Provident and other funds	14.24	12.32
Staff welfare expenses	15.49	15.28
Total	348.19	310.56

37 Finance costs

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Bank Loan Interest	48.56	53.70
Other Interest (net)	31.80	18.10
Bank Charges and loan processing fee	69.53	91.87
Interest on lease liabilities (refer note no. 43)	2.30	2.73
	152.19	166.40

38 Other expenses

Particulars	For the period ended March 31, 2023	For the year ended March 31, 2022
Rent	3.15	1.99
Rates and Taxes	9.36	5.73
Auditors' Remuneration		
- Audit Fees	1.49	1.33
- In Other Capacity*	0.43	0.37
- Out of pocket expenses	0.27	0.07
Legal and Professional Charges	59.65	56.15
Communication Expenses	3.49	3.53
Travelling and Conveyance Expenses	44.40	39.45
Power and Fuel & Water Charges	49.04	35.10
Repairs and Maintenance	7.56	4.91
Insurance Expenses	11.84	10.64
Selling & Distribution Expenses	60.62	36.81
Bad debts, Loans and Advances, other balances written off (net)	0.34	0.56
Provision for doubtful debts (net) (refer note 15)	4.35	5.01
Sitting Fees to non-executive directors	0.59	0.50
Liquidated Damages on Sales	-	6.99
Research & Product Development Expenses	4.50	20.71
Exchange Fluctuation Loss (Net)	-	5.05
Corporate Social Responsibility Expenses	7.69	6.81
Miscellaneous Expenditure	28.76	26.03
Total	297.53	267.74

*Excluding Professional fee of Rs. 0.30 crore paid to auditors towards QIP share issuance and being debited to share issue expenses during the previous year

39 Earning per Share (EPS)- In accordance with the Indian Accounting Standard (Ind AS-33)

Particulars	For the period ended March 31, 2023	For the Year ended March 31, 2022
Basic & Diluted Earnings per share		
Profit for the year	317.71	325.86
Profit attributable to ordinary shareholders (A)	300.97	313.12
Weighted average number of ordinary shares (B) (used as denominator for calculating basic EPS)	1,37,91,62,051	1,31,46,71,615
Potential equity shares	-	13,21,100
Weighted average number of ordinary shares (C) (used as denominator for calculating diluted EPS)	1,37,91,62,051	1,31,59,92,715
Nominal value of ordinary share	Rs. 1/-	Rs. 1/-
Earnings per share basic (A/B)	2.18	2.38
Earnings per share diluted (A/C)	2.18	2.38



HFCL Limited

Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023

(All amounts are in Rs. Crores)

40 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The following are the key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of property, plant and equipment and Intangible Assets

Property, plant and equipment represent a significant proportion of the asset base of the Group. The change in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2. Recoverability of intangible asset and intangible assets under development

Capitalization of cost in intangible assets under development is based on management's judgement that technological and economic feasibility is confirmed and asset under development will generate economic benefits in future. Based on evaluations carried out, the management has determined that there are no factors which indicates that these assets have suffered any impairment loss.

3. Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in Note 46.

4. Revenue Recognition

The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. Judgement is also required to determine the transaction price for the contract. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations. The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

5. Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics. Ind AS 116 requires assessment of whether an underlying asset is of low value, if lessee opts for the option of not to apply the recognition and measurement requirements of Ind AS 116 to leases where the underlying asset is of low value. For the purpose of determining low value, the Group has considered nature of assets and concept of materiality as defined in Ind AS 1 and the conceptual framework of Ind AS which involve significant judgement.

6. Loss allowance for receivables and unbilled revenues

The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future.

7. Taxes

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. Contingencies

On an ongoing basis, Group reviews pending cases, claims by third parties and other contingencies and obligations. Obligations relating to Project Executions is largely depends upon performance of services by respective contractors. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the consolidated financial statements. Contingencies the likelihood of which is remote are not disclosed in the consolidated financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable.

9. Fair Value of Unquoted equity investments

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Group obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Group reviews its carrying value of investments carried at cost (not of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the consolidated statement of profit and loss.

41 Research & Development

The Group has extensive research capabilities, continued innovation and unique capabilities as it is able to innovate and provide end to end solutions to its customers. R&D Centres of the Group are focused on developing telecom and networking products to be intensively deployed in 5G and other communication networks and are situated at Bengaluru, Karnataka and Gurugram, Haryana. Both the R&D centres are registered with Department of Scientific and Industrial Research (DSIR) under Ministry of Science and Technology. Detail of amount spent on Research and Development is as below:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(i) Recognized as expenses in statement of Profit & Loss	4.50	20.71
(ii) Capital Expenditure on:		
(a) Tangible Assets	12.68	5.36
(b) Intangible Assets	10.13	0.24
(c) Intangible Assets under development being expenditure new product development	136.60	36.59
(d) Advances and Investment in form of equity	12.30	18.97
Total	177.21	81.87

42 Dividend Distribution made and proposed

The amount of dividend recognized as distributions to equity shareholders of Holding Company during the year ended March 31, 2023 is @ 18% i.e. Rs.0.18/- per equity share of face value of Re.1/- each (Previous Year Rs. 0.15 per equity share). The Board of Directors of Holding Company at its meeting held on April 29, 2022 had recommended such dividend of 18% for the financial year ended March 31, 2022 which was approved by the shareholders of Holding Company at the Annual General Meeting held on September 30, 2022. The aforesaid dividend was paid during the year ended March 31, 2023.

The Board of Directors of Holding Company have recommended a dividend of 20% (i.e. Rs.0.20/- per equity share of face value of Re.1/- each) for the financial year ended March 31, 2023 which is subject to the approval of shareholders of the Holding Company at the ensuing Annual General Meeting.

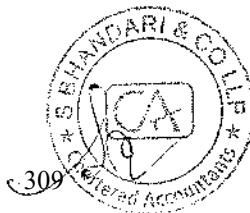
43 Leases

The details of the right-of-use asset held by the Group is as follows:

	Addition for the year ended March 31, 2023	Net carrying amount as at March 31, 2023	Addition for the year ended March 31, 2022	Net carrying amount as at March 31, 2022
Land	-	0.09	-	0.09
Buildings	0.78	17.33	14.06	23.98
Total	0.78	17.32	14.06	24.07

Depreciation on right-of-use asset as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Land	0.00	0.00
Buildings	7.54	6.53
Total	7.54	6.53



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crores)

The details of the Lease Liabilities payable by the Group is as follows:

	As at March 31, 2023	As at March 31, 2022
Current	13.61	7.21
Non Current	6.30	19.34
Total	19.91	26.55

Interest on lease liabilities is Rs. 2.30 crore and Rs. 2.73 crore for the year ended March 31, 2023 and March 31, 2022 respectively.

Lease contracts entered by the Group majorly pertains for buildings taken on lease to conduct its business in the ordinary course. The Group does not have any lease restrictions and commitment towards variable rent as per the contract. The leases that the Group has entered with lessors towards properties used as ware houses/offices are long term in nature.

44 (a) Information of Subsidiary Companies & Jointly Controlled Entities:

The following is the list of all subsidiary companies & jointly controlled entities along with the proportion of voting power held:

Name of the Subsidiary Companies & Jointly Controlled Entities	Percentage of Holding	Incorporated In
HTL Limited	74%	India
Polixel Security Systems Private Limited	100%	India
Moneta Finance (P) Ltd.	100%	India
HFCL Advance Systems (P) Ltd.	100%*	India
Radeff Private Limited	90%	India
DragonWave HFCL India Private Limited	100%	India
HFCL Technologies Private Limited (Wholly owned Subsidiary w.e.f. 26th June 2021)	100%	India
HFCL Inc. (Wholly owned Subsidiary w.e.f. 08th October 2021)	100%	USA
HFCL B.V. (Wholly owned Subsidiary w.e.f. 07th October 2021)	100%	Netherland
Nimpaa Telecommunications Private Limited (Jointly Controlled Entity w.e.f. 14th June, 2021)	50%	India
BigCat Wireless Pvt. Limited (Jointly Controlled Entity with 50% voting right w.e.f. 12th November 2021)	29.69%	India

*jointly with subsidiary company

(b) Additional Information, as required under Schedule III of the Companies Act, 2013 of enterprises consolidated as Subsidiaries / Jointly Controlled Entities

Name of the Enterprises	Net assets i.e. total assets minus total liabilities		Share in Profit & Loss	
	As % of Consolidated net assets	Amount (Rs. in cr.)	As % of Consolidated Profit/Loss	Amount (Rs. in cr.)
Parent / Holding Company				
HFCL Limited	95.20	2,993.07	80.75	257.89
Subsidiaries - Indian				
HTL Limited	3.54	111.28	13.81	44.08
Polixel Security Systems Private Limited	0.07	2.11	(0.44)	(1.40)
Moneta Finance Private Limited	0.01	0.39	0.01	0.02
HFCL Advance Systems Private Limited	0.00	(0.07)	0.00	(0.01)
Radeff Private Limited	(0.15)	(4.65)	(0.47)	(1.51)
DragonWave HFCL India Private Limited	0.10	3.06	0.30	0.95
HFCL Technologies Private Limited	(0.01)	(0.31)	-	(0.01)
Subsidiaries - Foreign				
HFCL INC.	0.01	0.42	0.11	0.36
HFCL B.V.	0.07	2.24	0.66	2.10
Jointly Controlled Entities - Indian				
Nimpaa Telecommunications Private Limited	0.00	0.00	0.23	0.72
BigCat Wireless Pvt. Limited	0.00	0.00	(0.18)	(0.56)
Non-Controlling interest in all subsidiaries	1.16	36.60	5.21	16.63

45 Business Combination

i) During the previous year the Holding Company had acquired voting right of 50% in Nimpaa Telecommunications Private Limited (Nimpaa), having its registered office at No. 16/38, Maharaja Surya Road, Teynampet, Chennai -600018, Tamilnadu, at a total consideration of Rs. 1.00 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. 14th June, 2021. Nimpaa is engaged in the business of manufacture of equipment, component, accessories and cables for telecommunication systems, networks. Abridged financials of Nimpaa Telecommunications Private Limited for the period ended 31st March 2022 is as under:

Summarised Balance Sheet	As at 31st Mar 2022
Current Assets	
Financial Assets (excluding Trade Receivables)	0.51
Other Current Assets	6.12
Total Current Assets	6.63
Non-Current Assets	
Property, Plant & Equipment	5.38
Other Non-Current Assets	0.34
Total Non-Current Assets	5.92
Current Liabilities	
Financial Liabilities (excluding Trade Payables)	1.37
Other Liabilities	1.11
Total Current Liabilities	2.48
Non-Current Liabilities	
Financial Liabilities	8.00
Other Liabilities	0.02
Total Non-Current Liabilities	8.02
Net Assets	2.05

Summarised Statement of Profit & Loss	1st Apr 2021 to 31st Mar 2022
Revenue from Operations	15.19
Other Income	0.02
Other Expense	12.31
Depreciation & Amortisation	0.78
Finance Cost	0.93
Income tax Expense	0.18
Profit / (Loss) for the year	1.00
Other Comprehensive Income	-
Total Comprehensive Income for the year	1.00



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crore)

ii) During the previous year the Holding Company had also acquired voting rights of 50% in BigCat Wireless Private Limited, having its registered office at New No. 21, Old No. 9, Flat C2, Dwarka Apartments, 1st Avenue, Shastri Nagar, Chennai-600020, Tamilnadu, at a total consideration of Rs.8.50 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. 12th Nov, 2021. BigCat Wireless Private Limited is engaged in the development of software and hardware products for wireless networking and other related technical, research and development activities. Abridged financials of BigCat Wireless Private Limited for the period ended 31st March 2022 is as under:

Summarised Balance Sheet	As at 31st Mar 2022
Current Assets	
Financial Assets (excluding Trade Receivables)	12.87
Other Current Assets	2.75
Total Current Assets	16.62
Non-Current Assets	
Property, Plant & Equipment	1.07
Other Non Current Assets	2.56
Total Non-Current Assets	3.63
Current Liabilities	
Financial Liabilities (excluding Trade Payables)	-
Other Liabilities	0.85
Total Current Liabilities	0.85
Non-Current Liabilities	
Financial Liabilities	0.40
Other Liabilities	0.78
Total Non-Current Liabilities	1.18
Net Assets	18.02

Summarised Statement of Profit & Loss	1st Apr 2021 to 31st Mar 2022
Revenue from Operations	8.43
Other Income	1.14
Other Expense	-
Depreciation & Amortisation	0.88
Finance Cost	0.11
Income tax Expense	0.03
Profit / (Loss) for the year	(3.50)
Other Comprehensive Income	-
Total Comprehensive Income for the year	(3.50)

46 During the year, Group has recognised the following amounts in the consolidated financial statements as per Ind AS - 19 "Employee Benefits" as specified in the Companies (Indian Accounting Standards) Rules, 2015:

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised are charged to Consolidated Statement of Profit and Loss for the year as under :

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Employer's Contribution to Provident Fund	13.20	12.15

b) Defined Benefit Plan

The employees' gratuity fund scheme is managed by HDFC Standard Life Insurance Company Limited which is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

Actuarial assumptions

	Gratuity (Funded)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)		
Discount rate (per annum)	7.38%	7.20%
Rate of increase in Compensation levels	7.25%	7.05%
Average remaining working lives of employees (Years)	18.92	19.40

Table showing changes in present value of obligations :

Present value of obligation as at the beginning of the year	22.64	22.66
Acquisition adjustment	-	-
Interest Cost	1.64	1.47
Past service cost (Vested Benefit)	Nil	Nil
Current Service Cost	4.27	2.54
Curtailment cost / (Credit)	Nil	Nil
Settlement cost / (Credit)	Nil	Nil
Benefits paid	(1.74)	(5.14)
Actuarial (gain)/ loss on obligations	0.02	0.11
Present value of obligation as at the end of the period	26.83	22.64

Table showing changes in the fair value of plan assets :

Fair value of plan assets at beginning of the year	2.90	2.46
Acquisition adjustments	Nil	Nil
Expected return of plan assets	0.21	0.17
Employer contribution	-	-
Benefits paid	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.12)	0.27
Changes deducted	-	-
Fair value of plan assets at year end	2.99	2.90

Other Comprehensive Income

Actuarial (gain) / loss for the period - Obligation	0.44	0.11
Actuarial (gain) / loss for the period - Plan assets	0.12	(0.27)
Total (gain) / loss for the period	0.56	(0.16)
Actuarial (gain) / loss recognized in the period	0.56	(0.16)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil

The amounts to be recognized in Consolidated Balance Sheet :

Present value of obligation as at the end of the period	26.83	22.64
Fair value of plan assets as at the end of the period	2.99	2.90
Funded Status	(23.84)	(19.74)
Unrecognised actuarial (gains) / losses	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(23.84)	(19.74)



Expenses recognised in Consolidated Statement of Profit and Loss :

Current service cost	4.27	3.34
Past service cost (Vested Benefit)	Nil	Nil
Interest Cost	1.64	1.47
Expected return on plan assets	-	(0.17)
Curtailment and settlement cost/(credit)	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	5.91	4.84

Sensitivity analysis of the defined benefit obligation:

Impact of the change in Discount Rate		
Present Value of Obligation at the end of the period	26.83	22.64
Impact due to increase of 0.5%	(1.70)	(1.36)
Impact due to decrease of 0.5%	1.64	1.30
Impact of the change in salary increase		
Present Value of Obligation at the end of the period	26.83	22.64
Impact due to increase of 0.5%	1.68	1.28
Impact due to decrease of 0.5%	(1.74)	(1.33)

Sensitivities due to mortality & withdrawals are insignificant & hence ignored.

Maturity profile of defined benefit obligation:

March 2023 to March 2024	2.40	1.43
March 2024 to March 2025	0.96	1.21
March 2025 to March 2026	0.92	0.76
March 2026 to March 2027	1.13	0.80
March 2027 to March 2028	1.90	1.08
March 2028 to March 2029	1.56	1.99
March 2029 onwards	17.97	15.39

Investment Details

(HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)	2.99	2.90

Note: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary Valuer.

c) Other Long Term Employee Benefits

Actuarial assumptions

Particulars	Leave Encashment	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)		
Discount rate (per annum)	7.38%	7.20%
Rate of increase in Compensation levels	7.25%	7.05%
Average remaining working lives of employees (Years)	18.73	19.00

Table showing changes in present value of obligations :

Present value of obligation as at the beginning of the year	22.48	20.33
Acquisition adjustment	-	-
Interest Cost	1.62	1.34
Past service cost (Vested Benefit)	Nil	Nil
Current Service Cost	6.59	5.44
Curtailment cost/(Credit)	Nil	Nil
Settlement cost/(Credit)	Nil	Nil
Benefits paid	(3.54)	(4.79)
Actuarial (gain)/ loss on obligations	0.02	0.16
Present value of obligation as at the end of the period	27.17	22.48

Sensitivity analysis of the defined benefit obligation:

Impact of the change in Discount Rate		
Present Value of Obligation at the end of the period	27.17	22.48
Impact due to increase of 0.5%	(1.69)	(1.46)
Impact due to decrease of 0.5%	1.69	1.36
Impact of the change in salary increase		
Present Value of Obligation at the end of the period	27.17	22.48
Impact due to increase of 0.5%	(1.59)	(1.18)
Impact due to decrease of 0.5%	1.56	1.08

Sensitivities due to mortality & withdrawals are insignificant & hence ignored

47 Operational Buyers' Credit / Suppliers Credit

Operational Buyers' /Suppliers' Credit is availed in foreign currency from Indian banks through their offshore foreign branches at an interest rate ranging from 5.00%-6.00% per annum. These trade credits are generally repayable within 180 days from the date of draw down. Operational Buyers' credit availed in foreign currency is partly backed by Standby Letter of Credit issued under working capital facilities sanctioned by Indian banks.

48 Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Unexpired Letters of Credit (margin money paid Rs.33.62 crore; Previous year Rs.75.84 crore)	263.55	482.60
(ii) Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of Rs.148.24 crore; Previous year Rs.139.86 crore)	896.87	887.75
(iii) Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest Rs.3.91 crore (previous year Rs.3.91 crore)	86.50	78.39
(iv) Custom Duty against import under EPCG scheme	-	6.15

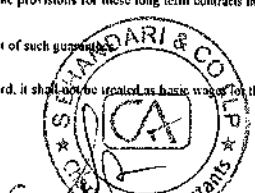
Notes:

i) The Group's pending litigations comprise of claims against the Group and proceedings pending with Tax Authorities. The Group has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its consolidated financial statements. The Group does not expect the outcome of these proceedings to have a material impact on its financial position.

ii) The Group periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Group has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

iii) The Holding Company has provided guarantees to third parties on behalf of subsidiary and associates. The Holding Company does not expect any outflow of resources in respect of such guarantees.

iv) The Group have perused the judgement of Hon'ble Supreme Court vide its ruling given in February 2019 and it has been opined that if any allowance is not paid across the board, it shall not be treated as basic wage for the purpose of Employee Provident Fund contribution under Employees' Provident Funds and Miscellaneous Provisions Act, 1952. Hence, no provision has been made for further liability lies upon us.



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crores)

v) The Code on Social Security, 2020 ("Code") relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period when the Code becomes effective.

vi) As at March 31, 2023 the Group has outstanding term derivative contracts as referred in note no. 59.

vii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, and jointly controlled entities incorporated in India.

viii) During the previous year, the Delhi high court had restrained HFCL Limited and its subsidiaries for allegedly manufacturing and selling of optic fibre cable based on Sterile Technologies Limited (STL) multi-tube technology, in a patent infringement case. HFCL has challenged the alleged infringement as well as validity of suit patent on the ground that HFCL is manufacturing the impugned products much prior to filing date of suit patent. Further, the features claimed in suit patent are disclosed by multiple prior arts published much prior to filing date of suit patent. In view of these facts Hon'ble Delhi High court prima facie concluded that there is serious doubt as to novelty and inventive nature of suit patent itself and vacated the injunction order vide its order dated 14-09-2022.

(b) Capital Commitments

Particulars	As at March 31, 2023	As at March 31, 2022
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	207.16	134.14
Uncalled capital Commitment pertaining to investments	5.00	12.00

(c) Financial Guarantees

Issued in favour of	Issued to	As at March 31, 2023 (Rs.)	As at March 31, 2022 (Rs.)	Purpose
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	9.60	Ad-hoc BG
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	4.06	Working Capital
Exicom Tele-systems Ltd.	Punjab National Bank	6.50	6.50	Working Capital

49. In the opinion of the Board of Holding Company, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated. Balances of various trade payables, trade receivables, loans and advances, security deposits and other parties are subject to confirmation/reconciliation and consequential adjustments, if any. In the opinion of the management, such adjustments, if any, will not have a material impact on the Consolidated Financial Statements.

50. Holding Company's Solan manufacturing facilities are having limited scale of operations due to rapid change in technology and other advancements. The said facilities are currently generating revenue from job work only. In view of the above and as a step towards cost optimization, holding company's Board had decided to shift the Plant and Machinery of Solan facilities and operations thereof to its Manufacturing Facility located at Hyderabad. The process of shifting of employees has already been started. The partial plant & machinery and other testing equipment would transfer to Hyderabad plant in due course of time. The management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery to other locations.

51. "Related Party Disclosures" as required by Ind AS - 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

(i). Name and description of related parties :-

Relationship	Name of Related Party
(a) Key management personnel :	Mr. Mahendra Nahata, Managing Director- HFCL Limited Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary - HFCL Limited Mr. G.S. Naidu, COO & Manager - HTL Ltd. Mr. C. D. Ponnappa Chief Finance Officer - HTL Ltd. Mr. S. Narayanan, Company Secretary- HTL Ltd. Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Pvt. Ltd. Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Pvt. Ltd. Mr. Prashant Kishanani, Company Secretary- HFCL Technologies Pvt. Ltd. (from 04.04.2022) Ms. Shubli Singhla, Company Secretary- HFCL Technologies Pvt. Ltd. (upto 01.02.2022)
(b) Jointly Controlled Entities :	Nimpa Telecommunications Private Limited (Jointly Controlled Entity w.e.f. 14th June, 2021) BigCat Wireless Pvt. Limited (Jointly Controlled Entity w.e.f. 12th November, 2021)
(c) Post Employment Benefit Plans :	HFCL Employees Group Gratuity Trust HFCL Employees Trust - ESOP
(d) Enterprises owned or Significantly influenced by key management personnel or their relatives :	MIN Ventures Pvt. Ltd. Nextwave Communications Pvt. Ltd. Exicom Tele-Systems Ltd. Exicom Energy System Pvt. Ltd. Exicom Power Systems Pvt. Ltd. HFCL Social Service Society Satellite Finance Pvt. Ltd. Shankar Sales Promotion Pvt. Ltd. Virsan Brothers Pvt. Ltd. Fitmore Tech-Solutions Pvt. Ltd.
(e) Relative of Key Managerial personnel	Mr. Anam Nahata

Note: Related party relationship is as identified by the Group and relied upon by the auditors

(ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at March 31, 2023 are as under:

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Purchases/receiving of Goods & services		
Exicom Tele-systems Ltd.	1.95	14.50
Bigcat Wireless Private Ltd.	2.10	-
Nimpa Telecommunications Pvt. Ltd.	4.31	8.46
Sales/rendering of Goods and Materials		
Exicom Tele-systems Ltd.	4.09	2.41
Exicom Energy System Pvt. Ltd.	0.32	-
Nimpa Telecommunications Pvt. Ltd.	0.49	0.46
Investments		
Bigcat Wireless Pvt. Ltd.	7.00	8.00
Nimpa Telecommunications Pvt. Ltd.	-	1.00
Income - Rent /Other Income		
Exicom Tele-systems Ltd.	0.46	0.46
Exicom Energy System Pvt. Ltd.	0.01	-
Exicom Power Systems Pvt. Ltd.	0.01	0.00
Income - Interest on Loan given		
Nimpa Telecommunications Pvt. Ltd.	0.50	0.10



Expenses - Rent / Other expenses		
Exicom Tele-systems Ltd.	0.84	0.84
Nimnapa Telecommunications Pvt. Ltd.	9.02	6.65
Satellite Finance Pvt. Ltd.	0.36	0.35
Shankar Sales Promotion Pvt. Ltd.	0.73	0.71
Vinsan Brothers Pvt. Ltd.	0.79	0.79
Loans and Advances given/ (received) during the year		
Nimnapa Telecommunications Pvt. Ltd.	(1.00)	1.00
Dividend paid		
MN Ventures Pvt. Ltd.	5.28	4.34
Nextwave Communications Pvt. Ltd.	3.96	3.30
Shankar Sales Promotion Pvt. Ltd.	0.01	0.00
Vinsan Brothers Pvt. Ltd.	0.01	0.01
Fitcore Tech Solutions Pvt. Ltd.	0.40	0.34
Mr. Mahendra Nahata	0.02	0.07
Mr. Arvind Nahata	0.05	0.04
Mr. Vijay Raj Jain	0.01	0.00
Mr. Manoj Baid	0.00	0.00
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	0.00	0.00
Mr. C. D. Ponnappa Chief Finance Officer - HTL Ltd.	0.00	0.00
HFCL Employees Trust	0.02	0.05
Warrants (Convertible into Equity Shares on preferential basis)		
MN Ventures Pvt. Ltd.	20.00	-
Mr. Vijay Raj Jain	3.00	-
Mr. Manoj Baid	0.40	-
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	0.40	-
Closing Balances of Receivables		
Exicom Tele-systems Ltd.	9.92	2.34
Exicom Energy System Pvt. Ltd.	0.05	-
Exicom Power Systems Pvt. Ltd.	0.01	-
Nimnapa Telecommunications Pvt. Ltd.	0.10	0.27
Closing Balances of Loans		
Nimnapa Telecommunications Pvt. Ltd.	3.00	4.00
Closing Balances of Advances		
Vinsan Brothers Pvt. Ltd.	-	0.66
Closing Balances of Security Deposit		
Satellite Finance Pvt. Ltd.	0.16	0.16
Vinsan Brothers Pvt. Ltd.	0.40	0.40
Closing Balances of Trade Payables		
Exicom Tele-systems Ltd.	-	0.59
Nimnapa Telecommunications Pvt. Ltd.	0.67	3.29
Shankar Sales Promotion Pvt. Ltd.	0.15	-
Satellite Finance Pvt. Ltd.	0.01	-
MN Ventures Pvt. Ltd.	-	3.99
Contribution towards Gratuity Liabilities		
HFCL Employees Gratuity Trust	-	0.35
Contribution towards ESOP Trust		
Loan to HFCL Employees Trust (Net)	2.81	3.48
Contribution towards Corporate Social Responsibility Expenditure		
HFCL Social Service Society	3.40	-
Guarantees and collaterals		
Exicom Tele-systems Ltd.	6.50	6.50
Closing Balance of Advances to Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	4.29	-
Mr. Vijay Raj Jain (Chief Financial Officer)	0.60	1.10
Remuneration of Key Management Personnel*		
Mr. Mahendra Nahata, Managing Director- HFCL Limited	6.80	6.80
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	3.58	3.80
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	0.88	0.95
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	1.01	0.56
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd.	0.71	0.57
Mr. S Narayanan, Company Secretary- HTL Ltd.	0.25	0.22
Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Pvt. Ltd.	0.30	0.20
Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Pvt. Ltd.	0.12	0.00
Mr. Prashant Kishanani, Company Secretary- HFCL Technologies Pvt. Ltd. (from 04.04.2022)	0.06	-
Ms. Shubhi Singhal, Company Secretary- HFCL Technologies Pvt. Ltd. (upto 01.02.2022)	-	0.01
Remuneration payable to Key Management Personnel*		
Mr. Mahendra Nahata, Managing Director- HFCL Limited	0.55	0.35
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	0.02	0.00
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	0.04	0.03
Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Pvt. Ltd.	-	0.00
Mr. Prashant Kishanani, Company Secretary- HFCL Technologies Pvt. Ltd. (from 04.04.2022)	0.00	-
Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Pvt. Ltd.	0.03	0.02
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	0.16	0.08
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd.	0.11	0.08
Mr. S Narayanan, Company Secretary- HTL Ltd.	0.02	0.02
Share based payment to employees		
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	-	0.02
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	-	0.01
ESOP exercised		
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	0.19	0.45
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	0.09	0.20
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	-	0.19
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd.	-	0.17

* The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Major Terms and Conditions of transactions with related parties:

- Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.
- The remuneration to Key Managerial Personnel are in line with the IIR policies of the group.
- Loans and advances given to Directors/ KMPs have specified terms/ period of repayment and are in line with IIR policies of the group.
- The Holding Company makes advances to its associate companies to cater their short term business requirements. Such advances carry interest rates at the rate applicable to the term loans as per Holding Company's policy.
- The interest and dividend paid to the Trusts and Key Managerial Personnel are on account of their investments in the equity shares of the Holding Company and dividend paid on such securities is uniformly applicable to all the holders.
- Outstanding balances of group companies at the year-end are unsecured.

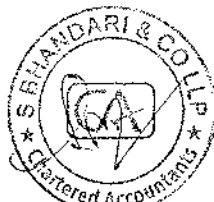
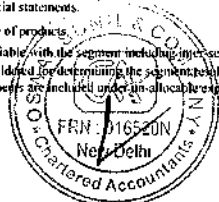
52 Segment Reporting

The Holding Company publishes the Standalone financial statements of the Company along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Holding Company has disclosed the segment information in the consolidated financial statements.

The chief operational decision maker monitors the operating results of its business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The operating segments have been identified on the basis of nature of products.

- Segment revenue includes sales and other income directly identifiable with the segment including inter-segment revenue.
- Expenses that are directly identifiable with the segment are considered for determining the segment result.
- Expenses / incomes which are not directly allocable to the segments are included under an allocation expenditure / incomes.



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crore)

- iv. Segment results include margins on inter-segment sales which are reduced in arriving at the profit before tax of the Group.
v. Segment assets and liabilities include those directly identifiable with the respective segments. Un-allocable assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.
vi. Inter-Segment revenue :- Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

(a) Primary segment information

The Group's operations primarily relates to manufacturing of telecom products, executing turnkey contracts and providing services relating thereto. Accordingly segments have been identified in line with Indian Accounting Standard on Segment Reporting 'Ind AS-108'. Telecom products and Turnkey contracts and services are the primary business segments. Details of business segments are as follows:

Particulars	Business Segments						Total	
	Telecom Products		Turnkey Contracts and Services		Other			
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue Turnover	2,637.97	2,055.16	2,103.60	2,671.74	1.74	0.21	4,743.31	4,727.11
Segment Result	403.12	274.30	170.15	313.71	2.27	0.04	575.54	588.05
Unallocated Finance charges							152.19	166.40
Unallocated expenses							8.56	7.61
Unallocated Income							15.82	28.08
Profit before tax							450.61	442.11
Income tax (net)							112.90	116.25
Profit after tax							317.71	325.86
Other Information								
Segment assets	1,980.88	1,574.25	2,900.94	2,823.54	3.89	3.63	4,885.71	4,401.42
Unallocated other assets							586.89	770.04
Total assets	1,980.88	1,574.25	2,900.94	2,823.54	3.89	3.64	5,472.59	5,171.46
Segment liabilities	1,001.84	935.69	937.44	978.42	3.06	1.13	1,942.34	1,935.24
Unallocated other liabilities							386.11	417.85
Total liabilities	1,001.84	935.69	937.44	978.42	3.06	1.15	2,328.45	2,353.09
Depreciation	79.37	75.33	3.60	2.80	-	-	82.97	78.25
Capital Expenditure	287.43	114.48	1.28	4.32	16.64	0.73	305.35	119.53
Non-cash expenses other than Depreciation	4.63	(0.41)	-	0.87	0.00	0.10	4.63	0.56

(b) Geographical Information

Geographical revenue is allocated based on the location of the customers and non current assets are also allocated based on the location of the assets. The information regarding geographical revenue and non-current assets are as follows:

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
(1) Revenue from External Customers		
Within India	3,925.82	4,364.17
Outside India	817.49	362.94
Total revenue as per statement of profit and loss	4,743.31	4,727.11
(2) Non Current Assets		
Within India (excluding financial assets & deferred tax assets)	874.51	665.65
Outside India	-	-
Total	874.51	665.65

53. Interest charges on loans is net of Interest income from loans and advances amounting to Rs.4.34 crore (Previous year Rs 5.84 crore).

54. The Holding Company has transactions with certain companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956. The details are as following details:

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
Valsat Shores Limited	Shareholder	0.00	Not Related
Kothari Interprop Limited	Shareholder	0.00	Not Related
Chotani Fibres Private Limited	Shareholder	0.00	Not Related
Carlson Treasures Private Limited	Shareholder	0.00	Not Related
Indiana International Private Limited	Shareholder	0.00	Not Related
Eoskyne Securities Limited	Shareholder	0.00	Not Related
SJ Capital Limited	Shareholder	0.00	Not Related
Vash Stockbrokers Private Limited	Shareholder	0.00	Not Related
Vimal Housing Private Limited	Shareholder	0.00	Not Related
Woodmen Products Private Limited	Shareholder	0.00	Not Related
Dyaki And Bawishi Securities Private Limited	Shareholder	0.00	Not Related
N D Stocks Private Limited	Shareholder	0.00	Not Related
G. Mat Trading Private Limited	Shareholder	0.00	Not Related
Spacia Software Private Limited	Shareholder	0.00	Not Related
Pula Superfoods Private Limited	Shareholder	0.00	Not Related
Interstate Share Broking Private Limited	Shareholder	0.00	Not Related
Cameo Securities Private Limited	Shareholder	0.00	Not Related
Aakashia Portfolio Private Limited	Shareholder	0.00	Not Related
Arpan Leasing Co Limited	Shareholder	0.00	Not Related
Shubham Global Solution Private Limited	Shareholder	0.00	Not Related
B S Investment Co Private Limited	Shareholder	0.00	Not Related
Ramdayal Associates Limited	Shareholder	0.00	Not Related
Lifetime Leasing & Holding Private Limited	Shareholder	0.00	Not Related
N.R.L Financial Services Limited	Shareholder	0.00	Not Related
Zenith Logistics Private Limited	Shareholder	0.00	Not Related
Jalsagar Commercial Private Limited	Shareholder	0.00	Not Related
Shyam Engineering Co Private Limited	Shareholder	0.00	Not Related
Kanhu Shores Private Limited	Shareholder	0.00	Not Related
Ankal Capital Limited	Shareholder	0.00	Not Related
Lal-shan Holdings Private Limited	Shareholder	0.00	Not Related
Adwait Finstock Private Limited	Shareholder	0.00	Not Related
Murthi Securities Private Limited	Shareholder	0.00	Not Related
Suresh Securities Private Limited	Shareholder	0.00	Not Related
Samar Steels Private Limited	Shareholder	0.00	Not Related
Modern Information & Systems Private Limited	Shareholder	0.00	Not Related
DDJA Securities Private Limited	Shareholder	0.00	Not Related
Stockman Investments Private Limited	Shareholder	0.00	Not Related
Tandone Stock Management Private Limited	Shareholder	0.00	Not Related
Mahad Investors Association Limited	Shareholder	0.00	Not Related
Bafia Consultancy Services Private Limited	Shareholder	0.00	Not Related
Asha Latex & Allied Industries Private Limited	Shareholder	0.00	Not Related
Sai Shirdi Tea - Fin Private Limited	Shareholder	0.00	Not Related
Pegamarc Mercantile Private Limited	Shareholder	0.00	Not Related
Zion Financial Services Private Limited	Shareholder	0.00	Not Related
Blue Mountain Holdings Private Limited	Shareholder	0.00	Not Related
Empire Investments Private Limited	Shareholder	0.00	Not Related
IBMK Capital Management Private Limited	Shareholder	0.00	Not Related



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2023
(All amounts are in Rs. Crores)

Sun Shine Holdings Private Limited	Shareholder	0.00	Not Related
Venor Properties Private Limited	Shareholder	0.00	Not Related
Excel Capital Services Private Limited	Shareholder	0.00	Not Related
Home Trade Limited	Shareholder	0.00	Not Related
Megha Investments Private Limited	Shareholder	0.00	Not Related
Vidhian Marketing Private Limited	Shareholder	0.00	Not Related
VMS Consultancy Private Limited	Shareholder	0.00	Not Related
Kallangi Construction Private Limited	Trade Payable	0.06	Not Related
NGS Technology Private Limited	Trade Payable	0.13	Not Related
Overarching Solutions Private Limited	Trade Payable	0.03	Not Related
Dexterous Engineering Private Limited	Trade Payable	0.01	Not Related
Vision Services Private Limited	Trade Payable	0.04	Not Related
Sprinth Infrastructure Limited	Trade Payable	0.00	Not Related
Spry Construction Private Limited	Trade Payable	0.22	Not Related
G Factor Infra Private Limited	Trade Payable	0.01	Not Related

Name of the Stock off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2022	Relationship with the Stock off Company, if any, to be disclosed
Cassiniya Consultants Pvt. Ltd.	Advance To Vendor	0.04	Not Related
Spry Construction Pvt. Ltd.	Trade Payable	0.22	Not Related
Airvoice Telenet Pvt. Ltd.	Trade Payable	1.19	Not Related
Aks Infra Solutions Pvt. Ltd.	Trade Payable	0.19	Not Related
Amanamita Infranetworks Pvt. Ltd.	Trade Payable	0.01	Not Related
Aimeliva Network Services Pvt. Ltd.	Trade Payable	0.01	Not Related
Apex Infralights & Infosolutions Pvt. Ltd.	Advance To Vendor	0.30	Not Related
Dexterous Engineering Pvt. Ltd.	Trade Payable	0.01	Not Related
E Cell Infrast Pvt. Ltd.	Advance To Vendor	0.01	Not Related
Excel Buildcon Pvt. Ltd.	Trade Payable	0.00	Not Related
Galaxis Pvt. Ltd.	Trade Payable	0.01	Not Related
Gallant Infrabuild Pvt. Ltd.	Trade Payable	0.01	Not Related
Jvestra Infrastructure Pvt. Ltd.	Trade Payable	-	Not Related
Om Ashiana Pvt. Ltd.	Advance To Vendor	0.00	Not Related
Omeca Towers And Infrastructures Pvt. Ltd.	Advance To Vendor	0.24	Not Related
Operations Management System Pvt. Ltd.	Trade Payable	0.00	Not Related
Pachar Infrastructure Pvt. Ltd.	Trade Payable	0.08	Not Related
Pride Infratel Pvt. Ltd.	Trade Payable	0.20	Not Related
Radara Infratel Pvt. Ltd.	Trade Payable	0.10	Not Related
Rahbar Engineering Co. Ltd.	Advance To Vendor	0.00	Not Related
Saksham Electrical & Contractors Pvt. Ltd.	Advance To Vendor	0.01	Not Related
Somav Infratech Pvt. Ltd.	Advance To Vendor	0.09	Not Related
Sandridge Infrastructure Pvt. Ltd.	Trade Payable	0.00	Not Related
Samarviva Buildcon Pvt. Ltd.	Trade Payable	0.01	Not Related
Sarancha Infrastructure Ltd.	Trade Payable	0.00	Not Related
Shakti Teleservices Pvt. Ltd.	Advance To Vendor	0.02	Not Related
Shiv Sai Infratel Pvt. Ltd.	Trade Payable	0.04	Not Related
Shree Bala Bihari Infratech Pvt. Ltd.	Advance To Vendor	0.01	Not Related
Smy Solution Pvt. Ltd.	Trade Payable	0.02	Not Related
Soham Cosmolin Pvt. Ltd.	Trade Payable	0.04	Not Related
Sr Rama Telecom & Infratech Pvt. Ltd.	Trade Payable	0.00	Not Related
Swaratika Tele Solutions Pvt. Ltd.	Advance To Vendor	0.00	Not Related
Vision Services Pvt. Ltd.	Trade Payable	0.04	Not Related
Vishnu Dharm Engineers Pvt. Ltd.	Trade Payable	0.02	Not Related
Four Star Multi Security Services (India) Pvt. Ltd.	Trade Payable	0.00	Not Related
Hertz Technologies Pvt. Ltd.	Trade Payable	0.01	Not Related
Influx Enterprises Pvt. Ltd.	Advance To Vendor	1.49	Not Related
Infratel Telenet Pvt. Ltd.	Trade Payable	-	Not Related
Kallangi Construction Pvt. Ltd.	Trade Payable	0.06	Not Related
Megastar Power Engineers Pvt. Ltd.	Advance To Vendor	0.02	Not Related
Pe Infradevelopers Pvt. Ltd.	Advance To Vendor	0.15	Not Related
Philipsens Importers & Exporters Pvt. Ltd.	Advance To Vendor	0.02	Not Related
Pragmatica Infraventures Pvt. Ltd.	Advance To Vendor	0.21	Not Related
Saiama Sajani Meet Infrastructure Pvt. Ltd.	Trade Payable	0.00	Not Related
Survaivati Infratechnologies Pvt. Ltd.	Trade Payable	0.01	Not Related
Vas Infratel Pvt. Ltd.	Advance To Vendor	0.04	Not Related

55 On October 15, 2018, pursuant to the approval by the shareholders, the Board of the Holding Company has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. Rs 20.65 per share. The Employee can exercise the vested options/units with in the maximum exercise period which shall be 5 years from the vesting date. The Stock options so granted shall vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall vest at the end of 4th year from the date of grant.

The RSUs granted under the HFCL Plan 2017 are forfeited due to non-achievement of defined annual performance parameters as determined by the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022 and accordingly as on March 31, 2022 the share based payment reserve was adjusted. During the previous year, this cancellation/forfeiture of unvested options had resulted into a reversal of share based payment expense in the Consolidated Statement of Profit and Loss.

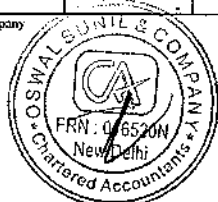
In respect of Options granted under the Employee Stock Option Plan the accounting is done as per requirements of Ind AS 102. Consequently, The Consolidated Statement of Profit and Loss includes Rs Nil (Previous Year: net income of Rs. 8.26 crore) being expenses on account of share based payments, after adjusting for reversals on account of options forfeited. The amount excludes charged to its subsidiary for options issued to its employees.

The Nomination, Remuneration and Compensation Committee ("Committee") of the Board of Directors of Holding Company which comprises a majority of Independent Directors is responsible for administration and supervision of the Stock Option Plans.

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2023 and March 31, 2022 is as follows:

Particulars	Shares arising out of options*	
	Year ended March 31, 2023	Year ended March 31, 2022
Employee Stock Options (ESOPs)		
Outstanding at the beginning	30,21,000	63,37,000
Granted	-	-
Exercised	14,91,800	32,34,400
Forfeited and expired	-	81,600
Outstanding at the end	15,29,200	30,21,000
Exercisable at the end	15,29,200	13,00,200
Restricted Stock Units (RSUs)		
Outstanding at the beginning	-	60,08,000
Granted	-	-
Exercised	-	-
Forfeited and expired	-	60,08,000
Outstanding at the end	-	-
Exercisable at the end	-	-

* Includes options granted to employees of subsidiary company



The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2023 are as follows:

Range of exercise prices per share	No. of shares arising out of options	Options outstanding	
		Weighted average remaining contractual life	Weighted average exercise price (Rs.)
20-25 (ESOPs)	15,29,700	1	20.65

The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

Particulars	For ESOPs granted during the year ended March 31, 2023
Weighted average share price (Rs.)	20.65
Exercise price (Rs.)	20.65
Expected volatility	56.4% to 59.1%
Expected life of the option (years)	3.50 to 5.50
Expected dividends	0.23%
Risk-free interest rate	7.81% to 7.89%
Weighted average fair value as on grant date (Rs.)	11.01

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise behavior of the employee who receives the RSU / ESOP. Expected volatility during the expected term of the RSU / ESOP is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the RSU / ESOP.

56 Particulars in respect of loans and advances in the nature of loans to related parties as required under Regulation 34(3) SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Name of the Company	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2023	March 31, 2022	2022-23	2021-22
Nimipia Telecommunications Private Ltd.	3.00	4.00	3.00	4.00

Disclosure pursuant to section 186 of The Companies Act 2013:

Sr. No.	Nature of Transaction (Loans given / Investment made / Guarantee given / Security provided)	Purpose for which the loan / guarantee / security is proposed to be utilised by the recipient	2022-23	2021-22
(A)	Loans and Advances Other Related Party:			
	(a) Nimipia Telecommunications Private Ltd.	Working Capital	3.00	4.00
(B)	Guarantees Given Investment Company:			
	(a) Exicom Tele-systems Ltd	Corporate guarantee given for Debt	6.50	6.50

57 In respect of subsidiary companies, the following additional notes to accounts are disclosed:-

HTL LIMITED

- i) Loan of Rs. 4.73 Crore (Previous year Rs. 6.24 Crore) together with interest accrued thereon of Rs. 28.20 Crore (Previous year Rs. 33.98 Crore) is due to Government of India (GOI). In addition to this, the Govt. of India has accepted the request to adjust Rs. 3.47 Crore compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note: 57(ii)(b) below]. During the previous year, the loan along with interest accrued thereon has been directed to be repaid and therefore same has been classified under Current Financial Liability. During the current year, the company has made payment of Rs. 1.51 Crore (Previous Year: Nil) towards Principal and Rs. 4.48 Crore (Previous Year: Nil) towards Interest Accrued thereon.
- ii) a) Out of the total land in possession of the Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Company in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Company, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in 2002. In respect of the remaining land measuring 30.99 acres, the name of the Company has been entered in the revenue records of the Government of Tamil Nadu. The company is following up with Government of Tamil Nadu for obtaining the clear title.
- In respect of above said land, a Show Cause Notice (SCN) was issued on 08th June, 2020, by Office of the Revenue Divisional Officer, Guindy, Chennai, objecting on point of assigned land entered in the revenue records of the Govt. Subsequently, interim stay on SCN was granted by Hon'ble Madras High Court on 19th June, 2020. Further, date of hearing is yet to be fixed by the Hon'ble Madras High Court.
- b) Claims of Rs. 3.47 Crore receivable from BSNL against the compensation approved by Telecom Commission vide letter No. U-3701/23/97-FAC dated 1st May, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No. U-37012-3/97-FAC dated 02.12.2003 has conveyed the decision of the competent authorities to adjust the above said amount against the interest portion of the outstanding Government of India Loan. In reply, the Company requested DoT vide letter no. 43.12 ETP dated 08.12.2003 to adjust the compensation amount of Rs. 3.47 Crore against the principal amount of loan outstanding as on 01.03.2001, the date on which the compensation was approved. The Govt. of India has reiterated the adjustment of Rs. 3.47 Crore compensation receivable by HTL in case of ETP claim against the interest portion of the outstanding loan from Government of India (GOI). After adjustment of ETP compensation of Rs. 3.47 Crore against the interest portion of outstanding GOI loan in terms of GOI letter dated 2nd December, 2003, the Company has made adequate interest provisions till 31.03.2023. In the financial statements, the company has adjusted the said claim receivable from the interest liability due to GOI, though a formal concurrence of adjustment & subsequent interest reconciliations is still ongoing. The Company expects no further liability, once the adjustment is agreed upon. [Refer Note: 57(i) above]
- iii) HTL Ltd has proposed for allotment of 8% redeemable and non-convertible preference capital of Rs. 100 Crore by way of conversion of outstanding loan and advances extended by Holding Company. The Subsidiary Company has submitted the proposal before the Department of Telecommunications (DoT) vide letter dated 22.03.2022 for seeking their administrative approval for the proposal so that the required formalities under the Companies Act can be taken up accordingly. The said preference capital will be redeemed only after repayment of GOI loan post the receipt of approval on reconciliations and reduction of interest rate by DoT [Refer Note: 57(ii)(b) above] in quarterly instalments.

58 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Group's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The management has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has constituted a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

58.1 Financial Instruments by category

Particulars	As at March 31, 2023			As at March 31, 2022		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
i) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	37.18			33.05	-
ii) Structured entity (current assets)						
a) Sunedha Fiscal Services Ltd.	-	0.10			0.11	-
b) Valliant Communications Ltd.	-	0.12			0.06	-
c) Poornavalli FinCorp Ltd	-	4.47			4.15	-
d) Media Matrix Worldwide Ltd.	-	0.01			0.01	-
e) Salsara One Media and Entertainment Ltd.	-	0.39			0.61	-
f) NSL Wind Power Company (Poochvadi) Private Limited	-	0.19			0.17	-

B) Mutual funds	7.10	-	-	3.69	-	-
C) Debentures & Bonds	-	-	1.85	-	-	1.85
II) Trade receivables	-	-	2,309.21	-	-	2,491.56
III) Bank deposits	-	-	36.21	-	-	35.83
IV) Cash and Cash equivalents	-	-	63.67	-	-	17.20
V) Other Bank balances	-	-	258.92	-	-	511.04
VI) Security deposit for utilities and premises	-	-	17.79	-	-	11.72
VII) Other receivables	-	-	554.85	-	-	415.81
Total financial assets	7.10	42.46	3,272.50	3.69	38.16	3,485.03
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	671.59	-	-	644.88
B) From Others	-	-	76.72	-	-	97.92
II) Obligations under Finance Lease	-	-	19.81	-	-	26.55
III) Deposits	-	-	239.79	-	-	256.61
IV) Trade payables	-	-	878.02	-	-	1,036.93
V) Other liabilities	-	-	297.10	-	-	146.07
Total Financial liabilities	-	-	2,183.03	-	-	2,208.96

Fair Value measurement

Fair Value Hierarchy and valuation technique used to determine fair value :

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1, Level 2 and Level 3 inputs.

A) Year Ending March 31, 2023

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2023	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	7.10	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.10	-	-
b) Valiant Communications Ltd.	14	0.12	-	-
c) Poonawalla FinCorp Ltd.	14	4.47	-	-
d) Media Matrix Worldwide Ltd.	14	0.01	-	-
e) Sahara One Media and Entertainment Ltd.	14	0.39	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	14	-	-	0.19
g) Exicom Tele-Systems Ltd.	8	-	-	19.35
h) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.05
i) Shankar Sales Promotion Pvt.Ltd.	8	-	-	0.10
j) Atul Properties Pvt. Ltd.	8	-	-	1.85
k) Nivetti Systems Pvt Ltd.	8	-	-	17.69
Total Financial Assets		12.19	-	39.23

B) Year Ending March 31, 2022

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2022	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	3.69	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.11	-	-
b) Valiant Communications Ltd.	14	0.06	-	-
c) Poonawalla FinCorp Ltd.	14	4.15	-	-
d) Media Matrix Worldwide Ltd.	14	0.01	-	-
e) Sahara One Media and Entertainment Ltd.	14	0.61	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	14	-	-	0.17
g) Exicom Tele-Systems Ltd.	8	-	-	16.83
h) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.05
i) Shankar Sales Promotion Pvt.Ltd.	8	-	-	0.09
j) Atul Properties Pvt. Ltd.	8	-	-	1.85
k) Nivetti Systems Pvt Ltd.	8	-	-	16.08
Total Financial Assets		8.83	-	35.07

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

58.2 MANAGEMENT OF FINANCIAL RISK

Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Group's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

Particulars	Note Nos.	Carrying amount	Less than 12 months	More than 12	Total
As at March 31, 2023					
Trade payables	26	878.02	878.02	-	878.02
Retention Money	27	239.79	239.79	-	239.79
Other liabilities	27,25,27.42	1,065.22	948.65	116.57	1,065.22
As at March 31, 2022					
Trade payables	26	1,010.12	1,010.12	-	1,010.12
Retention Money	27	256.61	256.61	-	256.61
Other liabilities	27,25,27.42	942.24	801.65	140.59	942.24

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL & FVTOCI investments.



The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 31 March 2022.

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY	SENSITIVITY TO RISK
Price Risk The Group is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits as per the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher / lower: Total comprehensive income for the year ended March 31, 2023 would increase / decrease by Rs. 5.14 crore (for the year ended March 31, 2022: increase / decrease by Rs. 4.36 crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
INTEREST RATE RISK Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Group diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Group has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional Rs. 1.93 crore loss for year ended March 31, 2023 (Rs. 1.90 crore loss for year ended March 31, 2022).

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Group established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Group periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period:

Particulars	As at March 31, 2023	As at March 31, 2022
Debt	748.31	742.80
Less: Cash and Cash equivalents (Note 16)	(63.67)	(16.69)
Net Debt	684.64	726.11
Total Equity	2,144.14	2,818.36
Net Debt to Total Equity	0.32	0.26

59 Foreign Currency Exposure

a) The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Group's strategy, which provides principles on the use of such forward contracts consistent with Group's Risk Management Policy. The Group does not use forward contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

b) Details of outstanding Hedging Contracts relating to Foreign LCs and on direct purchase of capital items

Particulars	As at March 31, 2023		As at March 31, 2022	
	Amount in foreign Currency	Equivalent in Rs. Crore	Amount in foreign Currency	Equivalent in Rs. Crore
USD/INR	1,15,77,243	96.13	32,93,979	40.29

c) Foreign Currency exposure

Particulars		As at March 31, 2023		As at March 31, 2022	
		Amount in foreign Currency	Equivalent in Rs. Crore	Amount in foreign Currency	Equivalent in Rs. Crore
Trade payable	USD/INR	6,14,81,270	506.56	5,19,13,078	242.19
	EUR/INR	12,17,253	11.00	23,75,691	19.99
	GBP/INR	2,04,376	2.09	1,14,866	1.15
	MUR/INR	6,46,732	0.12	26,57,241	0.45
	BDT/INR	2,90,05,177	2.23	11,85,508	0.10
	JPY/INR	1,72,000	0.01	-	-
Trade receivable	USD/INR	1,08,66,168	89.94	53,10,233	40.32
	EUR/INR	99,76,230	88.56	95,53,598	80.20
	GBP/INR	1,14,12,639	115.50	32,64,063	32.54
	MUR/INR	52,21,007	0.95	2,36,10,500	5.97
	BDT/INR	2,74,13,077	2.10	1,41,78,430	1.25
	AED/INR	1,11,245	0.25	97,45,467	20.15
Cash and Bank Balances	USD/INR	27,861	0.23	-	-
	EUR/INR	1,04,218	0.92	-	-
	GBP/INR	11,17,363	11.31	-	-
	MUR/INR	2,10,75,475	3.84	1,04,27,287	1.74
	BDT/INR	3,05,55,124	2.34	70,764	0.01
	AED/INR	-	-	-	-
Other Assets	USD/INR	54,565	0.45	-	-
	EUR/INR	3,39,058	3.01	-	-
	GBP/INR	33,82,076	34.22	-	-
	MUR/INR	3,15,25,552	5.74	2,14,50,880	3.58
	BDT/INR	2,88,48,913	2.21	2,03,18,255	1.79
	AED/INR	-	-	-	-
Other Liabilities	USD/INR	13,692	0.11	-	-
	EUR/INR	1,48,560	1.34	-	-
	GBP/INR	9,55,738	9.77	-	-
	MUR/INR	25,45,397	0.46	3,53,86,842	6.76
	BDT/INR	4,15,08,887	3.18	3,20,11,947	2.82
	AED/INR	-	-	-	-



d) Foreign currency sensitivity analysis:

The following details demonstrate the Group's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

Particulars	Year Ended March 31, 2023		Year Ended March 31, 2022	
	INR strengthens by 5%	INR weakens by 5%	INR strengthens by 5%	INR weakens by 5%
Impact on profit or loss for the year				
USD Impact	20.85	(20.85)	10.09	(10.09)
EURO Impact	(4.01)	4.01	(3.01)	3.01
GBP Impact	(7.46)	7.46	(1.57)	1.57
MUR Impact	(0.50)	0.50	(0.20)	0.20
BDT Impact	(0.06)	0.06	(0.06)	0.06
AED Impact	(0.01)	0.01	(1.01)	1.01
JPY Impact	0.00	0.00	-	-

60 Tax Reconciliation

Particular	F.Y. 2022-23	F.Y. 2021-22
Net Profit as per Statement of Profit and Loss (before tax)	430.61	442.11
Current Tax rate @ 25.17% (25.17%)	109.42	113.05
Adjustment:		
Depreciation & other adjustment	(35.92)	0.24
Amount of eligible / ineligible expenditure	4.23	1.29
Other Adjustments	1.27	(0.06)
Tax Provision as per Books	79.00	114.59

The Group is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

61 Recent Indian Accounting Standards (Ind AS)

The MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2023 on March 31, 2023, whereby the amendments to various Indian Accounting Standards (Ind AS) has been made applicable with effect from April 1, 2023 onwards. Amended requirements as per these rules in relation to various Standards are as follows:

Ind AS 1 – Presentation of Financial Statements: The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. The Company has evaluated the requirements of the amendment and its impact on Financial Statements is not likely to be material.

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. The amendments will help entities to distinguish between accounting policies and accounting estimates. The Company has evaluated the requirements of the amendment and there is no impact on its Financial Statements.

Ind AS 12 – Income Taxes: The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company has evaluated the requirements of the amendment and there is no impact on its Financial Statements.

Amendments to other Indian Accounting Standards viz Ind AS 101- First-time Adoption of Indian Accounting Standards, Ind AS 102 – Share Based Payments, Ind AS 103- Business Combinations, Ind AS 107- Financial Instruments - Disclosures, Ind AS 109 - Financial Instruments, and Ind AS 34 Interim Financial Reporting are either consequential to above amendments or clerical in nature. The Company has evaluated the requirements of the amendments and there is no impact on its Financial Statements.

62 Other statutory information:

- The Group does not have any benami property, where any proceeding has been initiated or pending against the Group for holding any benami property.
- The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (intermediaries) with the understanding that the intermediary shall:
 - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (ultimate beneficiaries) or
 - provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries
- The Group has not received any fund from any person(s) or entity(ies), including foreign entities (funding party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
 - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or
 - provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.
- The Group does not have any such transactions which are not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
- The Group has complied with the number of layers prescribed under clause (87) of section 2 of the Companies Act 2013 read with the Companies (restriction on number of layers) Rules, 2017.
- The Group is not declared wilful defaulter by bank or financial institution or lender during the year.
- The Group does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- The Group has used the borrowings from banks and financial institutions for the specific purpose for which it was obtained.

63 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

As per our report of even date attached

For S Bhandari & Co LLP

Chartered Accountants

Firm Reg. No. 000580ICAA000342

F. D. Baid

Partner

M.No. 072625

For Oswal Sunil & Company

Chartered Accountants

Firm Reg. No. 016520N

Sunil Bhandari

Partner

M.No. 054645

For and on behalf of the Board

Dr. R. M. Kastia

Director

DIN: 00052059

Place: New Delhi

V. R. Jain

Chief Financial Officer

PAN: AALP38603K

Place: New Delhi

Mahendra Nahata

Managing Director

DIN: 00052890

Place: New York

Manoj Baid

Senior Vice-President (Corporate)

& Company Secretary

M.No.: PCS 5834

Place: New Delhi

New Delhi, 8th May, 2023

8th May, 2023

INDEPENDENT AUDITORS' REPORT

To the Members of HFCL Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **HFCL Limited** (hereinafter referred to as the "Parent"), its subsidiaries (the parent company and its subsidiaries together referred to as the "Group") and its jointly controlled entities which comprise the Consolidated Balance Sheet as at March 31, 2022, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of subsidiaries, jointly controlled entities and branches, as referred to in the other matter paragraph below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standard ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entities and consolidated profit (including other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year ended on that date.

Basis for Opinion

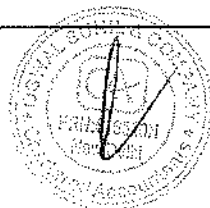
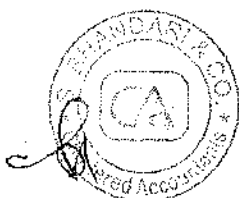
We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its jointly controlled entities in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in sub-paragraph (a) to (e) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



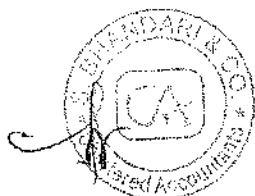
S. No.	Key Audit Matters	Response to Key Audit Matters
1	Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade and other receivables, and accuracy of contract liabilities For the year ended March 31, 2022, revenue from customer contracts amounts to INR 4727.11 Crores. As at March 31, 2022 contract assets amount to INR 146.88 Crores, the balance of work in progress (WIP) amounts to INR 153.94 Crores and retention amounts to INR 256.61 Crores The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. During order fulfilment, contractual obligations may need to be reassessed. In addition, change orders or cancellations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts. We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off. We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts. Our procedures did not identify any material exceptions.
2	Valuation of accounts receivable – risk of credit losses Parent Company has a concentration of credit exposure on a number of major customers mainly Government and large organisation. Some of these major customers are facing difficult	Our audit incorporated the following activities: Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk;



	business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key factor. Accounts receivable is a significant item in the Parent's financial statements amounting to INR 2491.55 crores as of March 31, 2022 and provisions for impairment of receivables is an area which is influenced by management's estimates and judgment. The provision for impairment of receivables amounted to INR 15.65 crores as at March 31, 2022. Refer to the Note 15 – Trade receivables.	• Assessment of the Parent's credit policy outlining authority for approving and responsibility to manage credit limits; • Inquiries with committee in order to understand and assess governance and follow-up/monitoring of key customers; • Analytical procedures and inquiries with Business Area; • Detailed testing and assessment of receivables to ensure these are in line with Ind AS, with a focus on significant new provisions. We had a particular focus in our audit on how Company manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to the Group's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3	Recoverability of Project and other vendor advances As at March 31, 2022, current financial assets include INR 321.16 crores in respect of Project and other vendor advances and are pending to be adjusted/settled. Management exercises significant judgment when determining whether to record any impairment loss on advances As the carrying amount of Project and other vendor advances accounts for a relatively high proportion of assets, there would be a material impact on the financial statements if such advances cannot be settled on schedule or fail to be recovered /settled. Therefore, we regard the recoverability of Project and other vendor advances as a key audit matter. Refer Note 19 to the Consolidated Financial Statements.	Our audit procedures involve the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; • Assessment of the Parent's procurement policy outlining authority for approving and responsibility to manage vendor advances; • Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; • Analytical procedures and inquiries with Business Area; • Obtain balance confirmations from selected parties to ensure existence thereof • Review of Purchase orders and/or agreements for selected parties and enquire management regarding reasons for unsettled advances as on date. We agree with management's view that there is no reduction in the value of the advances outstanding in the books.
4	Recoverability relating to Goods and Services Tax recoverable: As at March 31, 2022, under other current assets, indirect taxes recoverable include INR 189.81	Our audit procedure involves the following activities: • Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers



	crores in respect of GST Input Tax credit receivables by parent Company. The Parent has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Consolidated Financial Statements.	Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.
5	Recoverability and Contingencies relating to other Indirect tax matters As at March 31, 2022, "Indirect Tax Recoverable" includes INR 18.23 crores in respect of Commercial taxes recoverable which are pending adjudication. The Parent Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 21 to the Consolidated Financial Statements.	We performed the following substantive procedures: - Understanding the process of estimation, recording and reassessing tax provisions and contingencies. - Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters - We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. - Inspection the correspondence with tax authorities. - Inspecting reports on open tax assessments prepared by the Parent Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Parent. We also assessed the adequacy of the Group's financial statements disclosure in respect of the tax positions and contingent liabilities. We agree with management's evaluation.
With Respect to Subsidiary Company – HTL Limited		
5	Provision of Interest on Government of India (GOI) Loan Pending the response to the subsidiary company's letter to GOI and also non-confirmation of balance from GOI, provision of interest on GOI loan has been made after adjustment of claim recoverable from BSNL. As on 31st March 2022, total loan outstanding is Rs. 624.20 Lacs and Interest Accrued is Rs. 2774.05 Lacs..	Principal Audit Procedures Obtained details of correspondence with Government of India for settlement of claim. Verified the reconciliation statement prepared by the management after adjustment of claim recoverable from BSNL against the interest portion of the outstanding loan from GOI.



	Refer Note 55 (i) to the Consolidated Financial Statements.	

Other Information

The Parent's Board of Directors is responsible for the preparation of other information. The other information comprises of the information to be included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements and our auditor's report thereon. The other information comprising the above documents is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information comprising the above documents and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read the other information comprising the above documents, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as per applicable laws and regulations.

Management's Responsibility for the Consolidated Financial Statements

The Parent's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group and its jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. The respective board of directors of the Companies included in the Group and its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statement by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective board of directors of the Companies included in the Group and its jointly controlled entities are responsible for assessing the ability of the Group and its jointly controlled entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective board of directors of the Companies included in the Group and its jointly controlled entities are responsible for overseeing the financial reporting process of the Group and its jointly controlled entities.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a



guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group and its jointly controlled entities has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its jointly controlled entities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its jointly controlled entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statement of such entities included in the consolidated financial statement of which we are the independent joint auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors or one of the joint auditor, such other auditors and one of the joint auditors is responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.



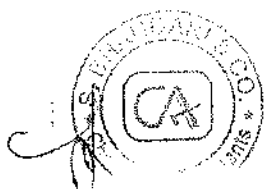
We communicate with those charged with governance of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- a) We did not audit the financial statements/financial information of two subsidiaries included in the consolidated financial statement, whose financial statements/ financial information reflect total assets of Rs. 10.85 Crores as at March 31, 2022, total revenues of Rs. 0.62 Crore, Net profit/(loss) after tax of Rs. 0.73 Crores, total comprehensive income/(loss) of Rs. 0.73 Crores and net cash inflows of Rs. 0.04 Crores for the year ended on that date, as considered in the consolidated financial statement. These financial statements / financial information have been audited by the other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of the other auditors.
- b) Financial statements of five subsidiaries whose financial statements / financial information reflect total assets of Rs. 548.91 Crores as at March 31, 2022, total revenues of Rs. 1013.93 Crores, Net profit/(loss) after tax of Rs. 46.07 Crores, total comprehensive income/(loss) of Rs. 45.97 Crores, and net cash inflows of Rs. 0.63 Crores for the year ended on that date, as considered in the Consolidated Financial statement, have been audited by one of the joint auditors of the Parent Company and our opinion on the consolidated Financial statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of such joint auditor.
- c) The Consolidated Financial Statements includes financial performance of two foreign branches which reflects total assets of Rs. 7.78 Crores as at March 31, 2022, total revenues of Rs. 3.81, Net profit/(loss) after tax of Rs. 1.83 Crores, total comprehensive income/(loss) of Rs. 1.83 Crores, and net cash outflow of Rs. (0.16) Crores for the year ended on that date, which was audited by independent auditors in accordance with the regulations of such countries and whose reports have been furnished to us by management, these financial statements have been converted by the management as per accounting principles generally accepted in India which has been considered in the consolidated financial statements solely based on such converted financial statements of foreign branches.
- d) The Consolidated Financial Statements includes financial performance of two foreign subsidiaries which reflects total assets of Rs. 0.39 Crores as at March 31, 2022, total revenues of Rs. 1.97 Crores, Net profit after tax of Rs. 0.20 Crores, total comprehensive income of Rs. 0.20 Crores, and net cash inflows of Rs. 0.17 Crores for the year ended March 31, 2022, which was audited by the independent auditors in accordance with the regulations of such foreign



countries, whose reports has been furnished to us by the management, these financial Statements have been converted by the management as per accounting principles generally accepted in India which has been considered in the consolidated financial statements solely based on such converted financial statements.

- e) We did not audit the financial statements/financial information of two jointly controlled entities included in the consolidated financial statements, whose financial statements include total net loss after tax of Rs. (2.49) Crores, total comprehensive (loss) of Rs. Rs. (2.49) Crores, for the year ended March 31, 2022 as considered in the Consolidated financial statements which have been audited by their respective independent auditors. The independent auditor's report on the financial statements of these entities have been furnished to us by the Management and our opinion on the Consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities is based solely on the reports of such auditors.

Our opinion on the consolidated financial statement above, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters which respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure-A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, based on our audit, and on the consideration of the report of other auditors on separate financial statement and the other financial information of subsidiaries as referred to in the other matters paragraph above, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statement.

(b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid consolidated financial statement have been kept by so far as it appears from our examination of those books and reports of other auditor.

(c) The reports on the accounts of the foreign branch offices audited by independent branch auditors of the Group have been furnished to us by the management of the Parent Company and have been properly dealt with by us in preparing this report.

(d) the consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the consolidated statement of changes in equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of consolidated financial statement

(e) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

(f) On the basis of the written representations received from the Directors of the Parent Company as on 31st March, 2022 taken on record by the Board of Directors of the Parent Company and on the basis of written representations received by the management of its subsidiaries incorporated in India and its jointly controlled entities, none of the Directors of the Group companies incorporated



in India and jointly controlled entities is disqualified as on 31st March, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the adequacy of the internal financial controls over financial reporting of the parent and its subsidiaries incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to be read with other matters paragraph above.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the parent company and its subsidiaries incorporated in India to its Directors during the year is in accordance with the provisions of Section 197 of the Act.

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i) The Group has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements – Refer Note 47 to the consolidated financial statements;

ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 47 to the consolidated financial statements;

iii) There has been no delay in transferring amount, required to be transferred to the Investor Education and Protection Fund by the parent company and its subsidiaries incorporated in India.

iv) (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the parent company, its subsidiaries incorporated in India or its jointly controlled entities to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the parent company, its subsidiaries incorporated in India or its jointly controlled entities ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the parent company, its subsidiaries incorporated in India or its jointly controlled entities from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the parent company, its subsidiaries incorporated in India or its jointly controlled entities shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

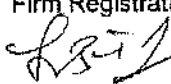
(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.



v) (a) The final dividend declared and paid by the Parent Company during the year is in accordance with Section 123 of the Act, as applicable.

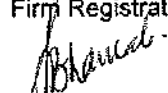
(b) As stated in Note 42 to the consolidated financial statements, the Board of Directors of the parent company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting of the parent company. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No. 000560C


(P. D. Baid)
Partner
Membership No: 072625

Place: New Delhi
Date: April 29, 2022
UDIN: 22072625AICIKD3575

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No. 016520N


(Sunil Bhansali)
Partner
Membership No: 054645

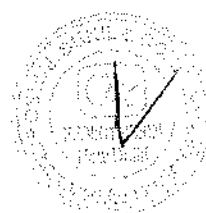
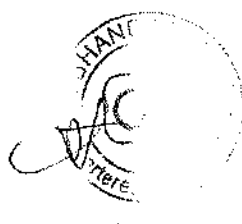
Place: New Delhi
Date: April 29, 2022
UDIN: 22054645AICAYT5334

ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

(Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of HFCL Limited of even date)

- xxi. Qualifications or adverse remarks by the respective auditors in the Companies (Auditors Report) order (CARO) reports of the respective company's incorporated in India included in the consolidated financial statements are as under:

S.No.	Name	CIN	Holding Company / Subsidiary / Jointly Controlled Entity	Clause number of the CARO report which is qualified or is adverse
1.	HFCL Limited	L64200HP1987PLC007466	Holding Company	Clause i(c), iii(c) and vii(a)
2.	HTL Limited	U93090TN1960PLC004355	Subsidiary	Clause i(c), ix(a) and xx(b)
3.	HFCL Advance Systems Private Limited	U29253HP2015PTC000880	Subsidiary	Clause xvii
4.	Polixel Security System Private Limited	U93000DL2010PTC199073	Subsidiary	Clause xvii
5.	Raddef Private Limited	U74999KA2017PTC105873	Subsidiary	Clause xvii
6.	DragonWave HFCL India Private Limited	U64200DL2010PTC211117	Subsidiary	Clause xvii
7.	HFCL Technologies Private Limited	U29309DL2021PTC382794	Subsidiary	Clause xvii
8.	Bigcat Wireless Private Limited	U72900TN2013PTC089742	Jointly Controlled Entity	Clause xvii



ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HFCL LIMITED AS ON MARCH 31, 2022

(Referred to in paragraph 2(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls over financial reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

**To the Members of
HFCL LIMITED**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2022, we have audited the internal financial controls over financial reporting of HFCL LIMITED (herein after referred as the "Parent") and its subsidiary companies incorporated in India (herein after referred as the "Group"), including those audited by other auditors as on that date.

Management's Responsibility for Internal Financial Controls

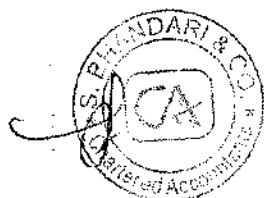
The respective board of the directors of the Parent Company and its subsidiary companies incorporated in India are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the guidance note on Audit of Internal financial control over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Internal Financial Controls over financial reporting of the parent company and its subsidiaries incorporated in India based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as prescribed under Section 143(10) of the companies act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those standards and the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit obtained by the other auditors of the subsidiary companies incorporated in India in terms of their reports referred to in other matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the parent



company and its subsidiaries incorporated in India Internal Financial Controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph below, the parent company and its subsidiaries incorporated in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2022, based on the internal control over financial reporting criteria established by the respective companies of the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to seven subsidiary companies incorporated in India is based solely on the corresponding report of the auditors of such companies.

Our opinion is not modified in respect of the above matters.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No: 000560C

(P. D. Baid)
Partner
Membership No: 072625
Place: New Delhi
Date: April 29, 2022
UDIN: 22072625AICIKD3575

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No: 016520

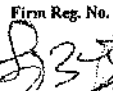
(Sunil Bhansali)
Partner
Membership No: 054645
Place: New Delhi
Date: April 29, 2022
UDIN: 22054645AICAYT5334

HFCL Limited
Consolidated Balance Sheet as at March 31, 2022
(All amounts are in Rs.Crores)

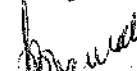
Particulars	Note No(s)	As at March 31, 2022	As at March 31, 2021
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	464.63	443.35
(b) Capital work-in-progress	4	47.46	11.82
(c) Right-of-use-assets	43	24.07	20.32
(d) Goodwill		26.17	26.17
(e) Intangible assets (other than Goodwill)	5	13.41	17.97
(f) Intangible assets under development	6	60.69	24.20
(g) Investments accounted for using equity method	7	11.66	-
(h) Financial Assets			
(i) Investments	8	34.90	34.82
(ii) Trade Receivables	15	595.61	444.83
(iii) Loans	9	10.50	6.50
(iv) Others	10	40.54	11.03
(i) Deferred tax assets (net)	11	4.98	6.71
(j) Other non-current assets	12	17.55	18.26
Total Non Current Assets		1,352.17	1,065.98
Current Assets			
(a) Inventories	13	573.38	435.26
(b) Financial Assets			
(i) Investments	14	8.80	5.79
(ii) Trade Receivables	15	1,895.94	2,610.99
(iii) Cash & cash equivalents	16	17.20	21.31
(iv) Bank balances other than (iii) above	17	511.04	285.14
(v) Loans	18	26.04	11.87
(vi) Others	19	386.31	461.81
(c) Current Tax Assets (net)	20	6.39	75.56
(d) Contract Assets		146.88	20.70
(e) Other current assets	21	247.31	221.38
Total Current Assets		3,819.29	4,149.81
Total Assets		5,171.46	5,215.79
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	137.49	128.44
(b) Other Equity	22	2,660.91	1,787.77
Equity attributable to owners of the Company		2,798.40	1,916.21
Non-controlling interest		19.97	7.26
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	121.25	250.78
(ii) Lease liabilities	43	19.34	18.47
(b) Provisions	24	35.04	36.50
Total Non Current Liabilities		175.63	305.75
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	608.53	668.84
(ii) Lease Liabilities	43	7.21	3.75
(iii) Trade Payables	26		
- total outstanding dues of micro enterprises and small enterprises		192.80	181.49
- total outstanding dues to other than micro enterprises and small enterprises		844.13	1,566.47
(iv) Other financial liabilities	27	415.71	406.21
(b) Current tax liabilities (Net)	28	30.32	46.37
(c) Other current liabilities	29	68.90	71.22
(d) Contract liabilities	31	-	30.11
(e) Provisions	30	9.86	12.11
Total Current Liabilities		2,177.46	2,986.57
Total Liabilities		2,353.09	3,292.32
Total Equity and Liabilities		5,171.46	5,215.79

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached
For S. Bhandari & Co.
Chartered Accountants
Firm Reg. No. 000560C


P. D. Baid
Partner
M.No. 071625

For Oswal Sunit & Company
Chartered Accountants
Firm Reg. No.: 016520N


Sandeep Bhansali
Partner
M.No.: 054645

For and on behalf of the Board

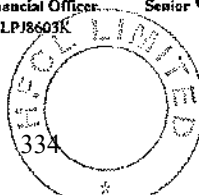

Arvind Kharbada
Director
DIN: 00052270


V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K


Mahendra Nahata
Managing Director
DIN: 00052898


Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

New Delhi, 29th Apr, 2022



New Delhi, 29th Apr, 2022

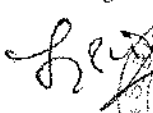
HFCL Limited
Consolidated Statement of Profit and Loss for the year ended March 31, 2022
(All amounts are in Rs.Crores)

Particulars	Note No(s)	For the year ended March 31, 2022	For the year ended March 31, 2021
I INCOME			
Revenue from operations	31	4,727.11	4,422.96
Other Income	32	42.91	34.76
Total Income (I)		4,770.02	4,457.72
II EXPENSES			
Cost of Materials Consumed	33	973.55	644.21
Other Direct costs	34	1,362.00	973.24
Purchases of stock-in trade		1,243.71	1,778.40
Change in inventories of finished goods, work-in progress and stock-in trade	35	(80.52)	8.07
Employee benefits expense	36	310.56	252.85
Finance Costs	37	166.40	174.72
Depreciation and amortization expenses	3, 5, 43	78.25	68.63
Other Expenses	38	267.74	216.61
Total Expenses (II)		4,321.69	4,116.73
III Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)		448.33	340.99
IV Share of profit/ (loss) of jointly controlled entities		0.16	-
V Profit / (loss) before exceptional items and income tax (III+IV)		448.49	340.99
VI Exceptional item	49	6.37	4.13
VII Profit / (Loss) before tax (V - VI)		442.12	336.86
VIII Tax expense			
- Current tax		114.50	86.13
- Deferred Tax		1.75	4.49
IX Profit/(loss) for the year (VII-VIII)		325.87	246.24
X Other Comprehensive Income (OCI):			
Items that will not be reclassified to profit or loss			
(i) Remeasurements of defined benefit plans		-	3.79
(ii) Income tax on above item		0.02	(0.95)
(iii) Gain/(Loss) on Equity Instruments designated through OCI		2.02	2.56
Items that will be reclassified to profit or loss			
(i) Loss on translation of foreign operation		(0.33)	(0.45)
Total Other comprehensive income/(loss) for the year		1.71	4.95
XI Total comprehensive income for the year (IX+X)		327.58	251.19
XII Profit attributable to:			
Owners of the Parent		313.12	239.00
Non-controlling interest		12.75	7.24
XIII Total comprehensive income for the year attributable to:			
Owners of the Parent		314.87	243.89
Non-controlling interest		12.71	7.31
XIV Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the year	38		
- Basic (Rs.)		2.38	1.86
- Diluted (Rs.)		2.38	1.87

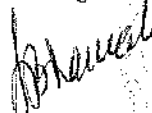
The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

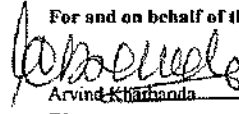
For S. Bhandari & Co.
Chartered Accountants
Firm Reg. No. 000560C

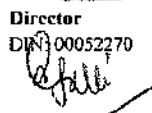

P. D. Baid
Partner
M.No. 072625

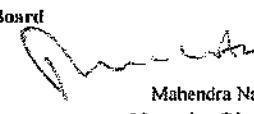
For Oswal Sunil & Company
Chartered Accountants
Firm Reg. No.: 016520N

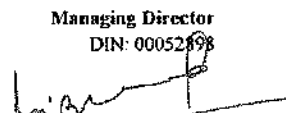

Sunil Bhansali
Partner
M.No.: 054645

For and on behalf of the Board


Arvind K. Bhandari
Director
DIN: 00052270


V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K


Mahendra Nahata
Managing Director
DIN: 00052498


Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

New Delhi, 29th Apr, 2022

New Delhi, 29th Apr, 2022

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
I. Cash Flow From Operating Activities		
Net Profit before Taxes and Exceptional Items	442.12	336.86
Adjustments for		
Depreciation & Amortization expenses	78.25	68.63
(Gain)/Loss on disposal of property, plant and equipment	0.01	0.03
Financial Guarantee Income	(0.36)	(0.40)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	5.57	4.66
Employee Share based payments expenses	(8.68)	3.89
Share of profit/ (loss) of an associate	(0.16)	-
Dividend and interest income classified as investing cash flows	(13.91)	(3.77)
Finance costs (net)	166.40	176.09
	227.12	249.13
Change in operating assets and liabilities		
(Increase)/Decrease in Trade and other receivables	558.69	(1,330.79)
(Increase)/Decrease in Inventories	(138.11)	(91.59)
Increase/(decrease) in Trade payables	(711.03)	933.72
(Increase)/Decrease in other financial assets	106.82	95.73
(Increase)/decrease in other non-current assets	(2.85)	(0.87)
(Increase)/decrease in other current assets	(152.11)	1.17
Increase/(decrease) in provisions	(2.26)	1.43
Increase in other Non current liabilities	(1.79)	7.89
Increase in other current liabilities	(59.33)	(39.12)
	(401.97)	(423.43)
Cash generated from/(used in) operations	267.27	162.56
Income taxes paid (net)	(61.39)	(17.79)
Net cash inflow from/(used in) operating activities	205.88	144.77
II. Cash flows from investing activities		
Payment for acquisition of subsidiaries & other investments	(12.00)	(13.03)
Payments for property, plant and equipment including CWIP	(145.21)	(97.37)
Payments for Intangible Assets	(37.86)	(8.70)
Proceeds from sale of property, plant and equipment	0.74	2.15
Bank deposits placed/matured (net)	(252.19)	(87.95)
Payment for loan to body corporates	(18.16)	3.11
Proceeds from sale of Investment	-	33.13
Dividends received	-	-
Interest received	6.84	3.77
Net cash inflow from/(used in) investing activities	(457.54)	(164.89)
III. Cash flows from financing activities		
Proceeds from issues of Share Capital (including security premium)	605.78	-
Share issue expenses	(10.50)	-
Proceeds from borrowings	79.87	280.95
(Repayment) of borrowings	(243.15)	(73.83)
(Repayment) of lease liabilities	(8.69)	(7.76)
	423.31	199.36
Less:		
Finance Costs paid	(156.41)	(174.38)
Dividends paid	(19.05)	-
Net cash inflow from/(used in) financing activities	247.85	24.98
IV. Net increase/(decrease) in cash and cash equivalents (I+II+III)	(4.11)	4.86
V. Cash and cash equivalents at the beginning of the financial year	21.51	16.44
VI. Cash and cash equivalents at end of the year	17.20	21.30

Notes:

- The Consolidated Statement of Cash flow has been prepared under the indirect method as set-out in the Ind AS - 7 "Statement of Cash Flow" as specified in the Companies (Indian Accounting Standards) Rules, 2015
- Figures in bracket indicate cash outflow.
- Cash and cash equivalents (refer note 16) comprise of the followings :

Cash on hand	0.08	0.10
Balances with Banks		
Current accounts*	13.32	18.67
Fixed Deposits with Bank	3.80	2.54
Balances per statement of cash flows	17.20	21.31
- Analysis of movement in borrowings

Borrowings at the beginning of the year	893.05	685.93
Movement due to cash transactions per the Consolidated Statement of Cash Flows	(163.28)	207.12
Borrowings at the end of the year	729.77	893.05

* Rs. 0.92 crore (Previous year Rs. 0.27 crore) has restricted use.

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For S. Bhandari & Co.

Chartered Accountants

Firm Reg. No. 000560C

P. D. Baid

Partner

M.No. 072625

For Oswal Sami & Company

Chartered Accountants

Firm Reg. No.: 016520N

Smit Bhaasali

Partner

M.No.: 054645

For and on behalf of the Board

Arvind Khorbhunde

Director

DIN: 000522701

V. R. Jain

Chief Financial Officer

PAN: AALP18603K

Mahendra Nahata

Managing Director

DIN: 00052896

New Delhi, 29th Apr, 2022

New Delhi, 29th Apr, 2022



A. Equity Share Capital	
Particulars	Amount
As at April 1, 2020	125.44
Changes in equity share capital	-
As at March 31, 2021	125.44
Changes in equity share capital (refer note no. 22A)	9.05
As at March 31, 2022	137.49

B. Other equity

Particulars	Reserves and Surplus					Items of Other Comprehensive Income	Total Equity attributable to Owners of the Company	Non-Controlling Interest	Total Equity
	Capital Redemption Reserve	Debt Redemption Reserve	Capital Reserve	Retained Earnings	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve		
Balance as at April 1, 2020	80.50	5.62	2.22	1,081.99	(119.44)	9.87	(0.08)	(0.05)	1,539.95
Total Comprehensive Income for the year	-	-	-	239.00	2.56	2.77	(0.45)	7.31	251.19
Transfer to retained earnings	-	-	-	(124.72)	127.53	-	-	-	-
Employee Share Options outstanding S	-	-	-	-	-	-	-	-	3.89
Balance as at March 31, 2021	80.50	2.81	2.22	1,196.27	10.65	13.64	(0.53)	7.36	1,795.03
Total Comprehensive Income for the year	-	-	-	313.12	2.02	0.06	(0.33)	12.71	327.58
Transfer to retained earnings	-	-	-	(19.34)	-	-	-	-	-
Dividends paid for the previous year	-	-	-	-	-	-	-	-	(19.34)
Issue of equity share capital (net of share issue expenses of Rs. 10.33 Crores)	-	-	-	-	-	-	-	-	589.57
Employee Share Options outstanding S	-	-	-	-	-	-	-	-	(8.67)
Transfer on allotment of shares to employees pursuant to ESOP scheme	-	-	-	-	-	-	-	-	-
Adjustment of dividend paid to HFCL Employees Trust	-	-	-	5.01	-	-	-	-	0.05
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	-	0.05	-	-	-	-	(3.34)
Balance as at March 31, 2022	80.50	-	2.22	1,497.92	12.67	12.70	(0.86)	19.97	2,680.88

S. Refer note no. 22(B)(ii)
The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For S. Bhundari & Co.

Chartered Accountants

Firm Reg. No. 009560C

Firm Reg. No. 016529N

For Oshai Sunil & Company

Partner

M.No. 072625

M.No. 054645

Sunil Bhonsli

Partner

M.No. 054645

New Delhi, 29th Apr. 2022

For and on behalf of the Board

Arvind Kharbada

Director

DIN: 00032270

V. R. Jain

Chief Financial Officer

PAN: AALP98603K

Mahendra Nahata

Managing Director

DIN: 00052836

Manoj Baid

Senior Vice-President (Corporate)

& Company Secretary

M.No.: FCS 5834

New Delhi, 29th Apr. 2022



HFCL Limited

Notes forming part of Consolidated Financial Statements for the year ended March 31, 2022

(All amounts are in Rupees Crores)

1. Corporate information

HFCL Limited ('HFCL' or 'the Holding Company') is a public limited company domiciled and incorporated in India and having its registered office at 8, Electronics Complex, Chambaghat, Solan, Himachal Pradesh-173213. The Holding Company's shares are listed and traded on National Stock Exchanges of India Ltd. (NSE) and BSE Ltd. (BSE). Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment, Optical Fiber and Optic Fiber Cable (OFC).

The Consolidated Financial Statements have been approved by the Board of Directors of the Holding Company at its meeting held on April 29, 2022.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These Consolidated Financial Statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. The Group has consistently applied accounting policies to all periods. On March 24, 2021, the Ministry of Corporate Affairs (MCA) through a notification, amended Schedule III of the Companies Act, 2013 and the amendments are applicable for financial periods commencing from April 1, 2021. The Group has evaluated the effect of the amendments on its financial statements and complied with the same.

2.1.2. Historical Cost Convention

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- certain financial assets and liabilities and contingent consideration is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans - plan assets measured at fair value;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

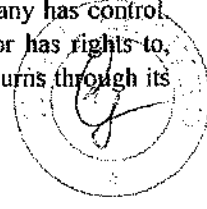
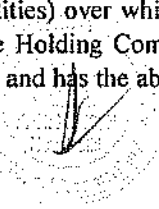
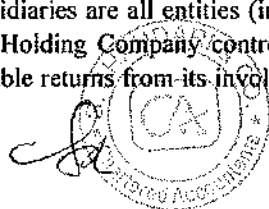
The preparation of these Consolidated Financial Statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the Consolidated Financial Statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

2.2. Basis of Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Holding Company has control. The Holding Company controls an entity when the Holding Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its



power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Holding Company. They are deconsolidated from the date that control ceases. The Holding Company and subsidiaries are collectively called "the Group".

The group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Holding Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

ii. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group share of the post-acquisition profits or losses of the investee in profit and loss, and the group share of other comprehensive income of the investee in other comprehensive income.

When the group share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

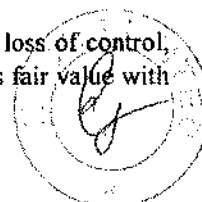
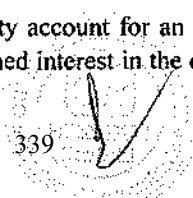
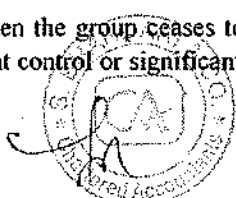
Unrealised gains on transactions between the Holding Company and its associates and joint ventures are eliminated to the extent of the group interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with



the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 - Income Taxes and Ind AS 19- Employee Benefits respectively.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

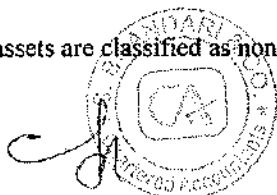
Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.4. Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period other than for (a) above; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:



- a) It is expected to be settled in normal operating cycle; or
- b) It is held primarily for the purpose of trading; or
- c) It is due to be settled within twelve months after the reporting period other than for (a) above; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.5. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Group categorizes assets and liabilities measured at fair value into one of three levels as follows:

- Level 1 — Quoted (unadjusted)

This hierarchy includes financial instruments measured using quoted prices.

- Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include the following:

- a) quoted prices for similar assets or liabilities in active markets.
- b) quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) inputs other than quoted prices that are observable for the asset or liability.
- d) Market – corroborated inputs.

- Level 3

They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

2.6. Non-current assets held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2.7. Property Plant and Equipment

Freehold Land is carried at the actual cost. All other items of PPE are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It includes professional fee and borrowing cost for qualifying assets.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress (CWIP) respectively.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the Consolidated Statement of Profit and Loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use. Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortized once classified as held for sale.

Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

Asset Class	Useful Life
Freehold Buildings	Office Building : 60 years Factory Building : 30 years
Leasehold Improvements	Over the period of lease
Plant & Machinery	7.5 - 15 years
Furniture & Fixtures	10 years
Electrical Installations	10 years
Computers	3 - 6 years
Office Equipments	5 years
Vehicles	8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the Group will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit and Loss.

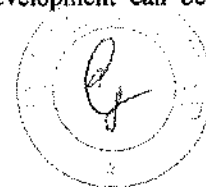
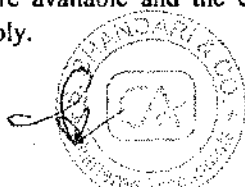
2.8. Intangible Assets

a. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

b. Other Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Group to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably.



An item of Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate all the following: -

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell of the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Consolidated Statement of Profit and loss.

During the period of development, the asset is tested for impairment annually

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

2.9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

2.9.1. Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Holding Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

Any debt instrument, that does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments are measured at fair value. For Equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. This amount is not recycled from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the Consolidated Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

De-recognition

A financial asset is de-recognized only when

- The Group has transferred the rights to receive cash flows from the financial asset or
- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and loss (P&L).

2.9.2. Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Consolidated Statement of Profit and loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

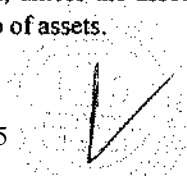
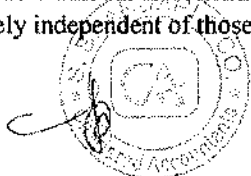
Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.10. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.



When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Consolidated Statement of Profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

2.11. Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Standard Cost Method.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Contract Work in Progress : It is valued at cost
- Loose Tools (Consumable) : It is valued at cost after write-off at 27.82% p.a.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12. Revenue recognition

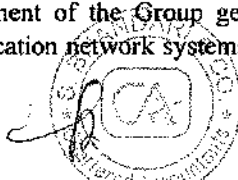
- A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.
- B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).
- C. The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.
- D. The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fibre Cable and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Group generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities



etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- **Contracts with government**

The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Group expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Group reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

- **Warranty**

Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Group recognises provisions for this warranty.

- **Financial Components**

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue :

- **Interest income**

Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- **Dividends**

Dividend income is recognised when the right to receive payment is established.

- **Rental income**

Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the Consolidated Statement of Profit and loss.

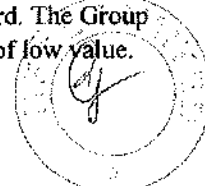
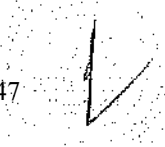
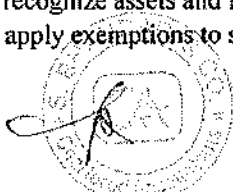
- **Insurance Claims**

Insurance claims are accounted for as and when admitted by the concerned authority.

2.13. Leases

As a lessee

The Group implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.



Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

As a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

If an arrangement contains lease and non-lease components, the Group applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the contract.

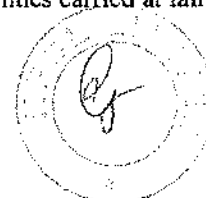
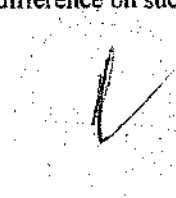
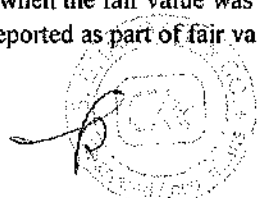
2.14. Foreign currency transactions

The functional currency of the Group is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Group's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.



2.15. Employee Benefits

Short term employee benefits:-

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Long-Term employee benefits

Compensated expenses which are not expected to occur within twelve months after the end of period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

Post-employment obligations

i. Defined contribution plans

Provident Fund and employees' state insurance schemes:

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Group's contributions to both these schemes are expensed in the Consolidated Statement of Profit and Loss. The Group has no further obligations under these plans beyond its monthly contributions.

ii. Defined benefit plans

Gratuity:

The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits". The Group makes periodic contributions to the HDFC Standard Life Insurance Group Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

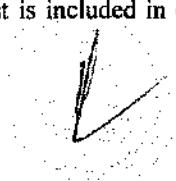
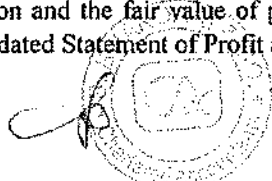
Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

Leave Encashment:

The Group has provided for the liability at period end on account of un-availed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

iii. Actuarial gains and losses are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Statement of Profit and loss.



Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above) are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Consolidated Financial Statements represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

Termination benefits

Termination benefits are recognized as an expense in the period in which they are incurred.

2.16. Employee Share-based payments

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Group but consolidated in the Financial Statement. Any loan from the Group to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognized as an employee benefits expense, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

2.17. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

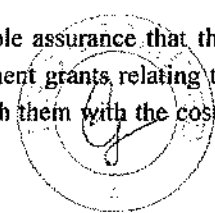
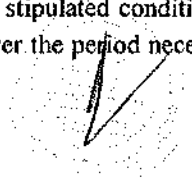
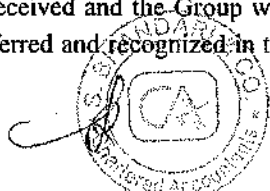
The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Consolidated Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Consolidated Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

2.19. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs



that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Consolidated Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

2.20. Cash Flow Statement

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Group are segregated.

2.21. GST Credit

The GST credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST credit is shown under the head "Other Current Assets".

2.22. Earnings per share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.23. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

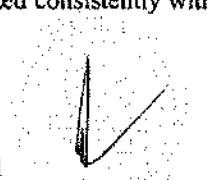
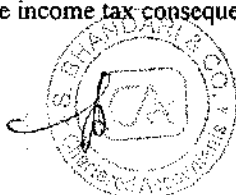
The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Dividend distribution tax paid on the dividends is recognized consistently with the presentation of the transaction that creates the income tax consequence.



3. Property, Plant and Equipment

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipments	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance As at April 1, 2020	494.45	117.61	27.10	33.27	10.61	8.80	22.26	16.13	8.89	0.88	740.00
Additions	25.33	31.53	-	1.83	1.48	1.32	3.30	0.78	-	-	65.77
Disposals / Adjustments	1.16	0.45	-	0.26	0.24	0.01	0.53	1.57	-	-	4.32
Balance As at March 31, 2021	518.62	148.69	27.10	34.84	11.85	10.11	25.23	15.34	8.89	0.88	801.55
Additions	73.17	17.20	2.67	4.46	6.12	1.50	7.38	5.67	-	-	118.17
Disposals / Adjustments	38.96	5.51	0.01	2.67	0.13	0.55	1.52	4.10	0.36	-	53.81
Balance As at March 31, 2022	552.83	160.38	29.76	36.63	17.84	11.06	31.09	16.91	8.53	0.88	865.91
Accumulated depreciation and impairment											
Balance As at April 1, 2020	223.21	16.72	9.04	12.33	6.46	4.59	17.96	12.32	-	0.22	303.03
Depreciation for the year	39.00	4.09	0.83	5.53	1.15	2.09	2.91	1.12	-	0.01	56.73
Impairment during the year	0.45	-	-	-	-	-	-	-	-	-	0.45
Disposals / Adjustments	0.19	-	-	0.01	0.01	0.01	0.49	1.32	-	-	2.03
Balance As at March 31, 2021	262.47	20.81	9.87	17.85	7.60	6.67	20.38	12.32	-	0.23	358.20
Depreciation for the year	44.91	5.02	1.28	4.69	2.23	1.93	4.11	1.59	-	0.01	65.77
Impairment during the year	-	-	-	-	-	-	-	-	-	-	-
Disposals / Adjustments	16.85	-	-	0.50	0.10	0.04	1.47	3.73	-	-	22.69
Balance As at March 31, 2022	290.53	25.83	11.15	22.94	9.73	8.56	23.02	10.18	-	0.24	401.28
Net Carrying Value											
Balance as at April 1, 2020	271.24	100.89	18.06	20.94	4.15	4.21	4.30	3.61	8.89	0.66	436.95
Balance as at March 31, 2021	256.15	127.88	17.23	16.99	4.25	3.44	4.85	3.02	8.89	0.65	443.35
Balance as at Mar 31, 2022	262.30	134.55	18.61	14.59	8.11	2.50	8.07	6.73	8.53	0.64	464.63

Notes:

1. Land situated at Solan (H.P.) amounting to Rs. 0.28 crore and Chennai amounting to Rs Nil are pending for title transfer in the name of the Group Companies.

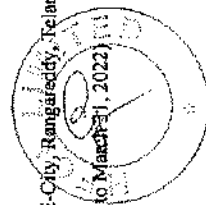
Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date
Property, plant and equipment (HFCL Ltd.)	Land (Leasehold)	0.28	State Government of Himachal Pradesh	No	23rd September, 1994
Property, plant and equipment (HTL Ltd.)	Land (Freehold)	-	State Government of Tamil Nadu	No	30th September, 1970

2. The Holding Company had been approved capital subsidy for investment in its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana under Modified Special Incentive Package Scheme (MSIPS) by the Ministry of Electronics and Information Technology Department vide Approval letter No. 27(69)2017-IPFW dated 29-05-2018. The Holding Company is in the process of submitting its disbursement claims before the competent authority for sanctioning and in the absence of reasonable certainty that the claim will be received, the same has not been accounted for.

3. The Holding company has been sanctioned capital subsidy under the Incentive scheme of Industries and Commerce Department (IP&IC), Government of Telangana for its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana. The subsidy includes capital subsidy of Rs. 30 crores, interest subsidy of Rs. 2.63 crores, power subsidy of Rs. 1 crore and stamp duty reimbursement of Rs. 0.36 crores.

The Holding Company has adjusted capital subsidy (including stamp duty reimbursement) aggregating to Rs. 30.36 crores against the related Property, Plant and Equipment and power and interest subsidy (including interest up to March 31, 2022) aggregating to Rs. 15.20 crores has been recognized under the head 'Other Income' in the Consolidated Statement of Profit and Loss.

4. Refer Note 23 and 25 for details of assets pledged.



[Signature]

4 Capital work-in-progress

Particulars	Buildings	Plant & Machinery	Electrical Installation	Office Equipment	Total
Balance as at April 1, 2020	12.72	2.09	0.25	-	15.06
Additions	3.75	8.96	0.10	-	12.81
Disposals / Adjustments	13.84	2.21	-	-	16.05
Balance as at March 31, 2021	2.63	8.84	0.35	-	11.82
Additions	16.25	27.21	3.25	0.58	47.29
Disposals / Adjustments	2.51	8.78	0.36	-	11.65
Balance as at March 31, 2022	16.37	27.27	3.24	0.58	47.46

4.1 Ageing of Capital work-in-progress

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress*					
As at March 31, 2022	45.62	1.84	-	-	47.46
As at March 31, 2021	8.48	3.34	-	-	11.82

*Project execution plans are modulated annually on the basis of capacity requirement assessment and all projects are executed as per rolling annual plan.

5 Intangible Assets (Other than Goodwill)

Particulars	Amount
Gross Carrying Value	
Balance as at April 1, 2020	34.26
Additions	3.21
Disposals / Adjustments	-
Balance as at March 31, 2021	37.47
Additions	1.37
Disposals / Adjustments	-
Balance as at March 31, 2022	38.84
Accumulated depreciation and impairment	
Balance as at April 1, 2020	13.44
Depreciation for the year	6.06
Disposals / Adjustments	-
Balance as at March 31, 2021	19.50
Depreciation for the year	5.93
Disposals / Adjustments	-
Balance as at March 31, 2022	25.43
Net Carrying Value	
Balance as at April 1, 2020	20.82
Balance as at March 31, 2021	17.97
Balance as at March 31, 2022	13.41

6 Intangible assets under development

Particulars	Product Development
Balance as at April 1, 2020	18.71
Additions	5.49
Disposals / Adjustments	-
Balance as at March 31, 2021	24.20
Additions	37.63
Disposals / Adjustments	1.14
Balance as at March 31, 2022	60.69

Note : Includes Technology licence fee paid in the nature of advance till the date of actual utilisation of technology.

6.1 Ageing of Intangible assets under development

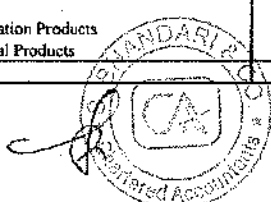
Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress					
As at March 31, 2022	37.29	5.39	4.07	13.94	60.69
As at March 31, 2021	6.19	4.07	13.94	-	24.20

6.2 Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2022

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	19.19	-	-	-	19.19
- SG/AG Technological Products	-	9.91	-	-	9.91
Total	19.19	9.91	-	-	29.10

Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2021

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	-	8.64	-	-	8.64
- SG/AG Technological Products	-	-	9.91	-	9.91
Total	-	8.64	9.91	-	18.55



7 Investments accounted for using equity method

Particulars	As at March 31, 2022	As at March 31, 2021
Unquoted Investments		
Investment in Equity Instruments		
(i) Jointly Controlled Entities	11.50	-
Add / (Less) : Cumulative Share of profits / (Loss)	0.16	-
Total	11.66	-

7.1 - Investment accounted for using equity method

Particulars	Face value per share	As at Mar 31, 2022		As at Mar 31, 2021	
		No. of Shares	Amount	No. of Shares	Amount
Unquoted Investments					
Investment in Equity Instruments - Equity Shares					
NIMPAA Telecommunication Pvt Ltd (includes Goodwill of Rs. 1 crore)	10	10,00,000	1.00	-	-
Add / (Less) : Cumulative Share of profits / (Loss)			0.72		
BigCat Wireless Pvt Ltd *	10	4,000	2.50	-	-
BigCat Wireless Pvt Ltd. * - (Partly paid @ Rs.3.50 per share out of the face value of Rs. 10/- per share)	10	32,000	8.00	-	-
Add / (Less) : Cumulative Share of profits / (Loss)			(0.56)	-	-
Total aggregate unquoted investments			11.66		-
Aggregate carrying value of unquoted investments			11.66		-
Aggregate amount of impairment in value of investments			-		-

* includes Goodwill of Rs. 5.36 crore

7.2 Additional details of Jointly Controlled Entities

Particulars	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group	
			As at March 31, 2022	As at March 31, 2021
NIMPAA Telecommunication Pvt Ltd	Manufacturing of FRP and ARP	India	50.00%	0.00%
BigCat Wireless Pvt. Limited (Jointly Controlled Entity with 50% voting right w.e.f. 12th November 2021)	Development of software and hardware products for wireless networking	India	50.00%	0.00%

8 Non-Current Financial Assets - Investments

Particulars	As at March 31, 2022	As at March 31, 2021
Unquoted Investments - Others		
(i) Investments in Equity instruments	33.05	32.97
(ii) Investments in Debt instruments	1.85	1.85
Total	34.90	34.82

8.1 Detail of Non Current Financial Assets - Other Investments

Particulars	Face value per share/ Debenture	As at Mar 31, 2022		As at March 31, 2021	
		No. of Shares/ Debentures/ Units	Amount	No. of Shares/ Debentures/ Units	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments- Equity Shares					
Exicom Tele-Systems Ltd.	10	6,30,223	16.83	6,30,223	16.77
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.05	4,000	0.06
India Card Technologies Pvt.Ltd.	10	19,900	-	19,900	-
Shankar Sales Promotion Pvt.Ltd.	100	2,000	0.09	2,000	0.09
HFL Bezeq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt Ltd.	1	2,17,594	16.08	2,17,594	16.05
Total Investment in Equity Instruments measured at FVTOCI			33.05		32.97
(ii) Investment in Debt Instruments					
Atul Properties Pvt. Ltd. (OFCDs)	100	1,85,000	1.85	1,85,000	1.85
Total Investment in Debt Instruments measured at FVTOCI			1.85		1.85
Aggregate Carrying value of unquoted investments			34.90		34.82
Aggregate amount of impairment in value of investments			-		-



HFCL Limited
Notes forming part of Consolidated Financial Statement for the year ended March 31, 2022
(All amounts are in Rs. Crores)
9 Non-Current Financial Assets-Loans

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Loans to other parties	6.50	6.50
Loans to related parties (refer note 50)	4.00	-
Which have significant increase in credit risk	0.21	0.21
Less: expected credit loss allowance	(0.21)	(0.21)
Total	10.50	6.50
Movement in the expected loss of Other Loans are as follows:		
Balance at the Beginning of the year	0.21	0.21
Add: Provided during the year	-	-
Less: Amount written off	-	-
Balance at the end of the year	0.21	0.21

10 Non-Current Financial Assets - Others

Particulars	As at March 31, 2022	As at March 31, 2021
Fixed Deposits with Bank (maturity more than 12 months)*	35.85	9.56
Security Deposit	4.69	1.47
Total	40.54	11.03

* Above fixed deposits are held as margin money/securities with banks.

11 Deferred tax assets (net)

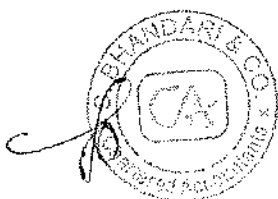
Deferred income tax reflect the net tax effects of temporary difference between the carrying amount of assets and liabilities for the financial reporting purposes and the amounts used for income tax purposes. Significant component of the Group's net deferred income tax are as follows:-

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	Total
As at 1 April, 2020	9.56	(18.90)	21.49	12.15
(Charged)/Credited:				
- to Statement of profit and loss	1.67	7.93	(14.09)	(4.49)
- to other comprehensive income	(0.95)	-	-	(0.95)
As at 31 March, 2021	10.28	(10.97)	7.40	6.71
(Charged)/Credited:				
- to Statement of profit and loss	0.32	0.32	(2.39)	(1.75)
- to other comprehensive income	0.02	-	-	0.02
As at 31 March, 2022	10.62	(10.65)	5.01	4.98

Note: In the absence of reasonable certainty of future taxable income, no deferred tax assets have been created in the books of such subsidiaries.

12 Other Non-Current Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, Considered Good		
Capital Advances	17.55	18.26
Total	17.55	18.26



13 Inventories (at cost or net realisable value whichever is lower)

Particulars	As at March 31, 2022	As at March 31, 2021
Inventories (As Certified and valued by the management)		
Raw Material	199.05	114.78
Raw Materials in transit	13.95	13.07
	213.00	127.85
Work-in-progress	193.93	126.83
Finished goods	63.08	57.38
Stock-in-trade Goods	75.23	67.52
Stock in transit for trade	8.63	45.92
Stores and spares	14.65	8.17
Loose tools	1.29	0.65
Others (Packing Material)	3.57	0.94
Total	673.38	435.26

Notes:

(i) Work in progress includes contract work in progress of Rs. 153.94 crore (Previous year: Rs. 101.26 crore).

14 Current Financial Assets - Investments

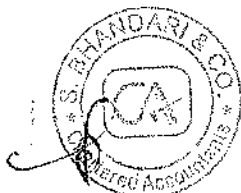
Particulars	As at March 31, 2022	As at March 31, 2021
Quoted Investments		
(i) Investments in Mutual Funds	3.69	2.99
(ii) Investments in Equity Instruments -other	5.11	2.80
Total	8.80	5.79

14.1 Detail of Current Financial Assets - Investments

Particulars	Face Value	As at March 31, 2022		As at Mar 31, 2021	
		No. of Shares/ Units	Amount	No. of Shares/ Units	Amount
Financial assets carried at fair value through Statement of Profit or Loss (FVTPL)					
(i) Investments in mutual funds - Quoted Investment					
Union Liquid Fund Growth - Direct plan	1,000	9,398	1.99	9,398	1.86
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.08	50,000	0.07
Union Bank Medium duration fund Regular	10	4,99,975	0.53	4,99,975	0.51
Union Hybrid Equity Fund - Growth	10	4,99,975	0.63	4,99,975	0.53
Baroda Business cycle fund-Regular Growth	10	4,99,965	0.50	-	-
Principal Cash Management fund - Dividend reinvestment plan	1,000	235	0.02	235	0.02
Total Investment FVTPL			3.69		2.99
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	64,08,000	-	64,08,000	-
Manvra Biotech Ltd.	1	17,000	-	17,000	-
Sumedha Fiscal Services Ltd.	10	18,200	0.11	18,200	0.05
Valiant Communications Ltd.	10	8,700	0.06	8,700	0.06
Poonawalla Fincorp Ltd. (erstwhile known as Magna Fincorp Ltd.)	2	1,52,830	4.15	1,52,830	1.68
Media Matrix Worldwide Ltd.	1	4,750	0.01	4,750	-
Sahara One Media and Entertainment Ltd.	10	2,59,950	0.61	2,59,950	0.84
			4.94		2.63
(iii) Investment in equity instruments - Unquoted Equity Shares					
Optimates Textile Industries Ltd.	2	13,02,500	-	13,02,500	-
Rashel Agrotech Ltd.	10	4,78,500	-	4,78,500	-
NSL Wind Power Company (Phoolwadi) Private Limited	10	1,70,795	0.17	1,70,795	0.17
			0.17		0.17
Total Investment FVTOCI			5.11		2.80
Total Current Financial Investments			8.80		5.79
Aggregate Carrying value of quoted investments			8.63		5.62
Aggregate Carrying value of unquoted investments			0.17		0.17
Aggregate amount of impairment in value of investments			-		-

15 Current Financial Assets - Trade Receivables

Particulars	As at March 31, 2022		As at March 31, 2021	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good;	595.61	1,889.10	444.83	2,601.60
Which have significant increase in credit risk	-	21.77	-	19.31
Credit Impaired	-	0.72	-	0.72
Less: expected credit loss allowance	-	(15.65)	-	(10.64)
Total	595.61	1,895.94	444.83	2,610.99
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	10.64	-	7.77
Add: Provided during the year	-	5.01	-	3.08
Less: Amount written off	-	-	-	0.21
Balance at the end of the year	-	15.65	-	10.64



15.1 Ageing analysis of Trade Receivables as at March 31, 2022

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,563.19	713.55	105.55	59.26	19.37	13.92	2,474.84
- which have significant increase in credit risk	-	-	-	-	-	21.77	21.77
- credit impaired	-	-	-	-	-	0.72	0.72
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.87	9.87
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-
Total	1,563.19	713.55	105.55	59.26	19.37	46.28	2,507.20
Less : Amount disclosed under non-current financial assets							(593.61)
Less: Expected credit loss allowance of trade receivables							(13.65)
Total current trade receivables							1,895.94

15.1 Ageing analysis of Trade Receivables as at March 31, 2021

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	2,176.50	528.39	172.40	129.39	12.08	12.80	3,036.56
- which have significant increase in credit risk	-	-	-	-	-	19.31	19.31
- credit impaired	-	-	-	-	-	0.72	0.72
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.87	9.87
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-
Total	2,176.50	528.39	172.40	129.39	12.08	47.70	3,066.46
Less : Amount disclosed under non-current financial assets							(444.83)
Less: Expected credit loss allowance of trade receivables							(10.64)
Total current trade receivables							2,610.99

15.2 The credit period towards trade receivables related to turnkey projects generally ranges between down to achievement of specified milestones (execution based) and average project execution cycle is around 6 to 18 months. General payment terms include process time with the respective customers ranging between 60 to 90 days from the date of invoices / achievement of specified milestones.

15.3 In determining the allowance for trade receivables the Group has used practical expedients based on financial condition of the customers, ageing of the customer receivables & over-dues, availability of collaterals and historical experience of collections from customers. The concentration of risk with respect to trade receivables is reasonably low as most of the customers are Government and large Corporate organisations though there may be normal delays in collections.

15.4 Above balance of trade receivable include recoverable from related party (refer note 50)

16 Current Financial Assets - Cash & cash equivalents

Particulars	As at March 31, 2022	As at March 31, 2021
Cash & Cash Equivalents		
Balance with banks		
- in current account**	12.80	18.40
- in dividend account**	0.52	0.27
Cash on hands	0.08	0.10
Fixed Deposits with Bank (maturity less than 3 months)*	3.80	2.54
Total	17.20	21.31

* Above fixed deposits are held as margin money/securities with banks.

** Rs. 0.92 crore (Previous year Rs. 0.27 crore) has restricted use.

17 Current Financial Assets - Other Bank Balances

Particulars	As at March 31, 2022	As at March 31, 2021
Fixed Deposits with Bank (Maturity less than 12 months)*	511.04	285.14
Total	511.04	285.14

* Out of above, fixed deposits of Rs. 286.84 crore (Previous year Rs. 285.14 crore) are held as margin money/securities with banks.

18 Current Financial Assets - Loans

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Other Loans	26.04	11.87
Total	26.04	11.87

19 Current Financial Assets -Other Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Security Deposits	7.04	18.86
Project & other vendor advances	321.16	402.05
Interest Receivable	9.30	7.78
Subsidy claim receivable from government	45.56	-
Receivables for sales of investments	3.25	33.12
Total	386.31	461.81

20 Current Tax Assets (Net)

Particulars	As at March 31, 2022	As at March 31, 2021
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	6.39	75.56
Total	6.39	75.56

21 Other Current Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Indirect tax recoverable	211.50	160.06
Prepaid Expenses	31.31	32.68
Export Incentive receivable	2.52	2.87
Other Receivables	1.98	2.01
Assets recognised from cost incurred to fulfill a contract	-	23.76
Total	247.31	221.38

22 A. Share Capital

(i) Authorised Share Capital

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2020	5,10,00,00,000	510.00	2,50,00,000	250.00
Increase during the year	-	-	-	-
As at March 31, 2021	5,10,00,00,000	510.00	2,50,00,000	250.00
Increase during the year	-	-	-	-
As at March 31, 2022	5,10,00,00,000	510.00	2,50,00,000	250.00

(ii) Shares issued, subscribed and fully paid-up

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2020	1,28,43,77,194	128.44	-	-
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 2021	1,28,43,77,194	128.44	-	-
Add: Shares issued during the year to the ESOP Trust *	49,34,300	0.49	-	-
Add: shares issued during the year to Qualified Institutional Buyers **	8,72,72,727	8.73	-	-
Less: Equity shares held in Trust for employees under ESOP Scheme	16,99,900	0.17	-	-
As at March 31, 2022	1,37,48,84,321	137.49	-	-

* The Board of Directors of the Holding Company has approved allotment of 49,34,300 equity shares of face value of Re.1/- each at applicable grant price to HFCL Employee's Trust under HFCL Employee's Long Term Incentive Plan 2017. Upon allotment of these equity shares, the paid up equity share capital of the Holding Company had increased from Rs.128.44 crore (Rupees One Hundred Twenty Eight Crore Forty Four Lakh Only) comprising of 128,43,77,194 equity shares of the face value of Re.1/- each to Rs.128.93 crore (Rupees One Hundred Twenty Eight Crore Ninety Three Lakh Only) comprising of 128,93,11,494 equity shares of the face value of Re.1/- each.

** On December 10, 2021, the Holding Company through Qualified Institutions Placement (QIP) allotted 8,72,72,727 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of Rs. 68.75 per equity share of Re. 1 face value (inclusive of premium of Rs. 67.75 per share) aggregating to approximately Rs. 600.00 Crore. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Funds received in the QIP of equity shares have been utilised for the purpose mentioned in the objects of the issue in the offer document.

(iii) Shareholders holding more than 5 percent of Equity Shares

Name of Shareholder	As at March 31, 2022		As at March 31, 2021	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures Private Limited	29,33,65,000	21.31	28,96,40,000	22.55
NextWave Communications Private Limited	21,98,65,000	15.97	21,98,65,000	17.12

(iv) Shares held by promoters

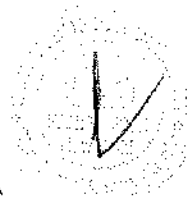
Name of promoters	As at March 31, 2022		As at March 31, 2021		% Change during the year
	No. of share held	% of Holding	No. of share held	% of Holding	
Anant Nahata	26,45,000	0.19	26,45,000	0.21	(0.02)
Mahendra Nahata	8,35,091	0.06	45,60,091	0.36	(0.30)
Manik Lal Nahata	-	-	11,920	0.00	(0.00)
MN Ventures Private Limited	29,33,65,000	21.31	28,96,40,000	22.55	(1.24)
NextWave Communications Private Limited	21,98,65,000	15.97	21,98,65,000	17.12	(1.15)
Fitsore Tech-Solutions Pvt. Ltd.	2,24,00,000	1.63	2,24,00,000	1.74	(0.11)
Vinsan Brothers Private Ltd	6,71,600	0.05	6,71,600	0.05	(0.00)
Shanker Sales Promotion Private Ltd	3,00,201	0.02	3,00,201	0.02	(0.00)
Total	54,00,81,892	39.23	54,00,93,812	42.05	(2.82)

(v) Terms/right attached to Equity/Preference Shares -

The Holding Company has issued equity share of Re.1/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up equity capital of the Company held by them. In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Holding Company, after distribution of all preferential amount in proportion to their shareholdings.

(vi) Shares reserved for issue under options:

Information related to Employee Stock Option Plan, including details of options issued, exercised, expired and forfeited during the previous financial year and options outstanding at the end of the reporting period, is set out in note 54.



B. Other Equity

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Retained Earnings	1,497.93	1,196.28
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	12.67	10.65
b. Remeasurement of defined benefit plans	12.70	12.64
c. Foreign currency translation reserve	(0.86)	(0.53)
(iii) Other Reserves*		
a. Securities Premium	1,053.85	467.62
b. Debenture Redemption Reserve	-	2.81
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	1.90	15.58
e. Capital reserve (on bargain purchase)	2.22	2.22
Total	2,660.91	1,787.77

*** Brief description of Other Reserves:**

- Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.
- The Holding Company had issued redeemable non-convertible debentures and created Debenture Redemption Reserve (DRR) out of the profits of the Company in terms of the Companies (Share capital and Debenture) Rules, 2014 (as amended). The Holding Company was required to maintain a DRR of 25% of the value of debentures issued, either by a public issue or on a private placement basis. The amounts credited to the DRR may not be utilised by the Holding Company except to redeem debentures.
- Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 80,50,000 (previous year 80,50,000) CRPSs of Rs. 100/- each.
- Employee share based payment reserve is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Holding Company for employees of the Group.

(i) Retained Earnings

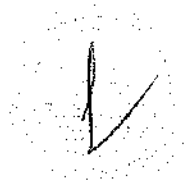
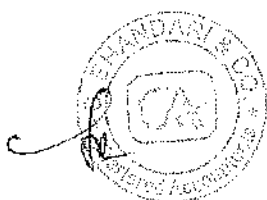
Particulars	As at March 31, 2022	As at March 31, 2021
Balance at the beginning of the reporting period	1,196.28	1,082.00
Add: Net profit for the period	325.87	246.24
Add/Less: adjustments for-		
Equity Instruments through OCI	-	(127.53)
Transfer from Debenture redemption reserve	2.81	2.81
Transfer on allotment of shares to employees pursuant to ESOP scheme	5.01	-
Dividend paid on Equity shares	(19.34)	-
Adjustment of dividend to ESOP trust	0.05	-
Non-Controlling Interest	(12.75)	(7.24)
Closing Balance	1,497.93	1,196.28

(ii) Components of Other Comprehensive Income

Particulars	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2020	(119.44)	9.87	(0.08)
Increase during the year	130.09	2.77	-
Decrease during the year	-	-	0.45
As at March 31, 2021	10.65	12.64	(0.53)
Increase during the year	2.02	0.06	-
Decrease during the year	-	-	0.33
As at March 31, 2022	12.67	12.70	(0.86)

(iii) Other Reserves

Particulars	Securities Premium	Debenture Redemption	Capital Redemption	Employee Share based payment	Capital Reserve
As at April 1, 2020	467.62	5.62	80.50	11.70	2.22
Increase during the year	-	-	-	3.88	-
Decrease during the year	-	2.81	-	-	-
As at March 31, 2021	467.62	2.81	80.50	15.58	2.22
Increase during the year	589.57	-	-	-	-
Decrease during the year	3.34	2.81	-	13.68	-
As at March 31, 2022	1,053.85	-	80.50	1.90	2.22



23 Non-Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Borrowings		
Non-Convertible Debentures	-	11.24
Term Loans		
(i) from Banks*	163.49	196.60
Vehicle Loans from Banks	3.07	2.35
	166.56	210.19
Unsecured		
Borrowings		
Term Loans		
(i) from other parties (Refer Note 55 (i))	-	6.24
(ii) Interest on Term Loan from other parties	-	26.57
Inter Corporate Deposit		
(i) from other parties	-	88.98
	-	121.79
Less : Current maturities of long term debt - Term Loans	(44.18)	(68.75)
Less : Debentures redeemable in next 12 months	-	(11.24)
Less : Current maturities of long term debt - Vehicle Loans	(1.13)	(1.21)
Total	121.25	250.78

* net off of Rs.1.51 crore (Previous year Rs.1.37 crore) as finance charge

Regarding Holding Company:

a) Holding Company had issued 33,72,750 10.30% secured unlisted Non- Convertible Redeemable Debenture (NCDs) of Rs.100/- each aggregating Rs. 33.73 crore by way of conversion of outstanding right of recompense amount payable by the Company. NCDs are secured by way of first pari-passu charge on movable & immovable fixed assets of Company with existing term loans and redeemable at face value in instalment in the ratio of 33.33%, 33.33% and 33.33% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021(FY 2021-22) respectively. All the instalments of 33,72,750 NCDs have been redeemed on time.

b) Term Loan of Rs. Nil (Previous year Rs.25.00 crore) from one of the bank are secured by pari-passu first charge on all the Fixed Assets, both present and future, by way of equitable mortgage. Further, loan is secured by way of pari passu second charge on the Current Assets of the Holding Company.

c) Term Loan of Rs.108.94 crore (Previous year Rs.124.41 crore) from the Banks are secured by pari-passu first charge on entire Optical Fibre Project Assets at Hyderabad (Unit-1), both present and future, by way of equitable mortgage. The loan is further secured by personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

d) Term Loan of Rs.13.34 crore (Previous year Rs.Nil) as disbursed against sanctioned of Rs.48.00 crore from the Bank is secured by exclusive first charge on entire Optical Fibre Cable Project Assets at Hyderabad (Unit -2), both present and future, by way of equitable mortgage except land which is pari-passu charge with the lenders of Unit 1. The loan is further secured by personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

e) Working Capital Facilities (Covid -19 Emergency Credit line) of of Rs.0.86 crore (Previous year Rs.19.24 crore) and FITL under Covid-19 scheme of Rs Nil (Previous year Rs. 0.65 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties except Hyderabad units of the Company and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

f) Other Vehicle Loans of Rs.3.08 crore (Previous Year Rs.2.35 crore) from banks and others are secured by way of hypothecation of respective vehicle.

Regarding Subsidiary Company:

g) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for Rs. 120.00 Crs in the ratio of equity shares holding i.e 26% by GOI and 74% by HFCL Limited, Holding Company. It was also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by HFCL Limited. However, the proposal for loan conversion has not been agreed upon by the Competent Authority of GOI as communicated vide file no 20-71/2015-FAC.II dated 27.01.2022. The loan amount along with the interest has been directed to be repaid and therefore same has been classified under Current Financial Liability.



h) Term Loan of Rs. 14.79 crore (Previous year Rs. 20.59 crore) from Yes Bank Ltd and Term Loan of Rs 25.56 crore (Previous year 6.70 crore) from State Bank of India is secured by way of exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited (Holding Company), personal guarantee of Chairman of the Company, Corporate Guarantee of M/s MN Ventures Private Limited and pledge of 23.90% shareholding of the Holding Company in HTL Ltd. Repayment of term loan from Yes Bank Ltd would be made in 20 structured quarterly instalments over a period of 5 years commencing after moratorium period i.e. 3 months after date of disbursement whereas repayment of term loan from State Bank of India would be made in 14 structured quarterly instalments after moratorium period i.e. 6 months after date of disbursement.

Secured term and other Loans - Repayment schedule and rate of interest :

Particulars	Term Loan	Term Loan	Term Loan	Term Loan	Vehicle Loan
Secured					
Rate of Interest	9.25%	7.40%	9.80%	14.50%	7.50% to 10.30%
Outstanding amount	122.27	0.86	14.79	25.56	3.08
Repayment Due					
FY 2022-23	28.90	0.86	5.86	8.56	1.13
FY 2023-24	24.70	-	5.93	8.56	0.86
FY 2024-25	20.13	-	3.00	8.44	0.74
FY 2025-26 to 2027-28	48.54	-	-	-	0.35

24 Non-Current Liabilities - Provisions

Particulars	As at March 31, 2022	As at March 31, 2021
Provisions for Employee Benefits (refer note no. 46)		
Provision for Gratuity	16.94	17.95
Provision for Leave Encashment	18.10	18.55
Total	35.04	36.50



25 Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2022	As at March 31, 2021
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	342.24	379.10
(ii) from banks - Receivable bills discounting*	-	49.81
(iii) Current maturities of long-term borrowings; (refer note 23)	45.31	69.96
(iv) Non Convertible Debentures (refer note 23)	-	11.24
(v) Buyers credit	13.79	13.54
Unsecured		
(i) from banks - Vendors bills discounting	109.27	70.54
(ii) from other parties - Inter Corporate Deposit**	91.68	74.65
(iii) from Government of India (Refer Note 55 (i))	6.24	-
Total	608.53	668.84

*terms of short term borrowings from banks:

A. Regarding Holding Company:

a) Working Capital Loans from banks aggregating to Rs.218.81 crore (Previous year: Rs.222.52 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of first charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

b) Working Capital Loans from Banks aggregating to Rs.Nil (Previous year: Rs. 49.14 crore) and Inland bills discounting limit of Rs. Nil (Previous year Rs. 49.81 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of GIS based Optical Fiber Network Management System (GOFNMS) Project. The loan is further secured by second pari passu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Private Limited and Nextwave Communications Private Limited, first pari passu charge of cash flows of the project for working capital consortium.

c) Working Capital Loans from Banks aggregating to Rs. 73.37 crore (Previous year: Rs.70.80 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of IPMPLS back bone Project for Network for Spectrum (NFS). The loan is further secured by second pari passu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Private Limited, first pari passu charge of cash flows of the project for working capital consortium.

B. Regarding Subsidiary Companies:

d) Working capital loan of Rs Nil (Previous year: Rs 2.46 crore) is secured against hypothecation of Inventory cum Book Debts and all current assets of the Polixel Security Systems Pvt Ltd. This loan is secured against corporate guarantee and pledge of shares by other Body Corporate.

e) Working capital loan of Rs 63.85 crore (Previous year: Rs 47.73 crore) to HTL Ltd from Banks is secured against exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited, personal guarantee of Chairman of the Company, Corporate Guarantee of M/s MN Ventures Private Limited and pledge of 23.90% shareholding of the Holding Company in HTL Ltd.

C. Quarterly returns/statements of current assets filed by the Group with Banks are in agreement with the books of accounts.

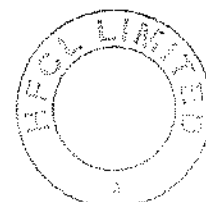
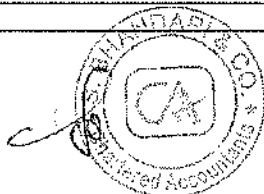
** Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 9% to 15%.

26 Current Financial Liabilities - Trade Payables

Particulars	As at March 31, 2022	As at March 31, 2021
Trade Payables - undisputed		
Due to Micro and Small Enterprises	192.80	181.49
Others	844.13	1,566.47
Total	1,036.93	1,747.96

Ageing of undisputed trade payables as at 31st March, 2022

Particular	Due to Micro and Small Enterprises	Others
Not due	147.00	578.19
Less than 1 year	44.88	255.85
1-2 years	0.89	4.15
2-3 years	0.04	1.84
More than 3 years	-	4.10
Total	192.81	844.13



Ageing of undisputed trade payables as at 31st March, 2021

Particular	Due to Micro and Small Enterprises	Others
Not due	142.65	1,291.11
Less than 1 year	38.19	258.03
1-2 years	0.65	6.13
2-3 years	-	4.21
More than 3 years	-	6.99
Total	181.49	1,566.47

Note: There are no disputed trade payables.

27 Other Financial Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Retention Money*	256.61	272.38
Other Financial Liabilities		
Interest accrued but not due	29.05	0.78
Security deposit	4.15	4.78
Creditors for Capital Goods	19.59	11.70
Expenses Payables	89.02	102.58
Other Employees related liabilities	16.77	13.73
Unpaid Dividends & Tax their on	0.52	0.26
Total	415.71	486.21

* retention money are due on completion of erection/contracts/final acceptance by the Group.

28 Current Tax Liabilities (Net)

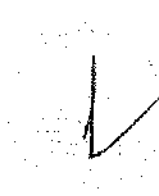
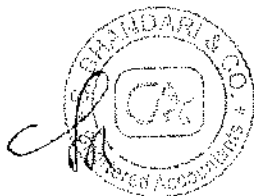
Particulars	As at March 31, 2022	As at March 31, 2021
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	30.32	46.37

29 Other Current Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory Liabilities payable	21.20	43.91
Advance from Customers	47.70	27.31
Total	68.90	71.22

30 Current Liabilities - Provisions

Particulars	As at March 31, 2022	As at March 31, 2021
Provisions		
Provisions for Employee Benefits (refer note no. 46)		
-Provision for Gratuity	2.83	2.25
-Provision for Leave Encashment	4.37	1.77
Provisions - Others	2.66	8.09
Total	9.86	12.11



31 Revenue from operations

Particulars	For the years ended March 31, 2022	For the years ended March 31, 2021
Sale and Services		
- Manufacturing and trading activities	1,938.48	1,200.23
- Turnkey project related activities	2,779.50	3,217.22
Other Operating Revenues		
- Scrap sale	4.12	1.97
- Export Incentives	5.01	3.54
Total	4,727.11	4,422.96

Notes:

- (i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115.
- (ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is Rs. Nil (Previous year Rs.30.11 crore) which is expected to be recognised as revenue in the next year.

(iii) Contract balances

- (a) Changes in Contract assets (Unbilled revenue) are as follows-

	For the year ended March 31, 2022	For the year ended March 31, 2021
Balance at the beginning of the year	20.70	18.48
Revenue recognised during the year	143.47	19.47
Invoices raised during the year	17.29	17.25
Balance at the end of the year	146.88	20.70

- (b) Changes in contract liabilities (Unearned revenue) are as follows -

	For the year ended March 31, 2022	For the year ended March 31, 2021
Balance at the beginning of the year	30.11	33.16
Increase due to invoicing during the year	-	-
Revenue recognised that was included in the unearned and deferred revenue	30.11	3.05
Balance at the end of the year	-	30.11

* including performance obligation pertaining to suspended projects

Revenues in excess of invoicing are classified as contract assets (which can also be referred to as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which can also be referred to as unearned revenues). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the Customer.



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- (iv) The Group The Company has evaluated the impact of COVID – 19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Group has concluded that the impact of COVID – 19 is not material based on these estimates. Due to the nature of the pandemic, the Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

32 Other Income

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Other non-operating income		
Interest Income	15.54	15.39
Dividend Income	-	-
Financial guarantee Income	0.36	0.40
Exchange Fluctuation Income (net)	-	15.76
Reversal of Share based payments to employees expenses (refer note 54)	8.68	-
Subsidy under state incentives scheme	15.20	-
Others	3.13	3.21
Total	42.91	34.76

33 Cost of Material Consumed

	For the year ended March 31, 2022	For the year ended March 31, 2021
Opening Stock	114.78	72.97
Add : Purchases during the year	1,057.82	686.02
	1,172.60	758.99
Less: Closing Stock	199.05	114.78
Total	973.55	644.21

34 Other Direct Costs

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Project and labour service charges	1,304.42	934.49
Consumption of Packing Material	33.66	19.65
Consumption of stores and spares parts	23.42	18.86
Loose Tools written off	0.50	0.24
Total	1,362.00	973.24

35 Change in inventories of finished goods, work-in progress and stock-in trade

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Closing Stock		
Finished Goods	63.08	57.37
Stock in Trade- Goods	75.23	67.52
Work in process	193.93	126.83
	332.24	251.72
Opening Stock		
Finished Goods	57.37	63.99
Stock in Trade- Goods	67.52	61.21
Work in process	126.83	134.59
	251.72	259.79
Total	(80.52)	8.07

36 Employee benefits expenses

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, bonus and allowances	282.96	233.60
Contribution to Provident and other funds	12.32	10.23
Staff welfare expenses	15.28	5.13
Share Based payments to Employees (refer note no. 54)	-	3.89
Total	310.56	252.85

37 Finance costs

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Bank Loan Interest	53.70	69.30
Other Interest (net)	18.10	25.03
Bank Charges and loan processing fee	91.87	77.95
Interest on lease liabilities (refer note no. 43)	2.73	2.44
	166.40	174.72

38 Other expenses

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Rent	1.99	3.78
Rates and Taxes	5.73	3.53
Auditors' Remuneration		
- Audit Fees	1.33	1.10
- In Other Capacity*	0.37	0.31
- Out of pocket expenses	0.07	0.02
Legal and Professional Charges	56.15	45.39
Communication Expenses	3.53	2.30
Travelling and Conveyance Expenses	39.45	31.29
Power and Fuel & Water Charges	35.10	26.33
Repairs and Maintenance	4.91	4.83
Insurance Expenses	10.64	11.85
Selling & Distribution Expenses	36.81	35.38
Bad debts, Loans and Advances, other balances written off (net)	0.56	1.57
Provision for doubtful debts	5.01	3.09
Sitting Fees to non-executive directors	0.50	0.48
Liquidated Damages on Sales	6.99	8.94
Research & Product Development Expenses	20.71	8.67
Exchange Fluctuation Loss (Net)	5.05	-
Corporate Social Responsibility Expenses	6.81	10.44
Preliminary Expenses	0.11	-
Miscellaneous Expenditure	25.92	17.31
Total	267.74	216.61

* excluding Professional fee of Rs. 0.30 crore paid to Auditors of Holding Company towards QIP share issuance and being debited to share issue expenses.

39 Earning per Share (EPS)- In accordance with the Indian Accounting Standard (Ind AS-33)

Particulars	For the Year ended March 31, 2022	For the Year ended March 31, 2021
Basic & Diluted Earnings per share		
Profit/Loss for the year	325.87	246.24
Profit attributable to ordinary shareholders (A)	313.12	239.00
Weighted average number of ordinary shares (B) (used as denominator for calculating basic EPS)	1,31,46,71,615	1,28,43,77,194
Potential equity shares	13,21,100	1,20,16,000
Weighted average number of ordinary shares (C) (used as denominator for calculating diluted EPS)	1,31,59,92,715	1,29,63,93,194
Nominal value of ordinary share	Rs. 1/-	Rs. 1/-
Earnings per share basic (A/B) (Rs.)	2.38	1.86
Earnings per share diluted (A/C) (Rs.)	2.38	1.87

10 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of property, plant and equipment and Intangible Assets

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2. Recoverability of intangible asset and intangible assets under development

Capitalization of cost in intangible assets under development is based on management's judgement that technological and economic feasibility is confirmed and asset under development will generate economic benefits in future. Based on evaluations carried out, the management has determined that there are no factors which indicates that these assets have suffered any impairment loss.

3. Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in Note 46.

4. Revenue Recognition

The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. Judgement is also required to determine the transaction price for the contract. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations. The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

5. Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

6. Loss allowance for receivables and unbilled revenues

The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

7. Taxes

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. Contingencies

On an ongoing basis, Group reviews pending cases, claims by third parties and other contingencies and obligations. Obligations relating to Project Executions is largely depends upon performance of services by respective contractors. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the consolidated financial statements. Contingencies the likelihood of which is remote are not disclosed in the consolidated financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable.

9. Fair Value of Unquoted equity investments:

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Group obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Group reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the consolidated statement of profit and loss.

1 Impact and future uncertainties relating to Global health pandemic from COVID-19

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of the financial statements including there coverability of carrying amounts of financial and non financial assets. Further the impact assessment does not indicate any adverse impact on the ability of the Group to continue as a going concern. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group has, at the date of approval of the financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these financial statements.

2 Dividend Distribution made and proposed

The amount of dividend recognized as distributions to equity shareholders of Holding Company during the year ended March 31, 2022 is @ 15 %, i.e. Rs.0.15/- per equity share of face value of Re.1/- each (Previous Year Rs. Nil). The Board of Directors of Holding Company at its meeting held on May 10, 2021 had recommended such dividend of 15% for the financial year ended March 31, 2021 which was approved by the shareholders of Holding Company at the Annual General Meeting held on September 30, 2021. The aforesaid dividend was paid during the year ended March 31, 2022.

The Board of Directors of Holding Company have recommended a dividend of 18% (i.e. Rs.0.18/- per equity share of face value of Re.1/- each) for the financial year ended March 31, 2022 which is subject to the approval of shareholders of the Holding Company at the Annual General Meeting.



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43 Leases

The details of the right-of-use asset held by the Group is as follows:

	Addition for the year ended March 31, 2022	Net carrying amount as at March 31, 2022	Addition for the year ended March 31, 2021	Net carrying amount as at March 31, 2021
Land	-	0.09	-	0.09
Buildings	14.06	23.98	5.59	20.23
Total	14.06	24.07	5.59	20.32

Depreciation on right-of-use asset as follows:

	For the year ended March 31, 2022	For the year ended March 31, 2021
Land	-	-
Buildings	6.54	5.39
Total	6.54	5.39

The details of the Lease Liabilities payable by the Group is as follows:

	As at March 31, 2022	As at March 31, 2021
Current	7.21	3.75
Non Current	19.34	18.47
Total	26.55	22.21

Interest on lease liabilities is Rs. 2.73 crore and Rs. 2.44 crore for the year ended March 31, 2022 and March 31, 2021 respectively.

Lease contracts entered by the Group majorly pertains for buildings taken on lease to conduct its business in the ordinary course. The Group does not have any lease restrictions and commitment towards variable rent as per the contract. The leases that the Group has entered with lessors towards properties used as ware houses/offices are long term in nature.

44 (a) Information of Subsidiary Companies & Jointly Controlled Entities:

The following is the list of all subsidiary companies & jointly controlled entities along with the proportion of voting power held:

Name of the Subsidiary Companies & Jointly Controlled Entities	Percentage of Holding	Incorporated In
HTL Limited	74%	India
Polixel Security Systems Private Limited	100%	India
Moneta Finance (P) Ltd.	100%	India
HFCL Advance Systems (P) Ltd.	100%*	India
Radeff Private Limited	90%	India
DragonWave HFCL India Private Limited	100%	India
HFCL Technologies Private Limited (Wholly owned Subsidiary w.e.f. 26th June 2021)	100%	India
HFCL Inc. (Wholly owned Subsidiary w.e.f. 08th October 2021)	100%	USA
HFCL B.V. (Wholly owned Subsidiary w.e.f. 07th October 2021)	100%	Netherlands
Nimpaa Telecommunications Private Limited (Jointly Controlled Entity w.e.f. 14th June, 2021)	50%	India
BigCat Wireless Pvt. Limited (Jointly Controlled Entity with 50% voting right w.e.f. 12th November 2021)	29.69%	India

*jointly with subsidiary company

(b) Additional Information, as required under Schedule III of the Companies Act, 2013 of enterprises consolidated as Subsidiaries / Jointly Controlled Entities

Name of the Enterprises	Net assets i.e. total assets minus total liabilities		Share in Profit & Loss	
	As % of Consolidated net assets	Amount (Rs. in cr.)	As % of Consolidated Profit/Loss	Amount (Rs. in cr.)
Parent / Holding Company				
HFCL Limited	96.83	2,728.54	86.89	284.72
Subsidiaries - Indian				
HTL Limited	2.38	67.19	9.83	32.19
Polixel Security Systems Private Limited	0.12	3.50	(0.65)	(2.14)
Moneta Finance Private Limited	0.01	0.37	0.01	0.02
HFCL Advance Systems Private Limited	0.00	(0.06)	0.00	(0.01)
Radeff Private Limited	(0.11)	(3.15)	(0.20)	(0.67)
DragonWave HFCL India Private Limited	0.07	2.11	0.22	0.71
HFCL Technologies Private Limited	(0.01)	(0.30)	(0.09)	(0.30)
Subsidiaries - Foreign				
HFCL INC.	0.00	0.06	0.02	0.06
HFCL B.V.	0.00	0.13	0.04	0.13
Jointly Controlled Entities- Indian				
Nimpaa Telecommunications Private Limited	0.00	0.00	0.22	0.72
BigCat Wireless Pvt. Limited	0.00	0.00	(0.17)	(0.56)
Non- Controlling interest in all subsidiaries	0.71	19.97	3.88	12.71



45 Business Combination

i) During the year the Holding Company has acquired voting right of 50% in Nimpaa Telecommunications Private Limited (Nimpaa), having its registered office at No. 16/38, Maharaja Surya Road, Teynampet, Chennai -600018, Tamilnadu, at a total consideration of Rs.1.00 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. 14th June, 2021. Nimpaa is engaged in the business of manufacture of equipment, component, accessories and cables for telecommunication systems, networks. Abridged financials of Nimpaa Telecommunications Private Limited for the period ended 31st March 2022 is as under:

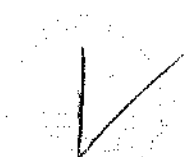
Summarised Balance Sheet	As at 31st Mar 2022
Current Assets	
Financial Assets (excluding Trade Receivables)	0.51
Other Current Assets	6.12
Total Current Assets	6.63
Non-Current Assets	
Property, Plant & Equipment	5.58
Other Non Current Assets	0.34
Total Non-Current Assets	5.92
Current Liabilities	
Financial Liabilities (excluding Trade Payables)	1.37
Other Liabilities	1.11
Total Current Liabilities	2.48
Non-Current Liabilities	
Financial Liabilities	8.00
Other Liabilities	0.02
Total Non-Current Liabilities	8.02
Net Assets	2.05

Summarised Statement of Profit & Loss	1st Apr 2022 to 31st Mar 2022
Revenue from Operations	15.19
Other Income	0.02
Other Expense	12.31
Depreciation & Amortisation	0.78
Finance Cost	0.93
Income tax Expense	0.18
Profit / (Loss) for the year	1.00
Other Comprehensive Income	
Total Comprehensive Income for the year	1.00

ii) During the year the Holding Company has also acquired voting rights of 50% in BigCat Wireless Private Limited, having its registered office at New No. 21, Old No. 9, Flat C2, Dwarka Apartments, 1st Avenue, Shastri Nagar, Chennai-600020, Tamilnadu, at a total consideration of Rs.8.50 crore thereby making it a Jointly Controlled Entity of the Company w.e.f. 12th Nov, 2021. BigCat Wireless Private Limited is engaged in the development of software and hardware products for wireless networking and other related technical, research and development activities. Abridged financials of BigCat Wireless Private Limited for the period ended 31st March 2022 is as under:

Summarised Balance Sheet	As at 31st Mar 2022
Current Assets	
Financial Assets (excluding Trade Receivables)	12.87
Other Current Assets	3.75
Total Current Assets	16.62
Non-Current Assets	
Property, Plant & Equipment	1.07
Other Non-Current Assets	2.36
Total Non-Current Assets	3.43
Current Liabilities	
Financial Liabilities (excluding Trade Payables)	-
Other Liabilities	0.85
Total Current Liabilities	0.85
Non-Current Liabilities	
Financial Liabilities	0.40
Other Liabilities	0.78
Total Non-Current Liabilities	1.18
Net Assets	18.02

Summarised Statement of Profit & Loss	1st Apr 2022 to 31st Mar 2022
Revenue from Operations	8.43
Other Income	1.14
Other Expense	-
Depreciation & Amortisation	0.88
Finance Cost	0.11
Income tax Expense	0.03
Profit / (Loss) for the year	(3.50)
Other Comprehensive Income	-
Total Comprehensive Income for the year	(3.50)



46 During the year, Group has recognised the following amounts in the consolidated financial statements as per Ind AS - 19 "Employee Benefits" as specified in the Companies (Indian Accounting Standards) Rules, 2015:

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised are charged to Consolidated Statement of Profit and Loss for the year as under :

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Employer's Contribution to Provident Fund	12.15	10.09

b) Defined Benefit Plan

The employees' gratuity fund scheme is managed by HDFC Standard Life Insurance Company Limited which is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

Actuarial assumptions

	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)				
Discount rate (per annum)	7.20%	6.80%	7.20%	6.80%
Rate of increase in Compensation levels	7.05%	6.65%	7.05%	6.65%
Average remaining working lives of employees (Years)	19.40	18.56	19.00	18.57

Table showing changes in present value of obligations :

Present value of obligation as at the beginning of the year	22.66	23.25	20.33	15.11
Acquisition adjustment	-	-	-	-
Interest Cost	1.47	1.58	1.34	1.02
Past service cost (Vested Benefit)	Nil	Nil	Nil	5.00
Current Service Cost	3.54	3.11	5.44	4.43
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost / (Credit)	Nil	Nil	Nil	Nil
Benefits paid	(5.12)	(3.38)	(4.79)	(3.60)
Actuarial (gain)/ loss on obligations	0.11	(1.90)	0.16	(1.63)
Present value of obligation as at the end of the period	22.66	22.66	22.48	20.33

Table showing changes in the fair value of plan assets :

Fair value of plan assets at beginning of the year	2.46	2.06	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.17	0.14	N.A.	N.A.
Employer contribution	-	-	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	0.27	0.26	Nil	Nil
Changes deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.90	2.46	Nil	Nil

Other Comprehensive Income

Actuarial (gain) / loss for the period - Obligation	0.11	(1.91)	0.16	(1.63)
Actuarial (gain) / loss for the period - Plan assets	(0.27)	(0.25)	-	-
Total (gain) / loss for the period	(0.16)	(2.16)	0.16	(1.63)
Actuarial (gain) / loss recognized in the period	(0.16)	(2.16)	0.16	(1.63)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil

The amounts to be recognized in Consolidated Balance Sheet :

Present value of obligation as at the end of the period	22.66	22.66	22.48	20.33
Fair value of plan assets as at the end of the period	2.90	2.46	Nil	Nil
Funded Status	(19.76)	(20.20)	(22.48)	(20.33)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(19.76)	(20.20)	(22.48)	(20.33)

Expenses recognised in Consolidated Statement of Profit and Loss :

Current service cost	3.54	3.11	5.44	4.43
Past service cost (Vested Benefit)	Nil	Nil	Nil	5.00
Interest Cost	1.47	1.58	1.34	1.02
Expected return on plan assets	(0.16)	(0.14)	Nil	Nil
Curtailment and settlement cost / (credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	4.85	4.55	6.78	10.45

Sensitivity analysis of the defined benefit obligation:

Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	22.66	22.66	22.48	20.33
Impact due to increase of 0.5%	(1.36)	(1.30)	(1.46)	(1.64)
Impact due to decrease of 0.5%	1.30	1.25	1.36	0.88
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	22.66	22.66	22.48	20.33
Impact due to increase of 0.5%	1.28	1.27	(1.18)	(1.68)
Impact due to decrease of 0.5%	(1.33)	(1.34)	1.08	0.90

Sensitivities due to mortality & withdrawals are insignificant & hence ignored.



Maturity profile of defined benefit obligation:

March 2022 to March 2023	1.43	0.77	3.59	2.79
March 2023 to March 2024	1.21	0.73	0.65	0.64
March 2024 to March 2025	0.76	1.05	0.53	0.46
March 2025 to March 2026	0.80	0.66	0.39	0.43
March 2026 to March 2027	1.08	1.01	0.53	0.52
March 2027 to March 2028	1.99	2.46	1.16	1.02
March 2028 onwards	15.39	15.99	15.63	14.47

Investment Details

HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.90	2.46	Nil	Nil

Note: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary Valuer.

47 Commitments and Contingencies
(a) Contingent Liabilities not provided for in respect of:

Particulars	As at March 31, 2022	As at March 31, 2021
(i) Unexpired Letters of Credit (margin money paid Rs.75.84 crore; Previous year Rs.57.05 crore)	482.60	371.44
(ii) Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of Rs.139.86 crore; Previous year Rs.153.57 crore)	887.75	805.57
(iii) Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest Rs.3.91 crore (previous year Rs.3.87 crore) shown as recoverable advance)	78.39	64.79
(iv) Custom Duty against import under EPCG scheme	6.15	4.60

Notes:

i) The Group's pending litigations comprise of claims against the Group and proceedings pending with Tax Authorities. The Group has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its consolidated financial statements. The Group does not expect the outcome of these proceedings to have a material impact on its financial position.

ii) The Group periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Group has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

iii) The Holding Company has provided guarantees to third parties on behalf of subsidiary and associates. The Holding Company does not expect any outflow of resources in respect of such guarantees.

iv) There is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court vide its ruling in February 2019, in relation to the scope of compensation on which the organization and its employees are to contribute towards Provident Fund. The Group will evaluate its position and act, as clarity emerges.

v) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period when the Code becomes effective.

vi) As at March 31, 2022 the Group has outstanding term derivative contracts as referred in note no. 57

vii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, and jointly controlled entities incorporated in India

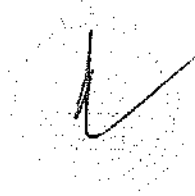
viii) The Delhi high court has restrained HFCL Limited and its subsidiaries for allegedly manufacturing and selling of optic fibre cable based on Sterline Technologies Limited (STL) multinode technology, in a patent infringement case. The product in question is being manufactured and used by HFCL for more than 15 years, and the patent claims made by STL have no veracity. STL's claim holds no merit and HFCL has more than strong defence to present the same in the court to vacate the ex-parte interim restrain order

b) Capital Commitments

Particulars	As at March 31, 2022	As at March 31, 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	134.14	78.68
Uncalled capital Commitment pertaining to investments	12.00	23.50

c) Financial Guarantees

Issued in favour of	Issued to	As at March 31, 2022 (Rs.)	As at March 31, 2021 (Rs.)	Purpose
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	9.60	Ad-hoc BG
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	4.06	Working Capital
Exicom Tele-systems Ltd	Punjab National Bank	6.50	6.50	Working Capital



48 In the opinion of the Board of Holding Company, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated.

Balances of various trade payables, trade receivables, loans and advances, security deposits and other parties are subject to confirmation/reconciliation and consequential adjustments, if any. In the opinion of the management, such adjustments, if any, will not have a material impact on the Consolidated Financial Statements.

49 (a) In view of the limited scale of operations at the Holding Company's Solan (Himachal Pradesh) Facilities and as a step towards cost optimization, the Board of Holding Company in its meeting held on January 20, 2020, had decided to shift the Plant and Machinery of Solan Facilities and operations thereof to the Company's Manufacturing Facility located in Hyderabad. Further, in order to ensure continuity of the job of the employees currently based at Solan, the Holding Company also considered to offer the continued employment either at Hyderabad or at such other places where the project works are being got executed. The Holding Company introduced a Voluntary Retirement Scheme (VRS) to those employees who are finding it difficult to relocate to Hyderabad/other locations. Consequently, VRS compensation paid during the previous year amounting to Rs.4.13 crores has been disclosed as an exceptional item. Further, the management of the Holding Company is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery at its Hyderabad Plant.

(b) In case of Subsidiary Company, the Company has introduced a Voluntary Retirement Scheme (VRS) 2021 to eligible employees/officers and the VRS Scheme was remained open from 4th October 2021 to 10th November 2021. VRS Compensation paid during the period amounting to Rs. 6.37 crores has been disclosed as an exceptional item in the financial statements.

50 "Related Party Disclosures" as required by Ind AS - 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

(i) Name and description of related parties -

Relationship	Name of Related Party
(a) Key management personnel :	Mr. Mahendra Nahata, Managing Director- HFCL Ltd Mr. Vijay Raj Jain, Group Chief Financial Officer- HFCL Ltd Mr. Manoj Baid, Vice President (Corporate) & Group Company Secretary- HFCL Ltd Mr. G.S.Naidu, COO & Manager - HTL Ltd. Mr. C. D. Ponnappa Chief Finance Officer - HTL Ltd. Mr. S Narayanan, Company Secretary- HTL Ltd. Mr. Yogesh Gupta, Company Secretary- DragonWave HFCL India Private Limited (upto 30.11.2020) Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Private Limited Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Private Limited Ms. Shubli Singhla, Company Secretary- HFCL Technologies Private Limited
(b) Jointly Controlled Entities :	Nimpaa Telecommunications Private Limited BigCat Wireless Pvt. Limited
(c) Post Employment Benefit Plans :	HFCL Employees Group Gratuity Trust HFCL Employees Trust - ESOP
(d) Enterprises owned or Significantly influenced by key management personnel or their relatives:	MN Ventures Private Limited Nextwave Communications Private Limited. Exicom Tele-Systems Limited Satellite Finance Private Ltd. Shankar Sales Promotion Private Ltd. Vinsan Brothers Private Ltd. Fitcore Tech-Solutions Private Ltd. Mr. Anant Nahata

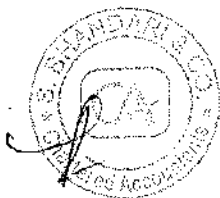
Note: Related party relationship is as identified by the Group and relied upon by the auditors

(ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at March 31, 2022 are as under:

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Purchases/receiving of Goods & services		
Exicom Tele-systems Limited	14.50	6.05
Nimpaa Telecommunications Private Limited	8.46	-
Sales/rendering of Goods and Materials		
Exicom Tele-systems Limited	2.41	2.47
Nimpaa Telecommunications Private Limited	0.46	-
Investments		
Bigcat Wireless Private Ltd.	8.00	-
Nimpaa Telecommunications Private Ltd.	1.00	-
Income - Rent /Other Income		
Exicom Tele-systems Limited	0.46	0.21
Nimpaa Telecommunications Private Limited	6.65	-
Income - Interest on Loan given		
Nimpaa Telecommunications Pvt. Ltd.	0.40	-
Expenses - Rent /Other expenses		
Exicom Tele-systems Limited	0.84	0.84
Satellite Finance Private Ltd.	0.35	0.35
Shankar Sales Promotion Private Ltd.	0.71	0.73
Vinsan Brothers Private Ltd.	0.79	0.72
Loans and Advances given during the year		
Nimpaa Telecommunications Private Limited	1.00	3.00
Dividend paid		
MN Ventures Private Limited	4.34	-
Nextwave Communications Private Limited.	3.30	-
Shankar Sales Promotion Private Ltd.	-	-
Vinsan Brothers Private Ltd.	0.01	-
Fitcore Tech-Solutions Private Ltd.	0.34	-
Mr. Mahendra Nahata	0.07	-
Mr. Anant Nahata	0.04	-
Mr. Vijay Raj Jain	-	-
Mr. Manoj Baid	-	-
Mr.G.S.Naidu, COO & Manager - HTL Ltd.	-	-
HFCL Employees Trust	0.05	-

Closing Balances of Receivables		
Exicom Tele-systems Limited	2.34	0.73
Nimpa Telecommunications Pvt. Ltd.	0.27	-
Closing Balances of Loans		
Nimpa Telecommunications Pvt. Ltd.	4.00	-
Closing Balances of Advances		
Vinsan Brothers Private Ltd.	0.66	-
Closing Balances of Security Deposit		
Satellite Finance Private Ltd.	0.16	0.16
Vinsan Brothers Private Ltd.	0.40	-
Closing Balances of Trade Payables		
Exicom Tele-systems Limited	0.59	-
Nimpa Telecommunications Pvt. Ltd.	3.29	-
Shankar Sales Promotion Private Ltd.	-	0.32
Vinsan Brothers Private Ltd.	-	0.35
MN Ventures Private Limited	3.99	-
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	0.25	-
Contribution towards ESOP Trust		
HFCL Employees Trust	-	0.03
Loan to HFCL Employee Trust (Net)	3.48	-
Guarantees and collaterals		
Exicom Tele-systems Limited	6.50	6.50
Closing Balance of Advances to Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	-	0.59
Mr. Vijay Raj Jain (Group Chief Financial Officer)	1.10	1.20
Mr. Manoj Baid (Vice President (Corporate) & Group Company Secretary)	-	0.09
Remuneration of Key Management Personnel's*		
Mr. Mahendra Nahata, Managing Director- HFCL Ltd	6.80	5.78
Mr. Vijay Raj Jain, Group Chief Financial Officer- HFCL Ltd	3.80	2.97
Mr. Manoj Baid, Vice President (Corporate) & Group Company Secretary- HFCL Ltd	0.95	0.83
Mr. G.S.Naidu, COO & Manager - HTL Ltd.	0.56	0.58
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd	0.57	0.51
Mr. S Narayanan, Company Secretary- HTL Ltd.	0.22	0.21
Mr. Yogesh Gupta, Company Secretary- DragonWave HFCL India Private Limited (upto 30.11.2020)	-	0.26
Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Private Limited	0.30	0.30
Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Private Limited	0.09	-
Ms. Shubhi Singhal, Company Secretary- HFCL Technologies Private Limited	0.01	-
Remuneration payable to Key Management Personnel's		
Mr. Mahendra Nahata, Managing Director- HFCL Ltd	0.35	-
Mr. Vijay Raj Jain, Group Chief Financial Officer- HFCL Ltd	-	0.06
Mr. Manoj Baid, Vice President (Corporate) & Group Company Secretary- HFCL Ltd	0.03	0.02
Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Private Limited	-	-
Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Private Limited	0.02	0.02
Mr. G.S.Naidu, COO & Manager - HTL Ltd.	0.08	0.08
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd	0.08	0.07
Mr. S Narayanan, Company Secretary- HTL Ltd.	0.02	0.03
Share based payment to employees		
Mr. Vijay Raj Jain, Group Chief Financial Officer- HFCL Ltd	0.02	0.25
Mr. Manoj Baid, Vice President (Corporate) & Group Company Secretary- HFCL Ltd	0.01	0.11
Mr. G.S.Naidu, COO & Manager - HTL Ltd.	-	0.12
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd	-	0.11
ESOP exercised		
Mr. Vijay Raj Jain, Group Chief Financial Officer- HFCL Ltd	0.45	-
Mr. Manoj Baid, Vice President (Corporate) & Group Company Secretary- HFCL Ltd	0.20	-
Mr. G.S.Naidu, COO & Manager - HTL Ltd.	0.19	-
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd	0.17	-

* The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.



31 Segment Reporting

The Company publishes financial statements.

The chief operational and is measured consid

The operating segment

- i. Segment revenue income
- ii. Expenses that are directly attributable to the segment
- iii. Expenses / Income allocated to the segment
- iv. Segment results including the above

v. Segment assets and

vi. Inter - Segment revenue - agreed on a negotiated

(a) Primary segment information

The Group's operation Reporting 'Ind AS-108

Particulars	Business Segments						Total	
	Telecom Products		Turnkey Contracts and Services		Other		Current Year	Previous Year
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year		
Segment Revenue								
Turnover	2,055.16	1,205.46	2,671.74	3,217.50	0.21	-	4,727.11	4,422.96
Segment Result								
Unallocated Finance charges	274.30	154.67	312.71	353.15	0.04	(1.10)	588.05	506.72
Unallocated expenses							166.40	176.09
Unallocated Income							7.61	10.38
Profit before tax							28.08	16.62
Income tax (net)							442.12	336.86
Profit after tax							116.25	90.62
							325.37	246.24
Other Information								
Segment assets	1,574.25	1,304.84	2,823.54	3,400.47	3.63	0.31	4,401.42	4,705.62
Unallocated other assets	-	-	-	-	-	-	770.04	510.17
Total assets	1,574.25	1,304.84	2,823.54	3,400.47	3.63	0.31	5,171.46	5,215.79
Segment liabilities	955.69	688.02	978.42	1,920.43	1.13	1.40	1,935.24	2,609.85
Unallocated other liabilities	-	-	-	-	-	-	417.85	682.47
Total liabilities	955.69	688.02	978.42	1,920.43	1.13	1.40	2,353.09	3,292.32
Depreciation	75.45	66.45	2.80	2.18	-	-	78.25	68.63
Capital Expenditure	114.48	65.13	4.32	3.42	0.73	0.45	119.53	69.00
Non-cash expenses other than Depreciation	(0.41)	1.29	0.87	1.42	0.10	-	0.56	2.71

(b) Secondary segment information

The Group caters main

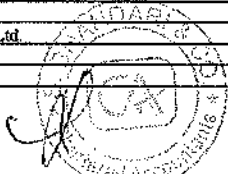


52 Interest charges on loans is net of Interest income from loans and advances amounting to Rs.4.55 crore (Previous year Rs. 8.01 crore) .

53 The Holding Company has transactions with certain companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956. The details are as following details:

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2022	Relationship with the Struck off company, if any, to be disclosed
Cassipien Consultants Pvt. Ltd.	Advance To Vendor	0.04	Not related
Snpr Constructions Pvt. Ltd.	Trade Payable	-	Not related
Airvoice Telenet Pvt. Ltd.	Trade Payable	1.10	Not related
Aks Infra Solutions Pvt Ltd	Trade Payable	0.12	Not related
Amarpamila Infranetworks Pvt. Ltd.	Trade Payable	0.01	Not related
Amethiya Network Services Pvt. Ltd.	Trade Payable	0.01	Not related
Apex Infrateights & Infosolutions Pvt Ltd.	Advance To Vendor	0.30	Not related
Dexterous Engineering Pvt. Ltd.	Trade Payable	0.01	Not related
E Cell Infratel Pvt. Ltd.	Advance To Vendor	0.01	Not related
Excell Buildcon Pvt. Ltd.	Trade Payable	-	Not related
Galaxias Pvt. Ltd.	Trade Payable	0.01	Not related
Gallant Infrabuild Pvt. Ltd.	Trade Payable	0.01	Not related
Jyostna Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Om Ashiana Pvt. Ltd.	Advance To Vendor	-	Not related
Omega Towers And Infrastructures Pvt. Ltd.	Advance To Vendor	0.24	Not related
Operations Management System Pvt. Ltd.	Trade Payable	-	Not related
Pachar Infrastructure Pvt. Ltd.	Trade Payable	0.08	Not related
Pride Infratel Pvt. Ltd.	Trade Payable	0.20	Not related
Radauri Infratel Pvt. Ltd.	Trade Payable	0.10	Not related
Rahber Engineering Co Ltd.	Advance To Vendor	-	Not related
Saksham Electrical & Contractors Pvt. Ltd.	Advance To Vendor	0.01	Not related
Samay Infratech Pvt. Ltd.	Advance To Vendor	0.09	Not related
Sandpiper Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Sanwariya Buildcon Pvt. Ltd.	Trade Payable	0.01	Not related
Saransh Infrastructure Ltd.	Trade Payable	-	Not related
Shakti Teleservices Pvt. Ltd.	Advance To Vendor	0.02	Not related
Shiv Sai Infrareal Pvt. Ltd.	Trade Payable	0.04	Not related
Shree Baki Bihari Infratech Pvt. Ltd.	Advance To Vendor	0.01	Not related
Smv Solution Pvt. Ltd.	Trade Payable	0.02	Not related
Soham Coispan Pvt. Ltd.	Trade Payable	0.04	Not related
Sri Rama Telecom & Infratech Pvt. Ltd.	Trade Payable	-	Not related
Swastika Tele Solutions Pvt. Ltd.	Advance To Vendor	-	Not related
Visat Services Pvt. Ltd.	Trade Payable	0.04	Not related
Vishnu Bhumi Engineers Pvt. Ltd.	Trade Payable	0.02	Not related
Four Star Multi Security Services (India) Pvt. Ltd.	Trade Payable	-	Not related
Hertz Technologies Pvt. Ltd.	Trade Payable	0.01	Not related
Influx Enterprises Pvt. Ltd.	Advance To Vendor	1.49	Not related
Infura Telenet Pvt. Ltd.	Trade Payable	-	Not related
Kallianji Constructions Pvt. Ltd.	Trade Payable	0.06	Not related
Megastar Power Engineers Pvt. Ltd.	Advance To Vendor	0.05	Not related
Pe Infradevelopers Pvt. Ltd.	Advance To Vendor	0.15	Not related
Philipsop's Importers & Exporters Pvt. Ltd.	Advance To Vendor	0.03	Not related
Pragmatica Infraventures Pvt. Ltd.	Advance To Vendor	0.21	Not related
Sajana Saijani Meet Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Survajoti Infratechnologies Pvt. Ltd.	Trade Payable	0.01	Not related
Vas Infratel Pvt. Ltd.	Advance To Vendor	0.04	Not related

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2021	Relationship with the Struck off company, if any, to be disclosed
Cassipien Consultants Pvt. Ltd.	Advance To Vendor	-	Not related
Snpr Constructions Pvt. Ltd.	Trade Payable	0.14	Not related
Airvoice Telenet Pvt. Ltd.	Trade Payable	0.21	Not related
Aks Infra Solutions Pvt Ltd	Trade Payable	0.16	Not related
Amarpamila Infranetworks Pvt. Ltd.	Trade Payable	0.01	Not related
Amethiya Network Services Pvt. Ltd.	Trade Payable	0.01	Not related
Apex Infrateights & Infosolutions Pvt Ltd.	Advance To Vendor	0.30	Not related
Dexterous Engineering Pvt. Ltd.	Trade Payable	0.01	Not related
E Cell Infratel Pvt. Ltd.	Advance To Vendor	0.01	Not related
Excell Buildcon Pvt. Ltd.	Trade Payable	-	Not related
Galaxias Pvt. Ltd.	Trade Payable	0.01	Not related
Gallant Infrabuild Pvt. Ltd.	Trade Payable	0.01	Not related
Jyostna Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Om Ashiana Pvt. Ltd.	Advance To Vendor	-	Not related
Omega Towers And Infrastructures Pvt. Ltd.	Advance To Vendor	0.24	Not related
Operations Management System Pvt. Ltd.	Trade Payable	-	Not related
Pachar Infrastructure Pvt. Ltd.	Trade Payable	0.06	Not related
Pride Infratel Pvt. Ltd.	Trade Payable	0.23	Not related
Radauri Infratel Pvt. Ltd.	Trade Payable	0.10	Not related
Rahber Engineering Co Ltd.	Advance To Vendor	-	Not related
Saksham Electrical & Contractors Pvt. Ltd.	Advance To Vendor	0.01	Not related
Samay Infratech Pvt. Ltd.	Advance To Vendor	0.09	Not related
Sandpiper Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Sanwariya Buildcon Pvt. Ltd.	Trade Payable	0.01	Not related
Saransh Infrastructure Ltd.	Trade Payable	-	Not related
Shakti Teleservices Pvt. Ltd.	Advance To Vendor	0.02	Not related
Shiv Sai Infrareal Pvt. Ltd.	Trade Payable	0.04	Not related
Shree Baki Bihari Infratech Pvt. Ltd.	Advance To Vendor	0.01	Not related
Smv Solution Pvt. Ltd.	Trade Payable	0.02	Not related
Soham Coispan Pvt. Ltd.	Trade Payable	0.04	Not related



Sri Rama Telecom & Infratech Pvt. Ltd.	Trade Payable	-	Not related
Swastika Tele Solutions Pvt. Ltd.	Trade Payable	-	Not related
Vignit Services Pvt. Ltd.	Trade Payable	0.04	Not related
Vishnu Bhumi Engineers Pvt. Ltd.	Trade Payable	0.02	Not related
Four Star Multi Security Services (India) Pvt. Ltd.	Trade Payable	-	Not related
Hertz Technologies Pvt. Ltd.	Trade Payable	0.01	Not related
Influx Enterprises Pvt. Ltd.	Advance To Vendor	1.49	Not related
Infura Telecom Pvt. Ltd.	Trade Payable	-	Not related
Kaliangli Constructions Pvt. Ltd.	Trade Payable	0.11	Not related
Megastar Power Engineers Pvt. Ltd.	Advance To Vendor	0.05	Not related
Pc Infradevelopers Pvt. Ltd.	Trade Payable	0.15	Not related
Philipsons Importers & Exporters Pvt. Ltd.	Advance To Vendor	0.03	Not related
Pragmatica Infraventures Pvt. Ltd.	Advance To Vendor	0.21	Not related
Sajana Sajani Meet Infrastructure Pvt. Ltd.	Trade Payable	-	Not related
Survajyoti Infratechnologies Pvt. Ltd.	Trade Payable	0.01	Not related
Vas Infratech Pvt. Ltd.	Advance To Vendor	0.04	Not related

54 On October 15, 2018, pursuant to the approval by the shareholders, the Board of the Holding Company has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. Rs.20.65 per share. The Employee can exercise the vested options/units within the maximum exercise period which shall be 5 years from the vesting date. The Stock options so granted will be vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall be vest in the 4th year from the date of grant.

The RSUs granted under the HFCL Plan 2017 are forfeited due to non-achievement of defined annual performance parameters as determined by the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022 and accordingly as on March 31, 2022 the share based payment reserve is adjusted. This cancellation/forfeiture of unvested options has resulted into a reversal of share based payment expense in the Consolidated Statement of Profit and Loss for the year ended March 31, 2022.

In respect of Options granted under the Employee Stock Option Plan the accounting is done as per requirements of Ind AS 102. Consequently, The Consolidated Statement of Profit and Loss includes net income of Rs. 6.68 crore (Previous Year: net expenses of Rs.3.89 crore) being expenses on account of share based payments, after adjusting for reversals on account of options forfeited.

The Nomination, Remuneration and Compensation Committee ("Committee") of the Board of Directors of Holding Company which comprises a majority of Independent Directors is responsible for administration and supervision of the Stock Option Plans.

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2022 and March 31, 2021 is as follows:

Particulars	Shares arising out of options*	
	Year ended March 31, 2022	Year ended March 31, 2021
Employee Stock Options (ESOPs)		
Outstanding at the beginning	63,37,000	67,09,000
Granted	-	-
Exercised	32,34,400	-
Forfeited and expired	81,600	3,72,000
Outstanding at the end	30,21,000	63,37,000
Exercisable at the end	13,09,200	45,34,600
Restricted Stock Units (RSUs)		
Outstanding at the beginning	60,08,000	67,09,000
Granted	-	-
Exercised	-	-
Forfeited and expired	60,08,000	7,01,000
Outstanding at the end	-	60,08,000
Exercisable at the end	-	-

* Includes options granted to employees of subsidiary company

The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2022 are as follows:

Range of exercise prices per share	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (Rs.)
20-25 (ESOPs)	30,21,000	1	20.65
0 - 5 (RSUs)	-	0	1.00

The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

Particulars	For options granted during the year ended March 31, 2022	
	ESOPs	RSUs
Weighted average share price (Rs.)	20.65	20.65
Exercise price (Rs.)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the option (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (Rs.)	11.04	19.74

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise behavior of the employee who receives the RSU / ESOP. Expected volatility during the expected term of the RSU / ESOP is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the RSU / ESOP.



55 In respect of subsidiary companies, the following additional notes to accounts are disclosed:-

HTL LIMITED

- i) Loan of Rs. 6.24 Crs (Previous year Rs. 6.24 Crs) together with interest accrued and due thereon of Rs. 33.98 Crs (Previous year Rs. 30.03 Crs) is due to Government of India (GOI). In addition to this, the Govt. of India has acceded the request to adjust Rs. 3.47 Crs compensation receivable by HTL Limited (the Subsidiary) in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note. 57(ii)(b) below]
- ii) a) Out of the total land in possession of the Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Company in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Company, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in 2002. In respect of the remaining land measuring 30.99 acres, the name of the Company has been entered in the revenue records of the Government of Tamil Nadu. In respect of above said land, a Show Cause Notice (SCN) was issued on 08th June, 2020, by Office of the Revenue Divisional Officer, Guindy, Chennai, objecting on patta of assigned land entered in the revenue records of the Govt. Subsequently, interim stay on SCN was granted by Hon'ble Madras High Court on 19th June, 2020. Further, date of hearing is yet to be fixed by the Hon'ble Madras High Court.
- b) Claims of Rs. 3.47 crs receivable from BSNL against the compensation approved by Telecom Commission vide letter No. U-37012/3/97-FAC dated 1st May, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated 02.12.2003 has conveyed the decision of the competent authorities to adjust the above said amount against the interest portion of the outstanding Government of India Loan. In reply, the Company requested DoT vide letter no. 43.12 ETP dated 08.12.2003 to adjust the compensation amount of Rs. 3.47 crore against the principal amount of loan outstanding as on 01.05.2001, the date on which the compensation was approved. The Govt. of India has reiterated the adjustment of Rs.3.47 crore compensation receivable by HTL in case of ETP claim against the interest portion of the outstanding loan from Government of India (GOI). After adjustment of ETP compensation of Rs.3.47 crore against the interest portion of outstanding GOI loan in terms of GOI letter dated 2nd December, 2003, the Company has made adequate interest provisions till 31.03.2022. In the financial statements, the company has adjusted the said claim receivable from the interest liability due to GOI, though a formal concurrence of adjustment & subsequent interest reconciliations is still ongoing. The company has further submitted request for reduction in interest rate on outstanding GOI loan to SEBI MCLR + 2% i.e. 10% p.a. retrospectively from 16.10.2001 which is pending before DoT for approval. The Company expects no further liability, once the adjustment is agreed upon.
- iii) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for Rs. 120.00 Crs in the ratio of equity shares holding i.e.26% by GOI and 74% by HFCL Limited, Holding Company. It was also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by HFCL. However, the proposal for loan conversion has not been agreed upon by the Competent Authority of GOI as communicated vide file no 20-71/2015-FAC.II dated 27.01.2022. The loan amount along with the interest has been directed to be repaid and therefore same has been classified under Current Financial Liability.

The Company has proposed for allotment of 8% redeemable and non-convertible preference capital of Rs. 100.00 crs by way of conversion of outstanding Loans & advances extended by HFCL Limited. The Company has submitted the proposal before Department of Telecommunications (DoT) vide letter HTL/DoT/21-22 dated 22.03.2022 for seeking their administrative approval for the proposal so that the required formalities under the Companies Act can be taken up accordingly. The said preference capital will be redeemed only after repayment of GOI loan post receipt of approval on reconciliations and reduction of interest rate by DoT in quarterly instalments.

56 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Group's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The management has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has constituted a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

56.1 Financial Instruments by category

Particulars	As at March 31, 2022			As at March 31, 2021		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	33.05	-	-	32.97	-
ii) Structured entity (current assets)	-	-	-	-	-	-
a) Sumedha Fiscal Services Ltd.	-	0.11	-	-	0.04	-
b) Valiant Communications Ltd.	-	0.06	-	-	0.06	-
c) Poonawalla Fincorp Ltd.	-	4.15	-	-	1.68	-
d) Media Matrix Worldwide Ltd.	-	0.01	-	-	-	-
e) Sahara One Media and Entertainment Ltd.	-	0.61	-	-	0.84	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	-	0.17	-	-	0.17	-
B) Mutual funds	3.69	-	-	2.99	-	-
C) Debentures & Bonds	-	-	1.85	-	-	1.85
II) Trade receivables	-	-	2,491.56	-	-	3,055.81
III) Bank deposits	-	-	35.85	-	-	9.56
IV) Cash and Cash equivalents	-	-	17.20	-	-	21.30
V) Other Bank balances	-	-	511.04	-	-	285.14
VI) Security deposit for utilities and premises	-	-	11.72	-	-	20.34
VII) Other receivables	-	-	370.24	-	-	461.32
Total financial assets	3.69	38.16	3,439.46	2.99	35.76	3,855.32
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	631.86	-	-	723.18
B) From Others	-	-	97.92	-	-	196.44
II) Obligations under Finance Lease	-	-	26.55	-	-	22.22
III) Deposits	-	-	256.61	-	-	272.38
IV) Trade payables	-	-	1,036.93	-	-	1,747.96
V) Other liabilities	-	-	159.10	-	-	133.82
Total financial liabilities	-	-	2,208.97	-	-	3,096.00

Fair Value measurement

Fair Value Hierarchy and valuation technique used to determine fair value :

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1 , Level 2 and Level 3 inputs.

A) Year Ending March 31, 2022

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2022	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	3.69	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.11	-	-
b) Valiant Communications Ltd.	14	0.06	-	-
c) Poonawalla Fincorp Ltd.	14	4.15	-	-
d) Media Matrix Worldwide Ltd.	14	0.01	-	-
e) Sahara One Media and Entertainment Ltd.	14	0.61	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	14	-	-	0.17
g) Exicom Tele-Systems Ltd.	8	-	-	16.83
h) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.05
i) Shankar Sales Promotion Pvt.Ltd.	8	-	-	0.09
j) Atul Properties Pvt. Ltd.	8	-	-	1.85
k) Nivetti Systems Pvt Ltd.	8	-	-	16.08
Total Financial Assets		8.63	-	35.07

B) Year Ending March 31, 2021

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2021	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	3.00	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.04	-	-
b) Valiant Communications Ltd.	14	0.06	-	-
c) Poonawalla Fincorp Ltd.	14	1.68	-	-
d) Media Matrix Worldwide Ltd.	14	-	-	-
e) Sahara One Media and Entertainment Ltd.	14	0.84	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	14	-	-	0.17
g) Exicom Tele-Systems Ltd.	8	-	-	16.77
i) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.06
j) Shankar Sales Promotion Pvt.Ltd.	8	-	-	0.09
k) Atul Properties Pvt. Ltd.	8	-	-	1.85
l) Nivetti Systems Pvt Ltd.	8	-	-	16.06
Total Financial Assets		5.62	-	35.06

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

56.2 MANAGEMENT OF FINANCIAL RISK

Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.



The following table shows the maturity analysis of the Group's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

Particulars	Notes Nos.	Carrying amount	Less than 12	More than 12	Total
As at March 31, 2022					
Trade payables	26	1,036.93	1,036.93	-	1,036.93
Retention Money	27	256.61	256.61	-	256.61
Other liabilities	23,25,27,42	915.43	774.84	140.59	915.43
As at March 31, 2021					
Trade payables	26	1,747.96	1,747.96	-	1,747.96
Retention Money	27	272.38	272.38	-	272.38
Other liabilities	23,25,27,42	1,075.66	806.41	269.25	1,075.66

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL & FVTOCI investments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2022 and 31 March 2021.

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY	SENSITIVITY TO RISK
Price Risk		
The Group is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits as per the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher / lower: Other comprehensive income for the year ended March 31, 2022 would increase / decrease by Rs.4.36 crore (for the year ended March 31, 2021: increase / decrease by Rs.4.06 crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
INTEREST RATE RISK		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Group diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Group has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional Rs. 1.90 crore loss for year ended March 31, 2022 (Rs. 2.30 crore loss for year ended March 31, 2021).

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Group established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Group periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period :

Particulars	As at March 31, 2022	As at March 31, 2021
Debt	729.78	919.62
Less : Cash and Cash equivalents (Note 16)	(17.20)	(21.30)
Net Debt	712.58	898.32
Total Equity	2,818.36	1,923.47
Net Debt to Total Equity	0.25	0.47



57 Foreign Currency Exposure

a) The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Group's strategy, which provides principles on the use of such forward contracts consistent with Group's Risk Management Policy. The Group does not use forward contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

b) Details of outstanding Hedging Contracts relating to Foreign LCs and on direct purchase of capital items

Particulars	As at March 31, 2022		As at March 31, 2021	
	Amount in foreign Currency	Equivalent in Rs.	Amount in foreign Currency	Equivalent in Rs.
USD/INR	52,93,979	40.29	66,48,136	49.58

c) Foreign Currency exposure

Particulars		As at March 31, 2022		As at March 31, 2021	
		Amount in foreign Currency	Equivalent in Rs.	Amount in foreign Currency	Equivalent in Rs.
Trade payable	USD/INR	3,19,13,078	242.19	6,22,23,688	455.37
	EUR/INR	23,75,691	19.99	8,16,532	7.02
	GBP/INR	1,14,866	1.15	7,76,485	7.84
Trade receivable	USD/INR	53,10,233	40.32	63,85,310	46.73
	EUR/INR	95,53,598	80.20	-	-
	GBP/INR	32,64,063	32.54	4,20,321	4.24
	AED/INR	97,45,467	20.15	1,09,09,213	21.73
	MUR/INR	2,36,10,500	3.97	-	-
	BDT/INR	1,41,78,430	1.25	-	-

d) Foreign currency sensitivity analysis:

The following details demonstrate the Group's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

Particulars	Year Ended March 31, 2022		Year Ended March 31, 2021	
	INR strengthens by 5%	INR weakens by 5%	INR strengthens by 5%	INR weakens by 5%
Impact on profit or loss for the year				
USD Impact	10.09	(10.09)	20.43	(20.43)
EURO Impact	(3.01)	3.01	0.35	(0.35)
GBP Impact	(1.57)	1.57	0.18	(0.18)
AED Impact	(1.01)	1.01	(1.09)	1.09
MUR Impact	(0.20)	0.20	-	-
BDT Impact	(0.06)	0.06	-	-

58 Tax Reconciliation

Particular	F.Y. 2021-22	F.Y. 2020-21
Net Profit as per Statement of Profit and Loss (before tax)	442.12	336.86
Current Tax rate @ 25.17% (34.944%)	113.05	86.25
Adjustment:		
Depreciation & other adjustment	0.23	1.12
Carry forward loss and Unabsorbed Depreciation	-	(1.58)
Amount of eligible / ineligible expenditure	1.29	0.35
The amount of income w/s 10 - dividend	-	-
Other Adjustments	(0.08)	-
Tax Provision as per Books	114.49	86.14

The Group is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

59 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1st, 2022, are Ind AS 103 – Reference to Conceptual Framework, Ind AS 16 – Proceeds before intended use, Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract, Ind AS 109 – Annual Improvements to Ind AS (2021) and Ind AS 106 – Annual Improvements to Ind AS (2021). The Group does not expect the amendment to have any significant impact in its financial statements.



60 Other statutory information:

- i) The Group does not have any benami property, where any proceeding has been initiated or pending against the Group for holding any benami property.
- ii) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- iii) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (intermediaries) with the understanding that the intermediary shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (ultimate beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries
- iv) The Group has not received any fund from any person(s) or entity(ies), including foreign entities (funding party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or
 - (b) provide any guarantee, security or the like on behalf of the ultimate beneficiaries.
- v) The Group does not have any such transactions which are not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
- vi) The Group has complied with the number of layers prescribed under clause (87) of section 2 of the Companies Act 2013 read with the Companies (restriction on number of layers) Rules, 2017.
- vii) The Group is not declared wilful defaulter by bank or financial institution or lender during the year.
- viii) The Group does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- ix) The Group has used the borrowings from banks and financial institutions for the specific purpose for which it was obtained.

61 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

As per our report of even date attached
For S. Bhandari & Co.
Chartered Accountants
Firm Reg. No. 000560G

P. B. Baid
Partner
M.No. 072625

For Oswat Sunil & Company
Chartered Accountants
Firm Reg. No.: 016520N

Sunil Bhansali
Partner
M.No.: 054645

For and on behalf of the Board

Arvind Kharbada
Director
DIN: 00052270

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Mahendra Nabata
Managing Director
DIN: 00082898

Manoj Daid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834
New Delhi, 29th Apr, 2022

New Delhi, 29th Apr, 2022



HFCL LIMITED

(Formerly Himachal Futuristic Communications Limited)

Consolidated Financial Statement **for the Year Ended March 31, 2021** **(as per Ind AS)**

(All amounts are in Rs. Crore)

INDEPENDENT AUDITORS' REPORT

To the Members of HFCL Limited (formerly Himachal Futuristic Communications Limited)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HFCL Limited (formerly Himachal Futuristic Communications Limited) (hereinafter referred to as the "Parent") and its subsidiaries (the parent company and its subsidiaries together referred to as the "Group") which comprise the Consolidated Balance Sheet as at March 31, 2021, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of subsidiaries and branches, as referred to in the other matter paragraph below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standard ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and consolidated profit (including other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in sub-paragraph (a) to (c) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note 40 of the consolidated financial statements which describes management's assessment of the impact of the COVID-19 pandemic on its business operations and financial results. The said assessment made by the management is highly dependent upon the circumstances as they evolve in subsequent period.

Our opinion is not modified in respect of this matter.

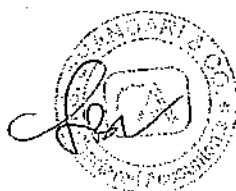
Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



S.No.	Key Audit Matters	Response to Key Audit Matters
1	Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade and other receivables, and accuracy of contract liabilities For the year ended March 31, 2021, revenue from customer contracts amounts to INR4422.96 Crores. As at March 31, 2021 contract assets amount to INR 20.70Crores, contract liabilities to INR 30.11Crores, the balance of work in progress (WIP) amounts to INR 101.26Crores and retention amounts to INR 272.38Crores The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. During order fulfilment, contractual obligations may need to be reassessed. In addition, change orders or cancellations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognized at a point in time (P/T), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts. We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off. We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Based on our knowledge gained through contract and project reviews and also considering the impact of COVID-19, we assessed the need for and the accuracy of provisions and deductions in revenue for variable consideration for expected liquidated damages. Performed analytical procedures and test of

		details for reasonableness of incurred and estimated efforts. Our procedures did not identify any material exceptions.
2	Valuation of accounts receivable – risk of credit losses Parent Company has a concentration of credit exposure on a number of major customers mainly Government and large organisation. Some of these major customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key factor. Accounts receivable is a significant item in the Parent's financial statements amounting to INR 2972.81crores as of March 31, 2021 and provisions for impairment of receivables is an area which is influenced by management's estimates and judgment. The provision for impairment of receivables amounted to INR 9.93crores as at March 31, 2021. Refer to the Note 14 – Trade receivables.	Our audit incorporated the following activities: - Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk; - Assessment of the Parent's credit policy outlining authority for approving and responsibility to manage credit limits; - Understanding the related industry's external factors and impact of COVID-19 - Inquiries with committee in order to understand and assess governance and follow-up/monitoring of key customers; - Analytical procedures and inquiries with Business Area; - Detailed testing and assessment of receivables to ensure these are in line with Ind AS, with a focus on significant new provisions. We had a particular focus in our audit on how Company manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to the Group's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3	Recoverability of Other Advances As at March 31, 2021, current financial assets include INR 402.05crores in respect of Advances to vendors and sub-contractors and are pending to be adjusted/settled. Management exercises significant judgment when determining whether to record any impairment loss on advances As the carrying amount of Other Advances accounts for a relatively high proportion of assets, there would be a material impact on the financial statements if such advances cannot be settled on schedule or fail to be recovered /settled. Therefore, we regard the recoverability of Other Advances as a key audit matter. Refer Note 18 to the Consolidated Financial	Our audit procedures involve the following activities: - Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; - Assessment of the Parent's procurement policy outlining authority for approving and responsibility to manage vendor advances; - Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; - Analytical procedures and inquiries with Business Area; - Obtain balance confirmations from selected parties to ensure existence thereof - Review of Purchase orders and/or agreements for selected parties and enquire management regarding reasons for unsettled advances as on date.



	Statements.	We agree with management's view that there is no reduction in the value of the advances outstanding in the books.
4	Recoverability relating to Goods and Services Tax recoverable: As at March 31, 2021, under other current assets, indirect taxes recoverable include INR 140.25 crores in respect of GST Input Tax credit receivables by parent Company. The Parent has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 20 to the Consolidated Financial Statements.	Our audit procedure involves the following activities: - Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers - Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.
5	Recoverability and Contingencies relating to other indirect tax matters As at March 31, 2021, "Indirect Tax Recoverable" includes INR 18.23 crores in respect of Commercial taxes recoverable which are pending adjudication. The Parent Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 20 to the Consolidated Financial Statements.	We performed the following substantive procedures: - Understanding the process of estimation, recording and reassessing tax provisions and contingencies. - Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters - We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. - Inspection the correspondence with tax authorities. - Inspecting reports on open tax assessments prepared by the Parent Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Parent. We also assessed the adequacy of the Group's financial statements disclosure in respect of the tax positions and contingent liabilities. We agree with management's evaluation.
With Respect to Subsidiary Company – HTL Limited		
5	Provision of Interest on Government of India	Principal Audit Procedures



(GOI) Loan Pending the response to the Subsidiary company's letter to GOI and also confirmation of balance from GOI, provision of interest on GOI loan has been made after adjustment of claim recoverable from BSNL. As on 31st March 2021, total loan outstanding is Rs. 624.20 Lacs and Interest Accrued is Rs. 2656.50 Lacs. Refer Note 56(i) to the Consolidated Financial Statements.	Obtained details of correspondence with Government of India for settlement of claim. Verified the reconciliation statement prepared by the management after adjustment of claim recoverable from BSNL against the interest portion of the outstanding loan from GOI.

Other Information

The Parent's Board of Directors is responsible for the preparation of other information. The other information comprises of the information to be included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements and our auditor's report thereon. The other information comprising the above documents is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

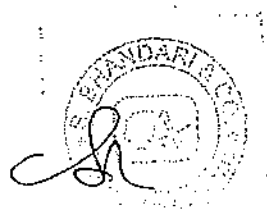
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information comprising the above documents and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read the other information comprising the above documents, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as per applicable laws and regulations.

Management's Responsibility for the Consolidated Financial Statements

The Parent's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. The respective board of directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statement by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective board of directors of the Companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



The respective board of directors of the Companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statement of such entities included in the consolidated financial statement of which we are the independent joint auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors or one of the joint auditor, such other auditors and one of the joint auditors is responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.



Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- a) We did not audit the financial statements/financial information of two subsidiaries, whose financial statements/ financial information reflect total assets of Rs. 10.40 Crores as at March 31, 2021, total revenues of Rs. Nil, Net profit/(loss) after tax of Rs. (0.70) Crores and total comprehensive income/(loss) of Rs. (0.73) Crores for the year ended on that date, as considered in the consolidated financial statement. These financial statements / financial information have been audited by the other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of the other auditors.
- b) Financial statements of four subsidiaries whose financial statements / financial information reflect total assets of Rs. 482.82 Crores as at March 31, 2021, total revenues of Rs. 651.03 Crores, Net profit/(loss) after tax of Rs. 26.57 Crores and total comprehensive income/(loss) of Rs. 26.88 Crores for the year ended on that date, as considered in the Consolidated Financial statement, have been audited by one of the joint auditors of the Parent Company and our opinion on the consolidated Financial statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of such joint auditor.
- c) The Consolidated Financial Statements includes financial performance of two foreign branches which reflects total assets of Rs. 3.23 Crores as at March 31, 2021, total revenues of Rs. Nil, Net profit/(loss) after tax of Rs. (0.13) Crores and total comprehensive income/(loss) of Rs. (0.13) Crores for the year ended on that date, which was audited by independent auditors in accordance with the regulations of that country and whose reports have been furnished to us by management which are in compliance with Indian GAAPs and accounting policies of the Group and has been considered in the consolidated financial statements solely based on such audited financial statements.



Our opinion on the consolidated financial statement above, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters which respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, and on the consideration of the report of other auditors on separate financial statement and the other financial information of subsidiaries as referred to in the other matters paragraph above, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statement.
- (b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid consolidated financial statement have been kept by so far as it appears from our examination of those books and reports of other auditor.
- (c) The reports on the accounts of the foreign branch offices audited by independent branch auditors of the Group have been furnished to us by the management of the Parent Company and have been properly dealt with by us in preparing this report.
- (d) the consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the consolidated statement of changes in equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of consolidated financial statement
- (e) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.
- (f) On the basis of the written representations received from the Directors of the Parent Company as on 31st March, 2021 taken on record by the Board of Directors of the Parent Company, the report of the statutory auditors of its subsidiary companies, none of the Directors of the Group companies is disqualified as on 31st March, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- (g) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to be read with other matters paragraph above.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Group to its Directors during the year is in accordance with the provisions of Section 197 of the Act.
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The Group has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements – Refer Note 47 to the consolidated financial statements;



S. Bhandari & Co.
Chartered Accountants

Oswal Sunil & Company
Chartered Accountants

ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 47 to the consolidated financial statements;

iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No. 000560C

(P. D. Baid)

Partner

Membership No: 072625

Place: Jaipur

Date: May 10, 2021

UDIN: 21072625AAAABG6320

For Oswal Sunil & Company
Chartered Accountants

Firm Registration No. 016520N

(Sunil Bhansali)

Partner

Membership No: 054645

Place: New Delhi

Date: May 10, 2021

UDIN: 21054645AAAAAT7418

ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HFCL LIMITED (FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED) AS ON MARCH 31, 2021

Report on the Internal Financial Controls over financial reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

**TO THE MEMBERS OF
HFCL LIMITED (FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED)**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of HFCL LIMITED (formerly HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED) (herein after referred as the "Parent") and its subsidiary companies (herein after referred as the "Group"), including those audited by other auditors as on that date.

Management's Responsibility for Internal Financial Controls

The respective board of the directors of the Parent Company and its subsidiary companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the guidance note on Audit of Internal financial control over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's Internal Financial Controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on audit of Internal financial controls over financial reporting (the "Guidance Note") and the standards on auditing as specified under Section 143(10) of the companies act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those standards and the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit obtained by the other auditors of the subsidiary companies in terms of their reports referred to in other matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's Internal Financial Controls system over financial reporting.



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Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

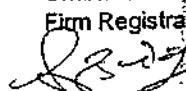
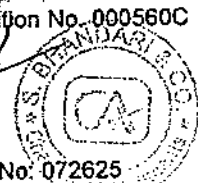
Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph below, the Group have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2021, based on the internal control over financial reporting criteria established by the respective companies of the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

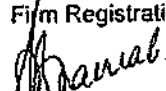
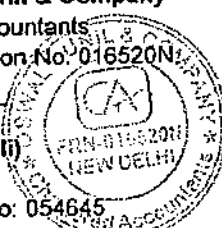
Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to six subsidiary companies is based solely on the corresponding report of the auditors of such companies.

Our opinion is not modified in respect of the above matters.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No. 000560C

(P. D. Baid)
Partner
Membership No: 072625


Place: Jaipur
Date: May 10, 2021
UDIN: 21072625AAAAAG6320

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No. 016520N

(Sunil Bhansali)
Partner
Membership No: 054645


Place: New Delhi
Date: May 10, 2021
UDIN: 21054645AAAAAT7418

IFCL Limited (formerly Himachal Futuristic Communications Limited)
Consolidated Balance Sheet as at March 31, 2021
(All amounts are in Rs. Crore)

Particulars	Note No(s)	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	443.35	436.93
(b) Capital work-in-progress	4	11.82	15.06
(c) Right-of-use-assets	42	20.32	20.11
(d) Goodwill		26.17	26.17
(e) Intangible assets (other than Goodwill)	5	17.97	20.82
(f) Intangible assets under development	6	24.20	18.71
(g) Financial Assets			
(i) Investments	7	34.82	55.69
(ii) Trade Receivables	14	444.83	119.87
(iii) Loans	8	6.50	6.50
(iv) Others	9	11.03	31.54
(h) Deferred tax assets (net)	10	6.70	12.15
(i) Other non-current assets	11	18.26	4.30
Total Non Current Assets		1,065.97	767.85
Current Assets			
(a) Inventories	12	435.26	343.68
(b) Financial Assets			
(i) Investments	13	5.79	2.50
(ii) Trade Receivables	14	2,610.99	1,607.82
(iii) Cash & cash equivalents	15	21.39	16.44
(iv) Bank balances other than (iii) above	16	285.14	175.41
(v) Loans	17	11.87	14.98
(vi) Others	18	461.81	557.50
(c) Current Tax Assets (net)	19	75.56	97.53
(d) Contract Assets		20.70	18.48
(e) Other current assets	20	221.41	224.72
Total Current Assets		4,149.83	3,961.11
Total Assets		5,215.80	3,828.96
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	21	128.44	128.44
(b) Other Equity	21	1,787.77	1,540.00
Equity attributable to owners of the Company		1,916.21	1,668.44
Non-controlling interest		7.36	(0.05)
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	22	250.78	200.94
(ii) Lease liabilities	42	18.47	16.93
(b) Provisions	23	36.50	31.96
Total Non Current Liabilities		305.75	249.83
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	24	587.64	467.60
(ii) Lease Liabilities	42	3.75	5.01
(iii) Trade Payables	25		
- total outstanding dues of micro enterprises and small enterprises		181.49	80.54
- total outstanding dues to other than micro enterprises and small		1,566.47	734.70
(iv) Other financial liabilities	26	487.41	527.12
(b) Current Tax liabilities (Net)	27	46.37	-
(c) Other current liabilities	28	71.22	51.93
(d) Contract liabilities		30.11	33.16
(e) Provisions	29	12.12	10.68
Total Current Liabilities		2,986.58	1,910.74
Total Liabilities		5,292.33	2,160.57
Total Equity and Liabilities		5,215.80	3,828.96

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For S. Ghandari & Co.
Chartered Accountants
Firm Reg. No. 004500C

V. D. Bald
Partner
M.No. 071225

Jaipur, 10th May, 2021

For Oswal Singh & Company
Chartered Accountants
Firm Reg. No. 816520N

V. R. Jain
Partner
M.No. 054625

New Delhi, 10th May, 2021

For and on behalf of the Board

Arvind Kharabande
Director
DIN: 00052270

V. R. Jain
Chief Financial Officer Senior Vice-President (Corporate)
PAN: AALPJ6603K

Mahendra Nuhata
Managing Director
DIN: 00052498

Manoj Bald
& Company Secretary
M.No. FCS 5834

New Delhi, 10th May, 2021

HFCL Limited (formerly Himachal Fataristic Communications Limited)
Consolidated Statement of Profit and Loss for the year ended March 31, 2021
(All amounts are in Rs. Crore)

Particulars	Note No(s)	For the year ended March 31, 2021	For the year ended March 31, 2020
I INCOME			
Revenue from operations	30	4,422.96	3,838.91
Other Income	31	36.13	22.08
Total Income (I)		4,459.09	3,860.99
II EXPENSES			
Cost of Materials Consumed	32	644.22	521.77
Other Direct costs	33	973.23	1,625.08
Purchases of stock-in-trade		1,778.40	881.62
Change in inventories of finished goods, work-in progress and stock-in	34	8.07	(94.21)
Employee benefits expense	35	252.85	224.34
Finance Costs	36	176.09	114.82
Depreciation, Impairment and Amortization expenses	3, 5, 42	68.63	41.95
Other Expenses	37	216.61	186.22
Total Expenses (II)		4,118.10	3,501.59
III Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)		340.99	359.40
IV Share of profit/ (loss) of a joint venture		-	(1.05)
V Profit / (loss) before exceptional items and income tax (III+IV)		340.99	358.35
VI Exceptional item	49	4.13	-
VII Profit / (Loss) before tax (V - VI)		336.86	358.35
VIII Tax expense			
- Current tax		86.13	53.58
- Deferred Tax		4.49	67.44
IX Profit/(loss) for the year (VII-VIII)		246.24	237.33
X Other Comprehensive Income (OCI):			
Items that will not be reclassified to profit or loss			
(i) Remeasurements of defined benefit plans		3.80	1.75
(ii) Income tax on above item		(0.95)	(0.79)
(iii) Gain/(Loss) on Equity Instruments designated through OCI		2.56	0.09
Items that will be reclassified to profit or loss			
(i) Loss on translation of foreign operation		(0.45)	(0.08)
Total Other comprehensive income/(loss) for the year		4.96	0.97
XI Total comprehensive income for the year (IX+X)		251.20	238.30
XII Profit attributable to:			
Owners of the Parent		239.00	127.25
Non-controlling interest		7.24	10.99
XIII Total comprehensive income for the year attributable to:			
Owners of the Parent		243.89	228.38
Non-controlling interest		7.31	9.94
XIV Earnings per share from continuing and Total operations	38		
attributable to the equity holders of the Holding Company during the			
- Basic		1.86	1.77
- Diluted		1.87	1.76

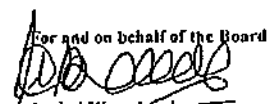
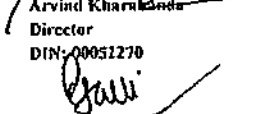
The accompanying notes form an integral part of the consolidated financial statements

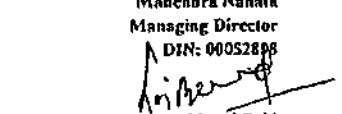
As per our report of even date attached
For S. Bhandari & Co.
Chartered Accountants
Firm Reg. No. 0005606


P. D. Baid
Partner
M.No. 072625

For Oswal Sunil & Company
Chartered Accountants
Firm Reg. No. 01015201

SUNIL BHINSA
Partner
M.No. 054645

For and on behalf of the Board

Arvind Kharakanda
Director
DIN: 00051270

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K


Mahendra Nahata
Managing Director
DIN: 00052898

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No. FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

PCL Limited (formerly Himachal Pradesh Communications Limited)
 Consolidated Statement of Cash Flows for the year ended March 31, 2021
 (Amounts are in Rs. Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
I. Cash Flow From Operating Activities		
Net Profit before Taxes and Exceptional Items	224.86	354.26
Adjustments for:		
Depreciation, Impairment and Amortization expenses	68.63	42.85
(Gain)/Loss on disposal of property, plant and equipment	0.03	0.19
Financial Guarantee impairment	(9.40)	(9.40)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	4.66	6.59
Employee Share based payment expenses	3.80	2.51
Share of profit of joint ventures	-	1.05
Dividend and interest income classified as investing cash flows	(3.77)	(5.12)
Finance costs (net)	176.09	114.82
	<u>249.12</u>	<u>167.49</u>
Change in operating assets and liabilities:		
(Increase)/Decrease in Trade and other receivables	(1,330.79)	(172.33)
(Increase)/Decrease in Inventories	(91.59)	(72.15)
Increase/(decrease) in Trade payables	932.72	(49.76)
Increase/(Decrease) in other financial assets	(14.00)	(60.62)
(Increase)/Decrease in other non-current assets	20.94	(1.41)
(Increase)/Decrease in other current assets	1.17	(72.35)
Increase/(decrease) in provisions	1.43	2.91
Increase in other Non current liabilities	2.89	6.60
Increase in other current liabilities	(39.12)	<u>168.45</u>
	<u>(511.34)</u>	<u>(162.66)</u>
Cash generated from/(used in) operations	74.61	363.19
Income taxes paid (net)	(17.79)	(90.43)
Net cash inflow from/(used in) operating activities	<u>56.82</u>	<u>172.56</u>
II. Cash flows from investing activities		
Payments for acquisition of subsidiaries & other investments	(12.02)	(2.41)
Payments for property, plant and equipment including CWIP	(97.37)	(151.66)
Payments for Intangible Assets	(8.30)	(12.22)
Proceeds from sale of property, plant and equipment	2.15	0.07
Payment for loan to body corporate	3.11	(1.02)
Proceeds from sale of investment	33.13	-
Dividends received	-	0.02
Interest received	3.77	5.35
	<u>(76.94)</u>	<u>(166.87)</u>
Net cash inflow from/(used in) investing activities	<u>(20.12)</u>	<u>(94.31)</u>
III. Cash flows from financing activities		
Proceeds from issues of Warrants	-	7.50
Proceeds from borrowings	280.95	181.43
(Repayment) of borrowings	(72.43)	(61.62)
Financial lease payments	(2.76)	<u>(2.25)</u>
	<u>199.36</u>	<u>125.06</u>
Less:		
Finance Costs paid	(174.31)	(111.34)
Dividends paid to company's shareholders	-	(15.32)
Net cash inflow from/(used in) financing activities	<u>25.05</u>	<u>(1.60)</u>
IV. Net increase/(decrease) in cash and cash equivalents (I+II+III)	<u>4.66</u>	<u>(1.09)</u>
V. Cash and cash equivalents at the beginning of the financial year	<u>16.44</u>	<u>17.53</u>
VI. Cash and cash equivalents at end of the year	<u>21.10</u>	<u>16.44</u>

Notes:

1. The Statement of Cash flow has been prepared under the indirect method as set-out in the Ind AS - 7 "Statement of Cash Flow" as specified in the Companies

(Indian Accounting Standards) Rules, 2015

2. Figures in bracket indicate cash outflow.

3. Cash and cash equivalents (refer note 15)

Cash on hand	0.10	0.28
Cheques in hand	-	-
Balance with Banks		
Current accounts*	18.47	13.96
Fixed Deposits with Bank	2.34	2.21
Balance per statement of cash flows	<u>21.31</u>	<u>16.45</u>

Analysis of movement in borrowings		
Borrowings at the beginning of the year	643.93	366.09
Movement due to cash transactions per the Statement of Cash Flows	<u>307.12</u>	<u>(119.84)</u>
Borrowings at the end of the year	<u>951.05</u>	<u>246.25</u>

* As 0.27 crore (Previous year Rs. 0.27 crore) has restricted use.

The accompanying notes form an integral part of the consolidated financial statements

per our report of even date attached

For S. Bhattacharya & Co.

Chartered Accountants

Reg. No. 001540

For PCL Limited

Director

Reg. No. 001540

For PCL Limited

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Reg. No. 001540

For PCL Limited

Director

Reg. No. 001540

A. Equity Share Capital

Particulars	Amount
As at April 1, 2019	137.44
Changes in equity share capital	1.00
As at March 31, 2020	138.44
Changes in equity share capital	-
As at March 31, 2021	138.44

B. Other equity

Particulars	Money received against Convertible Warrants *	Share based payment reserve	Reserves and Surplus				Items of Other Comprehensive Income				Non-Controlling Interest	Total Equity
			Securities Premium Reserve	Capital Redemption Reserve	Debt Redemption Reserve	Capital Reserve	Retained Earnings	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve		
Balance as at April 1, 2019	8.50	4.19	451.63	80.50	8.43	-	868.54	(117.31)	8.76	-	(9.95)	1,304.28
Impact on account of adoption of Ind AS 116 (refer note No 42)	-	-	-	-	-	-	(1.12)	-	-	-	-	(1.12)
Balance as at April 1, 2020	8.50	4.19	452.62	80.50	8.43	-	867.42	117.31	8.76	-	(9.95)	1,302.16
Total Comprehensive Income for the year	-	-	-	-	-	2.22	327.25	(2.13)	1.11	(0.03)	9.94	238.31
Business acquired during the year	-	-	-	-	-	-	-	-	-	-	(0.04)	(0.04)
Warrant subscription price equivalent to 75% of the issue price*	7.50	-	-	-	-	-	-	-	-	-	-	7.50
Transfer to retained earnings	-	-	-	-	(2.81)	-	2.81	-	-	-	-	-
Dividends paid for the previous year (including tax on dividend)	-	-	-	-	-	-	(15.48)	-	-	-	-	(15.48)
Employee Share Options outstanding \$	-	7.50	-	-	-	-	-	-	-	-	-	7.50
Conversion of warrants into equity share	(16.00)	-	15.00	-	-	-	-	-	-	-	-	(1.00)
Balance as at March 31, 2020	-	13.69	467.62	80.50	5.62	2.22	1,022.00	(119.44)	9.87	(0.06)	(0.05)	1,459.95
Total Comprehensive Income for the year	-	-	-	-	-	-	239.00	2.36	2.77	(0.45)	7.31	251.19
Transfer to retained earnings	-	-	-	-	(2.81)	-	(124.72)	123.53	-	-	-	-
Employee Share Options outstanding \$	-	3.89	-	-	-	-	-	-	-	-	-	3.89
Balance as at March 31, 2021	-	15.58	467.62	80.50	2.81	2.22	1,196.28	10.65	12.64	(0.53)	7.31	1,795.03

* Refer note no. 21(B)(iii)

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For S. Bhandari & Co.

Chartered Accountants

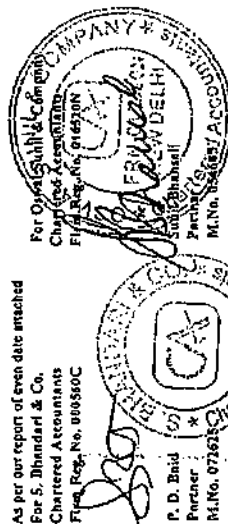
Firm Reg. No. 006560C

P. D. Baid

Partner

M.No. 072025

Chartered Accountants



Jaipur, 18th May, 2021

For and on behalf of the Board

Arvind Kherbande

Director

DIN: 0085270

Signature

V. R. Jain

Chief Financial Officer

PAN: AALPJH403K

For and on behalf of the Board

Mahendra Mohale

Managing Director

DIN: 0065298

Signature

Mandj Baid

Senior Vice-President (Corporate)

& Company Secretary

M.No. FCS 5834

New Delhi, 10th May, 2021

HFCL Limited (formerly Himachal Futuristic Communications Limited)
Notes forming part of Consolidated Financial Statements for the year ended March 31, 2021
(All amounts are in Rupees)

1. Corporate information

HFCL Limited (formerly Himachal Futuristic Communications Limited) ('HFCL' or 'the Holding Company') is a public limited company domiciled and incorporated in India and having its registered office at 8, Electronics Complex, Chambaghat, Solan, Himachal Pradesh-173213. The Holding Company's shares are listed and traded on National Stock Exchanges of India Ltd. (NSE) and BSE Ltd. (BSE). Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment, Optical Fiber and Optic Fiber Cable (OFC).

The Consolidated Financial Statements have been approved by the Board of Directors of the Holding Company at its meeting held on May 10, 2021.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These Consolidated Financial Statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time

2.1.2. Historical Cost Convention

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- certain financial assets and liabilities and contingent consideration is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans - plan assets measured at fair value;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

The preparation of these Consolidated Financial Statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the Consolidated Financial Statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

2.2. Basis of Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Holding Company has control. The Holding Company controls an entity when the Holding Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Holding Company. They are deconsolidated from the date that control ceases. The Holding Company and subsidiaries are collectively called "the Group".



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The group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Holding Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

ii. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group share of the post-acquisition profits or losses of the investee in profit and loss, and the group share of other comprehensive income of the investee in other comprehensive income.

When the group share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Holding Company and its associates and joint ventures are eliminated to the extent of the group interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in

respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 - Income Taxes and Ind AS 19- Employee Benefits respectively.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.4. Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- a) Expected to be realised or intended to be sold or consumed in normal operating cycle; or
- b) Held primarily for the purpose of trading; or
- c) Expected to be realised within twelve months after the reporting period other than for (a) above; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- a) It is expected to be settled in normal operating cycle; or
- b) It is held primarily for the purpose of trading; or
- c) It is due to be settled within twelve months after the reporting period other than for (a) above; or



- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.5. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Group categorizes assets and liabilities measured at fair value into one of three levels as follows:

- **Level 1 — Quoted (unadjusted)**
This hierarchy includes financial instruments measured using quoted prices.
- **Level 2**
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 2 inputs include the following:
 - a) quoted prices for similar assets or liabilities in active markets.
 - b) quoted prices for identical or similar assets or liabilities in markets that are not active.
 - c) inputs other than quoted prices that are observable for the asset or liability.
 - d) Market – corroborated inputs.
- **Level 3**
They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

2.6. Non-current assets held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2.7. Property Plant and Equipment

Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortized once classified as held for sale.

Freehold Land is carried at the actual cost. All other items of PPE are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It includes professional fees and borrowing costs for qualifying assets.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the Consolidated Statement of Profit and Loss as incurred.

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Depreciation of these PPE commences when the assets are ready for their intended use.

Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

Asset Class	Useful Life
Freehold Buildings	Office Building : 60 years Factory Building : 30 years
Leasehold Improvements	Over the period of lease
Plant & Machinery	7.5 - 15 years
Furniture & Fixtures	10 years
Electrical Installations	10 years
Computers	3 - 6 years
Office Equipments	5 years
Vehicles	8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the Group will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit and Loss.

2.8. Intangible Assets

a. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

b. Other Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Group to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably.

An item of Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Research cost: Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate all the following: -

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell of the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Consolidated Statement of Profit and loss.

During the period of development, the asset is tested for impairment annually

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

2.9. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

2.9.1. Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and



- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Holding Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

Any debt instrument, that does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments are measured at fair value. Equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. This amount is not recycled from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the Consolidated Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

De-recognition

A financial asset is de-recognized only when

- > The Group has transferred the rights to receive cash flows from the financial asset or
- > Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the

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expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and loss (P&L).

2.9.2. Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Consolidated Statement of Profit and loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Financial guarantee contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.10. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the

asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Consolidated Statement of Profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

2.11. Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Weighted Average Cost Method.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Contract Work in Progress : It is valued at cost
- Loose Tools (Consumable) : It is valued at cost after write-off at 27.82% p.a.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12. Revenue recognition

- A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.
- B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).
- C. The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.
- D. The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fibre Cable and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Group generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- Contracts with government



The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Group expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Group reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

- **Warranty**

Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Group recognises provisions for this warranty.

- **Financial Components**

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue :

- **Interest income**

Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- **Dividends**

Dividend income is recognised when the right to receive payment is established.

- **Rental income**

Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the Consolidated Statement of Profit and loss.

- **Insurance Claims**

Insurance claims are accounted for as and when admitted by the concerned authority.

2.13. Leases

As a lessee

The Group implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

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The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

2.14. Foreign currency transactions

The functional currency of the Group is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Group's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

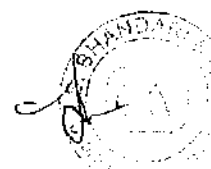
2.15. Employee Benefits

Short term employee benefits:-

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Long-Term employee benefits

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Compensated expenses which are not expected to occur within twelve months after the end of period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

Post-employment obligations

i. Defined contribution plans

Provident Fund and employees' state insurance schemes:

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Group's contributions to both these schemes are expensed in the Consolidated Statement of Profit and Loss. The Group has no further obligations under these plans beyond its monthly contributions.

ii. Defined benefit plans

Gratuity:

The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits". The Group makes periodic contributions to the HDFC Standard Life Insurance Group Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

Leave Encashment:

The Group has provided for the liability at period end on account of un-availed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

iii. Actuarial gains and losses are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Statement of Profit and loss.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above) are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Consolidated Financial Statements represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

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Termination benefits

Termination benefits are recognized as an expense in the period in which they are incurred.

2.16. Employee Share-based payments

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Group but consolidated in the Financial Statement. Any loan from the Group to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognized as an employee benefits expense, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

2.17. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Consolidated Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Consolidated Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

2.19. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Consolidated Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

2.20. Cash Flow Statement

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Group are segregated.

2.21. GST Credit

The GST credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST credit is shown under the head "Other Current Assets".



2.22. Earnings per share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.23. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Dividend distribution tax paid on the dividends is recognized consistently with the presentation of the transaction that creates the income tax consequence.

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3 Property, Plant and Equipment

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipments	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance as at April 1, 2019	349.62	61.51	27.10	16.02	8.02	4.20	19.63	15.39	8.89	0.88	511.48
Additions	180.63	36.11	-	19.34	2.38	4.06	2.96	0.65	-	-	266.53
Assets acquired under Business Combination	0.08	-	-	-	0.04	0.33	0.33	-	-	-	1.18
Disposals / Adjustments	35.88	-	-	2.29	0.03	-	0.89	-	-	-	39.21
Balance as at March 31, 2020	494.45	117.62	27.10	33.27	10.61	8.79	22.25	16.12	8.89	0.88	739.98
Additions	25.33	31.53	-	1.83	1.48	3.50	2.91	0.78	-	-	63.77
Disposals / Adjustments	1.16	0.45	-	0.26	0.24	0.01	0.53	1.57	-	-	4.22
As at Mar 31, 2021	518.62	148.70	27.10	34.84	11.89	10.10	25.22	15.33	8.89	0.88	801.53
Accumulated depreciation and impairment											
Balance as at April 1, 2019	237.72	14.27	8.20	12.63	5.75	3.59	15.71	11.19	-	0.21	309.29
Depreciation for the year	21.15	2.45	0.83	1.98	0.72	1.00	3.12	1.44	-	0.01	32.70
Disposals / Adjustments	35.65	-	-	2.29	0.01	-	0.87	0.12	-	-	38.94
Balance as at March 31, 2020	223.22	16.72	9.03	12.34	6.46	4.59	17.96	12.51	-	0.22	303.05
Depreciation for the year	39.00	4.09	0.83	3.53	1.15	2.09	2.91	1.12	-	0.01	56.73
Impairment during the year	0.45	-	-	-	-	-	-	-	-	-	0.45
Disposals / Adjustments	0.20	-	-	0.01	0.01	0.01	0.49	1.33	-	-	2.05
As at Mar 31, 2021	262.47	20.81	9.86	17.85	7.60	6.67	20.38	12.30	-	0.23	358.18
Net Carrying Value											
Balance as at April 1, 2019	111.90	47.24	18.90	3.37	2.27	0.61	3.94	4.40	8.89	0.67	202.19
Balance as at March 31, 2020	271.23	100.90	18.07	20.93	4.15	4.20	4.29	3.61	8.89	0.66	436.93
Balance as at Mar 31, 2021	256.15	137.89	17.34	16.98	4.25	3.43	4.84	3.03	8.89	0.65	443.35

Notes:

- One of the Lease hold Land situated at Solan (H.P.) is pending for title transfer in the name of the Holding Company.
- Part of the land situated at Chennai is pending for title transfer in the name of Subsidiary Company namely HTL Ltd.
- The Holding Company has set up a new Optical Fiber Cables for Fiber-to-the-Home (FTTH) & allied product manufacturing facility at Hyderabad on the same parcel of 20 acre land adjoining its Fiber manufacturing facility with annual capacity of 3.6 L CKM. Facility for manufacturing of Fiber-to-the-Home cable (FTTH) has been started w.e.f. 16th December, 2020.
- The Holding Company had received approval to get Capital Subsidies for investment in newly manufacturing plant setup at Plot No S-9, E-City, Rangareddi, Telangana under Modified Special Incentive Package Scheme (MSIPS) notified vide M-SIPS Policy Gazette Notification No. 175 dated 27-07-2012 and revised Notification dated 03-08-2015 further amended on 30-01-2017 as modified from time to time by the Ministry of Electronics and Information Technology, Department of Information Technology, vide Approval Letter No. 27(69)2017-JPHW dated 29-03-2018. Also, the Holding Company is in process of availing capital subsidy under incentive schemes of Industries & Commerce (IP & INF) Department, Telangana. Under the said schemes, the Holding Company as on March 31, 2021 has submitted its claims before the respective authorities for sanctioning the claim, which has not been adjusted to the cost of respective assets, in the absence of reasonable assurance that the claim will be received.
- Refer Note 22 and 24 for details of assets pledged.



HFCL Limited (formerly Himachal Futuristic Communications Limited)
Notes forming part of Consolidated Financial Statement for the year ended Mar 31, 2021
(All amounts are in Rs.Crore)

4 Capital works-in-progress

Particulars	Buildings	Plant & Machinery	Electrical Installation	Total
Balance as at March 31, 2019	38.09	24.11	1.81	64.01
Additions	7.93	25.69	2.30	35.92
Disposals / Adjustments	33.30	47.72	3.85	84.87
Balance as at March 31, 2020	12.72	2.08	0.26	15.06
Additions	3.75	8.96	0.11	12.82
Disposals / Adjustments	13.85	2.21	-	16.06
Balance as at Sep 30, 2020	2.62	8.83	0.37	11.82

Notes:

The Holding Company has set up a new Optical Fiber Cables Fiber-to-the-Home (FTTH) & allied product manufacturing facility at Hyderabad on the same parcel of 20 acre land adjoining its Fiber manufacturing facility at Hyderabad with annual capacity of 3.6 L CKM. The Holding Company is also expending its capacity for various FTTH variants and accordingly, capital expenditure amounting to Rs.3.21 Crore which is shown under the head Capital work-in-progress.

5 Intangible Assets (Other than Goodwill)

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2019	19.25
Additions	13.85
Acquisition of Subsidiary	1.16
Disposals / Adjustments	-
Balance as at March 31, 2020	34.26
Additions	3.21
Disposals / Adjustments	-
Balance as at March 31, 2021	37.47
Accumulated depreciation and impairment	
Balance as at April 1, 2019	8.90
Depreciation for the year	4.54
Disposals / Adjustments	-
Balance as at March 31, 2020	13.44
Depreciation for the year	6.06
Disposals / Adjustments	-
Balance as at March 31, 2021	19.50
Net Carrying Value	
Balance as at April 1, 2019	10.35
Balance as at March 31, 2020	20.82
Balance as at March 31, 2021	17.97

6 Intangible assets under development

Particulars	Product Development
Balance as at April 1, 2019	21.51
Additions	8.74
Acquisition of Subsidiary	1.88
Disposals / Adjustments	13.42
Balance as at March 31, 2020	18.71
Additions	5.49
Disposals / Adjustments	-
Balance as at March 31, 2021	24.20

Note : Includes Technology licence fee paid in the nature of advance till the date of actual utilisation of technology.



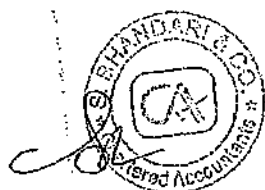
FCL Limited (formerly Himachal Futuristic Communications Limited)
 Notes forming part of Consolidated Financial Statement for the year ended Mar 31, 2021
 All amounts are in Rs.Crore)

7 Non-Current Financial Assets - Investments

Particulars	As at March 31, 2021	As at March 31, 2020
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	32.97	53.84
(ii) Investments in Debt instruments	1.85	1.85
Total	34.82	55.69

7.1 Detail of Non Current Financial Assets - Other Investments

Particulars	Face value per share/ Debtenture	As at Dec 31, 2020		As at March 31, 2020	
		No. of Shares/ Debtentures/ Units	Amount	No. of Shares/ Debtentures/ Units	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity Instruments- Equity Shares					
Exicom Tele-Systems Ltd.	10	6,30,223	16.77	6,30,223	16.77
AB Corp Ltd.	10	-	-	1,32,50,000	32.90
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.06	4,000	0.07
India Card Technologies Pvt.Ltd.	10	19,900	-	19,900	-
Shankar Sales Promotion Pvt.Ltd.	100	2,000	0.09	2,000	0.09
HFCL Bezoq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt Ltd.	1	2,17,594	16.06	54,398	4.01
Total Investment in Equity Instruments measured at FVTOCI			32.98		53.84
(ii) Investment in Debt Instruments					
Atul Properties Pvt. Ltd. (OFCDs)	100	1,85,000	1.85	1,85,000	1.85
Total Investment in Debt Instruments measured at FVTOCI			1.85		1.85
Aggregate Carrying value of unquoted investments			34.82		55.69
Aggregate amount of impairment in value of investments			-		-



8 Non-Current Financial Assets-Loans

Particulars	As at March 31, 2021	As at March 31, 2020
Other Loans		
Unsecured, considered good	6.50	6.50
Which have significant increase in credit risk	0.21	0.21
Less: expected credit loss allowance	(0.21)	(0.21)
Total	6.50	6.50
Movement in the expected loss of Other Loans are as follows:		
Balance at the Beginning of the year	0.21	0.21
Add: Provided during the year	-	-
Less: Amount written off	-	-
Balance at the end of the year	0.21	0.21

9 Non-Current Financial Assets - Others

Particulars	As at March 31, 2021	As at March 31, 2020
Fixed Deposits with Bank (maturity more than 12 months)*	9.56	31.34
Security Deposit	1.47	0.20
Total	11.03	31.54

* Above fixed deposits are held as margin money/securities with banks.

10 Deferred tax assets (net)

Deferred income tax reflect the net tax effects of temporary difference between the carrying amount of assets and liabilities for the financial reporting purposes and the amounts used for income tax purposes. Significant component of the Group's net deferred income tax are as follows:-

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	MAT credit entitlement*	Total
As at 1 April, 2019	9.37	(0.10)	16.35	54.30	79.92
Addition due to acquisition	0.08	-	-	-	0.08
Impact on account of adoption of Ind AS 116 (refer note No 41)	-	-	0.38	-	0.38
(Changed)/Credited:					
- to Statement of profit and loss	0.90	(18.80)	4.76	(54.30)	(67.44)
- to other comprehensive income	(0.79)	-	-	-	(0.79)
As at 31 March, 2020	9.56	(18.90)	21.49	-	12.15
(Changed)/Credited:					
- to Statement of profit and loss	1.67	7.93	(14.10)	-	(4.50)
- to other comprehensive income	(0.95)	-	-	-	(0.95)
As at 31 March, 2021	10.28	(10.97)	7.39	-	6.70

* The Taxation Laws (Amendment) Ordinance, 2019 ("Ordinance") on September 20, 2019 has amended the Income Tax Act, 1961 and Finance (No. 2) Act, 2019, by which the option has been provided for the lower tax regime without any incentives for the domestic companies. The management of the Group has assessed that it is beneficial to opt for the option of availing revised income tax rate from current financial year.

11 Other Non-Current Assets

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered Good Capital Advances	18.26	4.30
Total	18.26	4.30



12 Inventories (at cost or net realisable value whichever is lower)

Particulars	As at March 31, 2021	As at March 31, 2020
Inventories (As Certified and valued by the management)		
Raw Material	114.78	76.07
Raw Materials in transit	13.07	0.06
	127.85	76.13
Work-in-progress	126.83	134.39
Finished goods	57.38	61.99
Stock-in-trade securities	-	-
Stock-in-trade	67.52	61.21
Stock-in-trade in transit	45.92	-
Stores and spares	8.17	6.73
Loose tools	0.65	0.31
Others (Packing Material)	0.94	0.72
Total	438.26	343.68

Notes:

(i) Work in progress includes contract work in progress of Rs. 101.26 crore (Previous year: Rs. 119.26 crore)

13 Current Financial Assets - Investments

Particulars	As at March 31, 2021	As at March 31, 2020
Quoted Investments		
(i) Investments in Mutual Funds	2.99	1.85
(ii) Investments in Equity Instruments - other	2.80	0.65
Total	5.79	2.50

13.1 Detail of Current Financial Assets - Investments

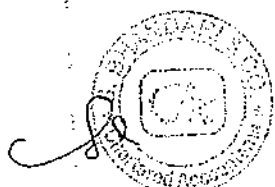
13.1 Detail of Current Financial Assets - Investments					
Particulars	Face Value	As at March 31, 2021		As at Mar 31, 2020	
		No. of Shares/ Units	Amount	No. of Shares/ Units	Amount
Financial assets carried at fair value through Statement of Profit or Loss (FVTPL)					
(i) Investments in mutual funds - Quoted Investment					
Union Liquid Fund Growth -Direct plan	1,000	9,398	1.86	9,398	1.79
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.07	50,000	0.04
Union Bank Medium duration fund Regular	10	4,99,975	0.51	-	-
Union Hybrid Equity Fund-Growth	10	4,99,975	0.53	-	-
Principal Cash Management fund - Dividend reinvestment plan	1,000	233	0.02	228	0.02
Total Investment FVTPL			2.99		1.85
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	64,08,000	-	64,08,000	-
Manvra Biotech Ltd.	1	17,000	-	17,000	-
Sumedha Fiscal Services Ltd.	10	18,200	0.05	18,200	0.03
Valiant Communications Ltd.	10	8,700	0.06	8,700	0.02
Magma Fincorp Ltd	2	1,52,830	1.68	1,52,830	0.26
Modia Matrix Worldwide Ltd.	1	4,750	-	4,750	-
Sahara One Media and Entertainment Ltd.	10	2,50,950	0.84	2,50,950	0.24
			2.63		0.55
(iii) Investment in equity instruments - Unquoted Equity Shares					
Optimates Textile Industries Ltd.	2	13,02,500	-	13,02,500	-
Rushel Agrotech Ltd.	10	4,78,500	-	4,78,500	-
NSL Wind Power Company (Phoolvadi) Private Limited	10	1,70,795	0.17	1,01,595	0.10
			0.17		0.10
Total Investment FVTOCI			2.80		0.65
Total Current Financial Investments			5.79		2.50
Aggregate Carrying value of unquoted investments			0.17		0.10
Aggregate amount of impairment in value of investments			-		-

14 Current Financial Assets - Trade Receivables

Particulars	As at March 31, 2021		As at March 31, 2020	
	Non-current	Current	Non-current	Current
Trade Receivables				
(a) Secured, considered good;	444.83	2,601.61	119.87	1,593.93
Unsecured, considered good;	-	0.72	-	0.42
Credit impaired	-	19.31	-	23.24
Which have significant increase in credit risk	-	(10.65)	-	(7.77)
Less: expected credit loss allowance	-	-	-	-
Total	444.83	2,610.99	119.87	1,609.82
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	7.77	-	4.73
Add: Provided during the year	-	3.09	-	6.67
Less: Amount written off	-	0.21	-	3.64
Balance at the end of the year	-	10.65	-	7.78

14.1 The credit period towards trade receivables related to turnkey projects generally ranges between down to achievement of specified milestones (execution based) and average project execution cycle is around 6 to 18 months. General payment terms include process time with the respective customers ranging between 30 to 60 days from the date of invoices / achievement of specified milestones.

14.2 In determining the allowance for trade receivables the Group has used practical expedients based on financial condition of the customers, ageing of the customer receivables & over-dues, availability of collaterals and historical experience of collections from customers. The concentration of risk with respect to trade receivables is reasonably low as most of the customers are Government and large Corporate organisations though there may be normal delays in collections.



* Above fixed deposits are held as margin money/securities with banks.

* Above listed deposits are used as margin money.

16 Current Financial Assets - Other Bank Balances

* Above fixed deposits are held as margin money/securities with banks.

17 Current Financial Assets - Loans

Current Financial Assets - Loans		
Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good	11.87	14.98
Other Loans		
Total	11.87	14.98

18 Current Financial Assets - Other Assets

Current Financial Assets - Other Assets		As at March 31, 2023	As at March 31, 2020
Particulars			
Unsecured, considered good			
Advances other than capital advances		18.86	23.60
- Security Deposits		402.05	525.80
- Other Project advances		7.78	8.10
Interest Receivable		33.12	-
Receivables for sales of investments		461.81	557.50
Total			

19 Current Tax Assets (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Current Tax Assets	75.56	97.53
Advance Income Tax / TDS (net of provisions)		

20 Other Current Assets

Other Current Assets		As at March 31, 2021	As at March 31, 2020
Particulars			
Unsecured, considered good	160.06	157.54	
Indirect tax recoverable	32.69	39.20	
Prepaid Expenses	2.87	1.18	
Export Incentive receivable	2.01	2.02	
Other Receivables	23.78	24.83	
Assets recognised from east incurred to fulfil a contract			
Total	221.41	224.77	



I. A. Share Capital

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2019	5,10,00,00,000	510.00	2,50,00,000	250.00
Increase during the year	-	-	-	-
As at March 31, 2020	5,10,00,00,000	510.00	2,50,00,000	250.00
Increase during the year	-	-	-	-
As at March 31, 2021	5,10,00,00,000	510.00	2,50,00,000	250.00

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount*	No of Shares	Amount
As at April 1, 2019	1,27,43,77,194	127.44	-	-
Add: Shares issued during the year	1,00,00,000	1.00	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 2020	1,28,43,77,194	128.44	-	-
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeem during the year	-	-	-	-
As at March 31, 2021	1,28,43,77,194	128.44	-	-

* The Allotment Committee (Warrants) of the Board of Directors of the Holding Company at its meetings held on 05th November, 2018, 29th March, 2019, 09th April, 2019 and 29th April, 2019 has made allotment of 75,00,000 & 2,75,00,000, 52,08,333 and 47,91,667 equity shares of the face value of Re.1/- each at a premium of Rs.15 per equity share respectively to the warrant holders consequent upon exercise of rights for conversion of their warrants into equity shares. Upon allotment of these equity shares, the paid up equity share capital of the Holding Company has increased from Rs. 123.94 crore (Rupees One Hundred Twenty Three Crore Ninety Three Lakh Seventy Seven Thousand One Hundred Ninety Four Only) comprising of 123,93,77,194 equity shares of the face value of Re.1/- each to Rs.128.44 crore (Rupees One Hundred Twenty Eight Crore Forty Three Lakh Seventy Seven Thousand One Hundred Ninety Four Only) comprising of 128,43,77,194 equity shares of the face value of Re.1/- each.

(iii) Shareholders holding more than 5 percent of Equity Shares

Name of Shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures (P) Ltd	28,96,40,000	22.55%	24,58,90,000	19.14%
Nextwave Communications (P) Ltd	21,98,65,000	17.12%	21,98,65,000	17.12%

(iv) Terms/right attached to Equity/Preference Shares -

The Holding Company has issued equity share of Re.1/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up equity capital of the Company held by them. In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Holding Company, after distribution of all preferential amount in proportion to their shareholdings.

B. Other Equity

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Retained Earnings	1,196.28	1,082.00
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	10.65	(119.44)
b. Remeasurement of defined benefit plans	12.64	9.87
c. Foreign currency translation reserve	(0.53)	(0.08)
(iii) Other Reserves*		
a. Securities Premium	467.62	467.62
b. Debenture Redemption Reserve	2.81	5.62
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	15.58	11.69
e. Capital reserve (on bargain purchase)	2.22	2.22
Total	1,787.77	1,540.00



* Brief description of Other Reserves:

- a. Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.
- b. The Holding Company had issued redeemable non-convertible debentures and created Debenture Redemption Reserve (DRR) out of the profits of the Company in terms of the Companies (Share capital and Debenture) Rules, 2014 (as amended). The Holding Company is required to maintain a DRR of 25% of the value of debentures issued, either by a public issue or on a private placement basis. The amounts credited to the DRR may not be utilised by the Company except to redeem debentures.
- c. Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 80,50,000 (previous year 80,50,000) CRPSs of Rs. 100/- each
- d. The fair value of the equity settled share based payment transactions with employees is recognised in Statement of Profit and Loss with corresponding credit to share based payment reserve. (Refer note 55)

(i) Retained Earnings

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	1,082.00	868.54
Change in accounting policy (refer note 41)	-	(1.12)
Restated balance at the beginning of the reporting period	1,082.00	867.42
Add: Net profit for the period	246.24	237.34
Add/Less: adjustments for-		
Changes in Fair Value of FVOCI Equity Instruments	(127.53)	-
Transfer from Debenture redemption reserve	2.81	2.81
Transfer into Capital redemption reserve	-	-
Dividend paid on Equity shares (including tax on dividend)	-	(15.48)
Non-Controlling Interest	(7.24)	(10.09)
Closing Balance	1,196.28	1,082.00

(ii) Components of Other Comprehensive Income

Particulars	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2019	(117.31)	8.76	-
Increase during the year	-	1.11	-
Decrease during the year	2.13	-	0.08
As at March 31, 2020	(119.44)	9.87	(0.08)
Increase during the year	130.09	2.77	-
Decrease during the year	-	-	0.45
As at March 31, 2021	10.65	12.64	(0.53)

(iii) Other Reserves

Particulars	Securities Premium	Debenture Redemption	Capital Redemption	Employee Share based payment	Capital Reserve
As at April 1, 2019	452.62	8.43	80.50	4.19	-
Increase during the year	15.00	-	-	7.50	2.22
Acquisition of Subsidiary	-	-	-	-	-
Decrease during the year	-	2.81	-	-	-
As at March 31, 2020	467.62	5.62	80.50	11.69	2.22
Increase during the year	-	-	-	3.89	-
Acquisition of Subsidiary	-	-	-	-	-
Decrease during the year	-	2.81	-	-	-
As at March 31, 2021	467.62	2.81	80.50	15.58	2.22

(iv) Money received against convertible warrants

Particulars	Amount
As at April 1, 2019	8.50
Increase during the year	7.50
Decrease during the year	(16.00)
As at March 31, 2020	-
Increase during the year	-
Decrease during the year	-
As at March 31, 2021	-



22 Non-Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
Secured Borrowings		
a) Non-Convertible Debentures	11.24	22.49
b) Term Loans		
(i) from Banks*	196.60	186.61
c) Vehicle Loans		
(i) from Banks	2.31	2.92
(ii) from others	0.04	0.07
	210.19	212.09
Unsecured Borrowings		
a) Term Loans		
(i) from other parties (Refer Note 56 (i))	6.24	6.24
(ii) Interest on Term Loan from other parties	26.57	25.72
Inter Corporate Deposit		
(i) from other parties	88.98	-
	121.79	31.96
Less : Current maturities of long term debt - Term Loans	(68.75)	(30.75)
Less : Debentures redeemable in next 12 months	(11.24)	(11.24)
Less : Current maturities of long term debt - Vehicle Loans	(1.21)	(1.12)
Total	250.78	200.94

* net off of Rs.1.37 crores (Previous year Rs.1.76 Crores) as finance charge

Regarding Holding Company:

a) Holding Company had issued 33,72,750 10.30% secured unlisted Non- Convertible Redeemable Debenture (NCDs) of Rs.100/- each aggregating Rs. 33.73 crore by way of conversion of outstanding right of recompense amount payable by the Company. NCDs are secured by way of first pari-passu charge on movable & immovable fixed assets of Company with existing term loans and redeemable at face value in instalment in the ratio of 33.33%, 33.33% and 33.33% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21) and 2021(FY 2021-22) respectively. First & Second instalment of 33.33% of each year being 22,48,444 NCDs have been redeemed on time.

b) Term Loan of Rs.25.00 crore (Previous year Rs.50.00 crore) from one of the Bank are secured by pari-passu first charge on all the Fixed Assets, both present and future, by way of equitable mortgage. Further, loan is secured by way of pari passu second charge on the Current Assets of the Holding Company.

c) Term Loan of Rs.124.41 crore (Previous year Rs.111.77 crore) from the Banks are secured by pari-passu first charge on entire Project Assets, both present and future, by way of equitable mortgage. The loan is further secured by personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

d) Working Capital facilities (Covid -19 Emergency Credit line) of Rs.19.24 crore and FITL under Covid-19 scheme of Rs. 0.65 crore are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Holding Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

e) Other Vehicle Loans of Rs.2.35 crore (Previous Year Rs.2.99 crore) from banks and others are secured by way of hypothecation of respective assets.

f) Unsecured Inter Corporate Deposits are having a maturity by October 2024 payable in four half yearly installments starting from April 2023 and carry interest rate

Regarding Subsidiary Company:

g) The Board of Directors of the HTL Ltd has proposed a right issue of equity shares for Rs. 120.00 crore in the ratio of equity shares holding i.e. 26% by GOI and 74% by HFCL Limited (HFCL), Holding Company. It is also proposed that the right issue be funded by way of conversion of outstanding loan along with interest due from GOI and advances/ loans extended by HFCL. The Company is regularly following and submitting all clarifications & additional information asked by GOI from time to time for obtaining the administrative approval so that the required formalities under the Companies Act can be taken up accordingly. In view of this, loans outstanding from GOI along with interest and advances/loan received from HFCL have been shown under Non-Current Financial Liability instead of Current Financial Liability.

h) Term Loan of Rs. 30.00 crore sanctioned and disbursed, outstanding as on 31.03.2021 is amounting to Rs. 20.59 crore (Previous year Rs. 24.84 crore) from Yes Bank Ltd and Term Loan of Rs 30.00 crore sanctioned, outstanding as on 31.03.2021 is amounting to Rs 6.70 crore (Previous year Nil) from State Bank of India is secured by way of exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited, personal guarantee of Chairman of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of term loan from Yes Bank Ltd would be made in 20 structured quarterly instalments over a period of 5 years commencing after moratorium period i.e. 3 months after date of disbursement whereas repayment of term loan from State Bank of India would be made in 14 structured quarterly instalments after moratorium period i.e. 6 months after date of disbursement.



Secured term and other Loans - Repayment schedule and rate of interest :

Particulars	Term Loan	Term Loan	Term Loan	Term Loan	Vehicle Loan
Rate of Interest	10.75%	10.25%	7.40%	14.50%	8.90% to 10.30%
Outstanding amount	45.59	124.41	19.89	6.70	2.35
Repayment Due					
FY 2021-22	30.80	20.13	16.85	0.96	1.21
FY 2022-23	5.86	20.13	3.04	1.91	0.58
FY 2023-24	5.93	20.13	-	1.91	0.25
FY 2024-25 to 2027-28	3.00	64.01	-	1.91	0.31
Un-Secured					
Rate of Interest	9.00%				
Outstanding amount	88.98				
Repayment Due					
FY 2023-24	50.00				
FY 2024-25	38.98				

23

Non-Current Liabilities - Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provisions for Employee Benefits (refer note no. 45)		
Provision for Gratuity	17.95	19.11
Provision for Leave Encashment	18.55	12.85
Total	36.50	31.96



24 Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	379.10	287.38
(ii) from banks - Receivable bills discounting	49.81	50.00
Unsecured		
(i) from banks - Vendors bills discounting	70.54	20.99
(ii) from other parties - Inter Corporate Deposit**	74.65	109.23
(iii) Buyers credit	13.54	-
Total	587.64	467.60

Regarding Holding Company:

* a) Working Capital Loans from banks aggregating to Rs.222.52 crore (Previous year: Rs.200.23 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi-finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Holding Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

b) Working Capital Loans from banks aggregating to Rs. 49.14 crore (Previous year: Rs. 49.83 crore) and inland bills discounting limit of Rs. 49.81 crore (Previous year Rs.50.00 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (Present & future) of GIS based Optical Fiber Network Management System (GOFNMS) Project. The loan is further secured by second pari passu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Holding Company, corporate guarantee of M/s MN Ventures Private Limited, first pari passu charge of cash flows of the project and first pari passu charge on shares pledged/earmarked for working capital consortium.

c) Working Capital Loans from banks aggregating to Rs. 70.80 crore (Previous year: Rs. NIL) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (Present & future) of IPMLS back bone Project for Network for Sepatrum (NFS). The loan is further secured by second pari passu charge on movable & immovable fixed assets, personal guarantee by Managing Director of the Holding Company, corporate guarantee of M/s MN Ventures Private Limited, first pari passu charge of cash flows of the project and first pari passu charge on shares pledged/earmarked for working capital consortium.

Regarding Subsidiary Companies:

d) Working capital loan of Rs 2.45 crore (Previous year: Rs 2.43 crore) is secured against hypothecation of Inventory cum Book Debts and all current assets of the Polinet Security Systems Pvt Ltd. This loan is secured against corporate guarantee and pledge of shares by other Body Corporate.

e) Working capital loan of Rs 34.19 crore (Previous year: Rs 34.89 crore) to HTL Ltd from Yes Bank Ltd is secured against exclusive charge on all fixed assets (both present and future), exclusive charge on 2.1 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL Limited. The loan is further secured by way of Corporate Guarantee of HFCI Limited, personal guarantee of Chairman of the Company and Corporate Guarantee of M/s MN Ventures Private Limited.

** Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 12% to 16%.

25 Current Financial Liabilities - Trade Payables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Due to Micro & Small Enterprises (refer note no. 46)	181.49	80.54
Others	1,566.47	734.70
Total	1,747.96	815.24

26 Other Financial Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Retention Money*	272.38	310.61
Other Financial Liabilities		
Current maturities of long-term debts (refer note no. 23)	69.96	31.86
Non Convertible Debentures (refer note no. 23)	11.24	11.24
Interest accrued but not due	0.76	2.36
Security deposit	4.76	4.71
Creditors for Capital Goods	11.70	32.56
Expenses Payables	102.57	125.00
Other Employees related liabilities	13.73	7.71
Unpaid Dividends & Tax there on	0.27	0.27
Total	487.41	527.42

* retention money are due on completion of erection/contract/final acceptance by the Group.

27 Current Tax Liabilities (Net)

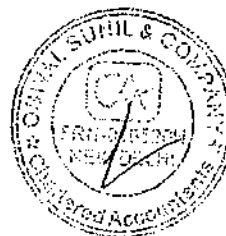
Particulars	As at March 31, 2021	As at March 31, 2020
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	46.37	-

28 Other Current Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Others		
Statutory Liabilities payable	43.91	34.26
Advance from Customers	27.31	17.67
Total	71.22	51.93

29 Current Liabilities - Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provisions		
Provisions for Employee Benefits (refer note no. 45)		
-Provision for Gratuity	2.25	2.08
-Provision for Leave Encashment	1.78	2.27
Provisions - Others	8.09	6.33
Total	12.12	10.68



HFCL Limited (formerly Himachal Futuristic Communications Limited)
Notes forming part of Consolidated Financial Statement for the year ended Mar 31, 2021
(All amounts are in Rs.Crore)

30 Revenue from operations

Particulars	For the years ended March 31, 2021	For the years ended March 31, 2020
Sale and Services		
- Manufacturing and trading activities	1,200.24	839.39
- Turnkey project related activities	3,217.22	2,995.48
Other Operating Revenues		
- Scrap sale	1.96	1.60
- Export Incentives	3.54	2.44
Total	4,422.96	3,838.91

- (i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially) satisfied performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115.
- (ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is Rs. 30.11 crore (Previous year Rs.33.16 crore) which is expected to be recognised as revenue in the next year.

(iii) Contract balances

- (a) Changes in Contract assets (Unbilled revenue) are as follows:-

	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	18.48	3.49
Revenue recognised during the year	19.47	18.39
Invoices raised during the year	17.25	3.40
Balance at the end of the year	20.70	18.48

- (b) Changes in contract liabilities (Unearned revenue) are as follows -

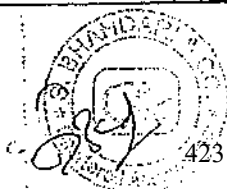
	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	33.16	49.52
Increase due to invoicing during the year	-	2.14
Revenue recognised that was included in the unearned and deferred revenue	3.05	18.50
Balance at the end of the year	30.11	33.16

Revenues in excess of invoicing are classified as contract assets (which can also be referred to as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which can also be referred to as unearned revenues). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

- (iv) The Group has evaluated the impact of COVID - 19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Group has concluded that the impact of COVID - 19 is not material based on these estimates. Due to the nature of the pandemic, the Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

31 Other Income

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Other non-operating income		
Interest Income	16.76	19.85
Dividend Income	-	0.02
Financial guarantee Income	0.40	0.40
Exchange Fluctuation Income (Net)	15.76	-
Others	3.21	1.81
Total	36.13	22.08



HFCL Limited (formerly Himachal Futuristic Communications Limited)
Notes forming part of Consolidated Financial Statement for the year ended Mar 31, 2021
(All amounts are in Rs.Crore)

32 Cost of Material Consumed

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening Stock	72.97	82.79
Add : Purchases during the year	686.03	515.05
	759.00	597.84
Less: Closing Stock	114.78	76.07
Total	644.22	521.77

33 Other Direct Costs

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Project and labour service charges	934.48	1,601.29
Consumption of Packing Material	19.65	14.64
Consumption of stores and spares parts	18.86	9.03
Loose Tools written off	0.24	0.12
Total	973.23	1,625.08

34 Change in inventories of finished goods, work-in progress and stock-in trade

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Closing Stock	57.38	63.99
Finished Goods	67.52	61.21
Stock in Trade- Goods	126.82	134.59
Work in process	251.72	259.79
Opening Stock	63.99	30.62
Finished Goods	61.21	57.17
Stock in Trade- Goods	134.59	77.79
Work in process	259.79	165.58
Total	8.07	(94.21)



HFCL Limited (formerly Himachal Futuristic Communications Limited)
Notes forming part of Consolidated Financial Statement for the year ended Mar 31, 2021
(All amounts are in Rs. Crore)

35 Employee benefits expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, bonus and allowances	233.60	201.42
Contribution to Provident and other funds	10.24	9.79
Staff welfare expenses	5.12	5.62
Share Based payments to Employees (refer note no. 55)	3.89	7.51
Total	252.85	324.34

36 Finance costs

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Bank Loan Interest	69.30	48.36
Other Interest (net)	32.51	26.61
Bank Charges and loan processing fee	71.84	37.88
Interest on lease liabilities (refer note no. 42)	2.44	1.97
Total	176.09	114.82

37 Other expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	3.78	4.10
Rates and Taxes	3.53	3.77
Auditors' Remuneration		
- Audit Fees	1.10	1.03
- In Other Capacity	0.31	0.30
- Out of pocket expenses	0.02	0.19
Legal and Professional Charges	45.39	40.02
Communication Expenses	2.30	2.37
Travelling and Conveyance Expenses	31.29	34.91
Power and Fuel & Water Charges	26.33	16.32
Repairs and Maintenance	4.83	7.16
Insurance Expenses	11.85	10.46
Selling & Distribution Expenses	33.38	19.37
Bad debts, Loans and Advances, other balances written off (net)	1.57	2.23
Provision for doubtful debts	3.09	4.36
Inventory written off (Non-Moving/ obsolete technology)	-	33.71
Less: Provision for non-moving inventories reversed	-	(33.71)
Sitting Fees to non-executive directors	0.48	0.39
Liquidated Damages on Sales	6.94	2.21
Research & Product Development Expenses	8.67	5.73
Exchange Fluctuation Loss (Net)	-	15.17
Corporate Social Responsibility Expenses (refer note 52)	10.44	0.06
Miscellaneous Expenditure	17.31	16.07
Total	216.61	186.23

38 Earnings per Share (EPS)- In accordance with the Indian Accounting Standard (Ind AS-33)

Particulars	For the Year ended March 31, 2021	For the Year ended March 31, 2020
Basic & Diluted Earnings per share		
Profit/Loss for the year	246.24	237.33
Profit attributable to ordinary shareholders (A)	239.00	227.23
Weighted average number of ordinary shares (B) (used as denominator for calculating basic EPS)	1,28,43,77,194	1,28,38,83,683
Potential equity shares		
Weighted average number of ordinary shares (C) (used as denominator for calculating diluted EPS)	1,20,16,000	1,34,18,000
Nominal value of ordinary share	Rs. 1/-	Rs. 1/-
Earnings per share basic (A/B)	1.86	1.77
Earnings per share diluted (A/C)	1.97	1.76



39 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of property, plant and equipment and Intangible Assets

Property, plant and equipment represent a significant proportion of the asset base of the Group. The change in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2. Recoverability of intangible asset and intangible assets under development

Capitalization of cost in intangible assets under development is based on management's judgement that technological and economic feasibility is confirmed and asset under development will generate economic benefits in future. Based on evaluations carried out, the management has determined that there are no factors which indicates that these assets have suffered any impairment loss.

3. Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in Note 45.

4. Revenue Recognition

The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. Judgement is also required to determine the transaction price for the contract. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations. The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

5. Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

6. Loss allowance for receivables and unbilled revenues

The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

7. Taxes

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. Contingencies

On an ongoing basis, Group reviews pending cases, claims by third parties and other contingencies and obligations. Obligations relating to Project Executions is largely depends upon performance of services by respective contractors. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the consolidated financial statements. Contingencies the likelihood of which is remote are not disclosed in the consolidated financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable.

9. Fair Value of Unquoted equity investments:

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Group obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Group reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the consolidated statement of profit and loss.

40 Impact and future uncertainties relating to Global health pandemic from COVID-19

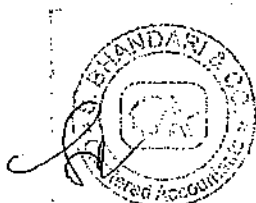
The Group has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of the financial statements including there coverability of carrying amounts of financial and non financial assets. Further the impact assessment does not indicate any adverse impact on the ability of the company to continue as a going concern. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group has, at the date of approval of the financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these financial statements.

41 Change in Accounting Policy

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 Leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees. It introduces a single, on-balance sheet lease accounting model for lessees.

The Group has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019).



42 Leases

The details of the right-of-use asset held by the Group is as follows:

Particulars	Addition for the year ended March 31, 2021	Net carrying amount as at March 31, 2021	Addition for the year ended March 31, 2020	Net carrying amount as at March 31, 2020
Land	-	0.09	-	0.09
Buildings	5.59	20.23	15.21	20.02
Total	5.59	20.32	15.21	20.11

Depreciation on right-of-use asset as follows:

Particulars	For the year ended March 31, 2021	For the Year ended March 31, 2020
Land	-	-
Buildings	5.39	5.61
Total	5.39	5.61

The details of the Lease Liabilities payable by the Group is as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Current	3.75	5.01
Non Current	18.47	16.93
Total	22.22	21.94

Interest on lease liabilities is Rs. 2.44 crore and Rs. 1.97 crore for the year year ended March 31, 2021 and March 31, 2020 respectively.

The Group incurred Rs.0.98 crore and Rs.0.81 crore for the years ended March 31, 2021 and 2020, respectively, towards expenses relating to short-term leases and leases of low-value assets.

The total cash outflow for leases is Rs.0.90 crore and Rs.0.21 crore for the years ended March 31, 2021 and 2020, respectively, including cash outflow for short term and low value lease

Lease contracts entered by the Group majority pertains for buildings taken on lease to conduct its business in the ordinary course. The Group does not have any lease restrictions and commitment towards variable rent as per the contract. The leases that the Group has entered with lessors towards properties used as ware houses / offices are long term in nature and no changes in terms of those leases are expected due to the COVID-19.

43 (a) Information of Subsidiary Companies :

The following is the list of all subsidiary companies along with the proportion of voting power held. Each of them is incorporated in India.

Name of the Subsidiary company	Percentage of Holding
HTL Limited	74%
Polixel Security Systems Private Limited	100%
Moneta Finance (P) Ltd.	100%
HFCL Advance Systems (P) Ltd.	100%
Raddef Private Limited (Subsidiary w.e.f. 15.05.2019)	90%
DragonWave HFCL India Private Limited (Wholly owned Subsidiary w.e.f. 17.12.2019)	100%

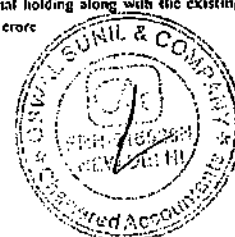
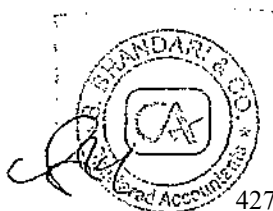
(b) Additional Information, as required under Schedule III of the Companies Act, 2013 of enterprises consolidated as Subsidiaries / Associates / Joint Ventures.

Name of the Enterprises	Net assets i.e. total assets minus total liabilities		Share in Profit & Loss	
	As % of Consolidated net assets	Amount (Rs. in cr.)	As % of Consolidated Profit/Loss	Amount (Rs. in cr.)
Parent				
HFCL Limited (formerly Himachal Futuristic Communications Ltd.)	97.56	1,876.50	90.56	127.54
Subsidiaries - Indian				
HTL Limited	1.81	34.84	7.40	18.60
Polixel Security Systems Private Limited	0.29	5.66	0.23	0.37
Moneta Finance Private Limited	0.02	0.35	0.01	0.02
HFCL Advance Systems Private Limited	-	(0.06)	-	(0.01)
Raddef Private Limited	(0.13)	(2.48)	(0.38)	(0.95)
DragonWave HFCL India Private Limited	0.07	1.40	(0.30)	(0.75)
Non- Controlling interest in all subsidiaries	0.38	7.26	2.91	7.31

44 Business Combination

(i) During the previous year, the Holding Company acquired 90% (9,000 shares of face value of Rs.10/- each) of the equity share capital of M/s Raddef Pvt Ltd., a company dealing in components for the applications in defense, aerospace, meteorology and communication. The business acquisition was undertaken by acquiring equity stake of 90% for Cash consideration of Rs.0.01 crore.

(ii) Holding Company had entered into a Joint Venture Agreement dated October 18, 2010 with DragonWave Inc., Canada, and formed a joint venture entity under name DragonWave HFCL India Pvt Ltd. owned by DragonWave Pte. Ltd., Singapore (50.10%) (being controlled by DragonWave Inc., Canada) and HFCL Ltd. (49.90%). On December 17, 2019, the Holding Company acquired balance 50.10% (comprising of 35,07,000 equity shares of face value Rs 10/- each). The Holding Company's total holding along with the existing shares held has increased to 100%. The business acquisition was undertaken by entering into share purchase agreement for cash consideration of Rs.2.25 crore



45 During the year, Group has recognised the following amounts in the consolidated financial statements as per Ind AS - 19 "Employee Benefits" as specified in the Companies (Indian Accounting Standards) Rules, 2015:

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised are charged to Consolidated Statement of Profit and Loss for the year as under :

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Employer's Contribution to Provident Fund	10.09	9.52

b) Defined Benefit Plan

The employees' gratuity fund scheme is managed by HDFC Standard Life Insurance Company Limited which is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	6.80%	6.80%	6.80%	6.80%
Rate of increase in Compensation levels	6.65%	6.80%	6.65%	6.80%
Average remaining working lives of employees (Years)	18.56	18.30	18.57	18.16

Table showing changes in present value of obligations :

Present value of obligation as at the beginning of the year	23.25	19.48	15.11	12.70
Acquisition adjustment	-	0.16	-	0.12
Interest Cost	1.58	1.48	1.02	0.97
Past service cost (Vested Benefit)	Nil	Nil	5.00	0.97
Current Service Cost	3.11	3.20	4.43	3.47
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost / (Credit)	Nil	Nil	Nil	Nil
Benefits paid	(3.38)	(0.97)	(3.60)	(1.33)
Actuarial (gain)/ loss on obligations	(1.91)	(0.10)	(1.63)	(1.79)
Present value of obligation as at the end of the period	22.66	23.25	20.33	15.11

Table showing changes in the fair value of plan assets :

Fair value of plan assets at beginning of the year	2.06	2.04	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.14	0.16	N.A.	N.A.
Employer contribution	-	-	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	0.26	(0.14)	Nil	Nil
Changes deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.46	2.06	Nil	Nil

Other Comprehensive Income

Actuarial (gain) / loss for the period - Obligation	(1.91)	(0.10)	(1.63)	(1.79)
Actuarial (gain) / loss for the period - Plan assets	(0.26)	0.14	-	-
Total (gain) / loss for the period	(2.16)	0.04	(1.63)	(1.79)
Actuarial (gain) / loss recognized in the period	(2.16)	0.04	(1.63)	(1.79)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil

The amounts to be recognized in Consolidated Balance Sheet :

Present value of obligation as at the end of the period	22.66	23.25	20.33	15.12
Fair value of plan assets as at the end of the period	2.46	2.06	Nil	Nil
Funded Status	(20.20)	(21.19)	(20.33)	(15.12)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(20.20)	(21.19)	(20.33)	(15.12)

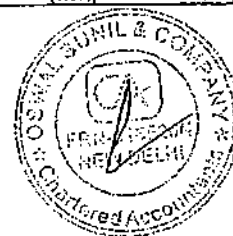
Expenses recognised in Consolidated Statement of Profit and Loss :

Current service cost	3.11	3.20	4.43	3.48
Past service cost (Vested Benefit)	Nil	Nil	5.00	0.97
Interest Cost	1.58	1.48	1.02	0.97
Expected return on plan assets	(0.14)	(0.16)	Nil	Nil
Curtailment and settlement cost / (credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	4.55	4.53	10.45	5.42

Sensitivity analysis of the defined benefit obligations:

Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	22.66	23.25	20.33	15.12
Impact due to increase of 0.5%	(1.30)	(1.38)	(1.64)	(1.06)
Impact due to decrease of 0.5%	1.25	1.26	0.88	0.96
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	22.66	23.25	20.33	15.12
Impact due to increase of 0.5%	1.27	0.79	(1.68)	(1.08)
Impact due to decrease of 0.5%	(1.34)	(0.89)	0.90	0.98

Sensitivities due to mortality & withdrawals are insignificant & hence ignored.



Maturity profile of defined benefit obligation:

March 2021 to March 2022	0.76	2.62	2.79	2.41
March 2022 to March 2023	0.73	0.26	0.64	0.08
March 2023 to March 2024	1.05	0.85	0.46	0.42
March 2024 to March 2025	0.66	1.00	0.43	0.31
March 2025 to March 2026	1.01	0.64	0.52	0.36
March 2026 to March 2027	2.46	0.97	1.02	0.35
March 2027 onwards	15.99	16.91	14.47	11.19

Investment Details

IIHFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.46	2.06	Nil	Nil

Note: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary Valuer.

46 Disclosure as required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act):

Particulars	As at March 31, 2021	As at March 31, 2020
Principal amount due to micro & small enterprises*	181.49	80.54
Interest due on above	1.78	6.33
Interest paid during the period beyond the appointed day	0.02	0.73
Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the period	8.09	6.33
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprises for the purpose of disallowance as a deductible expenditure under Sec.23 of the Act	Nil	Nil

Note: The above information and that given in Note 25 'Trade Payables' regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Group and has been relied upon by the auditors.

*includes amount of Rs 138.48 crore (previous year Rs 31.94 crore) outstanding but not overdue to micro, small and medium enterprises as on 31st March 2021

47 Commitments and Contingencies
(a) Contingent Liabilities not provided for in respect of:

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Unexpired Letters of Credit (margin money paid Rs.57.05 crore; Previous year Rs.18.01 crore)	371.44	109.45
(ii) Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of Rs.153.57 crore; Previous year Rs.139.95 crore)	805.57	881.45
(iii) Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest Rs.3.87 crore (previous year Rs 3.87 crore) shown as recoverable advance)	64.79	66.61
(iv) Custom Duty against import under EPCG scheme	4.60	5.41

Notes:

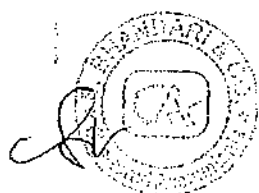
- The Group's pending litigations comprise of claims against the Group and proceedings pending with Tax Authorities. The Group has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its consolidated financial statements. The Group does not expect the outcome of these proceedings to have a material impact on its financial position.
- The Group periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Group has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.
- The Holding Company has provided guarantees to third parties on behalf of subsidiary and associates. The Holding Company does not expect any outflow of resources in respect of such guarantees.
- There is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court vide its ruling in February 2019, in relation to the scope of compensation on which the organization and its employees are to contribute towards Provident Fund. The Group will evaluate its position and act, as clarity emerges.
- As at March 31, 2021 the Group has outstanding term derivative contracts as referred in note no. 58

(b) Capital Commitments

Particulars	As at March 31, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	78.68	16.82
Uncalled capital Commitment pertaining to investments	23.50	14.46

(c) Financial Guarantees

Issued in favour of	Issued to	Amount of guarantee (Rs.)	Purpose
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	Ad-hoc L/C
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	Working Capital
Exicom Tele-systems Ltd	Punjab National Bank	6.50	Working Capital



43 In the opinion of the Board of Holding Company, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated.

49 In view of the limited scale of operations at the Company's Solan (Himachal Pradesh) Facilities and as a step towards cost optimization, the Board of Holding Company in its meeting held on January 20, 2020, had decided to shift the Plant and Machinery of Solan Facilities and operations thereof to the Holding Company's Manufacturing Facility located in Hyderabad. Further, in order to ensure continuity of the job of the employees currently based at Solan, the Holding Company also considered to offer the continued employment either at Hyderabad or at such other places where the project works are being got executed. The Holding Company introduced a Voluntary Retirement Scheme (VRS) to those employees who are finding it difficult to relocate to Hyderabad/other locations. Consequently, VRS compensation paid during the year amounting to Rs.4.13 crores has been disclosed as an exceptional item. Further, the management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery at its Hyderabad Plant.

50 "Related Party Disclosures" as required by Ind AS - 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

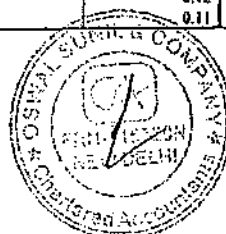
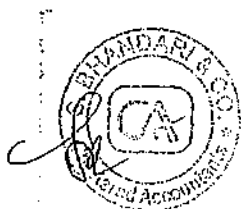
(i). Name and description of related parties -

Relationship	Name of Related Party
(a) Joint Venture :	DragonWave HFCL India Pvt. Ltd. (Wholly owned Subsidiary w.e.f. 12.12.2019)
(b) Key management personnel :	Mr. Mahendra Nahata, Managing Director- HFCL Ltd Mr. Vijay Raj Jain, Group Chief Financial Officer- HFCL Ltd Mr. Manoj Baid, Vice President (Corporate) & Group Company Secretary- HFCL Ltd Mr. G.S.Naidu, COO & Manager - HTL Ltd. Mr. C. D. Ponappa Chief Finance Officer - HTL Ltd. Mr. S Narayanan, Company Secretary- HTL Ltd. Mr. Yogesh Gupta, Company Secretary- DragonWave HFCL India Private Limited (upto 30.11.20)
(c) Post Employment Benefit Plans :	HFCL Employees Group Gratuity Trust HFCL Employees Trust - ESOP
(d) Enterprises owned or Significantly influenced by key management personnel or their relatives :	MN Ventures Private Limited Nextwave Communications Private Limited. Exicom Tele-Systems Limited Satellite Finance Private Ltd. Shankar Sales Promotion Private Ltd. Vinson Brothers Private Ltd.

Note: Related party relationship is as identified by the Group and relied upon by the auditors

(ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at March 31, 2021 are as under:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Purchases/receiving of Goods & services Exicom Tele-systems Limited	6.05	18.34
Sales/rendering of Goods and Materials Exicom Tele-systems Limited	2.47	0.13
Income - Rent /Other Income Exicom Tele-systems Limited	0.21	-
Expenses - Rent /Other expenses Exicom Tele-systems Limited Satellite Finance Private Ltd. Shankar Sales Promotion Private Ltd. Vinson Brothers Private Ltd.	0.84 0.35 0.73 0.77	0.84 0.35 0.73 0.76
Closing Balances of Loans & Advances and Receivables Exicom Tele-systems Limited Satellite Finance Private Ltd.	0.73 0.16	6.16 0.19
Closing Balances of Trade Payables Shankar Sales Promotion Private Ltd. Vinson Brothers Private Ltd.	0.32 0.35	0.38 0.34
Contribution towards ESOP Trust HFCL Employees Trust	-	0.02
Guarantees and collaterals Exicom Tele-systems Limited	6.50	6.50
Advances of Key Management Personnel Mr. Mahendra Nahata (Managing Director) Mr. Vijay Raj Jain (Chief Financial Officer) Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.39 1.20 0.09	- - -
Remuneration of Key Management Personnel's Mr. Mahendra Nahata, Managing Director- HFCL Ltd Mr. Vijay Raj Jain (Chief Financial Officer) Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary) Mr. G.S.Naidu, COO & Manager - HTL Ltd. Mr. C. D. Ponappa Chief Finance Officer- HTL Ltd Mr. S Narayanan, Company Secretary- HTL Ltd. Mr. Yogesh Gupta, Company Secretary- DragonWave HFCL India Private Limited (upto 30.11.20)	5.78 2.97 0.83 0.58 0.51 0.21 0.26	6.80 1.97 0.43 0.56 0.49 0.20 0.26
Share based payment to employees Mr. Vijay Raj Jain (Chief Financial Officer) Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary) Mr. G.S.Naidu, COO & Manager - HTL Ltd. Mr. C. D. Ponappa Chief Finance Officer- HTL Ltd	0.25 0.11 0.12 0.11	0.35 0.16 0.14 0.13



51 Segment Reporting

The operating segments have been identified on the basis of nature of products.

i. Segment revenue includes sales and other income directly identifiable with the segment including inter-segment revenue.

ii. Expenses that are directly identifiable with the segment are considered for determining the segment result.

iii. Expenses / incomes which are not directly allocable to the segments are included under un-allocable expenditures / incomes.

iv. Segment results include margins on inter-segment sales which are reduced in arriving at the profit before tax of the Group.

v. Segment assets and liabilities include those directly identifiable with the respective segments. Un-allocable assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.

vi. Inter - Segment revenue :- Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

(a) Primary segment information

The Group's operations primarily relate to manufacturing of telecom products, executing turnkey contracts and providing services relating thereto. Accordingly segments have been identified in line with Indian Accounting Standard on Segment Reporting 'Ind AS-108'. Telecom products and Turnkey contracts and services are the primary business segments. Details of business segments are as follows:

Particulars	Business Segments						Total	
	Telecom Products		Turnkey Contracts and Services		Other		Current Year	Previous Year
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year		
Segment Revenue Turnover	1,291.46	846.92	1,217.30	2,991.99	-	-	4,422.96	3,838.91
Segment Result	154.67	(133.00)	333.15	327.37	(1.10)	(2.30)	396.72	457.47
Unallocated Finance charges							176.89	114.81
Unallocated expenses							10.38	2.39
Unallocated income							16.62	17.84
Profit before tax							336.36	318.35
Income tax (net)							90.62	121.01
Profit after tax							245.74	237.34
Other Information								
Segment assets	1,304.14	1,265.95	3,409.47	2,126.32	0.30	1.11	4,703.64	3,393.38
Unallocated other assets							510.17	495.59
Total assets	1,304.14	1,265.95	3,409.47	2,126.32	0.30	1.11	5,213.78	3,888.97
Segment liabilities	644.02	533.10	1,320.43	1,036.13	1.40	1.36	2,609.85	1,621.39
Unallocated other liabilities							642.47	539.29
Total liabilities	644.02	533.10	1,320.43	1,036.13	1.40	1.36	3,292.32	2,160.58
Depreciation	66.43	39.14	2.18	2.11	-	-	68.67	41.95
Capital Expenditure	63.13	263.49	3.42	14.91	0.43	2.33	49.00	282.73
Non-cash expenses other than Depreciation	1.29	0.42	1.42	7.32	-	0.42	2.71	8.36

(b) Secondary segment information

The Group caters mainly to the needs of Indian market and the export turnover being 4.34% (Previous year 3.19%) of the total turnover of the Group, there are no reportable geographical segments.

52 Corporate social responsibility expenses:

Particulars	Year Ended March 31, 2024	Year Ended March 31, 2018
Gross amount to be spent by the Group during the year	6.26	4.65
Amount spent during the year:		
Contribution on acquisition of assets	10.44	10.44
On other purposes*	-	-

* Includes Rs. 0.63 Crore which the Group intends to spend in the future relating to and in addition to the amounts spent in the prior current year.

53 Interest charges on loans is net of Interest income from loans and advances amounting to Rs.8.01 crore (Previous year Rs.10.23 crore) .

54 Debt of the Holding Company as restructured under Corporate Debt Restructuring (CDR) mechanism in financial year 2011-12 had been re-paid as per the approved Scheme, with improved performance, Holding Company has also paid reimbursement amount of Rs. 148.47 crore as per exit term approved by CDR Empowered Group vide their order CDR(PMG) No.7402015-16 dated March 22, 2016 on the recommendation of Monitoring Institution. CDR EG had given its approval for successful exit of the Holding Company from CDR mechanism vide letter No. CDR(DAT) No.218/2017-18 dated 01.09.2017.

55 On October 15, 2018, pursuant to the approval by the shareholders, the Board of Holding Company has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. Rs.20.65 per share. The Employee can exercise the vested options under which in the maximum exercise period which shall be 3 years from the vesting date. The Stock options so granted will be vest over a period of 3 years and 10% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall be vest in the 4th year from the date of grant.

The Nomination, Remuneration and Compensation Committee ("Committee") of the Board of Directors of Holding Company which comprises a majority of Independent Directors is responsible for administration and supervision of the Stock Option Plans.

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2021 and March 31, 2020 is as follows:



Particulars	Shares arising out of options ^a	
	Year ended March 31, 2021	Year ended March 31, 2020
Employee Stock Options (ESOPs)		
Outstanding at the beginning	67,09,000	68,61,000
Granted	-	-
Exercised	-	-
Forfeited and expired	7,01,000	1,52,000
Outstanding at the end	60,08,000	67,09,000
Exercisable at the end	44,86,000	26,83,600
Restricted Stock Units (RSUs)		
Outstanding at the beginning	67,09,000	68,61,000
Granted	-	-
Exercised	-	-
Forfeited and expired	7,01,000	1,52,000
Outstanding at the end	60,08,000	67,09,000
Exercisable at the end	-	-

^a Includes options granted to employees of subsidiary company

The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2021 are as follows:

Particulars	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (Rs.)
20-25 (ESOPs)	60,08,000	1	20.65
0 - 5 (RSUs)	60,08,000	3	1.00

The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

Particulars	For options granted during the year ended March 31, 2021	
	ESOPs	RSUs
Weighted average share price (Rs.)	20.65	20.65
Exercise price (Rs.)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the option (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (Rs.)	11.04	19.74

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise behavior of the employee who receives the RSU / ESOP. Expected volatility during the expected term of the RSU / ESOP is based on historical volatility of the observed market prices of the Group's publicly traded equity shares during a period equivalent to the expected term of the RSU / ESOP.

56 In respect of subsidiary companies, the following additional notes to accounts are disclosed:-

HTL LIMITED

- i) Loan of Rs. 6.24 Crs (Previous year Rs. 6.24 Crs) together with interest accrued and due thereon of Rs. 30.03 Crs (Previous year Rs. 29.19 Crs) is due to Government of India (GOI). In addition to this, the Govt. of India has acceded the request to adjust Rs. 3.47 Crs compensation receivable by HTL Limited (the Subsidiary) in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note. 56(ii)(b) below]
- ii) a) Out of the total land in possession of the Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Company in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Company, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in 2002. In respect of the remaining land measuring 30.99 acres, the name of the Company has been entered in the revenue records of the Government of Tamil Nadu. In respect of above said land, a Show Cause Notice (SCN) was issued on 08th June, 2020, by Office of the Revenue Divisional Officer, Guindy, Chennai, objecting on patta of assigned land entered in the revenue records of the Govt. Subsequently, interim stay on SCN was granted by Hon'ble Madras High Court on 19th June, 2020.
- b) Claims of Rs. 3.47 crs receivable from BSNL against the compensation approved by Telecom Commission vide letter No. U-37012/3/97-FAC dated 1st May, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated 02.12.2003 has conveyed the decision of the competent authorities to adjust the above said amount against the interest portion of the outstanding Government of India Loan. In reply, the Company requested DoT vide letter no. 43.12 ETP dated 08.12.2003 to adjust the compensation amount of Rs. 3.47 crs against the principal amount of loan outstanding as on 01.05.2001, the date on which the compensation was approved. The Govt. of India has reiterated the adjustment of Rs. 3.47 crs compensation receivable by HTL in case of ETP claim against the interest portion of the outstanding loan from Government of India (GOI). After adjustment of ETP compensation of Rs. 3.47 crs against the interest portion of outstanding GOI loan in terms of GOI letter dated 2nd December, 2003, the Company has made adequate interest provisions till 31.03.2021. In the financial statements, the company has adjusted the said claim receivable from the interest liability due to GOI, though a formal concurrence of adjustment & subsequent interest reconciliations is still ongoing. The Company expects no further liability, once the adjustment is agreed upon.
- iii) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for Rs. 120.00 Crs in the ratio of equity shares holding i.e. 26% by GOI and 74% by HFCL Limited, Holding Company. It is also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by HFCL. The subsidiary company is regularly following and submitting all clarifications & additional information asked by GOI from time to time for obtaining the administrative approval so that the required formalities under the Companies Act can be taken up accordingly. In view of this, loans outstanding from GOI along with interest and advances/loan received from HFCL have been shown under Non-Current Financial Liability instead of Current Financial Liability.

57 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.



The Group's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Group's management has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has constituted a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

57.1 Financial Instruments by category

Particulars	As at March 31, 2021			As at March 31, 2020		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	32.97	-	-	53.84	-
ii) Structured entity						
a) Sumedha Fiscal Services Ltd.	-	0.04	-	-	0.03	-
b) Valiam Communications Ltd.	-	0.06	-	-	0.02	-
c) Magna Fincorp Ltd.	-	1.68	-	-	0.26	-
d) Media Matrix Worldwide Ltd.	-	-	-	-	-	-
e) Sahara One Media and Entertainment Ltd.	-	0.84	-	-	0.24	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	-	0.17	-	-	0.10	-
B) Mutual funds	2.99	-	-	1.85	-	-
C) Debentures & Bonds	-	-	1.85	-	-	1.85
II) Trade receivables	-	-	3,055.81	-	-	1,729.69
III) Bank deposits	-	-	9.56	-	-	31.34
IV) Cash and Cash equivalents	-	-	21.30	-	-	16.44
V) Other Bank balances	-	-	285.14	-	-	175.41
VI) Security deposit for utilities and premises	-	-	20.34	-	-	23.81
VII) Other receivables	-	-	461.32	-	-	555.37
Total financial assets	2.99	35.76	3,855.33	1.85	54.49	2,533.91
2) Financial Liabilities						
I) Borrowings						
A) From Banks	-	-	673.33	-	-	520.38
B) From Others	-	-	107.49	-	-	141.26
II) Obligations under Finance Lease	-	-	22.22	-	-	21.94
III) Deposits	-	-	272.38	-	-	310.61
IV) Trade payables	-	-	1,747.96	-	-	815.24
V) Other liabilities	-	-	272.62	-	-	223.41
Total Financial liabilities	-	-	3,096.00	-	-	2,032.84

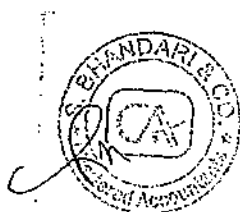
Fair Value measurement

Fair Value Hierarchy and valuation technique used to determine fair value :

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1, Level 2 and Level 3 inputs.

A) Year Ending March 31, 2021

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2021	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	13	2.99	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	13	0.04	-	-
b) Valiam Communications Ltd.	13	0.06	-	-
c) Magna Fincorp Ltd.	13	1.68	-	-
d) Media Matrix Worldwide Ltd.	13	-	-	-
e) Sahara One Media and Entertainment Ltd.	13	0.84	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	13	-	-	0.17
g) Exicom Tele-Systems Ltd.	7	-	-	16.77
h) AIB Corp Ltd.	7	-	-	-
i) The Greater Bombay Co-Op Bank Ltd.	7	-	-	0.06
j) Shankar Sales Promotion Pvt.Ltd.	7	-	-	0.09
k) Anul Properties Pvt. Ltd.	7	-	-	1.85
l) Nivetti Systems Pvt Ltd.	7	-	-	16.06
Total Financial Assets		5.61	-	35.00



B) Year Ending March 31, 2020

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2020	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	13	1.85	-	-
FVTOCI				
Structured entity				
a) Sumedia Fiscal Services Ltd.	13	0.03	-	-
b) Valiant Communications Ltd.	13	0.02	-	-
c) Magma Fincorp Ltd.	13	0.26	-	-
d) Media Matrix Worldwide Ltd.	13	-	-	-
e) Sahara One Media and Entertainment Ltd.	13	0.24	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	13	-	-	0.10
g) Exicom Tele-Systems Ltd.	7	-	-	16.77
h) AB Corp Ltd.	7	-	-	32.90
i) The Greater Bombay Co-Op Bank Ltd.	7	-	-	0.07
j) Shankar Sales Promotion Pvt.Ltd.	7	-	-	0.09
k) Atul Properties Pvt. Ltd.	7	-	-	1.85
l) Nivetti Systems Pvt Ltd.	7	-	-	4.01
Total Financial Assets		2.40	-	55.79

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

57.2 MANAGEMENT OF FINANCIAL RISK

Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Group's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

Particulars	Notes Nos.	Carrying amount	Less than 12	More than 12	Total
As at March 31, 2021					
Trade payables	25	1,747.96	1,747.96	-	1,747.96
Retention Money	26	272.38	272.38	-	272.38
Other liabilities	22,24,26,42	1,075.66	806.42	269.25	1,075.67
As at March 31, 2020					
Trade payables	25	815.24	815.24	-	815.24
Retention Money	26	310.61	310.61	-	310.61
Other liabilities	22,24,26,42	907.00	689.13	217.87	907.00

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTPL & FVTOCI investments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 31 March 2020.

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY	SENSITIVITY TO RISK
Price Risk		
The Group is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits as per the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher / lower: Other comprehensive income for the year ended March 31, 2021 would increase / decrease by Rs.4.06 crore (for the year ended March 31, 2020: increase / decrease by Rs.5.82 crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
INTEREST RATE RISK		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Group diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Group has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional Rs. 2.30 Cr loss for year ended March 31, 2021 (Rs.1.78 Cr loss for year ended March 31, 2020).

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Group established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Group periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables.



The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period:

Particulars	As at March 31, 2021	As at March 31, 2020
Debt	920	712
Less: Cash and Cash equivalents (Note 15)	(21.30)	(16.44)
Net Debt	898.70	695.56
Total Equity	1,923.47	1,668.39
Net Debt to Total Equity	0.47	0.42

58 Foreign Currency Exposure

a) The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Group's strategy, which provides principles on the use of such forward contracts consistent with Group's Risk Management Policy. The Group does not use forward contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

b) Details of outstanding Hedging Contracts relating to Foreign LCs and on direct purchase of capital items

Particulars	As at March 31, 2021		As at March 31, 2020	
	Amount in Foreign Currency	Equivalent in Rs.	Amount in Foreign Currency	Equivalent in Rs.
USD/INR	0.66	49.58	0.66	4.91

c) Foreign Currency exposure

Particulars		As at March 31, 2021		As at March 31, 2020	
		Amount in Foreign Currency	Equivalent in Rs.	Amount in Foreign Currency	Equivalent in Rs.
Trade payable	USD/INR	6,22,23,688.00	455.37	3,06,36,105.00	234.12
	GBP/INR	7,76,485.00	7.84	7,60,190.00	6.95
	JPY/INR	-	-	3,47,76,000.00	2.49
	EUR/INR	8,16,532.00	7.02	4,09,748.00	3.47
Trade receivable	USD/INR	63,85,310.00	46.73	27,83,232.00	20.70
	EUR/INR	-	-	2,86,942.00	2.34
	GBP/INR	4,20,321.00	4.24	2,19,655.00	2.01
	AED/INR	1,09,09,213.00	21.73	-	-

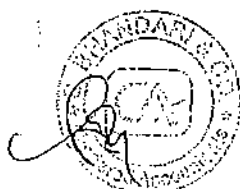
d) Foreign currency sensitivity analysis:

The following details demonstrate the Group's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

Particulars	Year Ended March 31, 2021		Year Ended March 31, 2020	
	INR strengthens by 5%	INR weakens by 5%	INR strengthens by 5%	INR weakens by 5%
Impact on profit or loss for the year				
USD Impact	20.43	(20.43)	10.67	(10.67)
EURO Impact	0.35	(0.35)	0.06	(0.06)
JPY Impact	-	-	0.12	(0.12)
GBP Impact	0.18	(0.18)	0.25	(0.25)
AED Impact	(1.09)	1.09	-	-

59 Tax Reconciliation

Particular	F.Y. 2020-21	F.Y. 2019-20
Net Profit as per Statement of Profit and Loss (before tax)	336.86	358.35
Current Tax rate @ 25.17% (34.944%)	86.25	125.33
Adjustment:		
MAT Adjustment	-	(48.10)
Depreciation & other adjustment	1.12	(15.62)
Carry forward loss and Unabsorbed Depreciation	(1.58)	(8.38)
Amount of eligible / ineligible expenditure	0.35	0.35
The amount of income u/s 10 - dividend	86.13	(0.01)
Tax Provision as per Books	86.13	53.58



60 Recent Indian Accounting Standards (Ind AS)

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. The amendments are extensive and the Group will evaluate the same to give effect to them as required by law.

61 The Board has recommended a dividend @15% i.e. Rs. 0.15 per equity share for the financial year ended 31st March, 2021 subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) of the Company or other authorities wherever required. The dividend for the financial year ended 31st March, 2021, if any, declared at the ensuing AGM, will be paid to the Shareholders within 30 days from the date of declaration.

62 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

As per our report of even date attached
For S. Bhāndari & Co.
Chartered Accountants
Firm Reg. No. 000560C

P. D. Baid
Partner
M.No. 072625

Jaipur, 10th May, 2021

For Oswal Sunil & Company
Chartered Accountants
Firm Reg. No. 016510B

Sunil Oswal
Partner
M.No. 054645

New Delhi, 10th May, 2021

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Mahendra Nahata
Managing Director
DIN: 00052898

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No. FCS 5834
New Delhi, 10th May, 2021

DECLARATION

The Company certifies that all relevant provisions of Chapter VI read with Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on the Company's business have been obtained, are currently valid and have been complied with. The Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

Mahendra Nahata

Managing Director

DIN: 00052898

Date: August 31, 2023

Place: New Delhi

DECLARATION

We, the Board of Directors of the Company certify that:

- (i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;
- (ii) the compliance with the Companies Act, 2013 and the rules thereunder, does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government; and
- (iii) the monies received under the Issue shall be used only for the purposes and objects indicated in this Placement Document (which includes disclosures prescribed under Form PAS-4).

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Signed by:

Mahendra Nahata
Managing Director
DIN: 00052898

Date: August 31, 2023
Place: New Delhi

I am authorized by the Fund Raising Committee of the Board of Directors of the Company, vide resolution dated August 28, 2023, to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

Mahendra Nahata
Managing Director
DIN: 00052898

Date: August 31, 2023
Place: New Delhi

HFCL LIMITED

Registered Office

8, Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh, India

Website: www.hfcl.com

Telephone: +91-1792-230644; **E-mail:** secretarial@hfcl.com

CIN: L64200HP1987PLC007466

Corporate Office

8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi - 110 048, India

Company Secretary and Compliance Officer: Mr. Manoj Baid

HFCL Limited, 8, Commercial Complex, Masjid Moth,

Greater Kailash-II, New Delhi-110048

Telephone: +91 11 35209530

E-mail: manoj.baid@hfcl.com

BOOK RUNNING LEAD MANAGER

Monarch Networth Capital Limited

4th Floor, B Wing, Laxmi

Towers, G Block,

Bandra Kurla Complex, Bandra

East, Mumbai - 400051

STATUTORY AUDITORS OF OUR COMPANY

S Bhandari & Co LLP, Chartered Accountants

P-7, Tilak Marg, C-Scheme Jaipur – 302005

Telephone: +91 141 2385412, 2385003, 2385329

E-mail: auditors@sbhandari.in

Oswal Sunil & Company, Chartered Accountants

71, Daryaganj, New Delhi – 110002

Telephone: +91 11 23251582, 23262902

E-mail: oswalsunil.co@gmail.com

MONITORING AGENCY

CARE Ratings Limited

Godrej Coliseum, 4th Floor

Somaiya Hospital Road

Off Eastern Express Highway

Sion (East), Mumbai- 400 022

Maharashtra, India

INDIAN LEGAL COUNSEL TO THE COMPANY

Khaitan & Co

One World Centre

10th and 13th Floor, Tower 1C

841 Senapati Bapat Marg

Mumbai 400 013

INDIAN LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGER

AZB & Partners

AZB House

Plot No. A8, Sector-4

Noida 201 301

INTERNATIONAL LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGER WITH RESPECT TO SELLING AND TRANSFER RESTRICTIONS

Hogan Lovells Lee & Lee

50 Collyer Quay

#10-01 OUE Bayfront

Singapore - 049321

SAMPLE APPLICATION FORM

An indicative format of the Application Form is set forth below:

(Note: The format of the Application Form included herein below is for reference, indicative and for the purposes of compliance with applicable law only, and no Bids in this Issue were made through the sample Application Form. The Company, in consultation with the Book Running Lead Manager, identified Eligible QIBs and circulated serially numbered copies of the Preliminary Placement Document and the Application Form, specifically addressed to such Eligible QIBs. Any application made in the Issue was made only upon receipt of serially numbered copies of the Preliminary Placement Document and the Application Form, and not on the basis of the indicative format below.)

	APPLICATION FORM
(Incorporated in the Republic of India under the provisions of the Companies Act, 1956) Registered Office: 8, Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh, India Corporate Office: 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi - 110 048, India Telephone: +91-1792-230644 E-mail: secretarial@hfcl.com Website: www.hfcl.com CIN: L64200HP1987PLC007466	Name of Bidder: _____ Form No: _____ Date: _____

QUALIFIED INSTITUTIONS PLACEMENT OF [●] EQUITY SHARES OF FACE VALUE ₹ 1 EACH (THE “EQUITY SHARES”) FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (“ISSUE PRICE”) INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE AGGREGATING TO APPROXIMATELY ₹ [●] CRORES UNDER CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE “SEBI ICDR REGULATIONS”) AND SECTION 42 AND SECTION 62 OF THE COMPANIES ACT, 2013, AS AMENDED (THE “COMPANIES ACT”), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE “PAS RULES”), AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT AND THE RULES MADE THEREUNDER BY HFCL LIMITED (THE “COMPANY”) (HEREINAFTER REFERRED TO AS THE “ISSUE”). THE APPLICABLE FLOOR PRICE OF THE EQUITY SHARES IS ₹ 68.61 AND OUR COMPANY MAY OFFER A DISCOUNT OF UP TO 5% ON THE FLOOR PRICE, AS APPROVED BY THE SHAREHOLDERS.

Only Qualified Institutional Buyers (“QIBs”) as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and which (i) are not, (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; (b) restricted from participating in the Issue under the SEBI ICDR Regulations and other applicable laws; (c) hold a valid and existing registration under the applicable laws in India (as applicable); and (d) are eligible to invest in the Issue and submit this Application Form, and (ii) are residents in India participating through Schedule II of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (“FEMA Rules”), defined hereinafter or a multilateral or bilateral development financial institution eligible to invest in India under applicable law including the FEMA Rules; can submit this Application Form. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or any other applicable state securities laws of the United States and, unless so registered, may not be offered, sold or delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only outside the United States in “offshore transactions” as defined in, and in reliance on, Regulation S under the U.S. Securities Act (“Regulation S”) and the applicable laws of the jurisdictions where those offers and sales are made. You should note and observe the selling and transfer restrictions contained in the sections entitled “Selling Restrictions” and “Purchaser Representations and Transfer Restrictions” in the accompanying preliminary placement document dated August 28, 2023 (the “PPD”).

ELIGIBLE FPIs ARE PERMITTED TO PARTICIPATE IN THIS ISSUE, THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER SCHEDULE II OF THE FEMA RULES, SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF ELIGIBLE FPIs DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. PURSUANT TO PRESS NOTE NO. 3 (2020 SERIES), DATED APRIL 17, 2020, ISSUED BY THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, GOVERNMENT OF INDIA, AND RULE 6 OF THE FEMA RULES, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY, INCLUDING THE FEMA RULES. OTHER ELIGIBLE NON-RESIDENT QIBs SHALL PARTICIPATE IN THE ISSUE UNDER SCHEDULE I OF FEMA RULES. FVCIs ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE.

To,

The Board of Directors
HFCL LIMITED
 8, Electronics Complex, Chambaghat
 Solan – 173213, Himachal Pradesh, India

Dear Sirs,

On the basis of the serially numbered PPD of the Company and subject to the terms and conditions contained therein, and in this Application Form, we hereby submit our Application Form for the Allotment of the Equity Shares in the Issue, at the terms and price indicated below. We confirm that we are an eligible QIB as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under the applicable laws, including SEBI ICDR Regulations. We are not a promoter of the Company (as defined in the SEBI ICDR Regulations), or any person related to the promoters of the Company, directly or indirectly. Further, we confirm that we do not have any right under a shareholders’ agreement or voting agreement entered into with promoters or persons related to promoter of the Company, veto rights or right to appoint any nominee director on the board of directors of the Company. We confirm that we are either a QIB which is resident in India, or an Eligible FPI, participating through Schedule II of the FEMA Rules. We specifically confirm that our Bid for the Allotment of the Equity Shares is not in violation to the amendment made to Rule 6(a) of the FEMA Rules by the Central Government on April 22, 2020. We confirm that we are neither an AIF or VCF whose sponsor and manager is not Indian owned and controlled in terms of the FEMA Rules, nor an FVCI.

We confirm that the Bid size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits and further confirm that our Bid will not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the “Takeover Regulations”). We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations. We confirm that, in relation to our application, each foreign portfolio investor (“FPI”) as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies and family offices), and including persons who have been registered under these regulations (such FPIs, “Eligible FPIs”), have

STATUS (Please ✓)			
FI	Scheduled Commercial Banks and Financial Institutions	AIF	Alternative Investment Fund*
MF	Mutual Funds	IF	Insurance Funds
FPI	Foreign Portfolio Investors**	NIF	National Investment Fund
VCF	Venture Capital Funds	SI-NBFC	Systemically Important Non-Banking Financial Companies
IC	Insurance Companies	OTH	Others (Please specify)
Total shares currently held by QIB or QIBs belonging to the same group or those who are under common control. For details of what constitutes “same group” or “common control”, see “Application Form” under Issue Procedure section of the PPD. * Sponsor and Manager should be Indian owned and controlled. ** Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, other than individuals, corporate bodies and family offices who are not allowed to participate in the Issue			

submitted a separate Application Form, and asset management companies of mutual funds have specified the details of each scheme for which the application is being made along with the Bid Amount and number of shares to be Allotted under each scheme. We undertake that we will sign all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Bidder and the Bidder has all the relevant authorisations. We note that the Company is entitled, in consultation with Monarch Network Capital Limited (the “BRLM”), in their sole discretion, to accept or reject this Application Form without assigning any reason thereof.

We hereby agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Company, applicable laws and regulations, the terms of the PPD, Placement Document and the CAN, when issued and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below, subject to receipt of Application Form and the Bid Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Bid Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form through electronic mode, along with this Application Form prior to the Bid/Issue Closing Date and such Bid Amount has been /will be transferred from a bank account maintained in our name. We acknowledge and agree that we shall not make any payment in cash or cheque. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Company, in consultation with the BRLM; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Bid Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Company is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, or the listing of the Equity Shares does not occur in the manner described in the PPD, the Placement Document, the SEBI ICDR Regulations and other applicable laws, the Bid Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Bid Amount was paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in and transferability requirements. In this regard, we authorize the Company to issue instructions to the depositories for such lock-in and transferability requirements, as may be applicable to us. We agree and consent that (i) our names, address, contact details, PAN, bank account details and the number of Equity Shares Allotted, along with other relevant information as may be required, will be recorded by the Company in the format prescribed in terms of the PAS Rules; (ii) in the event that any Equity Shares are Allocated to us in the Issue, we are aware pursuant to the requirements under Form PAS-4 of the PAS Rules that our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Company will be disclosed in the Placement Document, and we are further aware that disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the BRLM; and; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Company will place our name in the register of members of the Company as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Company with the Registrar of Companies, Himachal Pradesh at Chandigarh (the “RoC”) as required in terms of the PAS Rules. Further, we are aware and agree that if we, together with any other QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in the Issue, the Company shall be required to disclose our name, along with the names of such other Allottees and the number of Equity Shares Allotted to us and to such other Allottees, on the websites of the National Stock Exchange of India Limited and BSE Limited (together, the “Stock Exchanges”), and we consent to such disclosures. In addition, we confirm that we are eligible to invest in Equity Shares under the SEBI ICDR Regulations, circulars issued by the RBI and other applicable laws.

By signing and submitting this Application Form, we hereby confirm and agree that the representations, warranties, acknowledgements and agreements as provided in the sections “Notice to Investors”, “Representations by Investors”, “Issue Procedure”, “Selling Restrictions” and “Purchaser Representations and Transfer Restrictions” sections of the PPD and the terms, conditions and agreements mentioned herein are true and correct and acknowledge and agree that these representations and warranties are given by us for the benefit of the Company and the BRLM, each of whom is entitled to rely on, and is relying on, these representations and warranties in consummating the Issue.

By signing and submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided with a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section “Risk Factors” therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Company, the BRLM or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document, this Application Form, the confirmation of allocation note (“CAN”), when issued, and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Bid/Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the discretion of the Company, in consultation with the BRLM, and the submission of this Application Form and payment of the corresponding Bid Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Company will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the BRLM; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control as us, shall not exceed 50% of the Issue and we shall provide all necessary information in this regard to the Company and the BRLM. For the purposes of this representation: The expression ‘belong to the same group’ shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations, i.e., entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, among the Eligible QIBs, its subsidiary or holding company and any other QIB; and ‘control’ shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Company, applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

By signing and submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares. We acknowledge that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Bid Amount has been transferred to the Escrow Account (as detailed below), such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Bid/Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, we confirm that we are authorized to submit this Application Form and provide necessary instructions for transfer of the Bid Amount to the Escrow Account, on behalf of the Eligible QIB.

We acknowledge that the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. **By signing this Application Form and checking the applicable box above, we hereby represent, warrant, acknowledge and agree that we are located outside the United States and purchasing the Equity Shares in an “offshore transaction” (as defined in, and in reliance on, Regulation S) complying with Rule 903 or Rule 904 of Regulation S and the applicable laws of the jurisdictions where those offers and sales are made.**

BIDDER DETAILS (in Block Letters)			
NAME OF BIDDER*			
NATIONALITY			
REGISTERED ADDRESS			
CITY AND CODE			
COUNTRY			
MOBILE NO.			
TELEPHONE NO.		FAX.	
EMAIL			
FOR ELIGIBLE FPIs**	Registration Number:	For AIFs****/ MFS/ VCFs****/ SI-NBFCs/ ICs	Registration Number:
*Name should exactly match with the name in which the beneficiary account is held. Bid Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund Bidders are requested to provide details of the Bids made by each scheme of the Mutual Fund. Each Eligible FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Issuer and the BRLM.			
**In case you are an FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.			
***Allotments made to AIFs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. AIFs and VCFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.			

We are aware that the number of Equity Shares in the Company held by us, together with the number of Equity Shares, if any, Allocated to us in the Issue will be aggregated to disclose the percentage of our post-Issue shareholding in the Company in the Placement Document in line with the requirements under Form PAS-4 of the PAS Rules. For

such information, the BRLM will rely on the information provided by the Registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

ESCROW ACCOUNT - BANK ACCOUNT DETAILS FOR PAYMENT OF AMOUNT THROUGH ELECTRONIC FUND TRANSFER REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER BY 3.00 P.M. (IST), [●], 2023, [●]	
Name of the Account	HFCL Limited – QIP Escrow
Name of the Bank	State Bank of India
Address of the Branch of the Bank	3 rd Floor, Capital Market Branch, Mumbai Main Branch Building, Mumbai Samachar Marg, Fort, Mumbai.
Account Type	Escrow Account
Account Number	42212869105
IFSC	SBIN0011777
Tel No.	022-2271 9109/ 2271 9115/ 114/ 113/ 112
E-mail	Nib.11777@sbi.co.in

The Bid Amount should be transferred pursuant to the Application Form. All payments must be made only by way of electronic funds transfer, in favour of “HFCL Limited – QIP Escrow”. Payment of the entire Bid Amount should be made along with the Application Form on or before the closure of the Bid/Issue Period, i.e., prior to the Bid/Issue Closing Date. **The payment for subscription to the Equity Shares Allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.**

DEPOSITORY ACCOUNT DETAILS														
Depository Name (Please ✓)	National Security Depository Limited										Central Depository Services (India) Limited			
Depository Participant Name														
DP – ID	I	N												
Beneficiary Account Number														
(16 digit beneficiary account. No. to be mentioned above)														
The Demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purpose of refund, if any, only the bank details as mentioned below, from which remittance towards subscription has been made, will be considered.														

The Bidders are responsible for the accuracy of the bank account details mentioned below and acknowledge that the successful processing of refunds if, any, shall be dependent on the accuracy of the bank account details provided by them. The Company and the BRLM shall not be liable in any manner for refunds that are not processed due to incorrect bank account details.

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	
NO. OF EQUITY SHARES BID		PRICEPER EQUITY SHARE (RUPEES)	
(In figures)	(In words)	(In figures)	(In words)
BID AMOUNT (RUPEES)			
(In figures)	(In words)		

DETAILS OF CONTACT PERSON			
NAME			
ADDRESS			
TEL. NO.		FAX NO.	
EMAIL			

OTHER DETAILS		ENCLOSURES ATTACHED	
PAN*		Attested/ certified true copy of the following:	
Date of Application		☐ Copy of PAN Card or PAN allotment letter ☐ Copy of FPI Registration Certificate /MF Registration certificate / SEBI certificate of registration for AIFs/VCF/SI-NBFC/IC/IF ☐ Certified copy of the certificate of registration issued by the RBI as an SI-NBFC/ a Scheduled Commercial Bank ☐ Copy of notification as a public financial institution ☐ FIRC ☐ Copy of IRDAI registration certificate ☐ Intimation of being part of the same group ☐ Certified true copy of Power of Attorney ☐ Other, please specify	
Signature of Authorised Signatory (may be signed either physically or digitally)**			

*It is to be specifically noted that the Bidder should not submit the GIR Number or any other identification number instead of the PAN as the applications are liable to be rejected on this ground, unless the Bidder is exempted from the requirement of obtaining a PAN number under the Income-tax Act, 1961.

**A physical copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted as soon as practical.

Note:

- (1) Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD, unless specifically defined herein.
- (2) The application form is liable to be rejected if any information provided is incomplete or inadequate at the discretion of the Company in consultation with the BRLM.
- (3) The duly filed Application Form along with all enclosures shall be submitted to the Book Running Lead Manager either through electronic form at the email mentioned in the PPD or through physical deliver at the address mentioned in PPD.

This Application Form, the PPD and the Placement Document sent to you/ be sent to you, either in physical form or both, are specific to you and you may not distribute or forward the same and are subject to disclaimer and restrictions contained in or accompanying these documents.