



# Accelerating growth



Himachal Futuristic Communications Limited

Annual Report 2013-14



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# Accelerating growth

The telecom industry in India is currently standing at the cusp of a new wave, as it was in the year 2003. The difference however is, the baton is now passed over to data from voice for the next decade of overwhelming growth. The telecom industry till now had witnessed a significant growth in voice subscriber base. With the advent of 3G over the last three years, the internet and broadband subscriber base has witnessed a significant jump.

Industry shall continue to foray into new arena with major shift from Voice to Triple Play. Next wave of telecom growth lies in the areas of Wireless Broadband, Next Generation Networks, Rural Connects, and Mobile VAS. Rising demand for 3G and with many companies assiduously working towards setting up 4G network, telecom infrastructure shall witness a robust growth. This would bring in huge investment for not only setting up new backhaul infra, cell sites and OFC network but also for up-gradation of existing networks and technology leading to big opportunity for telecom equipment and service providers. Therefore, here lies an unprecedented opportunity for all kind of telecom equipment manufacturers and service providers.

We at Himachal Futuristic Communications Limited (HFCL) are a proven single window solution provider with complete bouquet of products and services at competitive price and have significantly leveraged this growth opportunity. Over the last three years, where our revenue has grown by almost 8 times, profitability has grown more than 13 times. With this enhanced profitability, there has also been a significant rise in our return ratios.

We have enhanced the OFC manufacturing capacity along with the processes and product quality for adhering to global standards, leading to higher and faster servicing capabilities. Leveraging upon these capabilities, we have won certain key contracts leading to a strong order book position. Hence, with continued endeavour and deep thought strategies, we have started to grow at a rapid pace. With a focused approach and high quality services and product offering, we are further *accelerating our growth*.



# The world of HFCL

Established in 1987, Himachal Futuristic Communications Limited (HFCL) is a leading telecom infrastructure developer, system integrator and the manufacturer of high-end telecom equipments and optical fibre cables (OFC). It is a one-stop-shop for telecom infrastructure providers, delivering innovative, customized and competitively priced end to end telecom solutions. Its technologically advanced solutions cover all aspects of value chain from manufacturing of leading edge telecom products to providing specialist services and infrastructure to its customers.



Overview of OFC Plant, Goa

### VISION

HFCL's vision is to provide cost effective futuristic end to end telecom solutions with focus on developing the state-of-art technologies to maintain sustained long-term growth and create value for all Stakeholders.

### MISSION

HFCL's mission is to tap the opportunities in broadband revolution with focus on new range of IP based products for manufacturing and to provide related turnkey services.

## Telecom Products

- Microwave radio
- Optical transport equipment
- Wireless access system
- Wireline access system
- 2G and 3G mobile repeater
- Customer premises equipment



## Telecom Services

- Feasibility study
- Design, planning and engineering of telecom network
- Laying of optical fiber cables
- Telecom tower erection
- Installation and commissioning of transmission equipment and access network
- Operation and maintenance of telecom networks

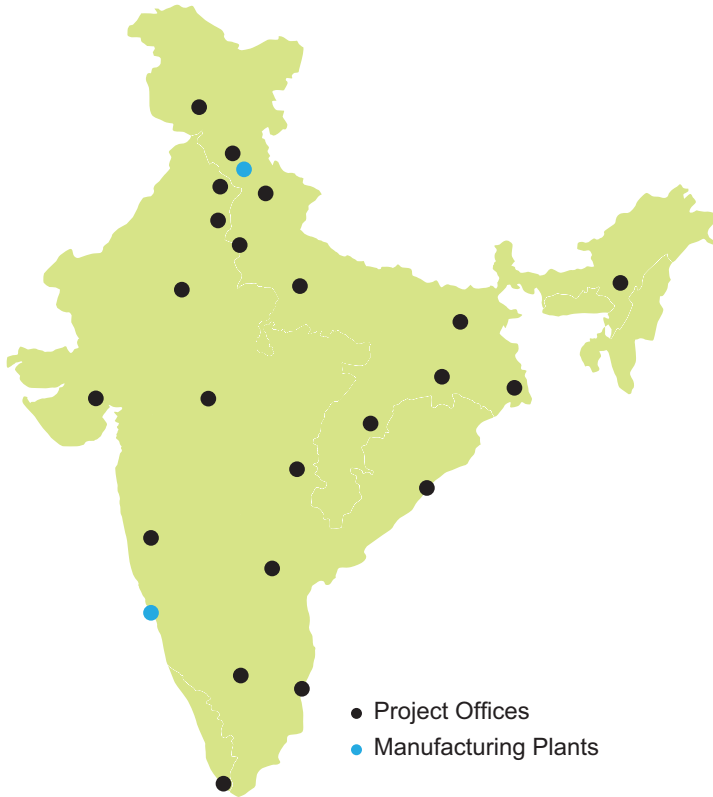


## Joint Ventures & Tie-ups

- DragonWave Inc., Canada, for Packet Microwave Radio Systems
- Polixel Sp.z.o.o., Poland, for Security, Safety & Surveillance Solutions



## Pan India Presence



### Manufacturing Plants

- Solan, Himachal Pradesh: Telecom equipment
- Goa: Optical fibre cable

### Statewise Project Offices

- Andhra Pradesh & Telangana
- Assam
- Bihar
- Chhattisgarh
- Delhi
- Goa
- Gujarat
- Haryana
- Himachal Pradesh
- Jammu & Kashmir
- Jharkhand
- Karnataka
- Kerala
- Madhya Pradesh
- Maharashtra
- Orissa
- Punjab
- Rajasthan
- Tamil Nadu
- Uttaranchal
- Uttar Pradesh
- West Bengal & North Eastern States



# Corporate Information

## BOARD OF DIRECTORS

Mahendra Pratap Shukla

*Non-Executive Chairman*

Mahendra Nahata

*Managing Director*

Arvind Kharabanda

*Director (Finance)*

Dr. R M Kastia

*Director*

Y L Agarwal

*Director*

S G Nadkarni

*Nominee Director (IDBI)*

Manoj Baid

*Associate Vice-President (Corporate) &  
Company Secretary*

## BANKERS

IDBI Bank Limited  
State Bank of India  
Oriental Bank of Commerce  
Punjab National Bank  
Bank of Baroda  
Union Bank of India

## CORPORATE OFFICE

8, Commercial Complex  
Masjid Moth, Greater Kailash - II  
New Delhi – 110 048

## AUDITORS

M/s Khandelwal Jain & Company  
Chartered Accountants  
12-B, Baldota Bhawan  
117, Maharshi Karve Road  
Mumbai – 400 020

## SHARE DEPARTMENT & INVESTOR RELATION CELL

8, Commercial Complex  
Masjid Moth, Greater Kailash - II  
New Delhi – 110 048

## REGISTERED OFFICE & TELECOM EQUIPMENT PLANT

8, Electronics Complex  
Chambaghat, Solan – 173 213  
Himachal Pradesh

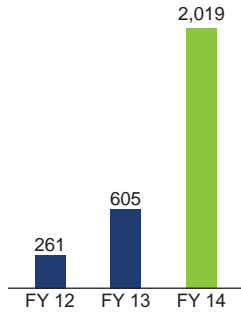
## OPTICAL FIBRE CABLE PLANT

L 35-37, Industrial Area, Phase – II  
Verna Electronics city  
Salcete, Goa - 403 722

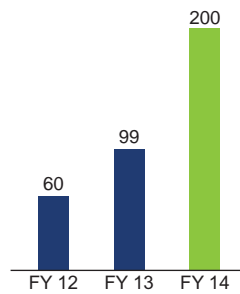


# Financial Highlights

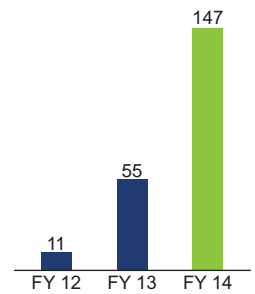
**Revenue (₹ Crore)**



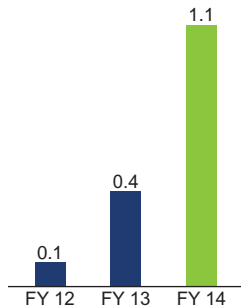
**EBITDA (₹ Crore)**



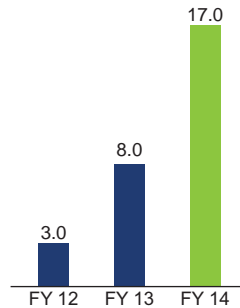
**Net Profit (₹ Crore)**



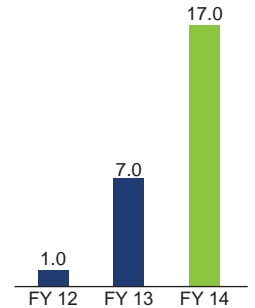
**Earnings per Share (₹)**



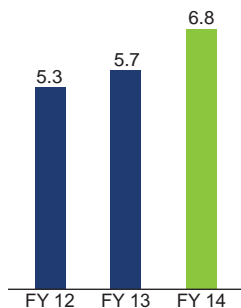
**Return on Capital Employed (%)**



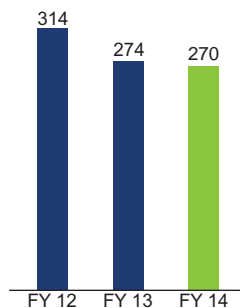
**Return on Equity (%)**



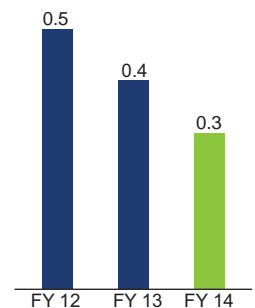
**Book Value per Share (₹)**



**Gross Debt (₹ Crore)**



**Debt Equity (x)**





# Managing Director's Message

## ***Dear Shareholders,***

It is my great pleasure to present you the Annual Report, 2014. The year marks the third consecutive year of significant growth and presents vast upcoming opportunities that will pave way for continued growth with stability. With a very humble beginning in 1987, your Company is today a leading telecom Company with whole bouquet of products, services and end to end telecom solutions. Unprecedented challenges and pressures are natural phenomenon to any business entity and so are for your Company. Only by preserving and sticking to its belief of always striving for better, your Company could survive them and is accelerating on growth path.

Your Company this year has touched a new milestone with highest ever revenue of ₹2,019 Crores as against ₹605 Crores in the previous year, a jump of more than 300%. The net profit also increased in the same order moving up significantly to ₹147 Crores from ₹55 Crores in the previous year. Returns to stakeholders have been strengthened where EPS grew to ₹1.15 against ₹0.40 in the previous year. The Return on Equity as well as the Return on Capital Employed have more than doubled to 17% over the previous year and also during the year your Company was able to enhance its Debt Equity Ratio to 0.32 which provides a healthy financial position and increased balance sheet flexibility. The key initiatives such as increasing OFC manufacturing capacities, revamping the sales and marketing team as well as strategies, bidding for the right contracts and enhancing quality of products and processes have been the key drivers of this strong growth.

High speed data will be in demand by the subscribers and that shall fuel the unprecedented telecom growth in future and data consumption across all kind of network services shall grow. Over the last few years where the voice subscriber base in India was near stable there has been a significant jump in the internet users. The fast growing base of Smartphone users and the spreading network of 3G have brought in this outburst of internet in India which has led to a significant demographic behavioral change and everything is now at your tips. Currently 4G is available in few pockets but there is rapid investment in progress to roll out 4G and BWA pan India. This has brought in huge demand for backhaul infrastructure, cell sites and optical fibre cable as well as telecom infrastructure related EPC services. Your Company with its strengths has significantly leveraged this opportunity and shall continue to do so and enhance shareholders value.

Policy initiatives have been the biggest reason for Telecom's success story in the past and for a few wrong reason recently, the Sector has had a bad patch. However, India now has a strong Government which is taking positive policy decisions for robust growth of telecom industry and the economy. Its emphasis on indigenous manufacturing will give a major boost to the Sector. Resolution of legal cases, tax reforms, reforming merger and acquisition laws, spectrum sharing and trading etc. are other areas that are expected to be addressed by the Government. In view of the above, Telecom growth story shall continue unabated.

Your Company's quality customer base and significant amount of contracts on hand provide sustainability. Its operational strengths with proven track record makes it the preferred vendor. Your Company is equipped with the best of talent and sufficient capacity to cater any size of business. The order book of your Company is robust which is mix of both, Telecom Products and Turnkey Services. The current order book coupled with upcoming opportunities provide fair visibility of continued growth in coming years and your Company is well placed to further enhance its order book from current level. By implementing effective strategies such as leveraging on its integrated capabilities, focused and aggressive marketing, enhancing products and manufacturing capabilities to global standards, formulating world class tie-ups, in-house Research & Development, your Company is well placed to tap the upcoming opportunities in the telecom infrastructure space and further accelerate its growth.

I believe, results of your Company are absolutely encouraging and driving us to always be on the top of things. The results and future become all the more exciting as the Telecom Industry is set to make its biggest ever play in coming years providing visibility of growth path.

I take this opportunity to thank all our stakeholders for their unstinting support which has steadily propelled the Company into its higher growth trajectory. Your trust acts as a great motivation for us to work towards a better brighter future.

With best wishes,

**Mahendra Nahata**

Managing Director

The background is a blue-toned collage. At the top, numerous fiber optic cables are shown as bright, glowing lines of light. Below them is a semi-transparent globe of the Earth. In the foreground, four RJ45 network connectors are visible, arranged horizontally. The overall aesthetic is high-tech and digital.

BUSINESS OVERVIEW

# The new wave of opportunities

With the advent of 3G in India, mobile subscribers were able to access high speed internet. However, the launch of 4G would significantly change the definition of mobile internet speed as 4G provides around 5 times higher speed than 3G. Currently, 4G has been successfully launched across few pockets in India and a pan India launch is expected soon, for which backhaul infrastructure network and cell sites are under implementation. With the creation of new infrastructure for providing 4G services, further rollout and up-gradation of networks both in NLD and access, we foresee vast opportunities for our telecom products as well as EPC segment during next 5-7 years. Being one of the largest player in EPC segment, we are well placed to significantly leverage these opportunities. Under highly experienced professionals, we are currently deploying nationwide optical fiber network to support 4G & FTTH broadband traffic and such network up-gradation will be the requirement of most major telecom service providers. As a system integrator, we are implementing turnkey projects for establishing high capacity, high resilience, optical transmission network, capable of transporting terabytes of traffic.

Further, the modernization of Indian defence telecom network, involving creation of pan India high capacity transport network, is going to provide business opportunities in rollout of turnkey OFC network and turnkey system integration projects. For pan India telecom network, the Defence ministry is already in the process of awarding orders for creating a high speed OFC network of 57,000 km across India and we have already participated in the tender and expecting sizable orders.

With increased nationwide emphasis on security and surveillance, we are geared up to address most of the large projects and expect sizable orders out of this opportunity. We are in a unique position for addressing city surveillance projects as such projects are designed around citywide OFC networks, the core competence of HFCL.





# Steadily developed capabilities

With the dawn of a new investment cycle in the telecom industry, we have significantly revamped our capabilities to make the most of this upcoming opportunity. The various initiatives taken have brought in an overwhelming growth over the last three years. By successfully winning contracts pan India, we have enhanced our order book giving us increased revenue visibility. This year, we have achieved an all time high revenue of ₹2,019 Crores and Net Profit of ₹147 Crores which demonstrate a threefold rise over the previous year. Both our key business divisions, Telecom Products and Turnkey Contracts & Services remain major contributors with the revenue in both the divisions growing threefold over the previous year.

With the upbeat profits generated, the return ratios to stakeholders also show strong trend with Return on Equity rising to 17% from 7% and so did the Return on Capital Employed which rose to 17% from 8% signifying efficient utilization of resources employed. Our Earnings per Share has also jumped to ₹1.15 as against ₹0.40 in the previous year. During the year we have also marginally reduced our Gross Debt which has enhanced our Debt Equity Ratio to 0.32.



The key initiatives which have led to this outstanding performance and would continue to remain our focus to maintain a high growth trajectory include:

- Turnkey projects for setting up OFC infrastructure networks
- System integrator for setting up broadband optical transmission networks
- Fibre to the Home (FTTH) network implementation
- Manufacturing of OFC, Optical transport equipment, FTTH equipment, Rural GSM equipment, IP Broadband radio, 2G & 3G repeaters

# Future growth strategies



With higher investment for telecom backhaul infrastructure and cell sites, the demand for telecom products and turnkey services over the coming years is expected to remain strong. Also with increased Government's focus towards increasing the share of domestic equipment in the total equipments sourced by telecom operators, the future seems very bright. We have deep dived in terms of developing strategies that help us to strengthen our sustainability and enable us to move steadily on a high growth path.

In terms of business strategies, we would continue to leverage our integrated capabilities of product as well as service offering and the vast local market knowledge to be significantly competitive. With focused and aggressive marketing we would expand our core business as well as add new customers. Also with products and manufacturing capabilities of global standards, we have started marketing exercises for export of cables globally. We have also significantly enhanced our business processes to increase our efficiency.

To enrich our product and service offering, we have formulated technical tie-ups. We have formed a JV with DragonWave Inc., Canada, the leading provider of high-capacity packet microwave radio solutions that drive next-generation IP networks. We also have a tie-up with Polixel Sp.z.o.o., Poland, the veteran of Integrated Security & Surveillance Solutions, for providing the state-of-the-art total Integrated Security & Surveillance Solutions for civilian and government projects.

Our in-house custom design and engineering capabilities with optimum and cost effective solutions, provide us the edge over our competitors. We also continuously provide quality training to our employees and have formulated a HR framework which provides a conducive and growth oriented business environment. This would not only help us in retaining but also attracting quality professionals.

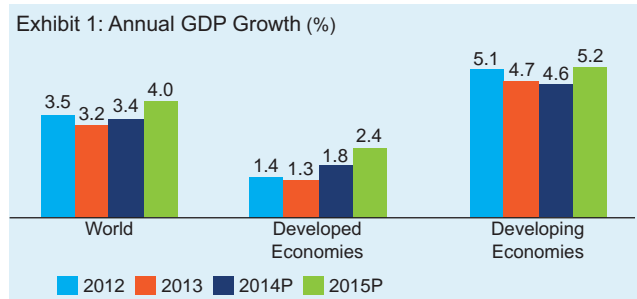
With these measures and a bright business environment, we remain highly confident in further accelerating our growth in the coming years.



# Management Discussions & Analysis

## Economic overview

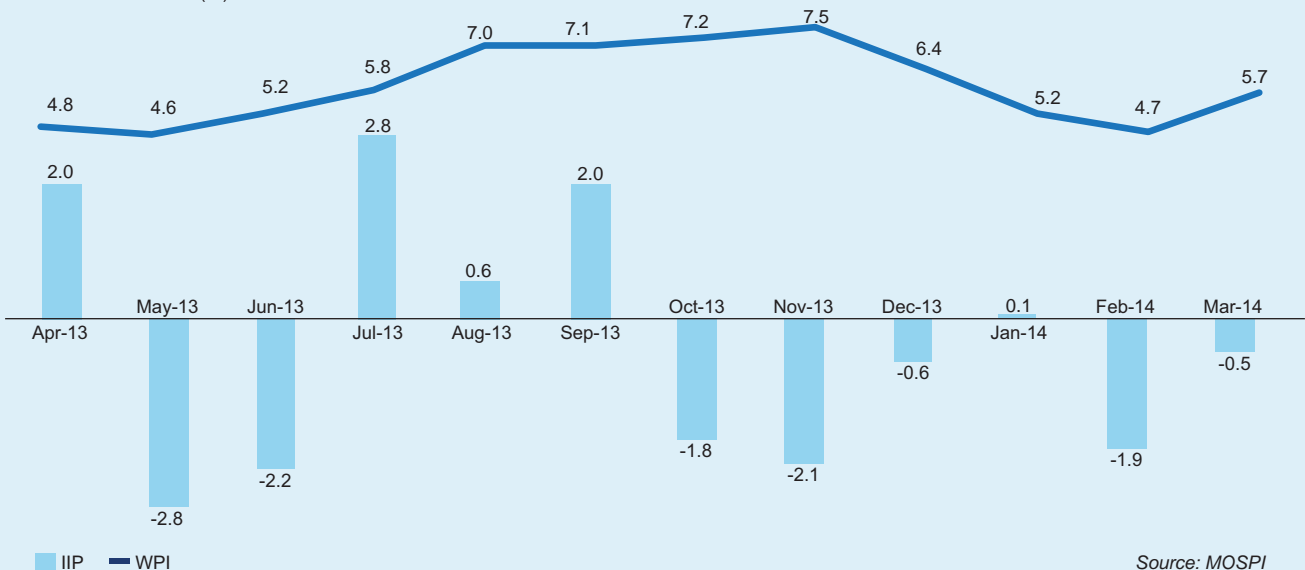
As per IMF's World Economic Outlook, July, 2014, the global Gross Domestic Product (GDP) in the year 2013 grew by 3.2%, marginally lower than 3.5% recorded in 2012. The lower growth was due to a sluggish economic growth at 2.7% during the first half of the year. The economic growth during the second half was stronger at 3.7%. With improving macroeconomic environment, the global economy is expected to grow much stronger at 3.4% and 4.0% in the year 2014 and 2015 respectively (Exhibit 1).



Source: IMF's World Economic Outlook, July, 2014

The Indian economic growth during the year continued to remain weak. As per provisional estimates of CSO, the Indian GDP growth stood at 4.7% in 2013-14. This would be a second consecutive year of sub - 5% growth. The inflation during the year largely remained far ahead of RBI's comfort zone (Exhibit 2) due to which RBI maintained repo rate at elevated levels. Index of Industrial Production (IIP) the measure of industrial output showed near no growth with Y-o-Y change of -0.1% for the year 2013-14. During the year, there was significant volatility in currency. From the start of the year INR against USD depreciated by 27.5% touching the low of 69.225. However, with the fall in the Current Account Deficit and measures taken by RBI, it recovered by 13% by the end of the year.

Exhibit 2: IIP & WPI (%)



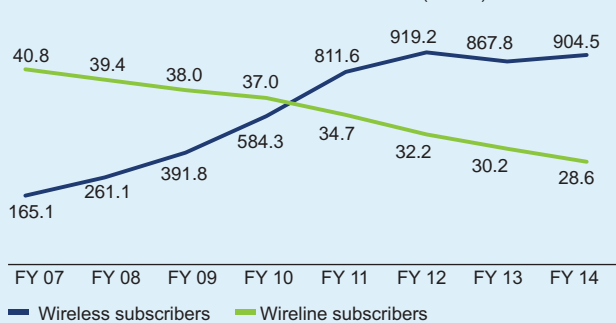
Source: MOSPI

This high cost of borrowing and a dull investment scenario has been the key factor for the slow economic growth in India. However with the recovery of global economy and steps taken by the Indian government to clear the roadblocks in various sectors; Indian economy is expected to have a better growth ahead. IMF has projected that Indian GDP would grow at 5.4% in the year 2014, which would further move up to 6.4% in 2015.

### Indian telecom industry overview

The Indian telecom industry post liberalization, in 1991, has transformed significantly. The teledensity in India in 1991 was 0.8% where the global teledensity was 10%. However, over the last two decades, the telecom industry in India has witnessed a sea of change. The wireless subscriber base grew at a staggering CAGR of 47.1%, from mere 13.0 million in 2002-03 to 904.5 million at the end of 2013-14 (Exhibit 3). With this phenomenal growth, the telecom sector in India is currently the second largest wireless network in the world after China. The teledensity has moved up from 4.0% in 2002-03 to 75.2% in 2013-14. The teledensity in the urban areas is at 145.8% whereas the rural areas have reached 44.0%. The installation of National Optical Fibre Network (NOFN) by the Government of India, will further increase teledensity and broadband subscribers in rural India. Of the total telecom subscriber base, the share of urban subscribers is 59.5% whereas the rural subscriber base stands at 40.5%.

**Exhibit 3: India telecom subscriber base (million)**



Source: TRAI

While the wireless subscriber base has been consistently increasing, other than the year 2012-13 when the telecom operators had significantly reduced the inactive subscribers to save cost as the incremental allotment of radiowaves was no more linked to subscriber addition. The wireline subscriber base has been continuously falling. The wireline base, which stood at 40.8 million in 2006-07, has come down to 28.6 million in 2013-14. However, the wireline subscribers are expected to grow now onwards with various

operators installing Fibre to the Home (FTTH) Network in many large cities.

The continuous fall in average tariff per outgoing minute from ₹3.24 per minute in 2003 to around 50 paise for the last 2-3 years has been one of the key factors for the boom in subscriber base along with availability of affordable handsets in India. Further, the Department of Telecommunication has estimated that the teledensity in rural India is expected to further move up to 60% by 2017, leading to continuous growth opportunities for the telecom industry.

### FDI in telecom sector

Currently, the FDI policy in India for the telecom sector is liberal and investor friendly, which has led to continuous investment in the telecom sector in India. FDI up to 100% is allowed in almost all telecom services and manufacturing of telecom equipment. FDI up to 49% is allowed through automatic route and beyond 49% is allowed through Foreign Investment Promotion Board (FIPB). The FDI equity inflows in telecom sector was USD 478 million in 2006-07, which increased to USD 2,558 million in 2008-09, but thereafter has been rather drab (Exhibit 4). After hitting a low of USD 304 million in 2012-13, the FDI in telecom increased to USD 1,307 million in the year 2013-14 and with the advent of 4G and increased network of 3G and broadband, FDI in telecom sector in India is expected to revive further from here on.

**Exhibit 4: Foreign Direct Investment in India (Equity inflow)**  
(USD million)

Year	Total	Telecom Sector	Share of Telecom in Total (%)
2006-07	15,726	478	3.0%
2007-08	24,579	1,261	5.1%
2008-09	27,309	2,558	9.4%
2009-10	25,888	2,554	9.9%
2010-11	19,427	1,665	8.6%
2011-12	36,504	1,997	5.5%
2012-13	22,423	304	1.4%
2013-14	24,299	1,307	5.4%

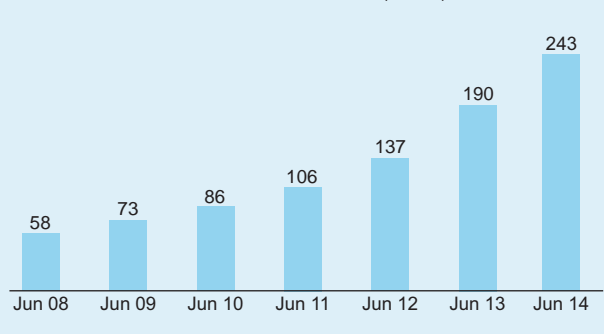
Source: DIPP, Ministry of Commerce

### Data, the next phase of growth

While the voice subscriber base growth in India is stabilizing, the hunger for data is fast catching pace. The internet user base in India took more than a decade to move from 10 million to 100 million but took only three years to double (Exhibit 5) from there to 200 million and at the end of 2013 the total internet users in India stood at 213 million, a growth of 42% over 150 million users in 2012. The mobile internet

user base of 130 million, as of 2013, witnessed a growth of 92% over 2012, is the key factor in fuelling the growth of internet users in India.

**Exhibit 5: Internet user base in India (million)**



Source: Internet and Mobile Association of India

The internet penetration scenario in India is currently similar to the teledensity scenario in 2003-04. With increased availability of affordable internet enabled mobile phones, the growth in internet user base is expected to remain strong.

In the last 3-4 years, the number of users who access the Internet through 3G connection has grown significantly. As per media releases, 3G data usage in India has jumped to 21 petabytes in 2013 from 8 petabytes in 2012, up by 163%. According to Cisco’s Visual Networking Index, by 2017, India’s mobile data traffic is expected to reach 900 petabytes per month and the growth will be primarily driven by video. As per Deloitte, in the next two to three years, video will drive 50% to 60% of all the mobile data consumption in India. This trend shows the rising demand of high speed internet mobility. The growth of internet users has also led

to a substantial growth of other digital industries such as e-commerce and digital advertising.

Driven by huge surge in data traffic, the global telecom industry is witnessing a transformational shift. With demand for high speed internet, a number of mobile service providers are introducing 4G services across the globe. Where 3G provides download speed of around 8 mbps, 4G is 5 times faster. Also, there is rising trend of rolling out “Fibre to the Home”, providing enormous bandwidth up to 100 mbps.

India is also soon to witness the power of high speed internet with the roll out of 4G in India. Currently, 4G in India has been launched only in few pockets but soon there would be a pan India rollout. At present, the service providers are in the process of setting up the backend infrastructure network in India. The macro and small cell base stations have a major impact of speed of data flow. In India, though a majority of cell sites are already fitted with a microwave based backhaul links, it is important for operators to invest in high-quality Optical Fibre Links to ensure that spectrum is used efficiently and that operators can obtain the best capacity and data throughput. Hence, the demand of Optical Fibre Cables, telecom equipments as well as infrastructure services are expected to be huge over the coming years. Investment worth ₹70,000 Crore is envisaged from one single company planning to rollout pan India 4G network in 2015 leading to heightened demand for the telecom equipment manufacturers as well as infrastructure service providers.



A significant boost to the telecom sector in general and the optical fibre manufacturers in particular is coming from the government with its approval of building of National Optical Fibre Network (NOFN). This network would provide high speed connectivity to 250,000 Gram Panchayats of the country. The National Telecom Policy (NTP) has also targeted 100% teledensity and 600 million broadband connections by 2020, which includes connecting 250,000 Gram Panchayats by optical fibre network. This will translate into demand for an additional 400,000 base stations and 50,000 towers with average tenancy of 2.3 at an investment of ₹50,000 Crore. In effect, the NTP is visualizing doubling the current telecom capacity and increasing its reach to 95+% of India while providing broadband level of internet capability.

According to a study conducted by World Bank in 2009 using data of 120 developed and developing countries indicates that a 10 percentage point increase in broadband penetration leads to a 1.30 percentage point increase in GDP per capita. Hence the deep penetration of internet in India will open new avenues of growth for the economy as a whole.

### **Telecom equipment manufacturing industry overview**

With the rapid growth in teledensity there has been a vast growth in the network infrastructure in India. Currently, India spends around ₹50,000 Crore every year on telecom infrastructure and equipment of which close to 90% is imported. The lack of growth of the telecom equipment industry has been due to the lack of support from the Government. While the Indian Government has offered various incentives such as extended tax holidays, full tax exemptions for exports from STPIs, etc. to facilitate the growth of IT services industry in India, there are no such incentives rolled out for telecom manufacturing companies in India.

However, the Government has recently increased its focus on the development of domestic telecom equipment manufacturing industry incentivizing the companies to promote telecom equipment manufacturing within the country. To check the imbalance, the Government has taken following steps:

- i) The National Telecom Policy-2012 (NTP-2012) inter-alia, has following objectives on promoting Telecom Equipment Manufacturing:
  - Promote the ecosystem for design, Research and



Development, IPR creation, testing, standardization and manufacturing i.e. complete value chain for domestic production of telecommunication equipment to meet Indian telecom sector demand to the extent of 60% and 80% with a minimum value addition of 45% and 65% by the year 2017 and 2020, respectively.

- Provide preference to domestically manufactured telecommunication products, in procurement of those telecommunication products, which have security implications for the country and in Government procurement for its own use.
- ii) Government has laid down the policy for providing preference to domestically manufactured electronic products in procurement. Department of Telecommunications has notified telecom products to be procured by all the Ministries or Departments (except the Ministry of Defence) of Government and the agencies under their administrative control and for all Government funded telecom projects.

### **Outlook**

With continuous reforms in the telecom sector in India, we expect the sector would gradually move out of the lull investment scenario which would act as a great boost to the Indian economic growth. With the advent of 4G and increasing network for 3G, there would be higher investment for telecom backhaul infrastructure and cell sites leading to a robust demand for telecom equipment as well as infrastructure services over the coming years.

With robust Government in place and its policies towards enhancing the share of domestic equipment in the total equipment sourced by telecom operators, the future of the

Company seems very bright. We have developed various operational and marketing strategies to strengthen our sustainability and have enabled ourselves to move steadily on a higher growth path. With continuous endeavour backed by a bright business environment, we remain highly confident in making HFCL emerge as an even stronger Company over the coming years.

### **Operational review**

To meet the growing demand of high fibre count OFC cables, the Company has introduced new manufacturing lines of ribbon cables and has nearly tripled the OFC manufacturing capacity during the last one year from 21,000 km to 89,000 km for 48 fibres. The Company has also upgraded its telecom equipment manufacturing infrastructure at Solan factory and is well placed to undertake manufacturing of 4G backhaul IP microwave radios and optical transport and access equipment.

The Company is currently deploying nationwide optical fibre network to support 4G & FTTH broadband traffic. The Company is also implementing turnkey projects for establishing high capacity, high resilience, optical

transmission network, capable of transporting terabytes of traffic.

Further, the modernization of Indian defence telecom network, by creating pan India high capacity transport network, has given the Company a business opportunity to create turnkey OFC network over long routes and the Company plans to address related opportunity as system integrator for optical transport and microwave radio network.

During the year, we have successfully bid and won certain contracts to supply our products as well as services and have a robust order book as of March, 2014. Further, we have already bid for many projects and are optimistic to significantly enhance our order book over the coming years.

### **Financial review**

#### **Revenue from Operations**

The net sales during the year under review stood at ₹2,019 Crore, significantly higher than ₹605 Crore recorded in 2012-13. The significant boost in net sales was from both products as well as services division. The net revenue from



the Turnkey Contracts and Services division for the financial year 2013-14 was ₹1,671 Crore up from ₹493 Crore in the previous year. The net sales from Telecom Products division for the financial year 2013-14 stood at ₹347 Crore, up from ₹112 Crore in the previous year.

### Operating expenses

The total operating expenses for the financial year 2013-14 stood at ₹1,818 Crore up from ₹507 Crore in the previous year.

### EBITDA

The EBITDA during the year under review stood at ₹200 Crore as against ₹99 Crore in 2012-13.

### Profit after tax

The profit after tax for the year under review came in at ₹147 Crore, a significant jump from ₹55 Crore recorded for the year 2012-13. The Net Profit Margin for the year under review was 7.31% down from 9.05% in 2012 13. The earnings per share for the financial year 2013-14 stood at ₹1.15.

### Net worth

With better profitability, the net worth of the Company has significantly increased during the year under review to ₹839 Crore from ₹711 Crore in the previous year. The book value per share for the financial year 2013-14 stood at ₹6.77 as against ₹5.74 in 2012-13.

### Gross debt

The total gross debt at the end of the financial year 2013-14 has been reduced to ₹270 Crore from ₹274 Crore in the previous year 2012-13.

### Gross block

The total gross fixed asset for the financial year 2013-14 stood at ₹493 Crore, up from ₹438 Crore in the previous year. The increase in gross block includes the capital expenditure incurred for expansion of cable manufacturing facility at Goa.

### Capital structure

During the financial year 2013-14 the paid up capital of the Company stood at ₹204.44 Crore.



## Risk management

With rapidly evolving technology and increasing globalization, risk management becomes even more critical for enterprises. As a leading telecom services and products Company, HFCL's business risks are similar to most of its peers. Senior Management identifies key material risks, defines the corresponding mitigation measures, monitors various risks as they become relevant and assesses Company's response on an ongoing basis.

**Economic Risk:** The economic slowdown and adverse movement of key macroeconomic indicators can impact Company's business operations.

*Mitigation:* The overall economic slowdown would have some bearing on Company's operations including deferment of roll out plans by customers. The Company, however, has a wide bouquet of products and services offering coupled with a strong balance sheet to face such slow down.

**Competition Risk:** Company has to compete with various organized and un-organized peers, particularly when the business is being awarded through Tenders.

*Mitigation:* The Company is a single window end-to-end solution provider that keeps it ahead of its peers. With its integrated capabilities, proven track record along with long standing relationships, the Company shall always remain a preferred supplier.

**Risk of Delay is Completion of Order:** There is a risk that delay in completion of orders may invoke penalties.

*Mitigation:* The Company has well-defined operational policies driven by well experienced pool of executives who have capabilities to complete the orders in time.

**Foreign Exchange Risk:** The Company imports various raw materials and volatility in exchange rates may impact Company's business adversely.

*Mitigation:* HFCL protects its business interest with a well-defined currency hedging initiatives under professional consultants.

**Technology Risk:** Foreign companies may license their technology to other manufacturers or may set up their own establishment in India.

*Mitigation:* The Company gives priority to enhance its technology strengths by way of in-house R&D and technical tie-ups. It has set high standard of HR Policies to attract the best of technology talent in this direction.

**Government Policy Risk:** Telecom is a policy driven sector and any adverse policy may have an impact on the Company.

*Mitigation:* Government Policies actually wrote the success story for Telecom in last decade. Further, with a strong new Government in place, the Company believes that, Government policies shall not make any adverse impact.





### Internal control system

HFCL has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly. HFCL has adequate internal audit system, covering on a continuous basis, the entire gamut of operations and services spanning all locations, business and functions.

### Human resource development

HFCL has a team of experienced and competitive professionals. In the ever changing telecom scenario, the Company recognizes the need for training and retaining the talent pool of the Company. Employees have undergone technical trainings to further enhance their skills. Performance reviews of employees are conducted on regular basis to motivate and reward the performers. The total on roll employee strength of the Company as on 31st March, 2014 was 2411.

### Corporate social responsibility (CSR)

Cognizant of its corporate social responsibilities, HFCL has always worked towards a better society. HFCL Social Service Society has been in existence for the last 18 years and has been doing its best to help the needy people of the society by donating sums for welfare programmes through various NGOs and other organizations. HFCL Social

Service Society had been engaged in the following welfare programmes:

- Organizing free health care check-up
- Helping mentally retarded and physically handicapped children
- Sponsoring education of needy and meritorious students
- Providing medical facility to needy and poor from time-to-time
- Providing financial help to needy and poor on regular basis

Further, consequent to the provisions of the Companies Act, 2013, the Company has already constituted a Corporate Social Responsibility Committee.

## Directors' Report

To the Members,

The Directors have pleasure in presenting the Annual Report and Audited Accounts for the financial year ended 31st March, 2014.

### FINANCIAL RESULTS

Particulars	₹ in crore)	
	2013-2014	2012-2013
Gross Sales and Services	2057.27	617.31
Other Income	13.69	25.93
Profit/(Loss) before depreciation, finance charges and taxation	200.50	98.70
Less: Depreciation & Amortisation	19.85	16.68
Finance charges	33.14	27.18
Profit/(Loss) before taxes	147.51	54.84
Provision for taxation	32.45	10.59
MAT credit entitlement	(32.42)	(10.55)
Profit/(Loss) for the year	147.48	54.80
Balance brought forward from previous years	106.44	51.64
Proposed dividend on Preference Shares	16.99	-
Tax on proposed dividend	2.89	-
Balance carried to Balance Sheet	234.04	106.44

### DIVIDEND

The Board of Directors has recommended a dividend of ₹6.50/- p.a. on each Cumulative Redeemable Preference Shares of ₹100/- each for the period from 1st January, 2011 to 31st March, 2014 i.e. financial year 2010-11 to 2013-14 amounting to ₹19.88 crore (inclusive of tax of ₹2.89 crore). The dividend for financial year 2010-11 would be proportionate which is ₹1.60 per preference share. The dividend payout is subject to the approval of members at the ensuing Annual General Meeting.

The dividend will be paid to those Preference Shareholders whose names appear in the Register of Preference Shareholders as on 15th September, 2014 within 30 days from the date of declaration.

### MANAGEMENT DISCUSSIONS & ANALYSIS (MDA)

Management Discussions and Analysis (MDA) Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

### SUBSIDIARIES

M/s HTL Limited and M/s Moneta Finance Private Limited, continue to be the subsidiaries of your Company.

The Ministry of Corporate Affairs (MCA) vide its General Circular No. 2/2011 dated 8th February, 2011 has granted general exemption to all companies from attaching the annual accounts of the subsidiaries with the Annual Report of holding company, subject to compliance of conditions specified therein. As required under the said Circular, the Board of Directors of the Company at its meeting held on 14th August, 2014 has given its consent for not attaching the annual accounts of above subsidiary companies to the annual accounts of the Company. Accordingly, annual accounts of the subsidiary companies are not annexed to the annual accounts of the Company. The Central Government has however, prescribed specified information on the subsidiary companies, to be disclosed

as part of its consolidated financial statements. Such information is appearing at page no. 99 of this Annual Report. The Company has annexed audited consolidated financial statements of the Company and all its subsidiaries in the Annual Report.

Any shareholder desirous of obtaining the Annual Accounts and related information of the above subsidiary companies may write to the Company Secretary at M/s Himachal Futuristic Communications Ltd. 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi – 110048 and the same shall be sent by post.

The annual accounts of the above subsidiary companies and the related information shall be made available to the Shareholders of the Company as well as to the Shareholders of the subsidiary companies seeking such information at any point of time. The annual accounts of the above subsidiary companies shall also be kept open for inspection for any member of the Company at the Registered office and Corporate office of the Company as well as at the Registered office of the concerned subsidiary companies.

### CAUTIONARY STATEMENT

Statement in the Management Discussions and Analysis describing the Company's projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in government regulations, tax regimes and economic developments within the country and abroad and such other factors.

### FIXED DEPOSITS

The Company has not accepted any deposits during the year.

### DIRECTORS

Dr. R M Kastia, Director retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment.

Shri Mahendra Pratap Shukla is Independent Director of the Company and has held the position as such for more than five years. It is proposed to appoint Shri Mahendra Pratap Shukla as an Independent Director under Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement to hold office for two consecutive years for a term up to the conclusion of the 29th Annual General Meeting of the Company in the calendar year 2016. The Company has received requisite notice in writing from a member proposing Shri Mahendra Pratap Shukla for appointment as Independent Director.

The Company has received declaration from Shri Mahendra Pratap Shukla confirming that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31st March, 2014, the applicable accounting standards have been followed along with proper explanations relating to material departures;

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2014 on a 'going concern' basis.

#### **AUDITORS AND AUDITORS' REPORT**

M/s Khandelwal Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and having confirmed their eligibility, offer themselves for re-appointment. The Company has received necessary letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3) (g) of the Companies Act, 2013 and that they are not disqualified for re-appointment. The Audit Committee and the Board of Directors, therefore, recommended re-appointment of M/s Khandelwal Jain & Company, Chartered Accountants as Auditors of the Company for the financial year 2014-15 for the approval of Shareholders.

The observations in the Auditors' Report are self explanatory and do not call for any further comments. The Statutory Auditors in the Annexure to the Auditors' Report has mentioned about a slight delay in deposit of statutory dues in few cases. In future, management will make all efforts to deposit the same in time.

#### **COST AUDITORS**

The Cost Audit Report from M/s SKG & Co., Cost and Management Accountants for financial year ended 31st March, 2013 was filed with Ministry of Corporate Affairs (MCA) on 5th September, 2013. The Board of Directors of the Company has appointed M/s SKG & Co., Cost and Management Accountants, 7-C Ayodhya Enclave, Sector -13, Rohini, Delhi – 110085 as Cost Auditor of the Company for conducting the Cost Audit for financial year 2013-14. The Report of the Cost Auditor will be filed within the prescribed period.

#### **PERSONNEL**

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is set out in the **Annexure-I** and forms part of this Report.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO**

The information required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is set out in **Annexure-II** and forms part of this Report.

#### **DEPOSITORY SYSTEMS**

The Company's script has come under compulsory dematerialization w.e.f. 29th November, 1999 for Institutional Investors and w.e.f. 17th January, 2000 for all Investors. So far 99.96% of the equity shares have been dematerialized. The ISIN no. allotted to the equity shares of the Company is INE548A01028.

#### **CONSTITUTION OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Board of Directors has constituted the Corporate Social Responsibility Committee (CSR Committee) comprising of Shri Mahendra Nahata as the Chairman and Shri M P Shukla and Shri S G Nadkarni as other members. The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the CSR activities to be undertaken by the Company. The Committee shall recommend to the Board the amount to be spent by the Company on the CSR activities. The Committee shall also monitor the CSR Policy of the Company from time to time.

#### **CANCELLATION OF THE LISTING OF THE GLOBAL DEPOSITORY RECEIPTS (GDRs)**

The Company has voluntarily sought the delisting of its GDRs from London Stock Exchange and Luxembourg Stock Exchange. The GDRs listing have been cancelled from London Stock Exchange and Luxembourg Stock Exchange w.e.f. 21st March, 2014 and 23rd December, 2013 respectively consequent upon resignation by the Depository i.e. Bank of New York ("BNY Mellon"). The Company has not appointed any Successor Depository and has terminated the Deposit Agreement due to lack of liquidity with virtually no trading taking place and investors' decreasing interest in depository receipts.

#### **CORPORATE GOVERNANCE**

A separate Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement along with the Auditors' Certificate on its Compliance is given as a part of the Annual Report.

#### **ACKNOWLEDGEMENTS**

The Directors thank the Central Government, Govt. of Himachal Pradesh, Govt. of Goa, IDBI Bank Limited, State Bank of India, Oriental Bank of Commerce, Punjab National Bank, Bank of Baroda, Union Bank of India and other Banks and Institutions for all co-operations, facilities and encouragement they have extended to the Company. Your Directors acknowledge the continued trust and confidence you have reposed in this Company. The Directors also place on record their appreciation for the services rendered by the officers, staffs & workers of the Company at all levels and for their dedication and loyalty.

**For and on behalf of the Board**

Place: New Delhi  
Date: 14th August, 2014

**M P Shukla**  
Chairman

## ANNEXURE – I TO THE DIRECTORS’ REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS’ REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2014

S. No.	Name	Remuneration received (₹ in Crore)	Nature of employment	Other terms and conditions	Designation	Qualifications & experience	Date of commencement of employment	Age (Years)	Last employment held and designation
<b>Employed throughout the year</b>									
1	Shri Mahendra Nahata	1.62	Contractual	As per Service Rules of the Company	MD	B.Com, 31 Years	01-10-1992	55	Himachal Telematics Limited, Vice Chairman
2	Shri Y.S.Choudhary	1.24	Contractual	As per Service Rules of the Company	CEO	B.E.(Telecom) M.E.(Electronics) 45 Years	01-06-2009	71	Exicom Tele-Systems Ltd., MD
3	Shri Arvind Kharabanda	0.64	Contractual	As per Service Rules of the Company	Director (Finance)	CA, 39 Years	01-06-2005	67	Himachal Futuristic Communications Ltd., Executive Director
4	Shri Madhukar Srivastava	0.86	Contractual	As per Service Rules of the Company	President	B. Tech, 26 Years	08-07-2011	52	Bharti Airtel Ltd, Vice President
5	Shri S K Wadhwa	0.68	Contractual	As per Service Rules of the Company	Sr. Vice President	FCS, ICWA, 32 Years	21-07-2011	54	Aircel, Head - Commercial
6	Shri Dhananjay S. Ozarkar	1.02	Contractual	As per Service Rules of the Company	Sr. Vice President	BE /Diploma, 20 Years	05-10-2011	44	Bharti Infratel Ltd, Chief Development Officer
7	Shri Karan Bamba	0.69	Contractual	As per Service Rules of the Company	Vice President	MBA Finance, 22 Years	01-03-2012	47	Nokia Siemens Ltd, Transformation Program Manager

### Notes:

- (i) The remuneration shown above comprises Salary, Allowances, Perquisites, Exgratia, Medical, Company’s contribution to Provident Fund and all other reimbursement, if any.
- (ii) None of the employees is related to any director of the Company.

## ANNEXURE – II TO THE DIRECTORS' REPORT

### INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

#### CONSERVATION OF ENERGY

The Company's operation involves low energy consumption. Nevertheless, energy conservation measures have already been taken wherever possible. Efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

#### ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

As required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the details pertaining to technology absorption are as under:

#### RESEARCH AND DEVELOPMENT (R&D) CARRIED OUT DURING THE YEAR UNDER REVIEW

1.	Specific Area in which R & D carried out by the Company	-
2.	Benefits derived as a result of above R & D	-
3.	Future plan of action	-
4.	Expenditure on R & D	
	a) Capital	NIL
	b) Recurring (excluding depreciation)	NIL
	c) Total	NIL
	d) Total R & D expenditure as a percentage of total turnover	NIL

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation	The technology of the products has been absorbed substantially in earlier years.
2.	Benefits derived as a results of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	As a result of technology absorption, Company has been able to reduce product cost and save foreign exchange flow.
3.	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
	a) Technology Imported	N.A.
	b) Year of Import	N.A.
	c) Has Technology been fully absorbed	N.A.
	d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	N.A.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review, the Company has made an export of ₹14.52 crore. To widen its customer base and to tap various opportunities emerging in the overseas market on account of broadband/FTTx boom, your Company has taken an initiative to market and sell Optical Fibre Cables in the International market. Company has taken up all the activities to develop new designs of optical fibre cables specifically to meet overseas market requirement. Company has already stepped into international arena and aggressively promoting its superior quality Optical Fibre Cables in the international market. To develop export market for optical fibre cables, Company has planned to participate in telecom exhibitions worldwide. Company has already adopted international quality standards & practices and is determined to develop a significant overseas market share by focusing on product attributes and systematic customer oriented approach. The details of foreign exchange earnings and outgo are as under:

	(₹ in crore)	
Total Foreign Exchange earnings and outgo	Financial year ended 31st March, 2014	Financial year ended 31st March, 2013
FOB Value of Exports	14.52	1.39
Value of Imports	150.40	66.73
Expenditure in Foreign Currency (Net)	0.71	0.79

For and on behalf of the Board

Place: New Delhi  
Date: 14th August, 2014

**M P Shukla**  
Chairman

## Corporate Governance Report

Corporate Governance is a set of standards which aims to improve the Company's image, efficiency and effectiveness. It is the road map, which guides and directs the Board of Directors of the Company to govern the affairs of the Company in a manner most beneficial to all the Shareholders, the Creditors, the Government and the Society at large.

The status of implementation of Clause 49 of the Listing Agreement with the Stock Exchanges on Corporate Governance in the Company is as under:-

### 1. HFCL Philosophy on Corporate Governance

The cardinal principles of the Corporate Philosophy of HFCL on Corporate Governance can be summarised in the following words:

**“Transparency, professionalism and  
Accountability  
With an  
Ultimate aim of value creation”**

HFCL Corporate Philosophy envisages complete transparency and adequate disclosures with an ultimate aim

of value creation for all players i.e. the Stakeholders, the Creditors, the Government and the Employees.

### 2. Board of Directors

The Board composition is in compliance with the Clause 49 of the Listing Agreement. As on 31st March, 2014, Company had six Directors on the Board. More than fifty percent of the Board comprised of Non-Executive Directors. Out of six Directors, three are Non-Executive Independent Directors including one Nominee Director, one Non-Executive Director and two Wholtime Directors including one Promoter Managing Director as on 31st March, 2014. The Chairman of the Board is Non- Executive Independent Director.

The members on the Board possess adequate experience, expertise and skills necessary to manage the affairs of the Company in the most efficient manner.

During the financial year 31st March, 2014, five Board Meetings were held on 29-04-2013, 22-07-2013, 23-08-2013, 16-10-2013 and 18-01-2014. The last Annual General Meeting was held on 30th September, 2013.

**The attendance of Directors at the Board Meetings held during the financial year under review as well as in the last Annual General Meeting and the number of the other Directorships/Committee positions presently held by them are as under:-**

Name	Director Identification No.	Category	No. of other present Directorships held in public companies	No. of Board Meetings		Attended last AGM (30-09-2013)	Shareholdings in the Company
				Held	Attended		
Shri M P Shukla	00052977	NEID	2	5	5	YES	Nil
Shri Mahendra Nahata	00052898	PD [MD]	2	5	5	NO	73477
Shri Arvind Kharabanda	00052270	WD	-	5	5	YES	Nil
Dr. R M Kastia	00053059	NED	1	5	5	NO	Nil
Shri Y L Agarwal	00024770	NEID	3	5	5	YES	Nil
Shri S G Nadkarni (IDBI Nominee)	03401830	NEID	-	5	4	NO	Nil

[NEID - Non-Executive Independent Director, PD - Promoter Director, MD - Managing Director, WD - Wholtime Director, NED-Non Executive Director]

**Present Directorship in other Companies/Committee Position (including Himachal Futuristic Communications Ltd.)**

Sr. No.	Name of Director	Directorships (Name of Companies)*	Committee Position		
			Name of the Company	Committee	Position
1.	Shri M P Shukla	1. HFCL Satellite Communications Ltd. 2. HTL Ltd.	Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Chairman
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
			HFCL Satellite Communications Ltd.	Audit	Member
			HTL Ltd.	Audit	Chairman
			HTL Ltd.	Nomination & Remuneration	Member
2.	Shri Mahendra Nahata	1. HTL Ltd. 2. Reliance Jio Infocomm Ltd.	Reliance Jio Infocomm Ltd.	Audit	Member
3.	Shri Arvind Kharabanda	Nil	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
4.	Dr. R M Kastia	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
			HTL Ltd.	Audit	Member
5.	Shri Y L Agarwal	1. HTL Ltd. 2. HFCL Kongsung Telecom Ltd. 3. Electronics Systems Punjab Ltd.	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Chairman
6.	Shri S G Nadkarni	Nil	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member

\* The directorship held by directors as mentioned above does not include directorship of foreign companies, Section 8 companies and private limited companies, if any.

None of the Directors on the Board hold directorships in more than ten public companies and memberships in more than ten Committees and they do not act as Chairman of more than five Committees across all companies in which they are directors.

**2.1 Information Placed before the Board**

In addition to the matters which statutorily require Board's approval, the following matters as required under Code on Corporate Governance are also regularly placed before the Board :-

- Minutes of Audit Committee Meetings, Nomination & Remuneration Committee Meetings, Stakeholders Relationship Committee Meetings and other Committees of the Board.
- Matters related to accident, dangerous happenings, material effluent and pollution problems etc., if any.
- Details of Joint Venture / Collaboration agreements.
- Significant Labour problem.
- Quarterly/ Yearly financial results of the Company.
- Financial Statements, Audit Report and Board Report.
- Appointment, Remuneration and Resignation of Directors.
- Formation/ reconstitution of Board Committees.
- Disclosure of Directors interest and their shareholdings.
- Declaration of Dividend.
- Issue of securities.
- Proposal for major investments, mergers, amalgamation and reconstructions.
- Reconciliation of Share Capital Audit under SEBI (Depositories and Participants) Regulations, 1996.
- Disclosure of material related party transactions, if any, with potential for conflict of interest.
- Quarterly details of Foreign Exchange exposures.
- Compliance with Regulatory and Statutory requirements including listing requirements and shareholders services.
- Details of show cause, demand, prosecution and penalty notices which are materially important.
- Any material default, in financial obligations to and by the Company or substantial non- payment of goods sold by the Company.

- Details of public or product liability, claims of substantial nature including any adverse judgments.
- Transactions involving substantial payments towards goodwill, brand equity or intellectual property.
- Sale of material nature of investments, subsidiaries and assets which are outside the normal course of business.
- Board minutes of the unlisted subsidiary companies.

### 3. Committees of the Board

In terms of the SEBI Code on the Corporate Governance, the Board of the Company has constituted the following Committees: -

#### Audit Committee

#### Nomination & Remuneration Committee

#### Stakeholders Relationship Committee

### 3.1 Audit Committee

The followings are the members and their attendance at the Committee Meetings during the financial year ended 31st March, 2014:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	5	5
Shri Y L Agarwal	Member	5	5
Shri Arvind Kharabanda	Member	5	5
Shri S G Nadkarni	Member	5	4

During the financial year ended 31st March, 2014, the Audit Committee met five times on 29-04-2013, 27-07-2013, 23-08-2013, 16-10-2013 and 18-01-2014.

The broad terms of references of Audit Committee are as under: -

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment / re-appointment of external and internal auditors, tax auditors, cost auditors, fixation of statutory audit fees, internal audit fees and tax audit fees and also approval for payment of any other services.
- Review with management, the annual financial statements before submission to the Board.
- Review quarterly un-audited/audited financial results/ quarterly review reports.
- Review with management, performance of external and internal auditors, adequacy of internal control system.
- To do any internal investigations either departmentally or with the help of internal auditors or any other outside agency into matters where there is suspected fraud or irregularities.
- Discussions with external auditors before the audit commences about nature and scope of audit as well as have post audit discussions to ascertain any area of concern.
- Review the Company's financial and risk management policies.

- To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders and creditors.
- Review of the use/application of money raised through Public/Rights/Preference Issue.
- Review and monitor auditors independence and performance and effectiveness of audit process.
- Scrutiny of inter corporate loans and investments.
- Valuation of undertakings or assets of the Company where it is necessary.
- Evaluation of internal financial control and risk management systems.

Shri Mahendra Pratap Shukla, Non-Executive Independent Director is the Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

### 3.2 Nomination & Remuneration Committee

The Board of Directors of the Company has constituted a Nomination & Remuneration Committee which is responsible for determining the Company's policy on specific remuneration package for Executive Directors including any compensation payment. The following are members of the Committee and their attendance at the Committee Meeting held during the financial year ended 31st March, 2014.

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman (up to 29-04-2014) Member (w.e.f. 30-04-2014)	1	1
Shri Y L Agarwal	Member (up to 29-04-2014) Chairman (w.e.f. 30-04-2014)	1	1
Dr. R M Kastia	Member	1	1
Shri S G Nadkarni	Member (w.e.f. 18-01-2014)	0	0

The terms of reference of this Committee amongst others includes the following:-

- To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
- To carry out evaluation of every Director's performance.
- To formulate the criteria for determining qualification, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for directors, key managerial personnel and other employees.
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

The details of remuneration paid to the Executive and Non-Executive Directors during the financial year 2013-14 are given below:-

Name of Director	Salary	Allowances	Perks etc.	Contribution to PF	Sitting Fee	Total
<b>Category A - Executive Directors</b>						
Shri Mahendra Nahata Managing Director	90,00,000	46,32,711	15,13,729	10,80,000	-	1,62,26,440
Shri Arvind Kharabanda Director (Finance)	28,80,000	19,68,000	12,12,495	3,45,600	-	64,06,095
<b>Category B – Nominee Director (Independent Director)</b>						
Shri S G Nadkarni Director	-	-	-	-	80,000	80,000
<b>Category C – Non-Executive Independent Directors/ Non-Executive Directors</b>						
Shri M P Shukla Chairman	-	-	-	-	1,60,000	1,60,000
Shri Y L Agarwal Director	-	-	-	-	1,10,000	1,10,000
Dr. R M Kastia Director	-	-	-	-	1,00,000	1,00,000

The non-executive directors are paid sitting fee of ₹10000/- for every Board / Committee meeting attended by them.

### 3.3 Details of pecuniary relationship/transactions of the Non- Wholetime Directors/ their Firms & Companies vis-a-vis the Company during the financial year 2013-2014

Nil

### 3.4 Stakeholders Relationship Committee

Pursuant to provisions of Section 178(5) of the Companies Act, 2013, the existing "Share Transfer & Investors Grievance Committee" was renamed as "Stakeholders Relationship Committee" by the Board at their meeting held on 30th April, 2014. The scope of the Stakeholders Relationship Committee shall remain the same as that of existing Share Transfer & Investors Grievance Committee.

The Committee consists of one Non-Executive Independent Director, one Non-Executive Director and one Wholetime Director and is chaired by the Non- Executive Independent Director. This Committee looks into transfer and transmission of shares/debentures/bonds etc., issue of duplicate share certificates, issue of shares on rematerialisation, consolidation and sub-division of shares and investors' grievances. This Committee particularly looks into the investors grievances and oversees the performance of the Share Department /Share Transfer Agent and to ensure prompt and efficient investors' services. During the financial year ended 31st March, 2014, the Share Transfer & Investors Grievance Committee met five times on 30-05-2013, 22-07-2013, 05-08-2013, 09-12-2013 and 18-12-2013. The followings are the members and their attendance at the Committee Meeting:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	5	5
Dr. R M Kastia	Member	5	1
Shri Arvind Kharabanda	Member	5	5

More details on share transfers, investors' complaints etc. are given in the shareholders' information section of this report.

The Board has delegated powers of share transfer and dematerialisation to Shri Manoj Baid, Company Secretary to expedite the process of share transfer/ dematerialisation work.

### 4. General Body Meetings

Location and time where General Meetings held in the last 3 years is given below:

YEAR	AGM/ EGM	LOCATION	DATE	TIME
2012-2013	AGM	Mushroom Centre, Solan	30-09-2013	11:00 A.M.
2011-2012	AGM	Mushroom Centre, Solan	28-09-2012	11:00 A.M.
2010-2011	AGM	Electronics Complex, Chambaghat, Solan	24-09-2011	11:00 A.M.

The following resolutions were passed as Special Resolutions in previous three years AGMs/ EGMs:-

YEAR	AGM/ EGM	SUBJECT MATTER OF SPECIAL RESOLUTIONS	DATE	TIME
2012-2013	AGM	Increase in remuneration of Shri Mahendra Nahata, Managing Director Waiver of excess remuneration paid to Shri Mahendra Nahata, Managing Director Waiver of excess remuneration paid to Shri Arvind Kharabanda, Director (Finance) Waiver of excess remuneration paid to Dr. R M Kastia	30-09-2013	11:00 A.M.
2011-2012	AGM	Re-appointment of Shri Mahendra Nahata, Managing Director Re-appointment of Shri Arvind Kharabanda, Director (Finance)	28-09-2012	11:00 A.M.
2010-2011	AGM	Issue and allotment of Equity Shares to Financial Institutions/ Banks pursuant to Corporate Debt Restructuring	24-09-2011	11:00 A.M.

No Special resolution was put through postal ballot during the financial year 2013-14. None of the business proposed to be transacted in the ensuing Annual General Meeting (AGM) require passing a Special Resolution through postal ballot.

**5. Disclosures on materially significant related party transactions with Promoters, Directors, Management, their Subsidiaries or Relatives etc., which may have potential conflict with the interest of the Company at large.**

None of the materially significant transactions with any of the related parties were in conflict with the interest of the Company. Attention of the members is drawn to the disclosures of transactions with related parties set out in note no. 44 of the Standalone Financial Statements forming part of the Annual Report.

**6. Non-compliance by Company, penalties, strictures imposed on the Company by Stock Exchanges / Securities and Exchange Board of India (SEBI) etc. in the last 3 years.**

None.

**7. Secretarial Audit**

(i) Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half- yearly basis, have been issued by a Company Secretary in-Practice for due compliance of share transfer formalities by the Company.

(ii) A Company Secretary in-Practice carries out a reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited ("Depositories") and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the aggregate of the total number of shares in physical form and total number of shares in dematerialised form held with Depositories.

**8. CEO & CFO certification**

The Managing Director, Director (Finance) and Chief Finance Officer give annual certifications on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement.

**9. Whistle Blower Policy**

The Board of Directors of the Company has adopted Whistle Blower Policy. The management of the Company, through this policy envisages to encourage the employees of the

Company to report to the higher authorities any unethical, improper, illegal or questionable acts, deeds and things which the management or any superior may indulge in. This Policy has been circulated to employees of the Company and is also available on Company's Website. No employee of the Company is denied access to the Audit Committee.

**10. Means of Communications**

This is being done through quarterly / half yearly and annual results, which are being published in premier English and Hindi daily newspapers. The Company's website [www.hfcl.com](http://www.hfcl.com) contains Annual Reports, Financial Results, Shareholding Pattern etc. All periodical compliance filings like shareholding pattern, corporate governance report etc. are filed electronically on NSE Electronic Application Processing System (NEAPS) and BSE Corporate Compliance and Listing Centre. Management Discussions and Analysis forms part of the Directors' Report, which is posted to the Shareholders of the Company.

**11. Code of conduct for Board Members and Senior Management Personnel**

The Company has adopted a Code of Conduct for Directors and Senior Management Personnel and the same has been posted on the Company's website. The Directors and the Senior Management Personnel affirm the Compliance of the Code annually. A certificate to this effect is attached to this Report duly signed by the Managing Director.

**12. Shares/Convertible Instruments held by Non-Executive Directors**

Nil

**13. Extent to which mandatory requirements have not been complied with**

The procedure for risk assessment and minimization of risks is under preparation.

**14. Extent to which non mandatory requirements have been complied with**

i) Remuneration Committee has been formed as reported earlier in this report.

ii) The Company has formulated a Whistle Blower policy and the same has been brought to the notice of all the employees and posted on the Company's website.

## Shareholders' Information

1. <b>Dates of Book Closing</b>	16th September, 2014 to 19th September, 2014 (both days inclusive)
2. <b>Date and venue of Annual General Meeting</b>	30th September, 2014 at 2:30 P.M. at Mushroom Centre, Chambaghat, Solan (H.P.)
3. <b>Listing on Stock Exchanges in India</b>	BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 Tel : +91-22-22721233 Fax : +91-22-22723121  National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No. C/1, G Block Bandra Kurla Complex Bandra (East) Mumbai - 400 051 Tel : +91-22-26598235 Fax : +91-22-26598237
4. <b>Status of Listing Fees</b>	Paid for 2014-2015
5. <b>Registered Office</b>	8, Electronics Complex Chambaghat Solan - 173 213 (H.P.) Tel : +91-1792-230642/44 Fax : +91-1792-231902
6. <b>Corporate Office</b>	8, Commercial Complex Masjid Moth, Greater Kailash - II New Delhi - 110 048 Tel : +91-11-30882624 Fax : +91-11-30689013
7. <b>Plant Locations</b>	<b>Telecom Equipment Plant</b> Electronics Complex Chambaghat Solan - 173 213 (H.P.) Tel : +91-1792-230642/44 Fax : +91-1792-231902  <b>Optical Fibre Cable Plant</b> L 35-37, Industrial Area, Phase - II Verna Electronic City, Salcete Goa - 403 722 Tel : +91-832-6697000 Fax : +91-832-2783444
8. <b>CIN No.</b>	L64200HP1987PLC007466
9. <b>Website/Email</b>	www.hfcl.com / secretarial@hfcl.com & investor@hfcl.com
10. <b>Name of News Papers in which results are generally published</b>	Economic Times, Indian Express, Jansatta, Dainik Tribune
11. <b>Depositories</b>	National Securities Depository Ltd. 4th Floor, 'A' Wing, Trade World Kamla Mills Compound Senapati Bapat Marg, Lower Parel Mumbai - 400 013 Tel : +91-22-24994200 Fax : +91-22-24972993  Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers 28th Floor, Dalal Street Mumbai - 400 023 Tel : +91-22-22723333 Fax : +91-22-22723199
12. <b>ISIN No.</b>	INE548A01028

**13. Share Transfer in physical form and other communication regarding share certificates, dividends and change of address etc., to be sent to:**

M/s. MCS Ltd.  
F-65, 1st Floor, Okhla Industrial Area, Phase-I  
New Delhi-110 020  
Tel : +91-11-41406149  
Fax : +91-11-41709881  
Email: admin@mcsdel.com

**14. Share Transfer System:**

Shares sent for physical transfers are generally registered and returned within a period of 15 days from the date of receipt if the documents are clear in all respects. The Stakeholders Relationship Committee meets as often as required.

**The Total Number of shares transferred in physical form during the financial year 2013-2014:**

Number of transfers	4
Number of Shares	500

**15. Investors complaints received during the financial year 2013-2014:**

Nature of Complaints	Received	Attended
Non receipt of Annual Reports	9	9
Non-receipt of dividend	5	5
Issue of Duplicate shares	1	1
Reduction of Share Capital	7	7
Others	3	3
<b>Total</b>	<b>25</b>	<b>25</b>

The Company has attended to the investor's grievances/ correspondence within a period of 15 days from the date of receipt of the same during the financial year 2013-2014 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2014. The Board in its meeting held on 31st October, 2006 has designated Shri Manoj Baid, Company Secretary as the Compliance Officer.

**16. Distribution of shareholdings as on 31st March, 2014**

No. of Equity held (₹)	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Up to 5000	249776	96.965	133512915	10.773
5001 – 10000	3981	1.546	30028256	2.423
10001 – 20000	1779	0.691	25662582	2.071
20001 – 30000	676	0.261	16897242	1.363
30001 – 40000	254	0.099	9015279	0.727
40001 – 50000	170	0.066	7943271	0.641
50001 – 100000	348	0.135	25568920	2.063
100001 & above	371	0.144	989204962	79.815
Shares in Transit	239	0.093	1543767	0.124
<b>TOTAL</b>	<b>257594</b>	<b>100.000</b>	<b>1239377194</b>	<b>100.000</b>

**17. Categories of Shareholding as on 31st March, 2014:**

S. No.	Category	Shares	%
<b>A</b>	<b>Promoters Holding</b>		
1	Indian Promoters	479299214	38.67259
2	Foreign Promoters	-	-
	<b>Sub Total (A)</b>	<b>479299214</b>	<b>38.67259</b>
<b>B</b>	<b>Public Shareholding</b>		
1	Institutional Investors		
a)	Mutual Funds & UTI	384520	0.03102
b)	Banks, Financial Institutions, Insurance Companies (Central/ State Government Institutions/Non-Government Institutions)	217710310	17.56611
c)	Foreign Institutional Investors	4555035	0.36753
	<b>Sub Total (B1)</b>	<b>222649865</b>	<b>17.96466</b>
<b>2</b>	<b>Non Institutional Investors</b>		
a)	Private Corporate Bodies	264023833	21.30294
b)	Indian Public	268253349	21.64421
c)	NRIs	3419331	0.27589
d)	Any Other		
i)	Foreign Banks	5305	0.00043
ii)	Trusts	138560	0.01118
iii)	OCBs	43250	0.00349
iv)	Foreign National	720	0.00006
v)	Clearing Members	1543767	0.12455
	<b>Sub Total (B2)</b>	<b>537428115</b>	<b>43.36275</b>
	<b>Total Public Shareholding (B = B1+B2)</b>	<b>760077980</b>	<b>61.32741</b>
<b>C</b>	<b>Shares held by Custodian and against which depository receipts have been issued</b>	0	0.00000
	<b>GRAND TOTAL (A+B+C)</b>	<b>1239377194</b>	<b>100.00000</b>

**18. Top ten ordinary shareholders of the Company as on 31st March, 2014:**

Sr. No.	Name of Shareholders	No. of Shares held	%
1.	NextWave Communications Private Limited	234765000	18.942
2.	ANM Enginnering & Works Private Limited	234765000	18.942
3.	IDBI Bank Limited	150945122	12.179
4.	Oriental Bank of Commerce	52414000	4.229
5.	Reliance Industrial Investments and Holdings Limited	48532764	3.916
6.	MKJ Enterprises Limited	20135461	1.625
7.	State Bank of India	13211382	1.066
8.	Maryada Barter Private Limited	11243674	0.907
9.	Infotel Telecom Infrastructure Private Limited	11068876	0.893
10.	Jaikarni Holdings Private Limited	10000000	0.807

**19. Dematerialisation of shares:**

The Company's shares are compulsorily traded in dematerialised form as per SEBI Guidelines. As on 31st March, 2014, 99.96% of the equity shares have been dematerialised.

**20. Outstanding GDRs / ADRs or any Convertible Instruments, conversion date and any likely impact on equity:**

Outstanding GDRs as on 31st March, 2014 : Nil.

**21. Stock Market Price Data on NSE and NIFTY Index:**

Month	NSE (in ₹)		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
April, 2013	9.70	7.95	5962.30	5477.20
May, 2013	9.40	7.35	6229.45	5910.95
June, 2013	8.15	6.95	6011.00	5566.25
July, 2013	8.55	7.35	6093.35	5675.75
August, 2013	8.00	7.00	5808.50	5118.85
September, 2013	8.40	7.05	6142.50	5318.90
October, 2013	9.60	7.30	6309.05	5700.95
November, 2013	8.95	7.65	6342.95	5972.45
December, 2013	8.65	7.55	6415.25	6129.95
January, 2014	10.55	8.35	6358.30	6027.25
February, 2014	9.05	7.65	6282.70	5933.30
March, 2014	8.45	7.60	6730.05	6212.25

**22. Stock Codes: BSE : 500183 , NSE : HFCL****23. Financial Calendar (tentative and subject to change) 2014-2015:**

Financial Reporting for the first quarter ending 30th June, 2014 : **Second week of July, 2014**

Financial Reporting for the second quarter and half year ending 30th September, 2014 : **Second week of November, 2014**

Financial Reporting for the third quarter ending 31st December, 2014 : **Second week of February, 2015**

Audited Accounts for the year ending 31st March, 2015 : **Last week of May, 2015**

Annual General Meeting for the year ending 31st March, 2015 : **September, 2015**

## Declaration Regarding Compliance of Code of Conduct

I, Mahendra Nahata, Managing Director of Himachal Futuristic Communications Ltd. hereby declare that all Board Members and Senior Management Personnel have affirmed compliance of the Code of Conduct as on 31st March, 2014.

Place: New Delhi  
Date : 14th August, 2014

sd/-  
**(Mahendra Nahata)**  
Managing Director

## Certificate on Corporate Governance

To The Members of

**HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED**

1. We have examined the compliance of conditions of Corporate Governance by Himachal Futuristic Communications Limited ("the Company") for the period ended 31st March, 2014, as stipulated in clause 49 of the Listing Agreement of the said with various Stock Exchanges (hereinafter referred to as "the agreement").
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and based on our review and to the best of our information and according to the explanations given to us and *subject to the comments given in the item no. 13 of the Corporate Governance Report*, we certify that the conditions of the Corporate Governance as stipulated in the Clause 49 of the agreement have been complied with in all material aspects by the Company.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For KHANDELWAL JAIN & CO.**

**Firm Registration No. 105049W**

Chartered Accountants

**(Manish Singhal)**

Partner

Membership No.: 502570

Place: New Delhi  
Date: 14th August, 2014

# HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

Regd. Office: 8 Electronics Complex, Chambaghat, Solan-173213 (H.P.)

Tel +91 1792-230642/44, Fax +91 1792-231902

Website: www.hfcl.com; e-mail: secretarial@hfcl.com

(Corporate Identity Number: L64200HP1987PLC007466)

## Notice

Notice is hereby given that the 27th Annual General Meeting of the Members of Himachal Futuristic Communications Limited will be held on Tuesday, the 30th day of September, 2014 at 2:30 P.M. at the Mushroom Centre, Chambaghat, Solan-173 213, Himachal Pradesh to transact the following businesses:

### Ordinary Business:

- To receive, consider and adopt:
  - The Audited Financial Statements of the Company for the financial year ended 31st March, 2014, the reports of the Board of Directors and Auditors thereon; and
  - The Audited Consolidated Financial Statements of the Company for the financial year ended 31st March, 2014
- To declare a dividend on Cumulative Redeemable Preference Shares.
- To appoint a Director in place of Dr. R M Kastia (DIN:00053059), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.
- To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT M/s Khandelwal Jain & Co., Chartered Accountants (Firm Registration No. 105049W) be and is hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors of the Company.”

### Special Business:

- To appoint Shri Mahendra Pratap Shukla (DIN:00052977) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, Shri Mahendra Pratap Shukla (DIN:00052977), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 2 (two) consecutive years for a term up to the conclusion of the 29th Annual General Meeting of the Company in the calendar year 2016.”

- To re-appoint Shri Arvind Kharabanda (DIN:00052270) as a Whole-time Director designated as Director (Finance) and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT in accordance with the provisions of Section 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Shri Arvind Kharabanda (DIN:00052270) as a Whole-time Director, designated as Director (Finance) of the Company for a period of 2 (two) years with effect from 1st June, 2014 on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and/or remuneration as it may deem fit subject to the same not exceeding the limits specified under Schedule V of the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

- To authorize the Board of Directors of the Company to borrow money from time to time under Section 180(1)(c) of the Companies Act, 2013 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to Section 180(1)(c) of the Companies Act, 2013 and other applicable provisions, if any, read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or amendment(s) thereto for the time being in force) and in supersession of all earlier resolutions passed by the members at their General Meeting in this regard, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board”, which expression shall include a Committee of Directors duly authorized in this behalf) to borrow and raise such sum or sums of money (ies), from any one or more of the combination of banks, financial institutions, firms, companies, bodies corporate, mutual funds, trusts, other organisations, institutions or any other persons etc. with or without security, from time to time as may be required for the purpose of business of the Company notwithstanding that the money (ies) to be borrowed by the Company together with the money (ies) already borrowed by the Company (apart from temporary

loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up share capital and free reserves of the Company, provided that the aggregate of such excess borrowing(s) shall not exceed ₹2500 crores at any point of time.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and to execute such deeds, documents or writings as are necessary or expedient, on behalf of the Company for giving effect to the above resolution."

8. To authorize the Board of Directors of the Company to provide Security under Section 180(1)(a) of the Companies Act, 2013 in connection with the borrowings of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or amendment(s) thereto for the time being in force) and in supersession of all earlier resolutions passed by the Members at their General Meeting in this regard, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board", which expression shall include a Committee of Directors duly authorized in this behalf) to create charges, hypothecations, mortgages or other encumbrances in addition to the existing charges, hypothecations, mortgages or to other encumbrances on such terms and conditions and at such time or times and in such form or manner as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking or all the undertakings, including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking/undertakings of the Company, as the case may be in favour of any one or more of the combination of banks, financial institutions, firms, companies, bodies corporate, mutual funds, trusts, other organisations, institutions or any other persons etc. (hereinafter collectively referred to as the 'Lenders') on such terms and conditions as the Board may think fit in the best interest of the Company and as agreed between the Board and Lenders, in order to secure the loans advanced/to be advanced by such lenders to the Company together with interest at the agreed rates, compound/additional interest, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other money(ies) payable by the Company in respect of the said borrowings i.e. borrowings permitted under Section 180(1)(c) of the Companies Act, 2013.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and to execute such deeds, documents or writings as are necessary or expedient, on behalf of the Company for giving effect to the above resolution."

**Registered Office:**  
8, Electronics Complex  
Chambaghat  
Solana-173213 (H.P.)

By order of the Board

Place: New Delhi  
Date: 14th August, 2014

**(Manoj Baid)**  
Associate Vice-President  
(Corporate) & Company Secretary

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF THE PROXY IS ENCLOSED. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

2. Corporate Members intending to send their authorized representative(s) to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.

3. Pursuant to Section 91 of the Companies Act, 2013 the Register of Members and share transfer books of the Company will remain closed from 16th September, 2014 to 19th September, 2014 (both days inclusive) for the purpose of Annual General Meeting (AGM).

The Register of Preference Shareholders and related share transfer books of the Company will remain closed from 16th September, 2014 to 19th September, 2014 (both days inclusive) to determine the name of Shareholders eligible for dividend on Cumulative Redeemable Preference Shares (CRPS) of the Company. The dividend on CRPS, if declared, at the ensuing AGM will be paid within a period of thirty (30) days from the date of declaration to those Preference Shareholders whose name shall appear on the Company's Register of Preference Shareholders as on 15th September, 2014.

4. Members are requested:
  - i) to kindly notify the change of address, if any, to the Company/their Depository Participant.
  - ii) to bring their attendance slip along with their copy of the Annual Report in the Meeting.
  - iii) to deposit the duly completed attendance slip at the Meeting.
5. Members may use the facility of nomination. A Nomination Form will be supplied to them on request.
6. Members desiring any information with regard to Annual Accounts/Report are requested to submit their queries addressed to the Company Secretary at least ten days in advance of the Meeting so that the information called for can be made available at the Meeting.
7. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.

8. Relevant documents referred to in the accompanying Notice and Statement are open for inspection by the members at the Registered Office of the Company on all working days except Saturdays during business hours up to the date of the Annual General Meeting.
9. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
10. The Register of Contracts or Arrangement in which Directors are interested, maintained under section 189 of the Companies Act, 2013 will be available for inspection by the members at the AGM.
11. **Copies of Annual Report for financial year ended 31st March, 2014 including Notice of AGM, Attendance**

**Slip, Proxy Form and instructions for e-Voting are being sent by electronic mode only to all the members whose email addresses are registered with the Company/ Depository Participant(s) unless any member has requested for a hard copy of the same. Members who have not registered their email addresses so far, are requested to register their email address so that they can receive the Annual Report and other communications from the Company electronically in future. For members who have not registered their email addresses, physical copies of the aforesaid documents are being sent by the permitted mode.**

12. The copies of the Annual Reports will not be distributed at the AGM. Members are requested to bring their copies to the meeting. The Annual Report of the Company is also available on the Company's website [www.hfcl.com](http://www.hfcl.com).

#### **DETAILS OF DIRECTOR RETIRING BY ROTATION AND PROPOSED TO BE RE-APPOINTED (PURSUANT TO CLAUSE 49 IV(G) OF THE LISTING AGREEMENT)**

##### **Item No. 3 of the Notice**

<b>Name</b>	<b>Date of Birth</b>	<b>Qualifications</b>	<b>Expertise in specific functional areas</b>	<b>Directorship in other Public Companies</b>	<b>Chairmanship / Membership of Committees of the Board of Public Companies of which he is a director</b>	<b>Date of Appointment</b>	<b>Shares held in the Company</b>
Dr. R M Kastia	10.10.1941	Ph.D., FBIM (London)	Dr. Kastia has to his credit more than 50 years of business experience. Dr. Kastia has occupied various important positions in well known industries. He has in depth knowledge of manufacturing of telecom equipments.	HTL Ltd.	<b>Himachal Futuristic Communications Ltd.</b> Stakeholders Relationship Committee - Member Nomination & Remuneration Committee - Member <b>HTL Ltd.</b> Audit Committee - Member	07.02.1996	Nil

The Board of Directors commends his re-appointment.

#### **STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 ("the Act")**

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

##### **Item No. 5**

Shri Mahendra Pratap Shukla is the Independent Director of the Company and has held the positions as such for more than five years.

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter-alia stipulating the conditions for the appointment of independent directors by a listed company.

Section 149 of the Act inter-alia stipulates the criteria of independence should a company propose to appoint an independent director on its Board. As per the said Section, an independent director can hold office for a term up to five consecutive years on the Board of a company and he shall not be included in the total number of directors for retirement by rotation.

Keeping in view the above requirements, the Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 14th August, 2014 have appointed Shri M P Shukla as an Independent Director of the Company subject to the approval of Shareholders.

The Company has received necessary declaration from Shri Mahendra Pratap Shukla that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In the opinion of the Board of Directors, Shri Mahendra Pratap Shukla fulfils the conditions for appointment as an Independent Director as specified in the Act and the Listing Agreement.

Shri Mahendra Pratap Shukla is independent of the management.

Shri Mahendra Pratap Shukla is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as Director.

The Company has received notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Shri Mahendra Pratap Shukla for the office of the Director of the Company.

Copy of the draft letter of appointment of Shri Mahendra Pratap Shukla as an Independent Director, setting out the terms and conditions is available for inspection by members at the Registered office of the Company.

Shri Mahendra Pratap Shukla aged about 82 years is an Electrical Engineer with specialization in communication engineering. He is a fellow member of the Institute of Electronics & Telecommunication Engineers (India) and is elected as the council member of the Governing Body of the Institute. During his career, Shri Shukla has occupied coveted positions like General Manager of Indian Telephone Industries (ITI), Naini, Allahabad, Chairman and Managing Director of Telecommunications Consultants India Ltd. (TCIL) and Chairman and Managing Director of Mahanagar Telephone Nigam Ltd. (MTNL).

It was under his stewardship that MTNL was established as a public sector company by bringing in new work culture and new work ethos. With his sheer business acumen and administrative capabilities he brought the services of MTNL to the international level.

As the CMD of TCIL, Shri Shukla achieved the unique distinction of having organized the telecom consultancy work in foreign countries.

Shri Shukla has been on the Board of the Company since 14th June, 2004.

He is on the Board of following other companies:

HTL Limited

HFCL Satellite Communications Limited

Shri Shukla is active on various committees as detailed below:

Name of the Company	Name of Committee	Committee position
Himachal Futuristic Communications Limited	Audit	Chairman
-do-	Stakeholders Relationship	Chairman
-do-	Nomination & Remuneration	Member
HTL Limited	Audit	Chairman
-do-	Nomination & Remuneration	Member
HFCL Satellite Communications Limited	Audit	Member

Shri Shukla does not hold any share in the Company.

This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

It is proposed to appoint Shri Mahendra Pratap Shukla as an Independent Director under Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for two consecutive years for a term up to the conclusion of the 29th Annual General Meeting of the Company in the calendar year 2016.

Shri Mahendra Pratap Shukla is interested in the Resolution set out at Item No. 5 of the Notice with regard to his appointment. The relatives of Shri Mahendra Pratap Shukla may be deemed to be interested in the resolution set out at Item No. 5 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board considers that continued association of Shri Mahendra Pratap Shukla would be of immense benefit to the Company and it is desirable to continue to avail his services as Independent Director.

The Board commends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the shareholders.

#### Item No. 6

Present tenure of Shri Arvind Kharabanda, as Director (Finance) has expired on 31st May, 2014. The Nomination and Remuneration Committee ("NRC") of the Company at its meeting held on 14th August, 2014 has recommended remuneration and terms and conditions of re-appointment of Shri Arvind Kharabanda as Whole-time Director designated as Director (Finance). On the recommendations of the NRC, the Board of Directors at its meeting held on 14th August, 2014 has subject to the approval of members, re-appointed him as Whole-time Director designated as Director (Finance) for a period of 2 (two) years w.e.f. 1st June, 2014.

Shri Arvind Kharabanda aged 67 years is a member of the Institute of Chartered Accountants of India and has got over 39 years of experience in managerial positions, project implementations and finance. He is on the Board of the Company since January, 1994 except for a brief period from 25th August, 2004 to 29th October, 2004 when he did not offer himself for re-appointment at the Annual General Meeting held on 25th August, 2004.

He is on the Board of the following companies:

Pals India Private Limited

My Box Technologies Private Limited

Shri Kharabanda is active on various committees as detailed below:

Name of the Company	Name of Committee	Committee position
Himachal Futuristic Communications Limited	Audit	Member
-do-	Stakeholders Relationship	Member

Shri Kharabanda does not hold any share in the Company.

The Board of Directors of your Company is confident that the Company will be immensely benefited with the association of Shri Kharabanda.

It is proposed to seek the members' approval for the re-appointment of and remuneration payable to Shri Arvind Kharabanda as Whole-time Director, designated as Director (Finance) in terms of applicable provisions of the Act.

The broad particulars of the terms of re-appointment and remuneration payable to Shri Arvind Kharabanda are as under:

**(a) Salary, Perquisites and Allowances per annum:**

- i) Basic Salary: ₹ 31,80,000/-
- ii) Perquisites & Allowances: ₹ 25,80,000/-

The perquisites and allowances, as aforesaid, 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 and leave travel concession for self and family including dependents and such other perquisites and allowances under the Company's Rules. The said perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income Tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

The total cost of the aforesaid perquisites, allowances and other benefits shall be restricted to ₹ 57,60,000/- (Rupees Fifty Seven Lacs Sixty Thousands only) per annum.

- (b) The following benefits shall not be included in the computation of ceiling on perquisites and allowances:
- (i) Contribution to provident fund, superannuation fund and annuity fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961.
  - (ii) Gratuity and encashment of leave shall be payable in accordance with the Rules of the Company.
  - (iii) Provision of car for use on Company's business.
  - (iv) Telephone expenses at residence

Notwithstanding anything to the contrary contained herein, where in a financial year, during the currency of the tenure of Shri Arvind Kharabanda, the Company has no profit or its profits are inadequate, the Company shall subject to the approval of the Central Government wherever required and subject to the provision of Sections 196, 197 and 203 of the Companies Act, 2013 ("Act") and subject to the conditions and limits specified in Schedule V of the Act, pay to Shri Arvind Kharabanda basic salary, perquisites and allowances as specified above as minimum remuneration.

- (c) The appointment of Shri Arvind Kharabanda can be terminated with three months notice or on payment of three months basic salary in lieu thereof from either side.
- (d) Shri Arvind Kharabanda shall perform such duties as shall from time to time be entrusted to him by the Board of Directors, subject to superintendence, guidance and control of the Board of Directors.

Shri Arvind Kharabanda satisfies all the conditions set out in Part of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Shri Arvind Kharabanda under Section 190 of the Act.

Shri Arvind Kharabanda is interested in the resolution as set out at Item No. 6 of the Notice which pertains to his re-appointment and remuneration payable to him. The relatives of Shri Kharabanda may be deemed to be interested in this resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/their relatives are in any way, concerned or interested, financially or otherwise, in this resolution.

The Board commends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the members.

**Item No. 7 & 8**

The Members of the Company at their Annual General Meeting held on 30th September, 2009 has authorised the Board of Directors of the Company to borrow monies up to ₹ 2000 crore under Section 293(1)(d) of the Companies Act, 1956 and to secure the same by mortgage/charge on all the moveable and/or immovable properties under Section 293(1)(a) of the Companies Act, 1956 by passing the Ordinary Resolutions.

As per the provisions of Section 180 of the Companies Act, 2013 which was notified on 12th September, 2013 read with the clarification thereon issued by the Government of India, Ministry of Corporate Affairs vide General Circular no. 04/2014 dated 25th March, 2014, the resolution(s) passed under Section 293 of the Companies Act, 1956 prior to 12th September, 2013 with reference to borrowings (subject to the limits prescribed) and/or creation of security on assets of the company will be regarded as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013 for a period of one year from the date of notification of the said section.

As per the provisions of the Companies Act, 1956, consent of the members was required by way of an ordinary resolution for both borrowing and creation of security. However, the provisions contained in Section 180 of the Companies Act, 2013 require the consent of members by way of a Special Resolution. Hence, in order to remain compliant with the relevant provisions on borrowings and creation of security under the Companies Act, 2013 beyond 12th September, 2014, consent of the members is being sought by way of Special Resolutions.

The Board of Directors of your Company has approved the borrowings limits and/or creation of security on the assets of the Company at their meeting held on 10th July, 2014 and recommends the Special Resolutions as set out at Item no. 7 & 8 of the Notice for the approval by the members of the Company.

None of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 & 8 of the Notice except to the extent of their shareholding, if any, in the Company.

**Registered Office:**  
8, Electronics Complex  
Chambaghat  
Solana-173213 (H.P.)

By order of the Board

Place: New Delhi  
Date: 14th August, 2014

**(Manoj Baid)**  
Associate Vice-President  
(Corporate) & Company Secretary

## Independent Auditor's Report

To the Members,

**Himachal Futuristic Communications Limited**

### 1. Report on the Financial Statements

We have audited the accompanying financial statements of Himachal Futuristic Communications Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us and read together with the other notes, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### 5. Report on Other Legal and Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- B. As required by Section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
  - e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

**For Khandelwal Jain & Co.**

Chartered Accountants  
Firm Registration No: 105049W

**Manish Singhal**

(Partner)

Membership No 502570

Place : New Delhi  
Date : 30th April, 2014

## Annexure to the Auditors' Report

Annexure referred to in paragraph 5A of the Auditors' Report of even date to the Members of **Himachal Futuristic Communications Limited** on the accounts for the year ended 31st March, 2014;

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situations of its Fixed Assets.
  - (b) All the assets have been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets and as informed, no material discrepancies were noticed on such verification.
  - (c) During the year, the Company has not disposed off any substantial part of the fixed assets, which affects the going concern status of the company.
- II. (a) As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, having regard to the nature and location of stocks, the frequency of physical verification is reasonable.
  - (b) In our opinion, and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of Inventory. In our opinion, the discrepancies noticed on physical verification of stocks were not material in relation to the operation of the Company and the same have been properly dealt with in the books of account.
- III. (a) As per the information furnished, the Company has not granted any loans, secured or unsecured to and from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a), (b), (c) and (d) of the Order are not applicable.
  - (b) As per the information furnished, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- Accordingly, Clause 4 (iii) (e), (f) and (g) of the said Order is not applicable.
- IV. In our opinion and according to information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
  - V. Based on the audit procedure applied by us and according to the information and explanations provided by the management, during the year, there has been no contract or arrangement that needed to be entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clause 4 (v)(b) of the said Order is not applicable.
  - VI. The Company has not accepted any deposits from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
  - VII. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
  - VIII. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
  - IX. (a) *According to the information and explanations given to us and records examined by us, the Company has generally been regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax deducted at source, wealth tax, excise duty, service tax and sales tax/works contract tax though there have been a slight delay in a few cases. According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2014 for period of more than six months from the date they become payable.*

- (b) According to the records of the Company, the dues of Sales tax, which have not been deposited on account of disputes and the forum where the dispute is pending, are as under:

Name of the Statute	Nature of the dues	Amount in ₹	Period to which the amount relates	Forum where dispute is pending
1. Sales Tax Act	Sales Tax	18,742,719	1997-1998 & 1998-1999	Hon'ble High Court of Punjab & Haryana.
2. Sales Tax Act	Sales Tax	22,589,726	2009-2010 & 2010-2011	Addl. Commissioner, Department of Trade & Taxes, New Delhi
	<b>Total</b>	<b>41,332,445</b>		

- X. There are no accumulated losses of the Company at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- XI. According to the information and explanations given to us and records examined by us, in view of the Reworked Package approved by the Corporate Debt Restructuring (CDR) Empowered Group as explained in Note No. 33, the Company has not defaulted in repayment of dues to financial institution or banks or debenture holders as at the Balance Sheet date.
- XII. Based on our examination of the records and information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. As per the information and explanations given to us the provisions of any Special Statute applicable to Chit Fund do not apply to the Company. The Company is also not a nidhi/ mutual benefit fund/society.
- XIV. The Company has maintained proper records of transactions and contracts in respect of trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the Company in its own name, except 65,00,000 shares of AB Corp Limited, which are pledged with Oriental Bank of Commerce (erstwhile GTBL).
- XV. Based on our examination of the records and information and explanations given to us, the Company has given corporate/ counter guarantees for loans taken by group companies, from banks and financial institutions. As one of the businesses of the Company is to promote the companies and also the long term involvement with those companies, the guarantees have not been considered prima facie, prejudicial to the interest of the Company.
- XVI. Based on our examinations of the records and information and explanations given to us during the year no term loan with repayment period beyond 36 months has been obtained. However, during the year the Company has raised inter corporate loans which on an overall basis, have been applied for the purposes for which they were obtained.
- XVII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at the end of the year, funds raised on short term basis have, prima facie, not been used for long term investment.
- XVIII. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.
- XIX. The Company has not issued any secured debentures during the year.
- XX. The Company has not raised any money by public issue during the year ended March 31, 2014.
- XXI. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For Khandelwal Jain & Co.**  
Chartered Accountants  
Firm Registration No: 105049W

**Manish Singhal**  
(Partner)

Place : New Delhi  
Date : 30th April, 2014

Membership No 502570

## Balance Sheet as at 31st March, 2014

(₹ in crore)

Particulars	Note No(s)	Figures as at 31st March, 2014	Figures as at 31st March, 2013
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	204.44	204.44
(b) Reserves & Surplus	2	634.16	506.56
<b>(2) Non- Current Liabilities</b>			
(a) Long Term Borrowings	3	182.79	202.35
(b) Other Long Term Liabilities	4	0.17	3.97
(c) Long Term Provisions	5	9.43	5.03
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	6	86.87	71.70
(b) Trade Payables	7	193.88	47.68
(c) Other Current Liabilities	8	278.77	156.89
(d) Short Term Provisions	9	26.17	3.74
<b>Total</b>		<b>1,616.68</b>	<b>1,202.36</b>
<b>II ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets	10		
(i) Tangible Assets		150.18	102.81
(ii) Intangible Assets		2.92	2.50
(iii) Capital-Work-In-Progress		0.45	21.65
(iv) Intangible Assets under Development		0.09	0.09
(b) Non-Current Investments	11	364.58	363.58
(c) Long Term Loans & Advances	12	2.73	6.41
(d) Other Non-Current Assets	13	56.00	-
<b>(2) Current Assets</b>			
(a) Current Investments	14	0.18	0.18
(b) Inventories	15	149.99	32.76
(c) Trade Receivables	16	254.51	299.84
(d) Cash & Bank Balance	17	65.94	38.95
(e) Short-Term Loans & Advances	18	524.28	313.46
(f) Other Current Assets	19	44.83	20.13
<b>Total</b>		<b>1,616.68</b>	<b>1,202.36</b>
See other accompanying notes to the Financial Statements	1 to 55		

As per our report of even date attached  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

For and on behalf of the Board  
**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

Chairman  
 Managing Director  
 Director (Finance)

**(Manish Singhal)**  
 Partner  
 M.No. 502570

**V. R. Jain**  
 Chief Finance Officer

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

New Delhi, 30th April, 2014

## Statement of Profit & Loss for the year ended 31st March, 2014

(₹ in crore)

Particulars	Note No(s)	Figures for the year ended 31st March, 2014	Figures for the year ended 31st March, 2013
<b>INCOME</b>			
I Revenue From Operations	20	2,018.78	605.35
II Other Income	21	13.69	25.93
<b>III Total Revenue</b>		<b>2,032.47</b>	<b>631.28</b>
<b>IV EXPENDITURE</b>			
Cost of Materials Consumed	22	257.99	91.54
Purchase of goods for resale		15.93	12.91
Changes in inventories of Finished Goods, Work in Progress and Stock in Trade	23	(106.85)	(1.79)
Project Labour and Service charges		1,222.14	214.58
Employee Benefits Expense	24	195.43	97.74
Finance Costs	25	33.14	27.18
Depreciation	10	19.85	16.68
Other Expenses	26	153.66	78.63
Investments written off		-	1.26
Less: Transferred from provision for diminution in value		-	(1.26)
Provision for doubtful advances		6.00	-
Bad debts, Loans & advances and Others written off (Net)		87.67	29.15
<b>Total Expenditure</b>		<b>1,884.96</b>	<b>566.62</b>
<b>V Profit before Exceptional items, Extraordinary items and Tax (III- IV)</b>		<b>147.51</b>	<b>64.66</b>
VI Exceptional Items	37	-	9.82
<b>VII Profit before Extraordinary items and Tax (V- VI)</b>		<b>147.51</b>	<b>54.84</b>
VIII Extraordinary Items		-	-
<b>IX Profit before Tax (VII- VIII)</b>		<b>147.51</b>	<b>54.84</b>
<b>X Less: Tax Expense:</b>			
Current Tax		32.45	10.59
MAT credit entitlement		(32.42)	(10.55)
<b>XI Profit (Loss) for the year (after tax)(IX- X)</b>		<b>147.48</b>	<b>54.80</b>
<b>XII Earning per share (Face value of ₹ 1/- each)</b>	48		
Basic (₹)		1.15	0.40
Diluted (₹)		1.15	0.40
See other accompanying notes to the Financial Statements	1 to 55		

As per our report of even date attached

**For Khandelwal Jain & Co.**  
Firm Registration No. 105049W  
Chartered Accountants

**(Manish Singhal)**  
Partner  
M.No. 502570

New Delhi, 30th April, 2014

For and on behalf of the Board

**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

**V. R. Jain**  
Chief Finance Officer

Chairman  
Managing Director  
Director (Finance)

**Manoj Baid**  
Associate Vice-President (Corporate)  
& Company Secretary

New Delhi, 30th April, 2014

## Notes forming part of the financial statements

(₹ in crore)

<b>NOTE 1 SHARE CAPITAL</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>AUTHORISED :</b>		
5,10,00,00,000 (Previous year 5,10,00,00,000) Equity Shares of ₹ 1/-each	510.00	510.00
25,00,00,00,000 (Previous year 25,00,00,00,000) Redeemable Preference Shares of ₹100/- each	250.00	250.00
	<b>760.00</b>	<b>760.00</b>
<b>ISSUED &amp; SUBSCRIBED:</b>		
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of ₹ 1/- each	123.94	123.94
80,50,000 (Previous year 80,50,000, 6.5%) 6.5% Cumulative Redeemable Preference Shares of ₹100/- each	80.50	80.50
	<b>204.44</b>	<b>204.44</b>
<b>PAID UP</b>		
1,23,93,77,194 (Previous year 1,23,93,77,194) Equity Shares of ₹ 1/- each fully paid up	123.94	123.94
80,50,000 (Previous year 80,50,000, 6.5%) 6.5% Cumulative Redeemable Preference Shares of ₹100/- each	80.50	80.50
<b>TOTAL</b>	<b>204.44</b>	<b>204.44</b>

### A Equity Shares

- (i) Nil (Previous year 278,180) shares of ₹ 1/- each represent Global Depository Receipts.
- (ii) 1,45,50,000 (Previous year 1,45,50,000) shares of ₹ 1/- each issued for consideration other than cash pursuant to the amalgamation of erstwhile Himachal Telematics Ltd. with the Company.
- (iii) 52,96,01,640 shares of ₹ 1/- each have been allotted for a consideration other than cash pursuant to the Composite Scheme of Arrangement and Amalgamation between Sunvision Engineering Company Private Limited (SECPL), its Share holders & the Optionally Convertible Debenture (OCD) holders and the Company & its Shareholders, sanctioned by the Hon'ble High Court of Himachal Pradesh at Shimla vide its Order passed on 5th January, 2011.

### B Preference Shares

The Cumulative Redeemable Preference Shares (CRPS) aggregating to ₹ 80.50 crore shall be redeemed at the rate of 25% and 75% of the face value in the financial years ending 31st March 2018 and 31st March, 2019, respectively and will carry the coupon rate of 6.50% from new cut off date i.e. 1st January, 2011 as mentioned in the rework package approved by the CDR EG on 29.03.2011. However, dividend accrued on notional basis, as same has not been declared and fallen due for payment, and penal interest thereon, till the cut-off date, stands waived as per CDR rework package.

### C (i) Shareholders holding more than 5 percent of Equity Shares

<b>Name of Shareholder</b>	<b>Figures as at 31st March, 2014</b>		<b>Figures as at 31st March, 2013</b>	
	<b>No. of share held</b>	<b>% of Holding</b>	<b>No. of share held</b>	<b>% of Holding</b>
NextWave Communications Private Ltd	234,765,000	18.94%	234,765,000	18.94%
ANM Engineering & Works Pvt Ltd	234,765,000	18.94%	234,765,000	18.94%
IDBI Bank Limited	150,945,122	12.18%	150,945,122	12.18%
Oriental Bank of Commerce	52,414,000	4.23%	67,184,711	5.42%

## (ii) Shareholders holding more than 5 percent of Preference Shares

Name of Shareholder		Figures as at 31st March, 2014	Figures as at 31st March, 2013
		No. of share held	No. of share held
General Insurance Corporation of India Ltd.		500,000	500,000
	% of Holding	6.21%	6.21%
Digivive Contents Services (P) Ltd.		2,950,000	2,950,000
	% of Holding	36.65%	36.65%
IDBI Bank Limited		3,500,000	3,500,000
	% of Holding	43.48%	43.48%
Global Trust Bank Ltd.		600,000	600,000
	% of Holding	7.45%	7.45%

## D Reconciliation of number of equity shares is set below:

	Figures as at 31st March, 2014	Figures as at 31st March, 2013
	No. of shares	No. of shares
No. of shares at the beginning of the year	1,239,377,194	1,239,377,194
Add: Shares issued during the year	-	-
Add: Bonus shares issued during the year	-	-
Less: Share bought back during the year	-	-
No. of shares at the end of the year	1,239,377,194	1,239,377,194

## E Terms/right attached to Equity/Preference Shares

The Company has issued equity share of ₹ 1/- each and preference share of ₹100/- 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 capital of the Company held by them. Preference shareholders shall have voting right in proportion to the shares of the paid up capital provided if the dividend due on such capital or any part of such dividend has remained unpaid. The Company declares dividend, if any, in Indian Rupees. The dividend, if any, proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting. 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.

(₹ in crore)

<b>NOTE 2 RESERVES &amp; SURPLUS</b>	Figures as at 31st March, 2014	Figures as at 31st March, 2013
<b>Securities Premium Reserve</b>	<b>400.12</b>	<b>400.12</b>
<b>Surplus in statement of Profit &amp; Loss:</b>		
As per last Balance Sheet	106.44	51.64
Add: Profit for the year as per Statement of Profit & Loss	147.48	54.80
	253.92	106.44
Less:		
Proposed dividend on Preference Shares (refer Note 43)	16.99	-
Tax on proposed dividend	2.89	-
	<b>234.04</b>	<b>106.44</b>
<b>TOTAL</b>	<b>634.16</b>	<b>506.56</b>

(₹ in crore)

<b>NOTE 3</b>	<b>LONG TERM BORROWINGS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Secured</b>			
Term Loans from Banks & Financial Institutions		102.04	116.59
Funded Interest Term Loans (FITL)		80.75	85.76
<b>TOTAL</b>		<b>182.79</b>	<b>202.35</b>

**Secured Long Term Borrowings**

- a) Term loan of ₹63.28 crore (Previous year ₹71.19 crore) and Funded interest term loan of ₹28.92 crore (Previous year ₹ 33.92 crore) from one of the bank are secured on pari passu basis by way of first charge on all the immovable properties, both present and future, by way of equitable mortgage and first charge on the entire sales proceeds of the contracts covered under the aforesaid loan to be credited to the Escrow/designated account.
- b) Term loan of ₹18.69 crore (Previous year ₹21.02 crore) from a bank, Working capital term loan of ₹14.56 crore (Previous year ₹16.38 crore) and Funded interest term loan of ₹31.06 crore (Previous year ₹ 31.06 crore) are secured by way of pledge of shares and also 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 the Company.
- c) Working capital term loans of ₹20.09 crore (Previous year ₹22.57 crore) from banks and Funded interest term loans of ₹20.77 crore (Previous year ₹20.77 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.
- d) All the secured loans from banks are secured by Pledge of equity shares up to 51% (239700000) of new co-opted promoters.
- e) All the secured loans as stated above are also personally guaranteed by Managing Director of the Company.
- f) Term loans and FITL are repayable in 7 years / 3 years commencing from Financial year 2012-13 / 2016-17 with rate of Interest @10% p.a. or at the rate as re-set by the lenders as detailed herein below:

(₹ in crore)

	<b>F.Y. 2012-2013 (Already Paid)</b>	<b>F.Y. 2013-2014 (Already Paid)</b>	<b>F.Y. 2014-2015</b>	<b>F.Y. 2015-2016</b>	<b>F.Y. 2016-2017</b>	<b>F.Y. 2017-2018</b>	<b>F.Y. 2018-2019</b>
Term Loans	14.57	14.57	14.57	21.86	21.86	29.15	29.15
FITL	-	-	-	-	28.59	28.59	23.57

(₹ in crore)

<b>NOTE 4</b>	<b>OTHER LONG TERM LIABILITIES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Trade Payables (Retention Money Payable)		0.17	3.97
<b>TOTAL</b>		<b>0.17</b>	<b>3.97</b>

(₹ in crore)

<b>NOTE 5</b>	<b>LONG TERM PROVISIONS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Provision for Employees Benefits		9.43	5.03
<b>TOTAL</b>		<b>9.43</b>	<b>5.03</b>

(₹ in crore)

<b>NOTE 6</b> <b>SHORT TERM BORROWINGS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Secured</b>		
Loans Repayable on Demand		
From Banks	33.86	30.67
<b>Unsecured</b>		
Loans Repayable on Demand		
From Body Corporates	48.01	36.02
Vendors Bill Discounting	5.00	-
Buyer's Credit	-	5.01
<b>TOTAL</b>	<b>86.87</b>	<b>71.70</b>

**Secured Short Term Borrowings**

Working capital loans from banks aggregating to ₹33.86 crore (Previous year ₹ 30.67 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% (239700000) of new co-opted promoters and are also personally guaranteed by Managing Director of the Company.

(₹ in crore)

<b>NOTE 7</b> <b>TRADE PAYABLES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
(refer note 47)		
Trade Payables		
For Material & Services	188.74	40.15
For Expenses	5.14	7.53
<b>TOTAL</b>	<b>193.88</b>	<b>47.68</b>

(₹ in crore)

<b>NOTE 8</b> <b>OTHER CURRENT LIABILITIES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Current maturities for Long term secured debt		
Term Loan from Banks (refer foot note 'a to e' of note no. 3)	14.57	14.57
Interest accrued and due on Borrowing	8.40	4.68
Advance from Customers	188.87	106.89
Other Payables		
Retention Payable	20.96	0.21
Creditors for Capital Goods	4.06	2.47
Expenses Payable	22.08	14.14
Other Employees Dues	2.48	1.74
Statutory Dues Payable	17.35	12.19
<b>TOTAL</b>	<b>278.77</b>	<b>156.89</b>

(₹ in crore)

<b>NOTE 9</b> <b>SHORT TERM PROVISIONS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Provision for Employee benefits	6.26	3.70
Provision for proposed dividend on preference shares	16.99	-
Provision for tax on proposed dividend	2.89	-
Provision for Tax	0.03	0.04
<b>TOTAL</b>	<b>26.17</b>	<b>3.74</b>

**NOTE 10 FIXED ASSETS**

(₹ in crore)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31.03.2013	Additions	Deductions/ adjustments	As at 31.03.2014	Up to 31.03.2013	For the year	Up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
<b>Tangible Assets</b>									
1. Land									
- Leasehold	0.82	-	-	0.82	0.16	0.01	0.17	0.65	0.66
- Freehold	2.40	-	-	2.40	-	-	-	2.40	2.40
2. Buildings									
- Leasehold	1.51	-	-	1.51	0.75	0.05	0.80	0.71	0.76
- Freehold	27.47	30.82	-	58.29	7.61	0.92	8.53	49.76	19.86
- Leasehold Improvements	2.26	-	-	2.26	2.25	-	2.25	0.01	0.01
3. Plant & machinery	354.57	18.75	2.79	370.53	287.89	13.10	299.12	71.41	66.68
4. Electrical installation	6.76	7.43	0.21	13.98	4.79	0.42	5.03	8.95	1.97
5. Furniture & fixtures	4.22	3.39	1.15	6.46	3.88	0.36	3.16	3.30	0.34
6. Office equipments	24.83	7.21	9.49	22.55	19.02	3.15	12.76	9.79	5.81
7. Vehicles	9.51	0.01	0.17	9.35	5.19	1.12	6.15	3.20	4.32
8. Moulds & dies	0.05	-	-	0.05	0.05	-	0.05	-	-
	<b>434.40</b>	<b>67.61</b>	<b>13.81</b>	<b>488.20</b>	<b>331.59</b>	<b>19.13</b>	<b>338.02</b>	<b>150.18</b>	<b>102.81</b>
<b>Intangible Assets</b>									
Computer software	3.39	1.14	-	4.53	0.89	0.72	1.61	2.92	2.50
<b>Total</b>	<b>437.79</b>	<b>68.75</b>	<b>13.81</b>	<b>492.73</b>	<b>332.48</b>	<b>19.85</b>	<b>339.63</b>	<b>153.10</b>	<b>105.31</b>
Previous year	483.50	35.02	80.73	437.79	396.30	16.68	332.48	105.31	87.20
Capital work-in progress								0.45	21.65

**NOTE :-**

- Gross block and Net block of fixed assets are net of provision for impairment made in financial year 2004-05 in respect of Plant & Machinery ₹34.28 crore, Electrical Installation ₹0.12 crore and Office Equipments ₹1.24 crore and in financial year 2010-11 further provision for impairment in respect of Plant & Machinery of ₹79.53 crore.

**NOTE 11 NON CURRENT INVESTMENT**

(₹ in crore)

	As at 31.03.2014			As at 31.03.2013		
	Face value per share/debenture	No. of shares/debentures	Amount	Face value per share/debenture	No. of shares/debentures	Amount
<b>I Trade Investments</b>						
<b>i) Investments in Equity Instruments</b>						
<b>Unquoted Associates</b>						
Microwave Communications Ltd. (MCL) *	10	12,187,440	-	10	12,187,440	-
Exicom Tele-systems Ltd.	10	630,223	4.33	10	630,223	4.33
HFCL Satellite Communications Ltd. (HSCL) **	10	2,400,000	-	10	2,400,000	-
HFCL Dacom Infochek Ltd. (HDLL)	10	1,409,500	-	10	1,409,500	-
HFCL Bezeq Telecom Ltd.	10	100	-	10	100	-
Westel Wireless Ltd.	10	89,700	-	10	89,700	-
Polixel Securities Systems Pvt. Ltd.	10	10,000	0.01	10	10,000	0.01
DragonWave HFCL India Pvt. Ltd.	10	3493000	3.50	10	2495000	2.50
			7.84			6.84
<b>Subsidiary Companies</b>						
HTL Ltd. (Refer note no. 36)	100	1,110,000	55.37	100	1,110,000	55.37
Moneta Finance Pvt. Ltd.	10	300,000	0.37	10	300,000	0.37
			55.74			55.74
<b>Others</b>						
AB Corp Ltd.\$	10	13,300,000	165.00	10	13,300,000	165.00
Midas Communication Technologies Pvt. Ltd.	10	2,642	0.30	10	2,642	0.30
Pioneer.net Pvt.Ltd	10	5,200,000	-	10	5,200,000	-
The Greater Bombay co-op Bank Ltd.	25	4,000	0.01	25	4,000	0.01
			165.31			165.31
			228.89			227.89
<b>ii) Investment in 0% Optionally Fully Convertible Debentures</b>						
<b>Unquoted</b>						
APJR Traders & Commission Agent Pvt. Ltd.	100	100,000	1.00	100	100,000	1.00
Bachawat Share Broking Pvt. Ltd.	100	147,000	1.47	100	147,000	1.47
Basant Marketing Pvt. Ltd.	100	2,000,000	20.00	100	2,000,000	20.00
Database Software & Technology Pvt. Ltd.	100	4,500,000	45.00	100	4,500,000	45.00
Shyam Basic Infrastructure Projects Pvt. Ltd.	100	6,434,000	64.34	100	6,434,000	64.34
Westel Wireless Ltd.	100	126,000	131.81	100	126,000	-
			67.47			67.47
Less:Provision for diminution in value			64.34			64.34
<b>iii) Investment in Zero Coupon Optionally Convertible Bond</b>						
Senior Consulting Private Ltd.	1000	26000	2.60	1000	26000	2.60
<b>iv) Investment in Compulsorily Convertible Zero Coupon Bonds</b>						
Digitvision Communications Private Limited	1000	687,500	68.75	1000	687,500	68.75
<b>Total</b>			<b>364.58</b>			<b>363.58</b>

\* shares pledged with IDBI as a security for the term loan given by IDBI to MCL.

\*\* shares pledged with IFCI as a security for the term loan given by IFCI to HSCL.

\$ 6,500,000 shares pledged as security for the term loan given by OBC to the Company. The shares are held by OBC in their own name.

	As at 31.03.2014	As at 31.03.2013
Aggregate amount of unquoted investment	432.05	431.05
Less: Provision for diminution in value of investment	67.47	67.47
Aggregate amount of unquoted investment	364.58	363.58

(₹ in crore)

<b>NOTE 12 LONG TERM LOANS AND ADVANCES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Unsecured, considered good		
Capital Advances	0.42	1.48
Security Deposits	2.31	4.93
<b>TOTAL</b>	<b>2.73</b>	<b>6.41</b>

(₹ in crore)

<b>NOTE 13 OTHER NON- CURRENT ASSETS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Unsecured, considered good		
Receivables under assignment	56.00	-
<b>TOTAL</b>	<b>56.00</b>	<b>-</b>

(₹ in crore)

<b>NOTE 14 CURRENT INVESTMENT</b>	<b>As at 31.03.2014</b>				<b>As at 31.03.2013</b>			
	<b>Face value per share/ units</b>	<b>No. of shares/ units</b>	<b>Amount</b>	<b>Amount</b>	<b>Face value per share/ units</b>	<b>No. of shares/ units</b>	<b>Amount</b>	<b>Amount</b>
<b>Investment in Equity Shares (Fully Paid Up)</b>								
Quoted								
Sumedha Fiscal Services Ltd.	10	18,200	0.01		10	18,200	0.01	
Valiant Communications Ltd.	10	8,700	0.01		10	8,700	0.01	
Magma Fincorp Limited (Formerly known as Shrachi Securities Ltd.)	2	152,830	0.14		2	152,830	0.14	
				0.16				0.16
Unquoted								
Indo Vanilion Ltd.	10	50,000	-	-	10	50,000	-	-
<b>Investment in Units (Fully Paid Up)</b>								
Quoted								
Principal Cash Management fund - Dividend Plan	1000	181	0.02		1000	159	0.02	
				0.02				0.02
<b>TOTAL</b>				<b>0.18</b>				<b>0.18</b>

	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
1. Aggregate book value of investments		
- Quoted	0.18	0.18
- Unquoted	-	-
2. Aggregate market value of quoted investments	1.14	1.31

(₹ in crore)

<b>NOTE 15 INVENTORIES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
(As a certified and valued by the management)		
Raw Materials	36.21	31.84
Raw Materials in transit	9.55	1.33
Less: Provision for Non Moving	15.57	13.17
	30.19	20.00
Work in Progress*	118.12	15.00
Less: Provision for Non Moving	6.31	6.31
	111.81	8.69
Finished Goods	4.14	0.04
Stock-in-trade- Securities (Refer Note No. 33 )	2.44	2.82
Stores and spares	1.17	1.08
Less: Provision for Non Moving	0.29	0.29
	0.88	0.79
Loose tools	0.52	0.26
Others (Packing Material)	0.01	0.16
<b>TOTAL</b>	<b>149.99</b>	<b>32.76</b>

\* Work in progress includes contract work in progress ₹ 93.82 crore (previous year Nil)

(₹ in crore)

<b>NOTE 16 TRADE RECEIVABLES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Unsecured, considered good</b>		
(Debts outstanding for a period exceeding six months)		
Considered good*	69.62	263.79
Others Debts	184.89	36.05
<b>TOTAL</b>	<b>254.51</b>	<b>299.84</b>

\* Includes receivable from subsidiaries : Debts outstanding for a period exceeding six months ₹10.52 crore (Previous year ₹10.52 crore)

(₹ in crore)

<b>NOTE 17 CASH &amp; BANK BALANCES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Cash &amp; cash equivalents</b>		
Balance with Scheduled Banks in Current Accounts	6.11	6.54
Balance with Fixed Deposit Accounts (Maturity less than 3 months)	12.99	3.89
Cheques on Hand	0.37	0.24
Cash on Hand	0.08	0.12
<b>Other Bank Balances</b>		
Bank Deposit (Maturity more than 3 months, less than 12 months)	44.93	22.70
Bank Deposit with more than 12 months maturity	1.46	5.46
<b>TOTAL</b>	<b>65.94</b>	<b>38.95</b>

Note : Balances in Fixed Deposit Account pledged with bank as margin money/under lien ₹54.92 crore (previous year ₹25.05 crore).

(₹ in crore)

<b>NOTE 18 SHORT TERM LOANS AND ADVANCES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Unsecured, considered good</b>		
Advances to Related Parties		
Subsidiary Companies	63.04	62.46
Others	-	5.00
<b>Other Loans and Advances</b>		
Security Deposits	1.89	1.69
Advances Recoverable in cash or in kind or for value to be received	34.90	34.79
Advance tax/TDS (net of tax)	51.64	52.69
MAT credit entitlement	43.68	11.26
Loans to body/non-body corporate	3.00	9.00
Advances to Vendors	316.01	129.19
Balance with Central Excise & Customs authorities	10.12	7.38
	<b>524.28</b>	<b>313.46</b>
<b>Unsecured, considered doubtful</b>		
Loans to non-body corporate	6.00	-
Less : Provision for doubtful advances	6.00	-
	-	-
<b>TOTAL</b>	<b>524.28</b>	<b>313.46</b>

(₹ in crore)

<b>NOTE 19 OTHER CURRENT ASSETS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Interest Receivable	20.83	20.13
Receivable under assignment	24.00	-
<b>TOTAL</b>	<b>44.83</b>	<b>20.13</b>

(₹ in crore)

<b>NOTE 20 REVENUE FROM OPERATIONS</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Sale of Products	385.97	129.68
Sale of Services	1,671.30	487.63
	2,057.27	617.31
Less: Excise Duty	38.49	11.96
<b>TOTAL</b>	<b>2,018.78</b>	<b>605.35</b>

(₹ in crore)

<b>NOTE 21 OTHER INCOME</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Interest (Gross)		
On fixed deposits	4.34	3.73
(TDS ₹0.28 crore: previous year ₹0.32 crore)		
Others	1.82	0.02
Excess Provisions Written Back	3.89	-
Profit on sales of Investments	-	12.25
Excise/Sales tax Claim received	0.26	0.05
Recovery of debts, loans & advances earlier written off	0.75	8.05
Exports Incentives	0.48	-
Rent received	0.37	-
Dividends on investments	1.34	1.34
Miscellaneous income	0.44	0.49
<b>TOTAL</b>	<b>13.69</b>	<b>25.93</b>

(₹ in crore)

<b>NOTE 22 COST OF GOODS CONSUMED</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Opening Balance	31.84	32.04
Add : Purchases during the year	262.36	91.34
	294.20	123.38
Less : Closing Stock	36.21	31.84
<b>TOTAL</b>	<b>257.99</b>	<b>91.54</b>

(₹ in crore)

<b>NOTE 23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
<b>Opening Stock</b>		
Finished Goods	0.04	0.64
Work in Progress	15.00	10.45
Stock In Trade - Securities	2.82	5.61
	17.86	16.70
Less: Provision for non moving written /off	-	0.63
<b>Less: Closing Stock</b>		
Finished Goods	4.14	0.04
Work in Progress	118.13	15.00
Stock-In-Trade - Securities	2.44	2.82
	124.71	17.86
<b>Change in Stock</b>	<b>(106.85)</b>	<b>(1.79)</b>

(₹ in crore)

<b>NOTE 24 EMPLOYEE BENEFITS EXPENSE</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Salaries, wages and bonus	179.47	88.29
Contribution to provident & other funds	7.82	4.25
Welfare expenses	8.14	5.20
<b>TOTAL</b>	<b>195.43</b>	<b>97.74</b>

(₹ in crore)

<b>NOTE 25 FINANCE COSTS</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Interest expenses (Refer Note No. 32)	28.31	25.75
Bank charges	4.83	1.43
<b>TOTAL</b>	<b>33.14</b>	<b>27.18</b>

(₹ in crore)

<b>NOTE 26 OTHER EXPENSES</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
<b>Manufacturing &amp; turnkey activities expenses</b>		
Consumption of packing material	7.88	2.27
Consumption of stores and spare parts	2.48	1.03
Loose tools written off	0.20	0.09
Power, fuel and water charges	4.70	2.91
Repairs to buildings	0.07	0.11
Repairs to machinery	0.21	0.27
Other repairs	0.57	0.78
Insurance charges	3.69	1.71
<b>Administrative &amp; other Expenses</b>		
Rent	7.34	7.17
Rates and taxes	0.75	0.47
Auditors remuneration		
Audit fees	0.51	0.41
In other capacity	0.14	0.20
Out of pocket expenses	0.02	0.02
Legal and professional charges	12.16	11.08
Communication expenses	6.34	3.06
Travelling, conveyance and vehicle expenses	78.30	32.08
Directors fees	0.05	0.04
Charity & Donation	1.01	0.08
Increase/(decrease) in excise duty on finished goods	0.51	-
Miscellaneous expenses	14.51	10.10
Selling and Distribution	4.32	2.97
Provision for Inventories	2.40	1.03
Liquidated damages	1.12	0.82
Foreign exchange fluctuation	3.31	1.69
Loss on sale / written off of fixed assets	1.07	0.14
Prior Period Items	-	(1.90)
<b>TOTAL</b>	<b>153.66</b>	<b>78.63</b>

**NOTE 27 Significant Accounting Policy to Financial Statements****(i) Method of Accounting**

- (a) The financial statements are prepared on the historical cost convention and in accordance with the Generally Accepted Accounting Principles ('GAAP').
- (b) The Company follows accrual system of accounting in the preparation of accounts except where otherwise stated.
- (c) The preparation of the financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported accounts of income and expenses of the period, reported values of assets and liabilities and disclosures relating to contingent assets and liabilities as of date of the financial statements. Examples of such estimates include provision for doubtful debts, provision for doubtful loans and advances, provisions for diminution in value of investments, estimated period of utility of software package, provision for value of obsolete/non moving inventories etc. Actual results may differ from these estimates.

**(ii) Fixed Assets**

- (a) Fixed Assets 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 but is net of CENVAT.
- (b) Capital Work-in-Progress - All expenses incurred for acquiring, erecting and commissioning of fixed assets including interest on long term loans utilized for meeting capital expenditure and incidental expenditure incurred during construction of the projects are shown under capital work-in-progress and are allocated to the fixed assets on the completion of the respective projects.
- (c) Intangible Assets- (i) Revenue expenditure of specialized R&D Division including technical know-how fee incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets.(ii) Purchased of computer software used for the purpose of operations is capitalised, however, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Profit & Loss Account.

**(iii) Leases**

- (a) Finance Lease or similar arrangements, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Finance charges are charged directly against income.
- (b) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account or on a basis, which reflect the time pattern of such payment appropriately.

**(iv) Depreciation, Amortisation and Impairment**

- (a) Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other fixed assets on written down value method at the rates prescribed in the Schedule XIV of the Companies Act, 1956.
- (b) Depreciation due to increase or decrease in the liability on account of exchange fluctuation or on account of rollover charges on forward exchange contract is provided prospectively over the residual life of the assets.
- (c) On assets acquired on lease (including improvements to the leasehold premises), depreciation has been provided for on Straight Line Method at the rates as per Schedule XIV of the Companies Act, 1956 or at the rates worked out on the basis of remaining useful life of the assets, whichever is higher.
- (d) Premium on leasehold land is amortised over the period of lease.
- (e) The Technical Know-how fees is written off over a period of six years from the year of the commencement of commercial production of the respective projects. Where the production has not commenced and the benefit of know-how is unlikely to accrue, the fee paid therefore is fully written off in the year in which it is so determined.
- (f) Intangible assets are amortised over a period of five years or life of the product considered at the end of each financial year whichever is earlier. Amortisation commences when the asset is available for use.
- (g) At the Balance Sheet date, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

**(v) Investments**

- (a) The cost of an investment includes incidental expenses like brokerage, fees and duties incurred prior to acquisition.
- (b) Long term investments are shown at cost. Provision for diminution is made only if, in the opinion of the management such a decline is other than temporary.
- (c) Investments which are intended to be held for less than one year are classified as current investments and are carried at lower of cost and fair value determined on an individual investment basis.

(d) Advance against share application money are classified under the head "Investments".

**(vi) Inventories**

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(a)	Raw Materials, Materials in transit, Packing Materials, Stores & Spares and Components.	At cost or net realizable value whichever is lower.
(b)	Finished Goods and Work-in-Progress	At lower of cost and net realizable value Cost of Inventories is ascertained on First in First out (FIFO) basis.
(c)	Stock in trade - Quoted	At lower of cost and market value
	- Unquoted	At lower of cost and break-up value
(d)	Contract Work in Progress	At cost
(e)	Loose Tools	After write-off at 27.82% p.a.

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**(vii) Revenue Recognition**

- (a) Sales & services include sales during trial run and excise duty recoverable. Liquidated damages are accounted for as and when they are ascertained.
- (b) Revenue in respect of long term turnkey works contracts is recognised under percentage of completion method subject to such contracts having progressed to a reasonable extent. Revenue in respect of other works contracts and services is recognised on completed contract method.
- (c) Insurance claims are accounted for as and when admitted by the concerned authority.

**(viii) Foreign Currency Transactions**

- (a) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transactions.
- (b) Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the year end rates.
- (c) Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognised in the Profit and Loss Account as income or expense.
- (d) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract, further exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/ expense for the period except where the foreign currency liabilities have been incurred in connection with fixed assets acquired up to March, 2004 and subsequent thereto in case of fixed assets acquired from a country outside India, where the exchange differences are adjusted in the carrying amount of concerned fixed assets.

**(ix) Provisioning/Write off of Doubtful Debts**

The trade receivables are continuously reviewed by the Management for ascertaining its recoverability. The receivables which are outstanding for more than three years from their respective due dates are written off to Profit and Loss Account. The debtors which are outstanding for more than two years but less than three years are provided for at 100% whereas debtors outstanding for more than one year but less than two years are provided for at 30% of the amount outstanding. No write off or provisions are made for specific cases where management is of the view that the amounts are recoverable even if falling under the aging as mentioned above.

**(x) 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.

**(xi) Excise and Customs Duty**

Excise duty payable on production is accounted for on accrual basis. Provision is made in the books of accounts for customs duty on imported items on arrival and lying in bonded warehouse and awaiting clearance.

**(xii) CENVAT Credit**

The CENVAT credit available on purchase of raw materials, other eligible inputs and capital goods is adjusted against excise duty payable on clearance of goods produced. The unadjusted CENVAT credit is shown under the head "Short Term Loans and Advances".

**(xiii) Employees Benefits**

(Effective April 1, 2007, the Company has adopted the Revised Accounting Standard – 15 (Revised-2005) 'Employee Benefits'. The relevant policies are:

**Short Term Employee Benefits**

Short term employee benefits are recognised in the period during which the services have been rendered.

**Long Term Employee Benefits**

## a) Defined Contribution plan

## (i) Provident Fund and employees' state insurance schemes

All employees of the Company 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 Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

## (ii) Gratuity

The Company 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 Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits". The Company makes annual contributions to the HDFC Standard Life Insurance Company 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.

## b) Other long term benefit

## Leave Encashment

The Company has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

## c) Actuarial gains and losses are recognized as and when incurred.

(xiv) Preliminary, Securities issue expenses and Redemption premium Preliminary, Securities issue expenses and Redemption premium on bonds and debentures are adjusted against securities premium account.

**(xv) Research & Development Costs**

Revenue expenditure on research phase is charged to Profit & Loss Account in the year in which it is incurred. Capital Expenditure is added to the cost of fixed assets.

**(xvi) Taxes on Income**

Tax expense comprises of current, deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

**(xvii) Segment Reporting**

Segments are identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organization structure as well as the differential risk and returns of the segments. The unallocable items include income and expenses items which are not directly identifiable to any segment and therefore not allocated to any business segment.

**(xviii) Earnings Per Share**

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

**(xix) Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is provable that there will be a out flow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the Financial Statements.

(₹ in crore)

<b>NOTE 28</b>	Contingent Liabilities not provided for in respect of	As at 31.03.2014	As at 31.03.2013
(a)	Unexpired Letters of Credit (margin money paid ₹7.61 crore ; Previous year ₹1.82 crore)	26.54	1.82
(b)	Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits ₹15.79 crore; Previous year ₹10.64 crore)	56.03	32.93
(c)	Counter Guarantees given by the Company to the financial institutions/banks for providing guarantees on behalf of companies promoted by the Company. (margin money kept by the banks by way of fixed deposits ₹ Nil ; Previous year ₹ Nil)	20.16	20.16
(d)	Arrears of Dividend on Cumulative redeemable preference shares	-	18.90
<b>NOTE 29</b>	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.27	6.66
<b>NOTE 30</b>	Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹0.50 crore shown as advance)	4.13	4.00

(₹ in crore)

<b>NOTE 31</b>	Directors remuneration including Managing Director (excluding provision for gratuity)	2013-2014	2012-2013
(i)	Salaries	1.19	0.54
(ii)	Contribution to provident fund	0.14	0.06
(iii)	Perquisites and allowances	0.94	1.00
		<b>2.27</b>	<b>1.60</b>

**NOTE 32** Interest charges on loans is net of Interest income from loans and advances amounting to ₹0.43 crore (Previous year ₹0.45 crore).

**NOTE 33** Stock in trade - Securities include equity shares of the following companies:

(₹ in crore)

	As at 31.03.2014		As at 31.03.2013	
	Qty	Amount	Qty	Amount
Adinath Bio Labs Ltd.	6,408,000	0.12	6,408,000	0.19
Granules India Ltd.	100,000	0.32	100,000	0.32
Manvens Biotech Ltd.	17,000	-	17,000	-
Media Matrix Worldwide Ltd.	4,750	-	4,750	-
Optimates Textile Ltd.	1,302,500	0.27	1,302,500	0.27
Rashel Agrotech Ltd.	478,500	0.08	478,500	0.10
Sahara India Media and Entertainment Ltd.	250,950	1.65	250,950	1.94
		<b>2.44</b>		<b>2.82</b>

**NOTE 34** The disclosures as per the Accounting Standard 7 on 'Construction Contracts' issued by the Institute of Chartered Accountants of India are as under:

(₹ in crore)

	2013-2014	2012-2013
Contract revenue recognized as revenue in the year / period	1,665.39	-
Aggregate amount of costs incurred and profit up to the reporting date on the contract under progress	1,759.21	-
Advance received on contract under progress	49.39	-
Retention amounts on contract under progress	-	-
Gross amount due from customers for the contract work as on assets	93.82	-
Gross amount due to the customers for contract work as a liability	-	-

**NOTE 35** (a) Debt of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism in April 2004 which was subsequently modified in June 2005 with cut-off date as 1st April, 2005. CDR Empowered Group at its meeting held on 9th February, 2011 has approved the Rework Package of the Company with the cut off date as 1st January 2011 and communicated its sanction vide their letter No. BY CDR(JCP)/No 8643/2010-11 dated 29th March, 2011. The Rework Package includes inter-alia reduction in the existing rate of interest, re-schedulement for repayment of loans, conversion of overdue interest into funded interest term loan (FITL), conversion of Zero Coupon

Premium Bonds (ZCPB's), part of their premium and part of working capital loans into Equity, conversion of part of working capital loan into working capital term loan (WCTL), waiver of unpaid dividend on preference shares, waiver of penal interest etc. The conditions as stipulated by CDR EG while sanctioning Rework Package have been complied with by the Company. Accordingly, the impact of the rework package has been considered in the Financial Statements.

- (b) Subsequent to the implementation of Rework Package, lenders have reset the rate of interest on certain loans in view of improved performance of the Company.
- (c) Further, lenders have the right to claim recompense from the Company on account of various sacrifices & waivers made by them in the CDR Rework Package. The amount of recompense and the manner of repayment shall be ascertained upon exit from CDR mechanism by the Company.

**NOTE 36** Pursuant to the disinvestment by the Government of India, the Company had acquired 11,10,000 equity shares of ₹100/- each of HTL Limited representing 74% of its equity capital at total consideration of ₹ 55.00 crore in terms of Shareholders Agreement dated 16.10.2001. The above consideration paid by the Company is subject to post closing adjustments on account of difference in net worth of HTL Limited as on 31.03.2001 and as on the date of purchase of shares in terms of Share Purchase Agreement dated 16.10.2001. The Company has submitted its claim on account of Closing Date Adjustment to the Government in respect of such reduction in net assets of HTL Limited which has not been settled by the Government. Due to this, the Company has invoked the provisions of the Share Purchase Agreement for settlement of dispute by Arbitration. The Hon'ble Arbitral Tribunal has since given the award in favour of the Company on 12th October, 2007 upholding the claim of the Company on account of the above to the extent of ₹55.00 crore and interest from the date of award till actual date of payment. The said award has been upheld by the single Judge of Hon'ble High Court of Delhi on 5th December, 2012 and again by the Division Bench on 25th February, 2013. SLP filed by DoT against Order of Division Bench of Hon'ble High Court of Delhi was also dismissed on 1st November, 2013, by the Hon'ble Supreme Court of India. The Review Petition filed by DoT was also dismissed on 16th January, 2014 by the Hon'ble Supreme Court of India. However, the consequential effect has not been given in the books of accounts as DoT is entitled to file Curative Petition before Hon'ble Supreme Court of India.

**NOTE 37** The Company had made payment of ₹9.70 crore (Previous year ₹0.24 crore) to certain Cumulative Redeemable Preference Shareholders as per contractual obligations. The said amount has been shown as "advances recoverable in cash or kind or for value to be received".

**NOTE 38** Payment made to lenders towards guarantee contract/obligation amounting to ₹Nil on behalf of associates companies (Previous year 9.82 crore) has been accounted for under the head Exceptional items.

**NOTE 39** In accordance with the Company's Policy, the Company has reviewed the outstanding receivables and has written off a sum of ₹87.14 crore during the year as bad, which in the opinion of the Management is adequate.

**NOTE 40** During the year, Company has recognised the following amounts in the financial statements as per Accounting Standard 15 (Revised) "Employees Benefits" issued by the ICAI :

**a) Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognised are charged off for the year as under :

(₹ in crore)

	For the year ended 31.03.2014	For the year ended 31.03.2013
Employer's Contribution to Provident Fund	5.82	0.66
Employer's Contribution to Pension Scheme	1.35	0.25

**b) Defined Benefit Plan**

The employees' gratuity fund scheme is partially 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.

(₹ in crore)

	Gratuity (Funded)		Leave Encashment	
	For the year ended 31.03.2014	For the year ended 31.03.2013	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>Actuarial assumptions</b>				
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation ) Policy)				
Discount rate (per annum)	8.75%	8.75%	8.00%	8.00%
Rate of increase in Compensation levels	8.00%	8.00%	8.00%	8.00%
Rate of Return on plan assets	8.60%	8.60%	N.A.	N.A.
Average remaining working lives of employees (Years)	-	-	21.19	21.70

(₹ in crore)

	Gratuity (Funded)		Leave Encashment	
	For the year ended 31.03.2014	For the year ended 31.03.2013	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>Table showing changes in present value of obligations:</b>				
Present value of obligation as at the beginning of the year	5.23	3.43	4.47	1.45
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	0.43	0.30	0.36	0.12
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Current Service Cost	1.64	0.88	5.57	2.90
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	(1.14)	(0.50)
Actuarial (gain)/ loss on obligations	(0.32)	0.61	0.50	0.50
Present value of obligation as at the end of the period	6.98	5.22	9.76	4.47
<b>Table showing changes in the fair value of plan assets :</b>				
Fair value of plan assets at beginning of the year	0.96	0.88	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.08	0.08	N.A.	N.A.
Employer contribution	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.01)	-	Nil	Nil
Fair value of plan assets at year end	1.03	0.96	Nil	Nil
<b>Table showing actuarial gain /loss - plan assets :</b>				
Actual return of plan assets	(0.07)	(0.07)	Nil	Nil
Expected return on plan assets	0.08	0.08	Nil	Nil
Excess of actual over estimated return on plan assets	Nil	Nil	Nil	Nil
Actuarial (gain) / loss-plan assets	0.01	0.01	Nil	Nil
<b>Actuarial Gain / loss recognised</b>				
Actuarial (gain) / loss for the period - Obligation	(0.32)	0.61	0.50	0.50
Actuarial (gain) / loss for the period - Plan assets	0.01	-	Nil	Nil
Total (gain) / loss for the period	(0.31)	0.61	0.50	0.50
Actuarial (gain) / loss recognised in the period	(0.31)	0.61	0.50	0.50
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil
<b>The amounts to be recognized in Balance Sheet and statement of Profit and Loss:</b>				
Present value of obligation as at the end of the period	6.98	5.22	9.76	4.47
Fair value of plan assets as at the end of the period	1.03	0.96	Nil	Nil
Funded Status	(5.95)	(4.26)	(9.76)	(4.47)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(5.95)	(4.26)	(9.76)	(4.47)
<b>Expenses recognised in statement of Profit and Loss :</b>				
Current service cost	1.64	0.88	5.57	2.90
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Interest Cost	0.43	0.30	0.36	0.12
Expected return on plan assets	(0.08)	(0.08)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the period	(0.31)	0.61	0.50	0.50
Expenses recognised in the statement of Profit and Loss	1.68	1.71	6.43	3.52
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation ) Policy	-	-	-	-

Note-1: 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.

**NOTE 41** The Company has carried out Impairment Test on its Fixed Assets as on 31.3.2014 and the Management is of the opinion that there is no asset for which impairment is required to be made as per Accounting Standard-28 on Impairment of Assets issued by the ICAI. (Previous year ₹ Nil)

**NOTE 42** Lease payments under cancellable operating leases have been recognised as an expense in the profit & loss account. Maximum obligation on lease amount payable as per rentals stated in respective agreements are as follows:-

(₹ in crore)

	For the year ended 31.03.2014	For the year ended 31.03.2013
Not later than one year	3.89	5.42
Later than one year but not later than five years	11.01	11.88
More than five years	1.37	3.10

**NOTE 43** The Board of Directors has recommended a dividend of ₹ 6.50 p.a. on each 80,50,000 Cumulative Redeemable Preference Shares of ₹ 100/- each for the period from 1st January, 2011 to 31st March, 2014. The dividend for the financial year 2010-11 would be proportionate which is ₹ 1.60 per Preference Share.

**NOTE 44** As required by Accounting Standard 18 "Related Party Disclosures"

(i) Name and description of related parties.

Relationship	Name of Related Party
(a) Subsidiaries:	HTL Ltd. Moneta Finance Pvt. Ltd.
(b) Associates:	Microwave Communications Ltd. Exicom Tele-systems Ltd. HFCL Satellite Communications Ltd. HFCL Dacom Infochek Ltd. HFCL Bezeq Telecom Ltd. Westel Wireless Ltd. Polixel Security Systems Pvt. Ltd. DragonWave HFCL India Pvt. Ltd. ANM Engineering and Works Pvt. Ltd. NextWave Communications Pvt. Ltd.
(c) Key management personnel :	Mr. Mahendra Nahata Mr. Arvind Kharabanda

Note : Related party relationship is as identified by the Company 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 31st March, 2014 are as under:

(₹ in crore)

Particulars	Related parties referred above in				
	i(a)		i(b)		
	HTL LTD	Moneta Finance (P) Ltd.	Exicom Tele-systems Ltd.	Polixel Security Systems Pvt. Ltd.	HFCL Bezeq Telecom Ltd.
Purchases/receiving of					
Goods and materials	-	-	0.01	0.51	-
	(-)	(-)	(-)	(0.31)	(-)
Services	-	-	-	-	-
	(-)	(-)	(14.49)	(0.05)	(-)
Sales/rendering of					
Goods and materials	-	-	-	0.02	-
	(-)	(-)	-	(0.05)	(-)
Services	-	-	0.99	-	-
	(-)	(-)	(1.11)	(-)	(-)
Income					
Rent/other expenses	-	-	0.04	0.12	-
	(-)	(-)	(0.07)	(0.28)	(-)
Expenses					
Rent/other expenses	0.06	-	-	-	-
	(0.07)	(-)	(-)	(-)	(-)
Advances					
Advance given	5.10	0.13	-	-	-
	(20.80)	(0.04)	(-)	(10.30)	(-)
Outstanding (net)					
Payables	1.41	-	-	0.07	-
	(1.31)	(-)	(-)	(0.31)	(-)
Receivables	73.09	1.89	0.81	-	-
	(67.99)	(6.35)	(0.31)	(-)	(5.00)

	As at 31.03.2014	As at 31.03.2013
<b>Guarantees and collaterals</b>		
Microwave Communications Ltd.	13.66	13.66
Exicom Tele-systems Ltd.	6.50	6.50

**Note:** Details of remuneration to directors are disclosed under note no. 31. Figure in bracket represent the previous year figures.

**NOTE 45** Segment Reporting**(a) Primary segment information**

The Company'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 Accounting Standard on Segment Reporting 'AS-17'. Telecom products and Turnkey contracts and services are the primary business segments whereas Others constituting less than 10% of the segment revenue/results/assets and accordingly have been considered as other business segments and are disclosed in the financial statements. Details of business segments are as follows:

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>Segment Revenue</b>		
a. Telecom Products	347.48	112.20
b. Turnkey Contracts and Services	1,671.30	493.15
Total	2,018.78	605.35
Less: Inter segment revenue	-	-
Turnover/Income from Operations	2,018.78	605.35
<b>Segment Results</b>		
a. Telecom Products	(57.04)	(21.74)
b. Turnkey Contracts and Services	237.20	102.77
Total	180.16	81.03
Less: i. Finance Costs	33.14	27.18
ii. Other un-allocable expenditure net off un-allocable income	(0.49)	(0.99)
Profit/(Loss) before Tax	147.51	54.84
<b>Capital Employed</b>		
a. Telecom Products	306.92	358.11
b. Turnkey Contracts and Services	164.90	55.59
Total capital employed in segments	471.82	413.70
Add: Un-allocable corporate assets less liabilities	366.78	297.30
Total capital employed in Company	838.60	711.00

**(b) Secondary segment information**

The Company caters mainly to the needs of Indian market and the export turnover being 0.72% (Previous year 0.02%) of the total turnover of the Company, there are no reportable geographical segments.

**NOTE 46** Deferred Tax

The break up of net deferred tax liability is as under:

(₹ in crore)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset
Depreciation	4.04	-	4.78	-
Unabsorbed losses (to the extent of liability only) *	-	4.04	-	4.78
Net deferred tax liability	4.04	4.04	4.78	4.78
		-		-

\* On conservative basis the Company recognises deferred tax asset only to the extent of deferred tax liability and excess of the deferred tax assets has not been given effect to in the Balance Sheet.

**NOTE 47** Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :

(₹ in crore)		
Particulars	As at 31.03.2014	As at 31.03.2013
a. Principal amount due	2.06	1.19
Interest due on above	0.03	0.02
b. Interest paid during the period beyond the appointed day	Nil	Nil
c. Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	Nil	Nil
d. Amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
e. 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 No. 47 'Trade Payable' regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company and has been relied upon by the auditors.

**NOTE 48** Earning per Share (EPS)- In accordance with the Accounting Standard (AS-20)

(₹ in crore)		
Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>(a) Basic &amp; Diluted Earning per share before extra ordinary items</b>		
Profit /(Loss) after tax	147.48	54.80
Less: Preference dividend	5.23	5.23
Profit attributable to ordinary shareholders	142.25	49.57
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	1,239,377,194	1,239,377,194
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	1,239,377,194	1,239,377,194
Nominal value of ordinary share	₹ 1	₹ 1
Earning per share basic	1.15	0.40
Earning per share diluted	1.15	0.40
<b>(b) Basic &amp; Diluted Earning per share after extra ordinary items</b>		
Profit /(Loss) after tax	147.48	54.80
Less: Preference dividend	5.23	5.23
Profit attributable to ordinary shareholders	142.25	49.57
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	1,239,377,194	1,239,377,194
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	1,239,377,194	1,239,377,194
Nominal value of ordinary share	₹1	₹1
Earning per share basic	1.15	0.40
Earning per share diluted	1.15	0.40
(Ignored as the effect of potential equity shares is anti dilutive)		

**NOTE 49** Details of business advances outstanding from Subsidiary for the year ended 31st March, 2014 - Disclosure required under Clause 32 of the Listing Agreement.

(₹ in crore)

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
HTL Ltd	61.16	56.11	62.57	57.47
Moneta Finance (P) Ltd.	1.89	6.35	6.35	8.86

**NOTE 50** Derivative Instruments

a) The Company 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 Company's strategy, which provides principles on the use of such forward contracts consistent with Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

b) Details of outstanding Hedging Contracts

Derivative Contracts	As at 31.03.2014		As at 31.03.2013	
	Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)	Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)
USD/INR	0.15	9.01	-	-

c) Foreign Currency exposure

		As at 31.03.2014		As at 31.03.2013	
		Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)	Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)
Trade payable	USD/INR	0.40	24.26	0.14	7.86
	EUR/INR	-	-	0.08	5.84
Trade receivable	USD/INR	0.06	3.71	0.03	1.38

**NOTE 51** Previous year figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupees in lakh.

**NOTE 52** Value of imported and indigenous raw material and stores & spares consumed

(₹ in crore)

Particulars	Year ended 31.03.2014		Year ended 31.03.2013	
	%	Value	%	Value
(a) Raw materials				
Imported	47.28	121.97	64.34	58.90
Indigenous	52.72	136.02	35.66	32.64
	100.00	257.99	100.00	91.54
(b) Component/Material purchased				
Imported	100.00	15.93	1.86	0.24
Indigenous	-	-	98.14	12.67
	100.00	15.93	100.00	12.91
(c) Stores & spares				
Imported	22.18	0.55	18.45	0.19
Indigenous	77.82	1.93	81.55	0.84
	100.00	2.48	100.00	1.03

**NOTE 53** Value of Imports on CIF Basis

(₹ in crore)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
	Value	Value
Raw material & components	139.02	56.17
Stores & spares	0.48	0.36
Capital goods	10.90	10.20

**NOTE 54** Expenditure in foreign currency

(On payment basis)		
Exp. - Travelling, Subscription & others	0.71	0.79

**NOTE 55** Earnings in foreign exchange

Commission received	0.03	0.11
FOB Value of export	14.52	1.39

*As per our report of even date attached*  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

*For and on behalf of the Board*  
**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

Chairman  
 Managing Director  
 Director (Finance)

**(Manish Singhal)**  
 Partner  
 M.No. 502570

**V. R. Jain**  
 Chief Finance Officer

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

New Delhi, 30th April, 2014

## Cash Flow Statement for the year ended 31st March, 2014

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>A. Cash flow from Operating Activities :</b>		
Net Profit before taxes	147.51	54.84
Adjustments for :		
Depreciation	19.85	16.68
Loss /(Profit) on sale of investments (net)	-	(12.25)
Interest & finance charges	33.14	27.18
Interest income	(6.16)	(3.75)
Dividend income	(1.34)	(1.34)
Loss/(Profit) on sale of fixed assets	1.07	0.14
Provision for doubtful advances	6.00	-
Bad Debts, advances and miscellaneous balances written off	87.67	29.15
Payment towards guarantee obligation	-	9.82
	140.23	65.63
<b>Operating Profit before working capital changes</b>	<b>287.74</b>	<b>120.47</b>
Adjustments for :		
Trade and other receivables	(335.48)	(129.02)
Inventories	(117.23)	(0.58)
Trade payables	298.33	103.97
	(154.38)	(25.63)
<b>Cash generated from operations</b>	<b>133.36</b>	<b>94.84</b>
Income tax	(32.45)	(10.59)
Net Cash used in operating activities	100.91	84.25
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(45.96)	(35.67)
Sale of fixed assets	0.02	0.10
Purchase of investments	(1.00)	(68.75)
Sale/disposal of investments (net)	-	68.75
Interest received	0.03	0.42
Dividend received	1.34	1.34
<b>Net Cash used in investing activities</b>	<b>(45.57)</b>	<b>(33.81)</b>

(₹ in crore)

Particulars		For the year ended 31.03.2014	For the year ended 31.03.2013
<b>C. Cash flow from financing activities</b>			
Proceeds from long term/short term borrowings			
Secured	3.19		-
Unsecured	11.99		-
		15.18	-
Repayment of long term/short term borrowings			
Secured	(19.54)		(20.26)
Unsecured	-		(19.99)
		(19.55)	(40.25)
Interest paid (net)		(23.99)	(26.78)
<b>Net Cash from financing activities</b>		<b>(28.36)</b>	<b>(67.03)</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>26.99</b>	<b>(16.59)</b>
<b>Cash &amp; cash equivalents (Opening Balance)</b>		<b>38.95</b>	<b>55.54</b>
<b>Cash &amp; cash equivalents (Closing Balance)</b>		<b>65.94</b>	<b>38.95</b>

## Notes:

- The Cash flow statement has been prepared under the indirect method as set-out in the Accounting Standard-3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Figurs in bracket indicate cash outflow.
- Cash & cash equivalents represents:

Cash on hand	0.08	0.12
Cheques in hand	0.37	0.24
Balances with Scheduled banks in		
Current accounts	6.11	6.54
Fixed deposit accounts	59.38	32.05
<b>Total</b>	<b>65.94</b>	<b>38.95</b>

As per our report of even date attached  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

**(Manish Singhal)**  
 Partner  
 M.No. 502570

New Delhi, 30th April, 2014

For and on behalf of the Board

**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

**V. R. Jain**  
 Chief Finance Officer

New Delhi, 30th April, 2014

Chairman  
 Managing Director  
 Director (Finance)

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

## Independent Auditor's Report

To

**The Board of Directors of  
Himachal Futuristic Communications Limited**

We have audited the accompanying consolidated financial statements of **Himachal Futuristic Communications Limited** ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements (CFS) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. 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. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

### Basis for Qualified Opinion

*In the case of the subsidiary, HTL Ltd., as mentioned in Note No. 40 (i) and (ii) in the of Notes forming part of CFS, the Subsidiary has*

*become a Sick Industrial Company due to erosion of its net worth and its current liabilities exceed its current assets by ₹2,250,050,442 (Previous year ₹ 5,495,099,180) as of that date. Further, the Company has overdue loans from Government of India amounting to ₹ 62,420,000 (Previous year: ₹ 62,420,000) and interest accrued and due thereon of ₹ 241,545,000 (Previous year: ₹ 226,524,150). The turnover during the period ended 31, March 2014 is ₹ 6,266,000 (Previous Year: ₹ 6,264,988). These factors, along with other matters as set forth in the said notes, raise doubt that the Company will be able to continue as a going concern. The Company is in the process of restructuring/revival of its business under the aegis of BIFR and is in process of submitting revival scheme. In view of the management's expectation of the successful outcome of above proposals and revival of its business, the financial statements have been prepared on a going concern basis. However, in view of the above uncertainties, we are unable to comment on the ability of the Company to continue as a 'going concern' and the consequential adjustments to the accompanying financial statements, if any, that might have been necessary had the financial statements been prepared under liquidation basis.*

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, except for the effects of the matters described in the Basis for Qualified Opinion paragraph the effect of which is unascertainable and read together with the other notes, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

### Other Matter

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of ₹28,740,342/- as at March 31, 2014, total revenues of ₹ 741,250/- and net cash inflow amounting to ₹ 163,203/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

**For Khandelwal Jain & Co.**  
Chartered Accountants  
Firm Registration No: 105049W

**Manish Singhal**  
(Partner)

Place : New Delhi  
Date : 30th April, 2014

Membership No 502570

## Consolidated Balance Sheet as at 31st March, 2014

(₹ in crore)

Particulars	Note No(s)	Figures as at 31st March, 2014	Figures as at 31st March, 2013
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	204.44	204.44
(b) Reserves & Surplus	2	429.92	(25.21)
<b>(2) Non- Current Liabilities</b>			
(a) Long Term Borrowings	3	182.87	202.43
(b) Other Long Term Liabilities	4	0.17	3.97
(c) Long Term Provisions	5	13.04	10.18
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	6	116.87	156.21
(b) Trade Payables	7	311.44	181.99
(c) Other Current Liabilities	8	360.41	506.90
(d) Short Term Provisions	9	30.38	5.75
<b>Total</b>		<b>1,649.54</b>	<b>1,246.66</b>
<b>II ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets	10		
(i) Tangible Assets		153.20	106.10
(ii) Intangible Assets		2.92	2.50
(iii) Capital-Work-In-Progress		0.45	21.65
(iv) Intangible Assets under Development		0.09	0.09
(b) Non- Current Investments	11	313.01	310.27
(c) Long Term Loans & Advances	12	3.39	11.65
(d) Goodwill (on Consolidation of Subsidiary)		74.22	74.22
(e) Other Non- Current Assets	13	56.00	-
<b>(2) Current Assets</b>			
(a) Current Investments	14	0.18	0.18
(b) Inventories	15	150.06	32.82
(c) Trade Receivables	16	281.45	356.76
(d) Cash & Bank Balance	17	95.20	49.43
(e) Short-term Loans & Advances	18	470.93	257.25
(f) Other Current Assets	19	48.44	23.74
<b>Total</b>		<b>1,649.54</b>	<b>1,246.66</b>
See other accompanying notes to the financial statements	1 to 51		

As per our report of even date attached  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

For and on behalf of the Board  
**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

Chairman  
 Managing Director  
 Director (Finance)

**(Manish Singhal)**  
 Partner  
 M.No. 502570

**V. R. Jain**  
 Chief Finance Officer

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

New Delhi, 30th April, 2014

## Consolidated Statement of Profit & Loss for the year ended 31st March, 2014

(₹ in crore)

Particulars	Note No(s)	Figures for the year ended 31st March, 2014	Figures for the year ended 31st March, 2013
<b>INCOME</b>			
I Revenue From Operations	20	2,019.47	606.53
II Other Income	21	113.63	107.45
<b>III Total Revenue</b>		<b>2,133.10</b>	<b>713.98</b>
<b>IV EXPENDITURE</b>			
Cost of Materials Consumed	22	258.43	93.23
Purchase of goods for resale		15.93	12.91
Changes in inventories of Finished Goods, Work in Progress and Stock in Trade	23	(106.86)	(1.78)
Labour and service charges to sub-contractors		1,222.14	214.58
Employee Benefits Expense	24	205.67	109.88
Finance Costs	25	43.99	85.74
Depreciation and Amortization Expenses	10	20.10	16.97
Other Expenses	26	172.52	88.21
Investments written off		-	1.26
Less: Transferred from provision for diminution in value		-	(1.26)
Provision for doubtful advances		6.00	-
Bad debts, Loans & advances and Others written off (Net)		131.18	29.15
Less : Transferred from provision made in earlier years		(40.21)	-
<b>Total Expenses</b>		<b>1,928.89</b>	<b>648.89</b>
<b>V Profit before Exceptional items, Extraordinary items and Tax (III- IV)</b>		<b>204.21</b>	<b>65.09</b>
VI Exceptional Items		(272.26)	9.82
<b>VII Profit before Extraordinary items and Tax (V- VI)</b>		<b>476.47</b>	<b>55.27</b>
VIII Extraordinary Items		-	-
<b>IX Profit before Tax (VII- VIII)</b>		<b>476.47</b>	<b>55.27</b>
<b>X Less: Tax Expense:</b>			
Current Tax		35.62	10.76
MAT credit entitlement		(32.42)	(10.55)
Share of results of Associates		(1.74)	(1.31)
Minority Interest		-	-
<b>XI Profit (Loss) for the year (after tax) (IX- X)</b>		<b>475.01</b>	<b>56.37</b>
<b>XII Earning per share (Face value of ₹1/- each)</b>	49		
Basic (₹)		3.79	0.41
Diluted (₹)		3.79	0.41
See other accompanying notes to the financial statements	1 to 51		

As per our report of even date attached  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

**(Manish Singhal)**  
 Partner  
 M.No. 502570

New Delhi, 30th April, 2014

For and on behalf of the Board  
**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

**V. R. Jain**  
 Chief Finance Officer

Chairman  
 Managing Director  
 Director (Finance)

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

## Notes forming part of the consolidated financial statements

(₹ in crore)

<b>NOTE 1 SHARE CAPITAL</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>AUTHORISED :</b>		
5,10,00,00,000 (Previous year 5,10,00,00,000) Equity Shares of ₹1/-each	510.00	510.00
25,00,00,000 (Previous year 25,00,00,000) Redeemable Preference Shares of ₹100/- each	250.00	250.00
	<b>760.00</b>	<b>760.00</b>
<b>ISSUED &amp; SUBSCRIBED:</b>		
123,93,77,194 (Previous year 123,93,77,194) Equity Shares of ₹1/- each.	123.94	123.94
80,50,000 (Previous year 80,50,000, 6.5%) 6.5% Cumulative Redeemable Preference Shares of ₹100/- each.	80.50	80.50
	<b>204.44</b>	<b>204.44</b>
<b>PAID UP</b>		
1,23,93,77,194 (Previous year 1,23,93,77,194) Equity Shares of ₹1/- each fully paid up	123.94	123.94
80,50,000 (Previous year 80,50,000, 6.5%) 6.5% Cumulative Redeemable Preference Shares of ₹100/- each	80.50	80.50
<b>TOTAL</b>	<b>204.44</b>	<b>204.44</b>

(₹ in crore)

<b>NOTE 2 RESERVES &amp; SURPLUS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Capital Reserve</b>		
Consolidation of Associates	3.02	3.02
<b>Securities Premium Account</b>		
Opening balance	400.12	400.12
Add : On issue of equity share to banks	-	-
	400.12	400.12
<b>Surplus in Statement of Profit &amp; Loss:</b>		
As per last Balance Sheet	(428.35)	(484.72)
Add: Profit for the year as per Statements of Profit & Loss	475.01	56.37
	46.66	(428.35)
Less:		
Proposed dividend on preference shares	16.99	-
Tax on proposed dividend	2.89	-
	26.78	(428.35)
<b>TOTAL</b>	<b>429.92</b>	<b>(25.21)</b>

(₹ in crore)

<b>NOTE 3 LONG TERM BORROWINGS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Secured</b>		
Term Loans from Banks & Financial Institutions	102.04	116.59
Funded Interest Term Loans (FITL)	80.76	85.76
Other loans and advances	0.05	0.07
<b>Unsecured</b>		
Other loans and advances	0.02	0.01
<b>TOTAL</b>	<b>182.87</b>	<b>202.43</b>

(₹ in crore)

<b>NOTE 4 OTHER LONG TERM LIABILITIES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Trade Payables (Retention Money Payable)	0.17	3.97
<b>TOTAL</b>	<b>0.17</b>	<b>3.97</b>

(₹ in crore)

<b>NOTE 5</b> LONG TERM PROVISIONS	Figures as at 31st March, 2014	Figures as at 31st March, 2013
Provision for Gratuity & Leave Encashment	13.04	10.18
<b>TOTAL</b>	<b>13.04</b>	<b>10.18</b>

(₹ in crore)

<b>NOTE 6</b> SHORT TERM BORROWINGS	Figures as at 31st March, 2014	Figures as at 31st March, 2013
<b>Secured</b>		
Working Capital Loans from Banks	33.86	64.43
Working Capital Term Loan	-	2.30
<b>Unsecured</b>		
Short Term Loans From Bodies Corporate	78.01	84.47
Vendors Bill Discounting	5.00	-
Buyer's credit	-	5.01
<b>TOTAL</b>	<b>116.87</b>	<b>156.21</b>

(₹ in crore)

<b>NOTE 7</b> TRADE PAYABLES	Figures as at 31st March, 2014	Figures as at 31st March, 2013
<b>Trade Payables</b>		
For Material & Services	306.30	174.46
For Expenses	5.14	7.53
<b>TOTAL</b>	<b>311.44</b>	<b>181.99</b>

(₹ in crore)

<b>NOTE 8</b> OTHER CURRENT LIABILITIES	Figures as at 31st March, 2014	Figures as at 31st March, 2013
<b>Current maturities for Long term debt</b>		
Term Loan from Banks	14.59	14.59
Loans from Govt. of India	6.24	6.24
<b>Interest accrued and due on Borrowing</b>		
Interest Accrued & Due on Long Term	24.18	0.02
Interest Accrued & Due on Short term	15.25	275.76
Interest Accrued but not due	-	0.20
<b>Advances from Customers and others</b>	188.88	134.09
<b>Other Payables</b>		
Creditors for Capital Goods	4.06	2.47
Retention Payable	21.16	0.41
Expenses Payable	47.77	41.48
Other Short term Advances	2.48	1.74
Statutory Dues Payable	35.80	29.90
<b>TOTAL</b>	<b>360.41</b>	<b>506.90</b>

(₹ in crore)

<b>NOTE 9</b> SHORT TERM PROVISIONS	Figures as at 31st March, 2014	Figures as at 31st March, 2013
Provision for Employee benefits	7.24	5.52
Provision for Income Tax	3.26	0.23
Provision for proposed dividend on preference shares	16.99	-
Provision for tax on proposed dividend	2.89	-
<b>TOTAL</b>	<b>30.38</b>	<b>5.75</b>

**NOTE 10 FIXED ASSETS**

(₹ in crore)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31.03.2013	Additions/ Adjustments	Deductions/ adjustments	As at 31.03.2014	Up to 31.03.2013	For the year	On Sales/ Adjustment	Up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
<b>Tangible Assets</b>										
1. Land										
- Leasehold	0.85	-	-	0.85	0.16	0.01	-	0.17	0.68	0.69
- Freehold	2.46	-	0.03	2.43	-	-	-	-	2.43	2.46
2. Buildings										
- Leasehold	1.51	-	-	1.51	0.75	0.05	-	0.80	0.71	0.76
- Freehold	31.95	30.82	-	62.77	11.35	1.01	-	12.36	50.41	20.60
- Leasehold Improvements	2.25	-	-	2.25	2.25	-	-	2.25	-	-
3. Plant & machinery	397.61	18.75	2.79	413.57	328.57	13.23	1.87	339.93	73.64	69.04
4. Electrical installation	6.76	7.43	0.21	13.98	4.79	0.42	0.18	5.03	8.95	1.97
5. Furniture & fixtures	5.79	3.39	1.15	8.03	5.45	0.36	1.08	4.73	3.30	0.34
6. Office equipments	28.39	7.21	9.48	26.12	22.59	3.15	9.41	16.33	9.79	5.80
7. Vehicles	9.77	0.01	0.17	9.61	5.33	1.15	0.16	6.32	3.29	4.44
8. Moulds & dies	0.05	-	-	0.05	0.05	-	-	0.05	-	-
	<b>487.39</b>	<b>67.61</b>	<b>13.83</b>	<b>541.17</b>	<b>381.29</b>	<b>19.38</b>	<b>12.70</b>	<b>387.97</b>	<b>153.20</b>	<b>106.10</b>
<b>Intangible Assets</b>										
Computer software	3.39	1.14	-	4.53	0.89	0.72	-	1.61	2.92	2.50
<b>Total</b>	<b>490.78</b>	<b>68.75</b>	<b>13.83</b>	<b>545.70</b>	<b>382.18</b>	<b>20.10</b>	<b>12.70</b>	<b>389.58</b>	<b>156.12</b>	<b>108.60</b>
Previous year	536.35	35.16	80.73	490.78	445.71	16.97	80.50	382.18	108.60	90.64

**NOTE :-**

- Gross block and Net block of fixed assets is net of provision for impairment made in financial year 2004-05 in respect of Plant & Machinery ₹34.28 crore, Electrical Installation ₹0.12 crore and Office Equipments ₹1.24 crore and in financial year 2010-11 further provision for impairment in respect of Plant & Machinery of ₹79.53 crore.

(₹ in crore)

<b>NOTE 11 Non Current Investment</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
(a) Trade Investments - Unquoted		
In equity shares (fully paid up)	167.33	167.33
(b) Investments in Associates - Unquoted		
In equity shares (fully paid up)	9.99	7.25
(c) 0% Optionally Fully Convertible Debentures - Unquoted	64.34	64.34
(d) In Zero Coupon Optionally convertible Bond	2.60	2.60
(e) In Compulsorily convertible Zero Coupon Bond	68.75	68.75
<b>TOTAL</b>	<b>313.01</b>	<b>310.27</b>

(₹ in crore)

<b>NOTE 12 LONG TERM LOANS AND ADVANCES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Unsecured, considered good</b>		
Capital Advances	0.42	1.48
Security Deposits	2.31	4.94
Loans to others	0.66	5.23
	3.39	11.65
<b>Unsecured, considered doubtful</b>	0.10	0.07
Less :Provision for doubtful loans and advances	(0.10)	(0.07)
<b>TOTAL</b>	<b>3.39</b>	<b>11.65</b>

(₹ in crore)

<b>NOTE 13 OTHER NON- CURRENT ASSETS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Unsecured, considered good</b>		
Receivables under assignment	56.00	-
<b>TOTAL</b>	<b>56.00</b>	<b>-</b>

(₹ in crore)

<b>NOTE 14 CURRENT INVESTMENT</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
(At lower of cost and fair value)		
(a) In equity shares (Quoted) (fully paid up)	0.16	0.16
(b) In units (Quoted) (fully paid up)	0.02	0.02
<b>TOTAL</b>	<b>0.18</b>	<b>0.18</b>

(₹ in crore)

<b>NOTE 15 INVENTORIES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
(As Certified and valued by the management)	1.17	1.62
Stores & spare parts	1.17	1.62
Loose tools	0.52	0.26
Raw materials	36.27	48.97
Raw materials in transit	9.55	1.33
Packing materials	0.01	0.16
Work in progress	118.13	19.95
Finished goods	4.14	1.19
Stocks-in-trade (Securities)	2.44	2.82
Less: Provision for Non Moving	(22.17)	(43.48)
<b>TOTAL</b>	<b>150.06</b>	<b>32.82</b>

(₹ in crore)

<b>NOTE 16 TRADE RECEIVABLES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Debts outstanding for a period exceeding six months		
- Unsecured considered good	96.55	320.71
- Unsecured considered doubtful	-	34.60
Debts outstanding for a period less than six months		
- Unsecured considered good	184.90	36.05
	281.45	391.36
Less : Provision for doubtful debts	-	34.60
<b>TOTAL</b>	<b>281.45</b>	<b>356.76</b>

(₹ in crore)

<b>NOTE 17 CASH &amp; BANK BALANCES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Cash &amp; cash equivalents</b>		
Balance with Scheduled Banks in Current Accounts	13.69	8.22
Balance with Fixed Deposit Accounts (Maturity less than 3 months)	12.99	3.89
Cash on hand	0.10	0.15
Cheques on hand	0.37	0.24
<b>Other Bank Balances</b>		
Bank Deposit (Maturity more than 3 months, less than 12 months)	44.93	22.70
Bank Deposit with more than 12 months maturity	23.12	14.23
<b>TOTAL</b>	<b>95.20</b>	<b>49.43</b>

(₹ in crore)

<b>NOTE 18 SHORT TERM LOANS AND ADVANCES</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
<b>Unsecured, considered good</b>		
Loans and advances to Related Parties	-	5.00
Security Deposits	6.10	5.90
Advances Recoverable in cash or in kind or for value to be received	35.41	35.31
Advance tax/TDS	56.61	54.21
MAT Credit Entitlement	43.68	11.26
Other Loans and Advances	3.00	9.00
Advances to Vendors	316.01	129.19
Balance with Central Excise & Customs authorities	10.12	7.38
	470.93	257.25
<b>Unsecured, considered Doubtful</b>		
Other Loans and Advances	6.00	-
Advances Recoverable in cash or in kind or for value to be received	-	3.76
Balance with Central Excise & Custom authorities	-	0.90
Less :Provision for doubtful loans and advances	6.00	4.66
<b>TOTAL</b>	<b>470.93</b>	<b>257.25</b>

(₹ in crore)

<b>NOTE 19 OTHER CURRENT ASSETS</b>	<b>Figures as at 31st March, 2014</b>	<b>Figures as at 31st March, 2013</b>
Interest receivable	20.83	20.13
Discarded Assets held for Sale	0.14	0.14
Claim receivable	3.47	3.47
Receivable under assignment	24.00	-
<b>TOTAL</b>	<b>48.44</b>	<b>23.74</b>

(₹ in crore)

<b>NOTE 20 REVENUE FROM OPERATIONS</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Sale of Products	386.17	124.67
Sale of Services	1,671.86	493.99
	2,058.03	618.66
Less: Excise Duty	38.56	12.13
<b>TOTAL</b>	<b>2,019.47</b>	<b>606.53</b>

(₹ in crore)

<b>NOTE 21 OTHER INCOME</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Interest (Gross)		
On fixed deposits	7.55	4.67
Others	1.82	0.02
	9.37	4.69
Rent Received	0.40	-
Dividends on investments (Gross)	1.34	1.34
Excise Claim received	0.26	0.05
Profit on sale of investment	-	12.25
Waiver of interest	90.76	-
Recovery of debts, loans & advances earlier written off	0.75	8.06
Excess Liabilities Written Back	7.83	80.54
Miscellaneous income	2.92	0.52
<b>TOTAL</b>	<b>113.63</b>	<b>107.45</b>

(₹ in crore)

<b>NOTE 22 MATERIALS CONSUMED/ COST OF GOODS SOLD</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Opening stock	48.97	50.86
Add : Purchases during the year	262.36	91.34
	311.33	142.20
Less : Sale of Raw material	16.63	-
Less : Closing stock	36.27	48.97
<b>TOTAL</b>	<b>258.43</b>	<b>93.23</b>

(₹ in crore)

<b>NOTE 23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
<b>Opening Stock</b>		
Finished Goods	1.19	1.80
Work in Progress	19.95	15.40
Stock In Trade - Securities	2.82	5.61
	23.96	22.81
Less: Provision for non moving written /off	6.11	0.63
<b>Less: Closing Stock</b>		
Finished Goods	4.14	1.19
Work in Progress	118.13	19.95
Stock In Trade - Securities	2.44	2.82
	124.71	23.96
<b>Increase/(Decrease) in Stock</b>	<b>(106.86)</b>	<b>(1.78)</b>

(₹ in crore)

<b>NOTE 24 EMPLOYEE BENEFITS EXPENSE</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Salaries, Wages and Bonus	188.07	98.47
Contribution to Provident & Other Funds	8.58	5.11
Welfare Expenses	9.02	6.30
<b>TOTAL</b>	<b>205.67</b>	<b>109.88</b>

(₹ in crore)

<b>NOTE 25 FINANCE COSTS</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
Interest expenses	39.16	83.65
Bank charges	4.83	2.09
<b>TOTAL</b>	<b>43.99</b>	<b>85.74</b>

(₹ in crore)

<b>NOTE 26 OTHER EXPENSES</b>	<b>Figures for the year ended 31st March, 2014</b>	<b>Figures for the year ended 31st March, 2013</b>
<b>Manufacturing &amp; turnkey activities expenses</b>		
Consumption of packing material	7.87	2.27
Consumption of stores and spare parts	2.49	1.04
Loose tools written off	0.20	0.09
Power, fuel and water charges	5.03	3.27
Repairs to buildings	0.38	0.40
Repairs to machinery	0.21	0.27
Other repairs	0.60	0.87
<b>Administrative &amp; other Expenses</b>		
Rent	7.31	7.17
Rates and taxes	4.34	0.68
Insurance charges	3.78	1.79
Auditors remuneration		
Audit fees	0.60	0.50
In other capacity	0.15	0.21
Out of pocket expenses	0.04	0.02
Legal and professional charges	13.61	11.52
Communication expenses	6.39	3.11
Travelling, conveyance and vehicle expenses	78.62	32.33
Directors fees	0.06	0.04
Charity & Donation	1.01	0.08
Foreign exchange fluctuation	12.17	8.79
Provision for Inventories	2.40	1.03
Inventories Written off	23.27	-
Less: Adjustment of opening provision for non moving	(23.27)	-
Increase/(decrease) in excise duty of finished goods	0.51	-
Other expenses	15.07	10.58
Liquidated damages	4.13	0.82
Selling and distribution expenses	4.31	2.97
Loss on sale of fixed assets	1.07	0.14
Prior period adjustments	0.17	(1.78)
<b>TOTAL</b>	<b>172.52</b>	<b>88.21</b>

**NOTE 27****A. Principles of Consolidation**

1. The Consolidated financial statements (CFS) relate to Himachal Futuristic Communications Limited (the Company) and its majority owned subsidiary companies. The Consolidated Financial Statements have been prepared on the following basis:-
  - i. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances and intra-group transactions and unrealized profits and losses are fully eliminated.
  - ii. The results of operations of a subsidiary with which Parent -  
 Subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss until the date of cessation of the relationship.
  - iii. The excess of cost to the Company of its investment in the subsidiary, over its share of equity at the dates on which the investment in the subsidiary is made, is recognized as 'Goodwill' being an asset in the Consolidated Financial Statements. The excess of Company's share of equity in the subsidiary as at the date of its investment is treated as Capital Reserve.
  - iv. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.
  - v. In case of Associate where the Company directly or indirectly through subsidiary holds 20% or more of the equity, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) – 23 "Accounting of Investments in Associates in Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.
  - vi. The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealized profit and losses resulting from transaction between the Company and its associates to the extent of its share, through its Profit and Loss Account to the extent such change is attributable to the associates' Profit and Loss Accounts and through its reserves for the balance, based on the available information.
  - vii. The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of the share in the associates is identified in the financial statements as goodwill or capital reserve as the case may be.
  - viii. As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
  - ix. Investments other than in subsidiaries and associates have been accounted for as per Accounting Standard 13 (AS-13) "Accounting for Investments" issued by the Institute of Chartered Accountants of India.
2. Significant Accounting Policies and Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and guide to better understanding of consolidated position of the Company. Recognising this purpose, only such policies and notes from the individual financial statements, which fairly present the needed disclosures have been disclosed. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed, when referred from the individual financial statements.

**B. Significant Accounting Policies****I. Method of Accounting**

- (a) The financial statements are prepared on the historical cost convention and in accordance with the Generally Accepted Accounting Principles ('GAAP').
- (b) The Company follows accrual system of accounting in the preparation of accounts except where otherwise stated.
- (c) The preparation of the financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumption that affect the reported accounts of income and expenses of the period, reported values of assets and liabilities and disclosures relating to contingent assets and liabilities as of date of the financial statements. Examples of such estimates include provision for doubtful debts, provision for doubtful loans and advances, provisions for diminution in value of investments, estimated period of utility of software package, provision for value of obsolete/non moving inventories etc. Actual results may differ from these estimates.

## II. Fixed Assets

(a) Fixed Assets 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 but is net of CENVAT.

(b) Capital Work-in-Progress

All expenses incurred for acquiring, erecting and commissioning of fixed assets including interest on long term loans utilized for meeting capital expenditure and incidental expenditure incurred during construction of the projects are shown under capital work-in-progress and are allocated to the fixed assets on the completion of the respective projects. The advances given for acquiring fixed assets are also shown along with capital work-in-progress.

(c) Intangible Assets – i) Revenue expenditure of specialized R&D including Technical know-how fee incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets. ii) Purchase of computer software used for the purpose of operations is capitalised, however, any expenses on software for support, maintenance, upgrade etc. payable periodically is charged to the profit & loss account.

## III. Leases

a) Finance Lease or similar arrangements, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Finance charges are charged directly against income.

b) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account or on a basis, which reflect the time pattern of such payment appropriately.

## IV. Depreciation, Amortization and Impairment

a) Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on Straight-Line Method and on other fixed assets on written down value method at the rates prescribed in the Schedule XIV of the Companies Act, 1956. In one of the subsidiaries, depreciation on all the fixed assets is provided for on straight-line method. Based on useful life of the assets estimated by the management.

b) Depreciation due to increase or decrease in the liability on account of exchange fluctuation or on account of rollover charges on forward exchange contract is provided prospectively over the residual life of the assets.

c) On assets acquired on lease (including improvements to the leasehold premises), depreciation has been provided for on Straight Line Method at the rates as per schedule XIV to the Companies Act, 1956 or at the rates worked out on the basis of remaining useful life of the assets, whichever is higher.

d) Premium on leasehold land is amortised over the period of lease.

e) Intangible assets are amortised over a period of five years or life of the product considered at the end of each financial year whichever is earlier. Amortisation commences when the asset is available for use.

f) At the Balance Sheet date, an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

## V. Investments

(a) The cost of an investment includes incidental expenses like brokerage, fees and duties incurred prior to acquisition.

(b) Long term investments are shown at cost. Provision for diminution is made only if, in the opinion of the management such a decline is other than temporary.

(c) Investments, which are intended to be held for less than one year, are classified as current investments and are carried at lower of cost and fair value determined on an individual investment basis.

(d) Advance against share application money is classified under the head "Investments".

**(vi) Inventories**

(a)	Raw Materials, Materials in transit, Packing Materials, Stores & Spares and Components.	At cost or net realizable value whichever is lower.
(b)	Finished Goods and Work-in-Progress	At lower of cost and net realizable value
Note: Cost of Inventories is ascertained on First In First Out (FIFO) basis.		
(c)	Contract Work in Progress	At cost
(d)	Loose Tools	After write-off at 27.82% p.a.
(e)	Securities as stock in trade	At lower of cost or market rate

**(vii) Revenue Recognition**

- (a) Sales and services include Sales during trial run and excise duty recoverable. Liquidated damages are accounted for as and when they are ascertained.
- (b) Revenue in respect of long term turnkey works contracts is recognised under percentage of completion method subject to such contracts having progressed to a reasonable extent. Revenue in respect of other works contracts and services is recognised on completed contract method.
- (c) Insurance claims are accounted for as and when admitted by the concerned authority.

**(viii) Provisioning/Write-off of Doubtful Debts**

The sundry debtors which are outstanding for more than three years from their respective due dates are written off to Profit and Loss Account. The debtors which are outstanding for more than two years but less than three years are provided for at 100% whereas debtors outstanding for more than one year but less than two years are provided for at 30% of the amount outstanding. No write off or provisions are made for specific cases where management is of the view that the amounts are recoverable even if falling under the ageing as mentioned above.

**(ix) Foreign Currency Transactions**

- (a) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transactions.
- (b) Monetary items denominated in foreign currency at the year-end and not covered under forward exchange contracts are translated at the year-end rates.
- (c) Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognised in the Profit and Loss Account as income or expense.
- (d) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract, further exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/expense for the period except where the foreign currency liabilities have been incurred in connection with fixed assets acquired up to March, 2004 and subsequent thereto in case of fixed assets acquired from a country outside India, where the exchange differences are adjusted in the carrying amount of concerned fixed assets.

**(x) 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.

**(xi) Excise and Customs Duty**

Excise Duty payable on production is accounted for on accrual basis. Provision is made in the books of account for customs duty on imported items on arrival and lying in bonded warehouse and awaiting clearance.

**(xii) CENVAT Credit**

The CENVAT credit available on purchase of raw materials, other eligible inputs and capital goods is adjusted against excise duty payable on clearance of goods produced. The unadjusted CENVAT credit is shown under the head "Loans and advances".

**(xiii) Retirement Benefits**

(Effective April 1, 2007, the Company has adopted the Revised Accounting Standard – 15 (Revised-2005) 'Employee Benefits'. The relevant policies are:

### Short Term Employee Benefits

Short term employee benefits are recognised in the period during which the services have been rendered.

### Long Term Employee Benefits

#### a) Defined Contribution plan

##### (i) Provident Fund and Employees' State Insurance Schemes

Contributions to both these schemes are expensed in the Profit and Loss Account. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India. The Company has no further obligations under these plans beyond its monthly contributions.

##### (ii) Gratuity

Gratuity obligations provides for 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 Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits" Liability is provided by way of premium to the HDFC Standard Life Insurance Company Ltd. And Life Insurance Company Limited under group gratuity scheme 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.

#### b) Other long term benefit

Provision for leave encashment has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

#### c) Actuarial gains and losses are recognized as and when incurred.

### (xiv) Miscellaneous Expenditure:

Preliminary, Securities issue expenses and redemption premium on bonds and debentures are adjusted against balance in securities premium account, where available.

In one of the subsidiary, preliminary expenditure are written off in the year of the commencement of commercial operations.

Voluntary Retirement Scheme expenses are amortized over a period of three years.

### (xv) Research & Development Expenditure

Revenue expenditure is charged to profit & loss account (in the year in which it is incurred). Capital expenditure is added to the cost of fixed assets.

### (xvi) Income Tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

### (xvii) Segment Reporting

Segments are identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organization structure as well as the differential risk and returns of the segments. The unallocable items include income and expenses items, which are not directly identifiable to any segment and therefore not allocated to any business segment.

### (xviii) Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

**(xix) Contingent Liabilities**

No provision is made for liabilities, which are contingent in nature, but if material, the same are disclosed by way of notes to the accounts.

**NOTE 28 (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 ("HTL")	74%
Moneta Finance (P) Ltd.	100%

**(b) Information of Associate Companies:**

The Following is the list of significant associate Companies considered in the CFS along with proportion of voting power held. Each of them is incorporated in India.

(i) Name of the Associate Company	Proportion of Ownership
HFCL Satellite Communications Ltd.	30.00%
Microwave Communications Ltd.	32.50%
HFCL Dacom Infocheck Ltd.	29.99%
Westel Wireless Ltd.	28.94%
Polixel Security Systems Pvt. Ltd.	47.95%
DragonWave HFCL India Pvt. Ltd.	49.90%

(ii) Name of Associates in which the company is holding less than 20% of voting power held, however having significant influence:

Exicom Tele-systems Ltd.  
HFCL Bezeq Telecom Ltd.

**NOTE 29 Contingent Liabilities not provided for in respect of:**

(₹ in crore)

	As at 31.03.2014	As at 31.03.2013
(a) Unexpired Letters of Credit	26.54	1.82
(b) Guarantees given by banks on behalf of the Company	56.64	35.36
(c) Counter Guarantees given by the Company to the financial institutions/banks for providing guarantees on behalf of companies promoted by the Company	20.16	20.16
(d) Arrears of Dividend on Cumulative Redeemable Preference Shares (net of advances)	-	18.90
(e) Claims against the Company towards sales tax, income tax, excise duty demand and others in dispute not acknowledged as debt (Net of advance)	4.13	4.00
(f) Claim against the Company not acknowledge as debt	-	4.12

**NOTE 30** Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹0.27 crore (Previous year ₹6.66 crore):

**NOTE 31 Directors remuneration including Managing Director:  
(Excluding provision for gratuity)**

(₹ in crore)

	2013-2014	2012-2013
(i) Salaries	2.34	1.98
(ii) Contribution to provident fund	0.22	0.16
(iii) Perquisites and allowances	0.96	1.05
<b>TOTAL</b>	<b>3.52</b>	<b>3.19</b>

**NOTE 32** (a) Debt of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism in April 2004 which was subsequently modified in June 2005 with cut-off date as 1st April, 2005. CDR Empowered Group at its meeting held on 9th February, 2011 has approved the Rework Package of the Company with the cut off date as 1st January 2011 and communicated

its sanction vide their letter No. BY CDR(JCP)/No 8643/2010-11 dated 29th March, 2011. The Rework Package includes inter-alia reduction in the existing rate of interest, re-schedulement for repayment of loans, conversion of overdue interest into funded interest term loan (FITL), conversion of Zero Coupon Premium Bonds (ZCPB's), part of their premium and part of working capital loans into Equity, conversion of part of working capital loan into working capital term loan (WCTL), waiver of unpaid dividend on preference shares, waiver of penal interest etc. The conditions as stipulated by CDR EG while sanctioning Rework Package have been complied with by the Company. Accordingly, the impact of the Rework Package has been considered in the Financial Statements.

- (b) Subsequent to the implementation of Rework Package, lenders have reset the rate of interest on certain loans in view of improved performance of the Company.
- (c) Further, lenders have the right to claim recompense from the Company on account of various sacrifices & waivers made by them in the CDR Rework Package. The amount of recompense and the manner of repayment shall be ascertained upon exit from CDR mechanism by the Company.

**NOTE 33** Pursuant to the disinvestment by the Government of India, the Company had acquired 11,10,000 equity shares of ₹100/- each of HTL Limited representing 74% of its equity capital at total consideration of ₹55.00 crore in terms of Shareholders Agreement dated 16.10.2001. The above consideration paid by the Company is subject to post closing adjustments on account of difference in net worth of HTL Limited as on 31.03.2001 and as on the date of purchase of shares in terms of Share Purchase Agreement dated 16.10.2001. The Company has submitted its claim on account of Closing Date Adjustment to the Government in respect of such reduction in net assets of HTL Limited which has not been settled by the Government. Due to this, the Company has invoked the provisions of the Share Purchase Agreement for settlement of dispute by Arbitration. The Hon'ble Arbitral Tribunal has since given the award in favour of the Company on 12th October, 2007 upholding the claim of the Company on account of the above to the extent of ₹55.00 crore and interest from the date of award till actual date of payment. The said award has been upheld by the single Judge of Hon'ble High Court of Delhi on 5th December, 2012 and again by the Division Bench on 25th February, 2013. SLP filed by DoT against Order of Division Bench of Hon'ble High Court of Delhi was also dismissed on 1st November, 2013, by the Hon'ble Supreme Court of India. The Review Petition filed by DoT was also dismissed on 16th January, 2014 by the Hon'ble Supreme Court of India. However, the consequential effect has not been given in the books of accounts as DoT is entitled to file Curative Petition before Hon'ble Supreme Court of India.

**NOTE 34** The Company had made payment of ₹9.70 crore (Previous year ₹0.24 crore) to certain Cumulative Redeemable Preference Shareholders as per contractual obligations. The said amount has been shown as "advances recoverable in cash or kind or for value to be received".

**NOTE 35** Payment made to lenders towards guarantee contract/obligation amounting to ₹Nil on behalf of associates companies (Previous year ₹9.82 crore) has been accounted for under the head Exceptional items.

**NOTE 36** In the case of holding company, In accordance with the Company's Policy, the Company has reviewed the outstanding receivables and has written off a sum of ₹87.14 crore during the year as bad, which in the opinion of the Management is adequate.

**NOTE 37** During the year, Company has recognised the following amounts in the financial statements as per Accounting Standard-15 (Revised) "Employees Benefits" issued by the ICAI :

**a) Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognised are charged off for the year as under :

	(₹ in crore)	
	Year ended 31.03.2014	Year ended 31.03.2013
Employer's Contribution to Provident Fund	6.41	1.31
Employer's Contribution to Pension Scheme	1.42	0.35

**b) Defined Benefit Plan**

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected 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 and the obligation for leave encashment is recognised in the same manner as gratuity.

(₹ in crore)

	Gratuity (Fund)/Non Fund		Leave Encashment	
	For the year ended 31.03.2014	For the year ended 31.03.2013	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)</b>				
Discount rate (per annum)	9.31%	8.75%	8.75%	7.00%
Rate of increase in Compensation levels	8.00%	8.00%	8.75%	8.00%
Rate of Return on plan assets	8.70%	8.60%	NA	NA
Average remaining working lives of employees (Years)			16.92	17.41
<b>Table showing changes in present value of obligations :</b>				
Present value of obligation as at the beginning of the year	10.10	9.55	6.64	3.98
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	0.73	0.73	0.49	0.29
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Current Service Cost	1.75	1.03	5.64	2.98
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(2.36)	(2.23)	(2.20)	(1.48)
Actuarial (gain)/ loss on obligations	(0.17)	1.02	0.81	0.86
Present value of obligation as at the end of the period	10.05	10.10	11.37	6.64
<b>Table showing changes in the fair value of plan assets :</b>				
Fair value of plan assets at beginning of the year	1.04	0.96	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return on plan assets	0.09	0.08	N.A.	N.A.
Employer contribution	0.01	0.01	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	0.0	(0.01)	Nil	Nil
Fair value of plan assets at year end	1.14	1.04	Nil	Nil
<b>Table showing actuarial gain /loss - plan assets :</b>				
Actual return of plan assets	(0.06)	(0.07)	Nil	Nil
Expected return on plan assets	0.09	0.08	Nil	Nil
Excess of actual over estimated return on plan assets	(0.0)	0.01	Nil	Nil
Actuarial (gain) / loss-plan assets				
<b>Actuarial Gain / loss recognized</b>				
Actuarial (gain) / loss for the period – Obligation	0.17	1.02	0.81	0.86
Actuarial (gain) / loss for the period - Plan assets	(0.00)	0.01	Nil	Nil
Total (gain) / loss for the period	(0.17)	1.03	0.81	0.86
Actuarial (gain) / loss recognized in the period	(0.17)	1.03	0.81	0.86
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil

(₹ in crore)

	Gratuity (Fund)/Non Fund		Leave Encashment	
	For the year ended 31.03.2014	For the year ended 31.03.2013	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>The amounts to be recognized in Balance Sheet and Statement of Profit and Loss:</b>				
Present value of obligation as at the end of the period	10.05	10.10	11.37	6.64
Fair value of plan assets as at the end of the period	1.14	1.04	Nil	Nil
Funded Status	(8.91)	(9.06)	(11.37)	(6.64)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(8.91)	(9.06)	(11.37)	(6.64)
<b>Expenses recognised in Statement of Profit and Loss :</b>				
Current service cost	1.75	1.03	5.64	2.98
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Interest Cost	0.73	0.73	0.49	0.29
Expected return on plan assets	(0.09)	(0.08)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the period	(0.17)	1.03	0.81	0.86
Expenses recognised in the Statement of Profit and Loss	2.22	2.70	6.94	4.13
<b>Investment Details</b>				
HDFC Standard Life Insurance Company Limited (Cash accumulation ) Policy	Nil	Nil	Nil	Nil

Note-1: The estimates of rate of escalation in salary considered in actuarial valuation, take 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.

**NOTE 38** The Company has carried out impairment test on its Fixed Assets as on 31.03.2014 and the Management is of the opinion that there is no asset for which impairment required to be made as per Accounting Standard-28 on Impairment of Assets issued by the ICAI. (Previous years ₹NIL)

**NOTE 39** Company has received balance confirmations from most of the Trade receivable, Trade payables, lenders and loans and advances. The Management is of the view that there will be no material adjustments in this regard from the remaining amount of confirmations.

**NOTE 40** In respect of subsidiaries company, the following additional notes to accounts are disclosed: -

#### HTL LIMITED

- i) The Subsidiary has accumulated losses of ₹ 240.65 crore (Previous year loss of ₹ 566.43 crore ) as at March 31, 2014, resulting in negative net worth of ₹ 225.65 crore (Previous year ₹ 551.43 crore). The Subsidiary's current liabilities exceed its current assets by ₹225.01 crore (Previous year ₹ 549.51 crore) as of that date. Further, the Subsidiary has overdrawn borrowings from banks by ₹ NIL (Previous year ₹ 24.57 crore) and also has overdue loans from Government of India amounting to ₹ 6.24 crore (Previous year: ₹ 6.24 crore) together with interest accrued and due thereon of ₹ 24.15 crore (Previous year: ₹ 22.65 crore). The turnover during the period ended 31, March 2014 is ₹ 0.63 crore (Previous Year: ₹ 0.63 crore). Due to lack of working capital required, the operations of the Subsidiary have been substantially curtailed. The Subsidiary has already made reference to Board for Industrial and Financial Reconstruction under Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985, and has since, been declared as a Sick Industrial Company vide order no. 261/2003 dated June 16, 2009. Subsequently, State Bank of India, on behalf of the consortium banks, issued a notice to the Company u/s 13 (2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) requiring the Company to discharge its full dues and attached the freehold surplus land mortgaged to the extent of 11.02 acre and 2.56 acres. During the year, SBI has sold 11.02 acre land under SARFAESI Act at ₹ 272 crore in June 2013. The Proceeds have been apportioned among the Consortium of Banks and Pegasus Assets Reconstruction Private Limited on account of dues to IndusInd Bank and Axis Bank as the Banks have assigned the loans to Pegasus and the SBI has withdrawn the action under SARFAESI Act with effect from 22.06.2013.

After the withdrawal of SARFAESI Action by SBI, the reference of the Company under BIFR has been restored vide AAIIFR order dated 24.03.2014. The Subsidiary is in the process of submitting the revival scheme to BIFR.

The Subsidiary's ability to continue as a going concern in spite of the present accumulated losses is dependent upon infusion of funds for its operations. The Subsidiary is expecting further orders for Telecom Towers and Integrated Fixed Wireless Terminals. In view of above, the financial statements have been prepared on a going concern basis.

- ii) The Subsidiary became a Sick Industrial Company within the meaning of Section 3(1)(O) of Sick Industrial Companies (Special Provision) Act, 1985 (SICA) due to erosion of its net worth accordingly the Company was declared a Sick Industrial Company by BIFR on June 08, 2009 under section 17(1) of SICA.
  - iii) Loan of ₹ 6.24 crore (Previous year ₹6.24 crore) together with interest accrued and due thereon of ₹ 24.15 crore (Previous year ₹ 22.65 crore) is due to Government of India (GOI). As at March 31, 2014, total loan of ₹ 6.24 crore (Previous year ₹ 6.24 crore) is overdue for payment. In addition to this, the Govt. of India has acceded to adjust ₹ 3.47 crore compensation receivable by subsidiary in case of ETP claim against the outstanding interest portion in respect of GOI Loan.
  - iv) a) Out of the total land in possession of the Subsidiary at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Subsidiary 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 Subsidiary, the Government of Tamil Nadu had required the Subsidiary to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Subsidiary had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in earlier years. In respect of the land measuring 27.30 acres, the name of the Subsidiary has been entered in the revenue records of the Government of Tamil Nadu. Other necessary formalities to transfer the land in favour of the Subsidiary are in progress. In respect of the balance land of 3.69 acres, the name of the Subsidiary has not been entered in the revenue records of Government of Tamil Nadu.
  - b) The Subsidiary has 15.09 acres of land at Hosur District, Tamil Nadu, which was acquired by the Subsidiary from State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) under lease cum sale agreement in 1983. The Estate Officer SIPCOT has issued order under Section 4 of the Tamil Nadu Public Premises Eviction Act, 1975 to surrender unused land aggregating to 11.50 acres out of the said land on 13.01.2010. The Subsidiary has filed a writ before the Hon'ble High Court of Madras against this order and obtained an interim stay on 22.2.2010 and the Court has passed final orders on 16.11.2010 while disposing of the writ filed by the Company with a direction to both the petitioner (HTL) and the respondents (CMD & Project Officer, SIPCOT) to go before the Dispute Resolution Committee for resolving the dispute. The Court also made it clear that the status quo as on date shall be maintained till then. It is open to the petitioner (HTL) to work out their remedy, depending upon the outcome of the proceedings of the Disputes Resolution Committee.
- As per the above direction, the Industries Department of Government of Tamilnadu have constituted a Committee with two members from Government, two members representing SIPCOT and three members representing the Subsidiary under Chairmanship of the Principal Secretary to Government, Industries Department.
- The Disputes Resolution Committee has met and could not arrive at a mutually acceptable solution and hence the Company has filed a Writ Petition ( WP no: 10532 /2012 ) before the Hon'ble High Court of Madras with a prayer to quash the resumption order of SIPCOT and to direct SIPCOT to execute and register Sale Deed in favour of the Subsidiary. The court has given interim stay and further court hearing is in progress.
- v) Trade receivables include ₹15.68 crore. This represents Differential Sales Tax over and above 4% in respect of orders received from DoT but supplied to BSNL (DTS of DoT was converted into BSNL with effect from 01.10.2000) for the period from 01/10/2000 to 31/03/2001 due to non-submission of C/D Forms. The Subsidiary's corresponding tax liability in this regard has been settled by the Subsidiary under Samadhan Scheme, namely, Tamil Nadu Sales Tax (Settlement of Arrears) Act 29/2011 by payment of ₹15.72 crore and then the Subsidiary has approached BSNL for reimbursement through respective circle offices to whom supplies were made as per the Circular dated 02/04/2002 read with Letter dated 23/01/2014. One circle has paid ₹0.04 crore as reimbursement during this year. The balance amount of ₹15.68 crore is yet to be received. The non-reimbursable portion has been written off.
  - vi) Claims receivable includes ₹3.47 crore receivable from BSNL against the compensation approved by Telecom Commission 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 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 Subsidiary requested DoT vide letter no.43.12 ETP dated 08.12.2003 to adjust the compensation amount of ₹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 rejected this request and reiterated the adjustment of ₹3.47 crore compensation receivable by Subsidiary in case of ETP claim against the interest portion of the outstanding in respect of GOI Loan while making payment of outstanding Govt. of India Loan with accrued interest thereon.

vii) In accordance with Accounting Standard 22 on 'Accounting for Taxes on Income' (AS 22), issued by the Institute of Chartered Accountants of India, on conservative basis, deferred tax assets have not been accounted for in the books, since the estimation of future taxable profits cannot be made with virtual certainty supported by convincing evidences, against which such deferred tax assets would be realized.

**NOTE 41** In case of subsidiary HTL Limited, depreciation on Fixed Assets is charged on Straight Line Method, based on the useful lives of the assets as estimated by the management. Depreciation is charged for the full year in respect of additions during the year, which is not in line with the accounting policy of the Company. The gross value of such assets is ₹52.97 crore (Previous year ₹ 52.99 crore) and depreciation charged for the year is ₹0.25 crore (Previous year ₹0.29 crore).

**NOTE 42** In case of subsidiary, HTL Limited, inventory of raw materials, components and stores & spares amounting to ₹0.07 crore (Previous year ₹0.07 crore) are valued at cost which is arrived at on quarterly moving weighted average basis, which is not in line with the accounting policy of the company i.e. FIFO basis.

**NOTE 43** The break up of goodwill shown as net off with capital reserve arising on consolidated of subsidiaries with the holding company is as under:

		(₹ in crore)
HTL Ltd.	Goodwill	74.17
Moneta Finance (P) Ltd.	Goodwill	0.05
<b>TOTAL</b>		<b>74.22</b>

**NOTE 44** Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the company's financial statements.

**NOTE 45** Lease payments under cancellable operating leases have been recognised as an expense in the profit & loss account. Maximum obligation on lease amount payable as per rentals stated in respective agreements are as follows:-

			(₹ in crore)
Particulars	31.03.2014	31.03.2013	
Not later than one year	3.89	5.42	
Later than one year but not later than five years	11.01	11.88	
More than five years	1.37	3.10	

**NOTE 46 Segment Reporting****(a) Primary segment information**

The Company and one of its subsidiaries operations primarily relates to manufacturing of telecom products and providing turnkey solutions relating thereto. Accordingly segments have been identified in line with Accounting Standard on Segment Reporting (AS)-17. Telecom products and Turnkey contracts & services are the primary business segments whereas others constituting less than 10% of the segment revenue/results/assets and accordingly have been considered as other business segments and are disclosed in the financial statements accordingly. The details of business segments are as follows:

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>Segment Revenue</b>		
a. Telecom Products	347.62	112.82
b. Turnkey Contracts and Services	1,771.79	493.16
c. Others	0.06	0.55
Total	2,019.47	606.53
Less: Inter segment revenue	-	-
Turnover/Income from Operations	2,019.48	606.53
<b>Segment Results</b>		
a. Telecom Products	282.74	36.71
b. Turnkey Contracts and Services	237.20	102.77
c. Others	0.03	0.55
Total	519.97	140.03
Less: i. Finance charges	43.99	85.75
ii. Other un-allocable expenditure net off un-allocable income	(0.49)	(0.99)
Profit/(loss) before Tax	476.47	55.27
<b>Capital Employed</b>		
a. Telecom Products	81.28	(193.32)
b. Turnkey Contracts and Services	164.90	55.59
c. Others	0.77	0.77
Total capital employed in segments	246.95	(136.96)
Add: Un-allocable corporate assets less liabilities	387.41	316.19
Total capital employed in Company	634.36	179.23

**(b) Secondary segment information**

The Company caters mainly to the needs of Indian market and the export turnover being insignificant of the total turnover of the Company; there are no reportable geographical segments.

**NOTE 47 Deferred Tax**

The break up of net deferred tax liability as under:

(₹ in crore)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset
Depreciation	4.04	-	4.78	-
Unabsorbed losses (to the extent of liability only) *	-	4.04	-	4.78
	4.04	4.04	4.78	4.78
Net deferred tax liability		-		-

\* On conservative basis the Company recognises deferred tax asset only to the extent of deferred tax liability and excess of the deferred tax assets has not been given effect to in the Balance Sheet.

**NOTE 48 Related Party Disclosures:**

## 1. Name of related parties and description of relationship

(a) Associates:	Exel Netcommerce Ltd. HFCL Dacom Infochek Ltd. Exicom Tele-systems Ltd. Westel Wireless Ltd. ANM Enginnering and Works Pvt. Ltd. DragonWave HFCL India Pvt. Ltd. HFCL Bezeq Telecom Ltd. HFCL Satellite Communications Ltd. Microwave Communications Ltd. Polixel Security Systems Pvt. Ltd. NextWave Communications Pvt Ltd.
(b) Key management personnel:	Mr. Mahendra Nahata Dr. R M Kastia Mr. Arvind Kharabanda Mr. D. P. Gupta

Note : Related party relationship is as identified by the Company and relied upon by the auditors.

## (2) Nature of transactions - The transaction entered into with the related parties during the year along with related balances as at March 31, 2014 are as under:

(₹ in crore)

Particulars	Exicom Tele- system Ltd.	Polixel Security Systems P Ltd.	HFCL Bezeq Telecom Ltd.
<b>Purchases</b>			
Goods	0.01 (-)	0.51 (0.31)	- (-)
Services	- (14.49)	0.02 (0.05)	- (-)
<b>Sales</b>			
Goods	- (-)	- (0.05)	- (-)
Services	0.99 (1.11)	- (-)	- (-)
<b>Income</b>			
Rent & other expenses recovered	0.04 (0.09)	0.12 (0.28)	- (-)
<b>Outstanding (net)</b>			
Payables	- (-)	0.07 (0.31)	- (-)
Receivables	0.81 (0.34)	- (-)	- (5.00)
<b>Guarantees and collaterals</b>	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>	
Microwave Communications Ltd	13.66	13.66	
Exicom Tele-systems Ltd.	6.50	6.50	

Notes: Details of remuneration to directors are disclosed under note 31. Figure in bracket represent the previous year figures.

**NOTE 49 Earning per Share (EPS)- In accordance with the Accounting Standard (AS-20)****(a) Basic & Diluted Earnings per Share (EPS) before extra ordinary items**

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Profit/(Loss) after tax and minority interest	475.01	56.37
Less: preference dividend	5.23	5.23
Profit/(Loss) attributable to ordinary share holders	469.78	51.14
Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	1,23,93,77,194	1,23,93,77,194
Weighted average number of ordinary shares used as denominator for calculating Diluted EPS)	1,23,93,77,194	1,23,93,77,194
Nominal value of ordinary share	₹ 1	₹ 1
Earning per Share basic	3.79	0.41
Earning per Share diluted	3.79	0.41

**(b) Basic & Diluted Earnings per Share after extra ordinary items**

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Profit/(Loss) after tax and minority interest	475.01	56.37
Less: preference dividend	5.23	5.23
Profit/(Loss) attributable to ordinary share holders	469.78	51.14
Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	1,23,93,77,194	1,23,93,77,194
Weighted average number of ordinary shares used as denominator for calculating Diluted EPS)	1,23,93,77,194	1,23,93,77,194
Nominal value of ordinary share	₹ 1	₹ 1
Earning per Share basic	3.79	0.41
Earning per Share diluted	3.79	0.41
(Ignored as the effect of potential equity shares is anti dilutive)		

**NOTE 50 Derivative Instruments**

a) The Company 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 Company's strategy, which provides principles on the use of such forward contracts consistent with Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

b) Details of outstanding Hedging Contracts

Derivative Contracts	As at 31.03.2014		As at 31.03.2013	
	Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)	Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)
USD/INR	0.15	9.01	-	-

c) Foreign Currency exposure

		As at 31.03.2014		As at 31.03.2013	
		Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)	Amount in foreign currency (In crore)	Equivalent in ₹ (In crore)
Trade receivable	USD/INR	.06	3.71	.03	1.38
Trade payables	USD/INR	1.79	108.39	1.93	105.65
	EUR/INR	0.06	4.98	0.14	10.07
	JPY/INR	0.05	0.03	0.05	0.03

**NOTE 51** Previous period's figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupees in Lakh.

As per our report of even date attached  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

For and on behalf of the Board  
**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

Chairman  
 Managing Director  
 Director (Finance)

**(Manish Singhal)**  
 Partner  
 M.No. 502570

**V. R. Jain**  
 Chief Finance Officer

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

New Delhi, 30th April, 2014

## Consolidated Cash Flow Statement for the year ended 31st March, 2014

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>A. Cash flow from Operating Activities :</b>		
Net Profit before taxes	476.47	55.27
Adjustments for :		
Depreciation/Impairment	20.10	16.97
Interest & finance charges	43.99	85.08
Interest income	(9.37)	(4.69)
Dividend income	(1.34)	(1.34)
Loss/(Profit) on sale of fixed assets	1.07	0.14
Loss/(Profit) on sale of Investment	-	(12.25)
Unpaid/ Unrealised exchange difference	8.86	7.10
Bad debts written off	90.97	29.15
Payment towards guarantee contract/obligation	-	9.82
Provision for doubtful debts / advances	6.00	-
Profit on sale of land	(272.26)	-
	(111.98)	129.98
<b>Operating Profit before working capital changes</b>	<b>364.49</b>	<b>185.25</b>
Adjustments for :		
Trade and other receivables	(304.50)	(127.04)
Inventories	(117.24)	0.13
Trade and other payables	179.08	2.05
	(242.66)	(124.86)
<b>Cash generated from operations</b>	<b>121.83</b>	<b>60.39</b>
Taxation	(35.62)	(9.30)
<b>Net Cash used in operating activities</b>	<b>86.21</b>	<b>51.09</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(45.96)	(35.82)
Sale of fixed assets	245.12	0.10
Purchase of investments	(1.00)	(68.75)
Sale of investments	-	68.75
Advance against sale of Land	-	27.20
Interest received/(paid) net	3.24	1.36
Dividend received	1.34	1.34
<b>Net Cash used in investing activities</b>	<b>202.74</b>	<b>(5.82)</b>

(₹ in crore)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>C. Cash flow from financing activities</b>		
Proceeds from long term/short term borrowings - Secured/ Unsecured	15.17	36.09
Repayment of long term/short term borrowings - Secured/ Unsecured	(74.00)	(68.23)
Interest paid (net)	(184.35)	(29.92)
<b>Net Cash used in financing activities</b>	<b>(243.18)</b>	<b>(62.06)</b>
Net increase in cash & cash equivalents	45.77	(16.79)
Cash & cash equivalents (Opening Balance)	49.43	66.22
Adjustment for Disposal of investments in subsidiary	-	-
Cash & cash equivalents (Closing Balance)	95.20	49.43

*As per our report of even date attached*  
**For Khandelwal Jain & Co.**  
 Firm Registration No. 105049W  
 Chartered Accountants

*For and on behalf of the Board*  
**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

Chairman  
 Managing Director  
 Director (Finance)

**(Manish Singhal)**  
 Partner  
 M.No. 502570

**V. R. Jain**  
 Chief Finance Officer

**Manoj Baid**  
 Associate Vice-President (Corporate)  
 & Company Secretary

New Delhi, 30th April, 2014

New Delhi, 30th April, 2014

**Summary of financial information of subsidiary companies**

(₹ in crore)

Particulars	Name of Subsidiary companies	
	HTL Limited	Moneta Finance Pvt Ltd.
Capital	15.00	0.30
Reserves	(240.65)	0.48
Total Assets	83.10	2.87
Total Liabilities	308.75	2.40
Investment other than Investment in Subsidiary	-	0.02
Turnover	0.69	0.07
Profit Before Taxation	328.94	0.03
Provision for Taxation	3.15	0.02
Profit after Taxation	325.79	0.01
Proposed dividend	-	-

**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in subsidiary companies**

(₹ in crore)

Name of the Subsidiary Company	HTL Limited	Moneta Finance Pvt Ltd.
1 The Financial Year of the Subsidiary ended on	31.03.2014	31.03.2014
2 Shares of the Subsidiary held by the Company on the above date		
(a) Number and face value	1,110,000 equity shares of ₹100/- only	300,000 equity shares of ₹10/- only
(b) Extent of Holding	74%	100%
3 Net aggregate of profits /(losses) of the subsidiary for the above financial year so far as they concern members of the Company:-		
(a) Dealt with in the accounts of the Company for the year ended 31st March 2014	Nil	Nil
(b) Not dealt with in the accounts of the Company for the year ended 31st March 2014	325.79	0.01
4 Net aggregate of profits /(losses) of the subsidiary for the previous financial year since it became a subsidiary so far as they concern members of the Company:-		
(a) Dealt with in the accounts of the Company for the year ended 31st March 2013	Nil	Nil
(b) Not dealt with in the accounts of the Company for the year ended 31st March 2013	(0.12)	0.38

*For and on behalf of the Board*

**M P Shukla**  
**Mahendra Nahata**  
**Arvind Kharabanda**

Chairman  
Managing Director  
Director (Finance)

**V. R. Jain**  
Chief Finance Officer

**Manoj Baid**  
Associate Vice-President (Corporate)  
& Company Secretary

New Delhi, 30th April, 2014





## HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

Regd. Office: 8 Electronics Complex, Chambaghat, Solan-173213 (H.P.)

Tel +91 1792-230642/44, Fax +91 1792-231902

Website: www.hfcl.com; e-mail: secretarial@hfcl.com

(CIN: L64200HP1987PLC007466)

### ATTENDANCE SLIP

Please fill Attendance Slip and hand it over at the entrance of the venue.

DP-Id*		Folio No.	
Client-Id*		No. of shares	

Name and address of the Shareholder \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Name and address of the Proxy holder \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I/We hereby record my/our presence at the **27<sup>th</sup> Annual General Meeting** of the Company held on Tuesday, the 30<sup>th</sup> day of September, 2014 at 2:30 P.M. at Mushroom Centre, Chambaghat, Solan-173213 (H.P.)

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Signature of Proxy holder

\*Applicable for investors holding shares in electronic form.







## HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

Regd. Office: 8 Electronics Complex, Chambaghat, Solan-173213 (H.P.)

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Website: www.hfcl.com; e-mail: secretarial@hfcl.com

(CIN: L64200HP1987PLC007466)

### PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration), Rules, 2014]

Name of the Member(s) :	
Registered address:	
E-Mail ID:	Folio No.
DP-ID / Client-ID* :	

\*Applicable for investors holding shares in electronic form.

I/We, being the member(s) holding \_\_\_\_\_ shares of Himachal Futuristic Communications Ltd, of ₹ 1/- each hereby appoint

(1) Name: \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him

(2) Name: \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him

(3) Name: \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him

and whose signature(s) are appended in Proxy Form as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 27<sup>th</sup> Annual General Meeting of the Company, to be held on Tuesday, the 30<sup>th</sup> day of September, 2014 at 2:30 P.M. at Mushroom Centre, Chambaghat, Solan-173213 (H.P.) and at any adjournment thereof in respect of such resolutions as are indicated overleaf :



\* I wish my above Proxy to vote in the manner as indicated in the Box below :

Sl. No.	Resolutions	For	Against
1.	Consider and adopt :		
	a) Audited Financial Statements, Reports of the Board of Directors and Auditors		
	b) Audited Consolidated Financial Statements		
2.	Declaration of Dividend on Cumulative Redeemable Preference Shares		
3.	Re-appointment of Dr. R M Kastia, Director (DIN:00053059) who retires by rotation		
4.	Appointment of M/s Khandelwal Jain & Co., Chartered Accountants (Firm Registration No. 105049W), as Auditor and to fix their remuneration		
5.	Appointment of Shri Mahendra Pratap Shukla (DIN:00052977) as an Independent Director		
6.	Re-appointment of Shri Arvind Kharabanda (DIN:00052270) as a Whole-time Director		
7.	Authority to borrow money from time to time under Section 180(1)(c) of the Companies Act, 2013		
8.	Authority to provide Security under Section 180(1)(a) of the Companies Act, 2013		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\_\_\_\_\_  
Signature of shareholder

Affix  
Revenue  
Stamp

\_\_\_\_\_  
Signature of first Proxy holder

\_\_\_\_\_  
Signature of second Proxy holder

\_\_\_\_\_  
Signature of third Proxy holder

**Notes:**

1. This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. A Proxy need not be a member of the Company.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- \*4. This is only optional. Please put a 'X' in the appropriate column against the resolution indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
5. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
6. In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.



### **Forward Looking Statements**

*Certain statements in this Annual Report relating to the Company's future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

**REGISTERED OFFICE** : 8, Electronics Complex, Chambaghat, Solan – 173 213

**CORPORATE OFFICE**: 8, Commercial Complex, Masjid Moth, Greater Kailash - II, New Delhi – 110 048

[www.hfcl.com](http://www.hfcl.com)