ANNUAL REPORT
2010 - 2011

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

BOARD OF DIRECTORS

Shri Mahendra Pratap Shukla	Non Executive Chairman
Shri Mahendra Nahata	Managing Director
Shri Arvind Kharabanda	Director (Finance)
Dr. R M Kastia	Director
Shri Y L Agarwal	Director
Shri R K Bansal	Nominee Director (IDBI)
Shri Manoj Baid	Company Secretary

BANKERS
State Bank of India
Oriental Bank of Commerce
Punjab National Bank
Bank of Baroda
Union Bank of India

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

REGISTERED OFFICE & WORKS
8, Electronics Complex
Chambaghat, Solan – 173 213
Himachal Pradesh

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

OPTICAL FIBRE CABLE PLANT
Cable Division
L 35-37, Industrial Area Phase – II
Verna Electronics city
Salcete, Goa - 403 722

SHARE DEPARTMENT & INVESTOR RELATION CELL
8, Commercial Complex
Masjid Moth, Greater Kailash - II
New Delhi – 110 048

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HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

NOTICE

Notice is hereby given that the 24th Annual General Meeting of Himachal Futuristic Communications Limited will be held on Saturday, the 24th day of September, 2011 at 11:00 A.M. at the Electronics Complex, Chambaghat, Solan-173213 (H.P.) to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended 31st March, 2011 and the Reports of the Directors and of the Auditors thereon.

2. To appoint a Director in place of Shri M P Shukla who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint Auditors for the financial year 2011-2012 to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

   M/s Khandelwal Jain & Company, Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

AS SPECIAL BUSINESS

4. **ISSUE AND ALLOTMENT OF EQUITY SHARES TO FINANCIAL INSTITUTIONS/BANKS PURSUANT TO CORPORATE DEBT RESTRUCTURING**

   To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution**:-

   "RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in accordance with the provisions of the Memorandum and Articles of Association of the Company, the Rules/Regulations/Guidelines, if any, prescribed by the Securities and Exchange Board of India and /or any other regulatory authority, the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval(s), consent(s), permission(s) and /or sanction(s), if any, of the appropriate authorities as may be required and subject to such conditions as may be prescribed by the appropriate authorities while granting any such approval(s), consent(s), permission(s) and /or sanction(s) and which may be agreed by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and is hereby authorized on behalf of the Company to issue and allot on preferential allotment basis not more than 24,74,83,938 equity shares of ₹1/- each fully paid up at a premium of ₹8.84 per equity shares of an aggregate value of ₹243,52,41,950/- to the financial institutions and banks as per details given below in compliance with the terms and conditions of Rework package approved by the Corporate Debt Restructuring Cell on 9th February, 2011:

   (i) 15,09,45,122 equity shares of ₹1/- each at a premium of ₹8.84 per equity share in favour of IDBI Bank Limited aggregating to ₹148,53,00,000/-

   (ii) 8,28,25,353 equity shares of ₹1/- each at a premium of ₹8.84 per equity share in favour of Oriental Bank of Commerce aggregating to ₹81,50,01,474/-

   (iii) 1,37,13,463 equity shares of ₹1/- each at a premium of ₹8.84 per equity share in favour of State Bank of India aggregating to ₹13,49,40,476/-

   RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the issue and allotment of aforesaid equity shares and listing thereof with the Stock Exchange(s) and to do all such acts, deeds, matters and things in connection therewith and incidental thereto as the Board, in its absolute discretion, may deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard at any stage without requiring the Board to seek any further consent or approval of the Members and that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other Director(s) or Executive(s) /Officer(s) of the Company to do all such acts, deeds, matters and things and also to execute such documents, writings, etc. as may be necessary to give effect to the aforesaid resolution.

   RESOLVED FURTHER THAT equity shares to be issued and allotted in terms of this resolution shall rank pari passu in all respects with the existing equity shares of the Company."

Registered Office:
8, Electronics Complex,
Chambaghat,
Solan – 173213 (H.P.)

By Order of the Board
For **Himachal Futuristic Communications Limited**

Place: New Delhi
Date: 12th August, 2011

(Manoj Baid)
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 AND IF USED SHOULD BE RETURNED TO THE COMPANY DULY COMPLETED NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. Corporate Members intending to send their authorized representatives 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. The Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 2011 to 24th September, 2011 (both days inclusive).

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 Accounts/ Reports 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. Relevant documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturdays between 11:00 A.M. to 01:00 P.M. up to the date of the Annual General Meeting.

8. **The Ministry of Corporate Affairs ('Ministry') has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circulars bearing No. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 issued by the Ministry, companies can now send various notices/documents including Annual Report to its shareholders through electronic mode, to the registered e-mail addresses of the shareholders.**

   It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment.

   Pursuant to aforesaid Circular, Company has sent intimation to all Shareholders, whose email address have been made available to the Company in the Beneficiary position received from the Depositories to get their email IDs registered. Those shareholders who have not furnished their email ID to their respective Depository Participants (DP) are requested to update the same with their DP. The shareholders who have so far not registered their e-mail IDs with the Company are requested to register their email ID at Company's website www.hfcl.com to receive communication through electronic mode.

   Please note that as a member of the Company you will be entitled to receive all such communication in physical form, upon request at free of cost.

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

Item No. 2 of the Notice

Name	Date of Birth	Qualification	Expertise in specific functional areas	Directorship in other Public Companies	Chairmanship/Membership of Committees of the Board of Public Companies of which he is a Director	Shares held in the Company
Shri M P Shukla	18.06.1932	B .E. (Electricals)	Shri M P Shukla has been the Chairman Cum Managing Director of Telecommunication Consultants India Ltd. (TCIL) and Chairman cum Managing Director of Mahanagar Telephone Nigam Ltd. (MTNL). He has to his credit more than 53 years of experience in the field of business planning, implementation and telecommunication services.	HFCL Satellite Communications Ltd. HTL Ltd.	**Himachal Futuristic Communications Ltd.** Remuneration – Chairman Audit – Chairman Share Transfer & Investors Grievance – Chairman **HFCL Satellite Communications Ltd.** Audit – Member **HTL Ltd.** Audit – Chairman Remuneration – Member	**NIL**

The Board of Directors of the Company commends his re-appointment.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 4

The Company had approached in the past to Financial Institutions/ Banks for a financial restructuring package which had been approved under the Corporate Debt Restructuring (CDR) mechanism by the CDR Empowered Group of Lenders. At the request of the Company, CDR Empowered Group had further revised the CDR package in the year 2005. Due to continuous losses made by the Company in the earlier years, the Company has defaulted in payment of interest and re-payment of principal amount to certain lending institutions/banks and could not adhere to some of the conditions prescribed by the CDR Empowered Group. In order to tide over the difficult situation caused by the liquidity crunch, the Company has again approached the lending institutions/banks for the further restructuring of the debts under the CDR mechanism.

At the request of the Company, CDR Empowered Group has approved the Rework Package under the CDR mechanism on 9th February, 2011.The CDR Cell, vide its Letter no. BY.CDR (JCP) NO. 8643/2010-11 dated 29th March, 2011 has communicated about the Sanction of Rework Package to the participating CDR Lenders and the Company along with the Letter of Approval bearing reference no BY. CDR (JCP) No. 8358/2010-11 dated 17th March, 2011. The Rework Package inter-alia includes; conversion of some of loans into equity; waiver of penal interest, liquidated damages on all loans and premium on Zero Coupon Premium Bonds (ZCPBs); settlement of certain liabilities on One Time Settlement (OTS) basis; reduction in interest rate on all loans with effect from cut-off date i.e. 1st January, 2011; re-schedulement and elongation of repayment period of term loans etc.

In view of above, the Board of Directors of the Company at its meeting held on 11th May, 2011 has approved the terms and conditions of the Rework Package. As on the cut-off date of CDR i.e. 1st January, 2011, following outstanding dues of Financial Institutions/ Banks are to be converted into equity shares:-

Name	**(₹ in Crore)**
IDBI Bank Limited	128.04 Crore (Zero Coupon Premium Bonds)
IDBI Bank Limited	20.49 Crore (Premium on Zero Coupon Premium Bonds)
Oriental Bank of Commerce	67.03 (Zero Coupon Premium Bonds)
Oriental Bank of Commerce	10.95 Crore (Premium on Zero Coupon Premium Bonds)
Oriental Bank of Commerce	3.52 Crore (Working Capital Loan)
State Bank of India	13.49 Crore (Working Capital Loan)

The Company has already received individual approval from above lenders to the settlement terms as proposed in the Rework Package except from State Bank of India which is expected to be received shortly.

In view of the above, Company seeks the approval of Members by way of Special Resolution for issue and allotment of 24,74,83,938 equity shares of ₹1/- each at a premium of ₹8.84 per share determined as per the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2011 on preferential basis.

The following disclosures are made in terms of Regulation 73 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2011:

i) Object of the Issue:

The object of the proposed issue is to convert Zero Coupon Premium Bonds (ZCPBs), premium on ZCPBs and part of irregular portion of working capital loans into equity shares as stipulated in the Rework Package approved by the CDR Empowered Group.

ii) The proposal of the promoters, directors or key management personnel of the issuer to subscribe to the offer:

As the aforesaid equity shares are to be issued pursuant to the terms and conditions of Rework Package approved under CDR mechanism, promoters, directors or key management personnel will not subscribe any shares.

iii) Shareholding Pattern before and after the Issue:

The shareholding pattern before and after the Issue is as under:

Class of Shareholders	**Pre-allotment**		**Post allotment**	
	No. of Shares	**%**	**No. of Shares**	**%**
Promoters, Promoter Group, Directors their Associates and Relatives	479298999	48.29718	479298999	38.65691
Mutual Funds/ UTI	19380	0.00195	19380	0.00156
Financial Institutions and Banks	1110060	0.11186	248593998	20.04986
FIIs	18087486	1.82261	18087486	1.45881
Bodies Corporate	221280152	22.29758	221280152	17.84691
Others	272599260	27.46882	272599260	21.98595
Total	**992395337**	**100.00000**	**1239879275**	**100.00000**

iv) Proposed time limit within which the allotment shall be completed:

The allotment of equity shares will be completed within the time prescribed under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2011.

v) Identity of the proposed allottees and the percentage of the post preferential issue capital that would be held by allottees:

Sr. No.	Identity of proposed allottees	No. of equity shares held (Post Issue)	% of post issue
1.	IDBI Bank Limited	15,09,45,122	12.17
2.	Oriental Bank of Commerce	8,28,25,353	6.68
3.	State Bank of India	1,37,13,463	1.11

The above issue will not result in any change in control of the Company. The promoters would continue to hold the majority stake in the shareholding of the Company.

vi) Relevant Date:

The "Relevant Date" for determining the issue price of equity shares is 9th February, 2011 being the date of approval of the Rework Package Sanctioned by the CDR Empowered Group.

vii) Price:

The equity shares shall be issued at a price of ₹9.84 per equity share arrived at in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2011.

viii) Lock in:

The equity shares to be issued shall be locked in for a period of one year from the date of allotment.

The Auditors' Certificate certifying that the proposed issue of equity shares is being made in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2011 will be available for inspection to the Members at the Annual General Meeting.

Pursuant to the provisions of Section 81(1A) of the Companies Act, 1956, any offer or issue of shares in a company to persons other than the holders of the equity shares of a company, requires prior approval of the shareholders in General Meeting by a Special Resolution. Accordingly, approval of the Members is sought to the Special Resolution as set out at sr. no. 4 of the Notice.

Mr. R K Bansal is interested in the proposed Resolution in his capacity as the Nominee Director of IDBI Bank Limited to the extent of equity shares to be allotted to IDBI Bank Limited. None of the directors other than Mr. R K Bansal is concerned or interested in the Resolution.

Registered Office:
8, Electronics Complex,
Chambaghat,
Solan – 173213 (H.P.)

Place: New Delhi
Date: 12th August, 2011

By Order of the Board
For **Himachal Futuristic Communications Limited**

(Manoj Baid)
Company Secretary

Corporate Governance

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, 2011, 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, one Non-Executive Director and two Wholetime Directors including one Promoter Managing Director. 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 for six months ended 31st March, 2011, six Board Meetings were held on 15.10.2010, 15.11.2010, 29.01.2011, 10.02.2011, 14.02.2011 and 28.02.2011.The last Annual General Meeting was held on 30th March, 2011.

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	**Category**	**No. of other present Directorships held in public companies**	**No. of Board Meetings**		**Attended last AGM (30/03/2011)**
			Held	**Attended**	
Shri M P Shukla	NEID	2	6	4	YES
Shri Mahendra Nahata	PD [MD]	2	6	5	NO
Shri Arvind Kharabanda	WD	-	6	6	YES
Dr. R M Kastia	NED	1	6	4	NO
Shri Y L Agarwal	NEID	3	6	5	YES
Shri R K Bansal, (IDBI Nominee)	NEID	5	6	4	NO

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

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

S.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.	Remuneration	Chairman
			Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Chairman
			HFCL Satellite Communications Ltd.	Audit	Member
			HTL Ltd.	Audit	Chairman
			HTL Ltd.	Remuneration	Member
2.	Shri Mahendra Nahata	1. HTL Ltd. 2. Infotel Broadband Services Ltd.	Infotel Broadband Services Ltd.	Audit	Member
3.	Shri Arvind Kharabanda	Nil	Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
4.	Dr. R M Kastia	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Share Transfer & Investors Grievance	Member
			HTL Ltd.	Audit	Member
5.	Shri Y L Agarwal	1. Electronics Systems Punjab Ltd. 2. HFCL Kongsung Telecom Ltd. 3. HTL Ltd.	Himachal Futuristic Communications Ltd.	Remuneration	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
6.	Shri R K Bansal	1. National Securities Depository Ltd. 2. IDBI Federal Life Insurance Co. Ltd. 3. IDBI Asset Management Ltd. 4. J K Lakshmi Cements Ltd. 5. Investor Services of India Ltd.	Himachal Futuristic Communications Ltd.	Remuneration	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
			IDBI Federal Life Insurance Co. Ltd.	Audit	Member
			J K Lakshmi Cements Ltd.	Audit	Member

* The directorship held by Directors as mentioned above does not include directorship of foreign companies, Section 25 companies and private limited companies, if any.

None of the Directors on the Board hold directorships in more than fifteen 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, Remuneration Committee Meetings and Share Transfer & Investors Grievance Committee Meetings.
- Matters related to accident, dangerous happenings, material effluent and pollution problems etc., if any.
- Details of Joint Venture / Collaboration agreements.
- Labour Relations.
- Disclosure of material related party transactions, if any, with potential for conflict of interest.
- Quarterly details of Foreign Exchange exposures and risk management strategies.

- 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
- Remuneration Committee
- Share Transfer & Investors Grievance Committee

3.1 Audit Committee

The followings are the members and their attendance at the Committee Meetings during the financial year for six months ended 31st March, 2011:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	3	3
Shri R K Bansal	Member	3	2
Shri Y L Agarwal	Member	3	3
Shri Arvind Kharabanda	Member	3	3

During the period 01.10.2010 to 31.03.2011, the Audit Committee met three times on 15.11.2010, 14.02.2011 and 28.02.2011.

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, 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.

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 Remuneration Committee

During the financial year under review, the Remuneration Committee met on 15.11.2010. Attendance of the members in the Remuneration Committee Meeting are as under:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	1	1
Shri Y L Agarwal	Member	1	1
Shri R K Bansal	Member	1	1

This Committee is responsible for determining the Company's policy on specific remuneration package for Executive Directors including any compensation payment.

The details of remuneration and perquisites paid to the Executive and Non-Executive Directors during the financial year 2010-11 are given below:-

Name of Director	Salary	Allowances	Perks	Sitting Fee	Total
	(in ₹)				
Category A - Executive Directors					
Shri Mahendra Nahata Managing Director	17,74,080	4,43,205	2,71,344	-	24,88,629
Shri Arvind Kharabanda Director (Finance)	26,88,000	14,40,000	2,94,598	-	44,22,598
Category B – Nominee Director (Independent Director)					
Shri R K Bansal Director	-	-	-	35,000	35,000
Category C – Non-Executive Independent Directors/ Non Executive Directors					
Shri M P Shukla Chairman	-	-	-	45,000	45,000
Shri Y L Agarwal Director	-	-	-	45,000	45,000
Dr. R M Kastia Director	-	-	-	25,000	25,000

The non-executive directors are paid sitting fee of ₹ 5000/- for every Board / Committee meeting attended by them.

The remuneration paid to Shri Mahendra Nahata, Managing Director of the Company as shown under item no. 3.2 of Report on Corporate Governance was subject to approval from the Central Government. Since the Central Government has not given its approval for remuneration paid to Managing Director for the period, i.e. from 1st October, 2010 to 31st March, 2011, ₹ 24,88,629/- has not been charged to Profit & Loss Account and shown as recoverable.

The remuneration paid to Shri Arvind Kharabanda, Director (Finance) of the Company as shown under item no. 3.2 of Report on Corporate Governance was also subject to approval from the Central Government. The Company has not yet received approval from the Central Government for the period 1st June, 2010 to 31st May, 2012. In view of the above, amount paid to him towards remuneration during the financial year under review, has not been charged to Profit and Loss Account and shown as recoverable.

3.3 Details of pecuniary relationship/transactions of the Non - Wholetime Directors/ their Firms & Companies vis-a-vis the Company during the financial year 2010-2011

Nil

3.4 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, 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. The Committee met on 27th December, 2010. 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	1	1
Dr. R M Kastia	Member	1	1
Shri Arvind Kharabanda	Member	1	1

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

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

4. **General Body Meetings**

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

YEAR	AGM/ EGM/CCM	LOCATION	DATE	TIME
2009-2010	AGM	Mushroom Centre, Solan	30.03.2011	11:00 A.M.
2009-2010	Court Convened meeting of Equity Shareholders	Mushroom Centre, Solan	26.11.2010	10:00 A.M.
2009-2010	Court Convened meeting of Preference Shareholders	Mushroom Centre, Solan	26.11.2010	11:30 A.M.
2009-2010	Court Convened meeting of Secured Creditors	Mushroom Centre, Solan	26.11.2010	02:30 P.M.
2009-2010	Court Convened meeting of Unsecured Creditors	Mushroom Centre, Solan	26.11.2010	03:30 P.M.
2008-2009	AGM	Mushroom Centre, Solan	30.09.2009	11:00 A.M.
2007-2008	AGM	Mushroom Centre, Solan	29.09.2008	03:00 P.M.
2007-2008	EGM	Mushroom Centre, Solan	25.02.2008	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
2009-2010	AGM	Re-appointment of Shri Arvind Kharabanda, Director (Finance)	30.03.2011	11:00 A.M.
2008-2009	AGM	Re-appointment of Shri Mahendra Nahata, Managing Director	30.09.2009	11:00 A.M.
2007-2008	AGM	Delisting of Equity /Preference Shares from Stock Exchanges other than BSE & NSE	29.09.2008	3:00 P.M.
2007-2008	EGM	Change of Name of the Company	25.02.2008	11:00 A.M.

No Special resolution was put through postal ballot in the last AGM.

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.

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. **Whistle Blower Policy**

The Board of Directors of the Company in its meeting held on 30th January, 2006 has adopted Whistle Blower Policy, a non mandatory requirement as a measure of good governance and also to ensure better transparency. 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.

8. **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 contains Annual Reports, Financial Results, Shareholding Pattern etc. Management Discussions and Analysis forms part of the Directors' Report, which is posted to the shareholders of the Company.

9. **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.

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

Nil

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

Risk assessment and minimization procedure is being formulated.

12. **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.	**Dates of Book Closing**	:	19th September, 2011 to 24th September, 2011 (both days inclusive)
2.	**Date and venue of Annual General Meeting**	:	24th September, 2011 at 11:00 A.M. at Electronics Complex, Chambaghat, Solan (H.P.)
3.	**Listing on Stock Exchanges in India**	:	Bombay Stock Exchange 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.	**Status of Listing Fees**	:	Paid for 2011-2012
5.	**Listing of Global Depository Receipts on Stock Exchanges outside India**	:	The London Stock Exchange Plc 10, Paternoster Square London EC 4 M7LS Tel : 0044-2077971000 Fax : 0044-2075886057 Luxembourg Stock Exchange 11, Avenue de la Porte-Neuve BP.165 L - 2011, Luxembourg Grand Duchy of Luxembourg Tel : 00352-4779361 Fax : 00352-477936204
6.	**Registered office**	:	8, Electronics Complex Chambaghat Solan - 173 213 (H.P.) Tel : +91-1792-230643/44 Fax : +91-1792-231902

* The trading in Company's equity shares at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) which was suspended temporarily on 8th February, 2011 to give effect to reduction in face value and paid up value of equity shares of the Company from ₹10/- per share to ₹1/- per share as per the Composite Scheme of Arrangement and Amalgamation sanctioned by the Hon'ble High Court of Himachal Pradesh at Shimla on 5th January, 2011 has already resumed at both the Stock Exchanges w.e.f. 9th March, 2011.

7.	**Corporate Office**	:	8, Commercial Complex Masjid Moth, Greater Kailash - II New Delhi - 110 048 Tel : +91-11-30882624 Fax : +91-11-30689013
8.	**Works**	:	Electronics Complex Chambaghat Solan - 173 213 (H.P.) Tel : +91-1792-230643/44 Fax : +91-1792-231902 Cable Division L 35-37, Industrial Area, Phase - II Verna Electronic City Salcete, Goa - 403 722 Tel : +91-832-6697000 Fax : +91-832-2783444
9.	**CIN NO.**	:	L64200HP1987PLC007466
10.	**Website/Email**	:	www.hfcl.com secretarial@hfcl.com / investor@hfcl.com
11.	**Name of News Papers in which results are generally published**	:	Indian Express, Jansatta, Dainik Tribune
12.	**Depositories**	:	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
13.	**ISIN NO.**	:	INE548A01028

14. 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, Okhla Industrial Area, Phase -I New Delhi-110 020	Tel : +91-11-41406149 Fax : +91-11-41709881 Email: admin@mcsdel.com

15. 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 Share Transfer & Investors Grievance Committee meets as often as required.

The Total Number of shares transferred in physical form during the financial year 2010-2011:

Number of transfer deeds	7
Number of Shares	620

16. Investors complaints received during the financial year 2010-2011 :

Nature of Complaints	Received	Attended
Non receipt of Annual Reports	6	6
Non-receipt of dividend	1	1
Non trading of shares	14	14
Others	2	2
Total	**23**	**23**

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 2010-2011 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2011. The Board in its meeting held on 31st October, 2006 has designated Shri Manoj Baid, Company Secretary as the Compliance Officer.

17. Distribution of shareholdings as on 31st March, 2011:

No. of Equity held (₹)	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Up to 5000	307427	97.374	167312386	16.859
5001 – 10000	4484	1.420	33647162	3.390
10001 – 20000	1854	0.587	26849056	2.705
20001 – 30000	642	0.203	16091789	1.622
30001 – 40000	243	0.077	8591351	0.866
40001 – 50000	172	0.055	8042188	0.810
50001 – 100000	338	0.107	24518316	2.471
100001 & above	310	0.098	697503269	70.285
Shares in Transit	249	0.079	9839820	0.992
TOTAL	**315719**	**100.000**	**992395337**	**100.000**

18. Categories of Shareholding as on 31st March, 2011:

S. No.	Category	Shares	%
A	**Promoters Holding**		
1	Indian Promoters	479298999	48.29718
2	Foreign Promoters	-	-
	Sub Total	**479298999**	**48.29718**
B	**Public Shareholding**		
1	**Institutional Investors**		
a)	Mutual Funds & UTI	10880	0.00110
b)	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-Government Institutions)	706630	0.07121
c)	Foreign Institutional Investors	9718061	0.97925
	Sub Total	**10435571**	**1.05156**
2	**Non Institutional Investors**		
a)	Private Corporate Bodies	192089082	19.35610
b)	Indian Public	296427507	29.86990
c)	NRIs	3836504	0.38659
d)	**Any Other**		
i)	Foreign Banks	1705	0.00017
ii)	Trusts	141469	0.01426
iii)	OCBs	46500	0.00469
iv)	Shares in transit	9839820	0.99152
C	**Shares held by Custodian and against which depository receipts have been issued**	278180	0.02803
GRAND TOTAL (A+B+C)		**992395337**	**100.00000**

19. Dematerialisation of shares:

The Company's shares are compulsorily traded in dematerialised form as per SEBI Guidelines. As on 31st March, 2011, 99.90% 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, 2011 represent 2,78,180 equity shares (0.03 %). The 1,95,07,000 Zero Coupon Premium Bonds (ZCPBs) along with premium on ZCPBs are to be converted into 23,01,93,089 equity shares pursuant to Rework Package approved by the CDR Empowered Group on 9th February, 2011.

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

Month	NSE (in ₹)		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
October, 2010	11.75	10.65	6284.10	5937.10
November, 2010	16.75	10.75	6338.50	5690.35
December, 2010	12.50	10.00	6147.30	5721.15
January, 2011	11.70	9.40	6181.05	5416.65
February, 2011	10.25	9.10	5599.25	5177.70
March, 2011	13.35	7.90	5872.00	5348.20

22. Stock Codes: BSE : 500183 , NSE : HFCL

23. Financial Calendar (tentative and subject to change) 2011-2012:

Financial Reporting for the first quarter ending 30th June, 2011 : **Second week of August, 2011**

Financial Reporting for the second quarter and half year ending 30th September, 2011 : **Second week of November, 2011**

Financial Reporting for the third quarter ending 31st December, 2011 : **Second week of February, 2012**

Audited Accounts for the year ending 31st March, 2012 : **Last week of May, 2012.**

Annual General Meeting for the year ending 31st March, 2012 : **September, 2012.**

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, 2011.

sd/-
(Mahendra Nahata)
Date : 12th August, 2011 **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, 2011, 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. 11 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. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Share Transfer and Investors Grievance Committee, there were no investor grievance remaining unattended/ pending for more than 30 days as at 31st March, 2011 against the Company except in cases which are constrained by disputes and legal impediments.

5. 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

(Akash Shinghal)
Partner
Membership No.: 103490

Place: New Delhi
Date: 12th August, 2011

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Annual Report and Audited Accounts for the financial year for six months ended 31st March, 2011.

(₹ in thousands)

FINANCIAL RESULTS	2010-2011	2009-2010
Sales and Services	**885526**	3205469
Other Income	**2410423**	816593
Profit/(Loss) before depreciation, finance charges and taxation	**768782**	(3925892)
Less: Depreciation & Amortisation	**112246**	390328
Finance charges	**253539**	814823
Profit/(Loss) before taxes	**402997**	(5131043)
Provision for taxation	**212**	455
Income tax for earlier years	**-**	1143
Prior period adjustments	**634**	(6688)
Profit/(Loss) for the year	**402151**	(5125953)
Balance brought forward from previous years	**-**	(14899023)
Accumulated losses transferred to the Business Reconstruction Account	**-**	20024976
Balance carried to Balance Sheet	**402151**	-

DIVIDEND

The Board of Directors do not recommend any divided on equity and preference shares for the financial year ended 31st March, 2011 as the Company has not earned profit from the operational activities.

MANAGEMENT DISCUSSIONS & ANALYSIS (MDA)

Financial Review

Sales during the financial year for six months ended 31st March, 2011 stood at ₹ 885526 thousand as against the sale of ₹ 3205469 thousand in the previous financial year for eighteen months ended 30th September, 2010. During the year the Company has earned a net profit of ₹ 402151 thousand as compared to net loss of ₹ 5125953 thousand in the previous financial year.

Capital Structure and Restructuring of Loans

During the financial year 2010-11 the paid up capital of the Company stood at ₹ 1797395 thousand.

The Company had approached in the past to Lenders viz. Financial Institutions and Banks for a financial restructuring package which had been approved under the Corporate Debt Restructuring (CDR) mechanism by the CDR Empowered Group (EG) in the year 2004 and subsequently by respective Lenders individually. The restructuring package which inter-alia included funding of interest, reduction of interest rate, conversion of term loan into equity/ bond etc. At the request of the Company, CDR Empowered Group had further modified the CDR Package in the year 2005.

Due to continuous losses made by the Company, the Company has defaulted in payment of interest and repayment of principal amount to certain lending institutions/banks and could not adhere to some of the conditions prescribed by the CDR Empowered Group. In order to tide over the difficult situation caused by the liquidity crunch, the Company has recently again approached the lending institutions/ banks for the rework of CDR Package.

The Rework Package has been approved at the CDR EG meeting held on 9th February, 2011. The Rework Package inter-alia includes; waiver of penal interest, liquidated damages on all loans and premium on Zero Coupon Premium Bonds (ZCPBs); settlement of certain liabilities on one time settlement basis (OTS); reduction in interest rate on all loans with effect from cutoff date i.e. 1st January, 2011; re-schedulement and elongation of repayment period of term loans; conversion of some of loans into equity etc. The aforesaid restructuring will improve the cash flow and strengthen the financial position of the Company. Due to impact of waivers, reliefs and concessions granted under the CDR Rework Package and settlement of dues of some of the Lenders on OTS basis, the Company has earned a net profit of ₹ 402151 thousand as compared to net loss of ₹ 5125953 thousand in the previous financial year.

OVERVIEW OF TELECOM GROWTH IN INDIA

The telecom industry growth in India is the most remarkable story. From a mere 3% telephone density at the end of 2000, India has over 68% density by end 2010 and almost 100% in urban areas. No other industry has progressed at such a rapid pace in one decade as the telecommunications. The total number of telephone subscribers by February, 2011 were 826.25 million and expected to cross 1.16 billion by the end of 2013. The industry is expected to reach a size of ₹ 3,44,921 cr by 2012 at a growth rate of over 26% and generate employment opportunities for about 10 million people.

The Indian telecom sector has so far been able to maintain high growth with voice connectivity mainly through 2/2.5 G wireless network. Now this is expected to change from voice centric to data oriented broadband network. The broadband policy of 2004 had envisaged 40 million internet subscribers and 20 million broadband subscribers by 2010. The growth of broadband subscriber's base has been somewhat slow and was about 10 million by end 2010. However, the next growth of telecom services has to come from broadband services to provide inclusive internet connectivity through household connections in urban areas and through shared community connections in villages to make available triple play services i.e. voice, video and data including Tele Education, Tele Medicine, E-Commerce, Tele-agriculture etc. to the masses.

The broadband penetration in India would pick up as 3G with high speed data access (HSDA), Wi-Max and CDMA EVDO networks are rolled out in coming years. Currently BSNL has Wi-Max in select locations in the franchise model. Broadband on EVDO protocol is being provided by Tata, RCom and BSNL and some private operators. But for applications requiring large bandwidth and to meet the demand of surging video traffic, fibre optic networks would be cost effective in the long run. The fibre optic networks using GPON/EPON technology have the advantages of using green technology and dispense with frequency spectrum constraint. As per TRAI, the desirable target for broadband users has been kept at 100 million by the Year 2014. To encourage large usage of value added services (VAS), TRAI has recommended opening up of these services through MVNOs which will give fill-up to m-money, m-banking, m-purse etc. The recommendations are under consideration of the Government.

National Telecom Policy 2011, is under finalization and is expected to provide the required impetus to the growth of broadband services, indigenous manufacturing and a forward looking policy for an advanced telecom sector during the coming decade.

OPPORTUNITIES

The Company's core business is telecom equipment manufacturing and services. With addition of 10-12 million mobile telephone subscribers every month and the award of 3G and BWA licenses, there is a huge potential of business in both equipment and services during the next 3-5 years. The broadband networks will be IP based and there will be rollout of several Pan India Broadband wireless networks. The opportunity for the Company will be in manufacture of IP Radios, GPON, 3G, LTE and customer premises equipments.

For the rapid installation and expansion of IP networks the service operators would require large infrastructure requirements such as tower construction, power plants and installation of equipments for which Company is eminently suited. The Company has the expertise in RF planning, telecom equipment installation, commissioning, testing and handing over the networks.

Moreover a number of private operators are now outsourcing operation and maintenance services of their network. The Company has again the experience and expertise of managing and maintaining the networks at highest level of efficiency.

With the Government's new policy of promotion of local manufacture, there is huge potential for contract manufacturing. Your Company has already signed contract manufacturing agreement with DragonWave Inc., a Canadian Radio manufacturing company. The Company has also seen the potential of requirements of customer premises equipment and has taken active steps in setting up manufacture of these equipments.

The Government is focusing on providing broadband connectivity to rural areas and has finalized plans to provide rural broadband connectivity to all the 2,50,000 panchayats in the country within three years. The DoT has earmarked funds worth ₹18,000 cr for this purpose.

The Government has also announced a project to develop national optical fibre network costing ₹ 20,000 cr for providing connectivity to every nook and corner of the country. This project envisages 25,00,000 kms of optic fibre cable (OFC). This project involves setting up a special purpose vehicle (SPV) comprising of BSNL, MTNL and other PSUs. The capital expenditure of the SPV will be from the universal service obligation fund. Thus, there exists an excellent opportunity of getting large business from Govt. PSUs operating in Telecommunications field.

OUTLOOK

The outlook for your Company already established in manufacture of telecom equipments, fibre cables and rendering services is bright indeed with Govt. plans of setting up broadband networks connecting all the panchayats in the country in next three years and setting up an extensive fibre optic network throughout the country excellent opportunity is opening up for your Company. Further, the rollout of 3G and BWA networks will open up huge requirements for the supply of equipments, fibre cables and services. The Company is already finalizing partnership with international companies for technology transfer/joint venture for manufacturing. The Company is also in active discussions for technology cooperation in the field of DWDM, GPON, IP Radios, 3G/LTE equipments which will enable your Company to participate actively in various tenders.

Your Company offers a wide range of services in wireline and wireless sectors. Some of these services are RF planning, telecom equipment installation, testing and commissioning, setting up optical fibre networks and AMC.

The Company's focus will continue to be an equipment manufacturing, telecom infrastructure services, operation and maintenance of the networks.

THREATS, RISKS & CONCERN

The telecommunication market in India is one of the most competitive markets. The mobile services operators, generally outsource the main switching equipments to foreign suppliers on long term payment basis or on lease and the opportunity for an indigenous company is somewhat reduced. Further, the equipment business is tender based with short delivery time and there is a risk that delay in supply may invoke penalties.

The presence of small companies doing installation work puts strain on the margins of the turnkey activities of the Company.

There is also some concern related to delay in rollout of the new 3G/BWA networks where the Company is expecting supply of equipments and turnkey business.

ADEQUACY OF INTERNAL CONTROL

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 (HRD)

HFCL has a team of experienced and competitive professionals. In the ever changing telecom scenario, we recognize 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 employee strength of the Company as on 31st March, 2011 was 559.

JOINT VENTURE

During the year under review, your Company has signed a Joint Venture Agreement with DragonWave Inc. a Canadian company. DragaonWave is a global supplier of high capacity Packet Microwave Radio Systems which are used for backhaul of traffic in 3G/4G and Broadband Wireless Networks. Pursuant to the above Joint Venture Agreement, a Joint Venture Company in India has been incorporated in which 50.1% and 49.9% equity shares are held by DragonWave and your Company respectively.

The Joint Venture Company will perform local sales and marketing of Packet Microwave Radios, Pseduo wire Emulation products etc. The products will be manufactured by the Company at its plant situated in Solan, Himachal Pradesh.

SUBSIDIARIES

M/s HTL Ltd. 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 12th August, 2011 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. 87 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 between 10:00 A.M. to 1:00 P.M. on all working days except Saturdays up to the date of AGM.

CAUTIONARY STATEMENT

Statement in the management's 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

Shri M P Shukla, Director retire by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

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, 2011, 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, 2011 on a 'going concern' basis.

AUDITORS

M/s Khandelwal Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The information and explanation on qualifications/observations in the Auditors' Report are given in **Annexure – I**

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 up to the date of this Report is set out in the **Annexure-II** 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-III** 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 99.90% of the equity shares have been dematerialized. The ISIN no. allotted to the equity shares of the Company is INE548A01028.

CORPORATE GOVERNANCE

A separate statement on Corporate Governance 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, Industrial Development Bank of India, Unit Trust of India, State Bank of India, Oriental Bank of Commercial, Punjab National Bank, Bank of Baroda, Union Bank of India and other Banks and Institutions for all corporation, facilities and encouragement they have extended to the Company. Your Director 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 **M P Shukla**
Date : 12th August, 2011 **Chairman**

ANNEXURE – I TO THE DIRECTORS' REPORT

INFORMATION AND EXPLANATION ON QUALIFICATIONS/ OBSERVATIONS IN THE AUDITORS' REPORT

A. OBSERVATIONS IN THE MAIN AUDITORS' REPORT

Auditors' Observations :

1. Para 4 :

a) *As mentioned in Note B-9 of Schedule 19, the Company has accounted for the impact of Rework Package approved by the CDR Empowered Group after complying with most of the terms and conditions stipulated therein, though compliance of some of them is still in process and individual acceptance of one of lender is still awaited.*

Reply :

The Company has complied with the most of the conditions as stipulated in the Rework Package of CDR. Further all the lenders who have given their in-principle approval for Re-work Package to the CDR Empowered Group, have also communicated their Sanctions to the Company except from one lender which is expected to be received shortly.

2. Para 4 :

b) *With regard to the sundry debtors outstanding for a long period as mentioned in Note B-17 of Schedule 19, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made by the Company. Impact thereof on the profit for the period, if any, is unascertainable.*

Reply :

The Company has made adequate provisions for doubtful debt based on its assessment.

3. Para 4 :

c) *As mentioned in Note B-21 of Schedule 19, balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any,*

Reply :

The Company obtains the confirmation in ordinary course of business from time to time and no major variations were found.

4. Para 4 :

d) *As mentioned in Note B-5 of Schedule 19, the Company has paid remuneration to managerial personal during the period for which approval of the Central Government is pending.*

The effect of the items mentioned at paragraph 4 (a), (b), (c) and (d) above is unascertainable, and hence the consequential cumulative effect thereof on profit for the period, assets, liabilities and reserves is unascertainable.

Reply :

The Company has received necessary approval from the Central Government for the re-appointment and payment of remuneration to Wholetime Directors for the financial year 2007-08, 2008-09 and part financial year of 2009-10 for ₹2,74,63,608/-. The Central Government has not given its approval for remuneration paid to Managing Director for the period from 1st October, 2010 to 31st March, 2011. However, since the financial year 2007-08, the Company has so far paid ₹5,27,71,568/- as remuneration to Wholetime Directors. As the approval of Central Government received is of lesser amount than the actual remuneration paid for the aforesaid period, the excess amount of ₹2,53,07,960/- paid continues to be shown as recoverable. The Company is in the process of making representation to the Central Government for seeking their approval for the entire amount of remuneration paid to them. The Company also filed necessary application with the Central Government seeking their approval for re-appointment and payment of remuneration to Wholetime Director for financial year 2009-10 and onwards which is under their consideration.

B. OBSERVATIONS IN ANNEXURE TO THE AUDITORS' REPORT

5. Para (vii) :

Although the Company is having Internal Audit System, the same needs to be strengthened further in terms of frequency of reporting to make it commensurate with the size of the Company and the nature of its business.

Reply :

The management will take necessary measures in future to make the Internal Control and Internal Audit Systems more extensive and effective commensurate with the operations of the Company.

6. Para (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 has 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, 2011 for period of more than six months from the date they become payable.

Reply :

All the above dues have been paid in time, barring few cases where there was a slight delay. In future, the management will make all efforts to deposit the same in time.

7. Para (x) :

There are no accumulated losses of the Company at the end of the financial period. The Company has not incurred cash loss during the period. *However, in the immediately preceding financial period, the Company had incurred cash loss.*

Reply :

The cash loss in the previous financial period has arisen mainly due to stiff market competition and low margins.

ANNEXURE – II 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, 2011

S. No.	Name	Remuneration Received (in ₹)	Nature of Employment	Other Terms & Conditions	Designation/ Nature of Duties	Qualifications & Experience	Date of Commencement of Employment	Age (Years)	Last Employment held and Designation
(A) Employed throughout the financial year									
1.	Mr. Y.S. Choudhary	39,69,553	Contractual	As per service Rule of Company	CEO	B.E. (Telecom), M.E. (Electronics) 42 Years	01.06.2009	68	Exicom Tele-Systems Ltd.
(B) Employed for part of the financial year									
N.A.									

Notes:

(i) The remuneration shown above comprises Salary, Allowances, Perquisites, Exgratia, Gratuity, 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.

(iii) The remuneration paid to Shri Arvind Kharabanda, Wholetime Director of the Company as shown under item no. 3.2 of Report on Corporate Governance is subject approval from the Central Government for which necessary application has already been made. However, the amount paid to him towards remuneration has not been charged to Profit & Loss Account this year which shall be done after receipt of approval from Central Government.

ANNEXURE – III 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:		
	Technology Imported	:	N.A.
	Year of Import	:	N.A.
	Has Technology been fully absorbed	:	Technology has been absorbed almost in all the areas of the Company's operation.
	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	:	-

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review the Company had made an export of ₹1599 thousand. No fresh initiatives were undertaken by the Company to increase and develop new export market for products and services as there is hardly any scope of export for products and services in which the Company is engaged. The details of foreign exchange earnings and outgo are as under:-

(₹ in thousands)

Total Foreign Exchange earnings and outgo	Financial year ended 31st March, 2011	Financial year ended 30th September, 2010
FOB Value of Exports	1,599	8,578
Value of Imports	71,035	4,05,251
Expenditure in Foreign Currency	1,867	14,974

For and on behalf of the Board

Place : New Delhi **M P Shukla**
Date : 12th August, 2011 **Chairman**

AUDITORS' REPORT

To

THE MEMBERS OF

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. We have audited the attached Balance Sheet of **Himachal Futuristic Communications Limited** (the Company) as at 31st March, 2011, the Profit & Loss Account and also the Cash Flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.

4. *a) As mentioned in Note B-9 of Schedule 19, the Company has accounted for the impact of Rework Package approved by the CDR Empowered Group after complying with most of the terms and conditions stipulated therein, though compliance of some of them is still in process and individual acceptance of one of lender is still awaited.*

   b) With regard to the sundry debtors outstanding for a long period as mentioned in Note B-17 of Schedule 19, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made by the Company. Impact thereof on the profit for the period, if any, is unascertainable.

   c) As mentioned in Note B-21 of Schedule 19, balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmations, reconciliation and adjustments, if any.

   d) As stated in Note B-5 of Schedule 19, the Company has paid remuneration to managerial personnel during the period for which approval of central government is pending.

   The effect of items mentioned at paragraph 4(a), (b), (c) and (d) above is unascertainable, and hence the consequential cumulative effect thereof on profit for the period, assets, liabilities and reserves is unascertainable.

5. Further to our comments in the Annexure referred to above paragraph, 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 purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

   e) On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on above date from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to para 4* above and read together with the other notes and the significant accounting policies thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

(ii) In the case of the Profit and Loss Account, of the profit for the period ended on that date; and

(iii) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For KHANDELWAL JAIN & CO.,
Firm Registration No. 105049W
Chartered Accountants,
(Akash Shinghal)
Partner
Membership No: 103490

Place: New Delhi
Dated: 30th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED on the accounts for the period ended 31st March, 2011;

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets.

(b) As per the information and explanations given to us, there is a phased programme of physical verification of fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.

(c) During the period, the Company has not disposed off any substantial part of the fixed assets. However, at the period end the Company has determined the impairment loss on certain fixed assets amounting to ₹795,275,065/-.

(ii) (a) As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the period. 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 period, 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) *Although the Company is having internal Audit System, the same needs to be strengthened further in terms of frequency of reporting to make it commensurate with the size of the Company and nature of its business.*

(viii) The Central Government has prescribed maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 in respect of one of the product of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.

(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 deduced at source, wealth tax, excise duty, service tax and sales tax/works contract tax though there has 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, 2011 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. Income Tax Act	Income Tax	82,160,582	A/Y 2002-2003 & 2003-2004	Commis-sioner of Income Tax (Appeal), New Delhi
	Total	100,903,301		

(x) There are no accumulated losses of the Company at the end of the financial period. The Company has not incurred cash loss during the period. *However, in the immediately preceding financial period, the Company had incurred cash loss.*

(xi) According to the information and explanations given to us and records examined by us, in view of the Rework Package approved by the Corporate Debt Restructuring (CDR) Empowered Group as explained in Note No. B-9 of schedule 19, 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 OBC (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 period no term loan with repayment period beyond 36 months has been obtained. However, during the period 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 period, 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 period 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 period.

(xx) The Company has not raised any money by public issue during the period ended March 31, 2011.

(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.,
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No: 103490

Place: New Delhi
Dated: 30th May, 2011

BALANCE SHEET AS AT 31st MARCH, 2011

(₹ in thousands)

			Schedule No.		As at 31.03.2011	As at 30.09.2010
I	SOURCES OF FUNDS					
	1	**Shareholders' funds**				
	(i)	Capital	1	**1,797,395**		1,267,794
	(ii)	Equity Share pursuant to Scheme (as referred note No.10 of schedule 19)		**-**		529,602
	(iii)	Reserves & surplus	2	**2,220,006**		301,125
					4,017,401	2,098,521
	2	**Loan funds**				
	(i)	Secured loans	3	**2,780,985**		8,490,511
	(ii)	Unsecured loans	4	**1,103,606**		2,063,276
	(iii)	Loans pending conversion into equity (refer note No. B-9(f) of schedule 19)		**2,435,242**	**6,319,833**	- 10,553,787
					10,337,234	12,652,308
II	APPLICATION OF FUNDS					
	1	**Fixed assets**	5			
	(i)	Gross block		**4,718,224**		4,722,588
	(ii)	Less :Depreciation/Impairment		**3,830,103**		2,933,652
	(iii)	Net block		**888,121**		1,788,936
	(iv)	Capital work-in-progress		**158,328**		105,003
					1,046,449	1,893,939
	2	**Investments**	6		**10,343,233**	10,646,080
	3	**Current Assets, loans and advances**				
	(i)	Inventories	7	**348,128**		389,840
	(ii)	Sundry debtors	8	**3,329,951**		4,219,089
	(iii)	Cash and bank balances	9	**749,898**		1,216,746
	(iv)	Other current assets	10	**236,533**		160,600
	(v)	Loans and advances	11	**1,303,091**		2,068,102
				5,967,601		8,054,377
		Less : Current liabilities and provisions				
	(i)	Current Liabilities	12	**7,005,432**		7,927,225
	(ii)	Provisions	13	**14,617**		14,863
		Net Current Assets			**(1,052,448)**	112,289
					10,337,234	12,652,308
	Notes forming part of the Accounts		19			

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 30th May, 2011

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 30th May, 2011

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2011

(₹ in thousands)

	Schedule No.		6 Months Ended 31.03.2011	18 Months Ended 30.09.2010
INCOME				
Sales and services		**885,526**		3,205,469
Less: Excise Duty		**21,379**		91,148
			864,147	3,114,321
Other income	14		**2,410,423**	816,593
Increase/(decrease) in stock	15		**(6,903)**	(102,002)
			3,267,667	3,828,912
EXPENDITURE				
Materials consumed/cost of goods sold	16		**611,332**	1,808,146
Manufacturing and other expenses	17		**249,367**	1,172,629
Provision for inventories			**38,975**	99,042
Bad debts, Loans & advances and Others written off (Net)		**1,844,754**		1,789,235
Less : Transferred from provision made in earlier years		**1,132,715**	**712,039**	(1,112,044)
Liquidated Damages			**26,887**	7,781
Payment towards guarantee/contract obligation			**64,500**	69,920
Foreign exchange fluctuation			**231**	(38,695)
Loss on sale / written off of fixed assets			**279**	9,062
Goodwill on amalgamation written off			**-**	33,678
Finance charges	18		**253,539**	814,823
Depreciation			**112,246**	390,328
Provision for Impairment of fixed assets			**795,275**	-
			2,864,670	5,043,905
PROFIT /(LOSS) BEFORE EXTRAORDINARY ITEMS AND TAXES			**402,997**	(1,214,993)
Loss on sale of investments in subsidiary			**-**	3,916,050
PROFIT /(LOSS) BEFORE TAXES			**402,997**	(5,131,043)
Provision for taxation :				
Current tax			**212**	455
PROFIT /(LOSS) FOR THE YEAR			**402,785**	(5,131,498)
Prior period adjustments			**634**	(6,688)
Income tax for earlier years			**-**	1,143
			402,151	(5,125,953)
Balance brought forward from previous year			**-**	(14,899,023)
Balance transferred to business reconstruction account			**-**	20,024,976
Balance carried to Balance Sheet			**402,151**	-
Earning per share (Face value of ₹ 1/- each) before extraordinary items				
Basic (₹)			**0.38**	(1.88)
Diluted (₹)			**0.35**	(1.88)
Earning per share (Face value of ₹ 1/- each) after extraordinary items				
Basic (₹)			**0.38**	(7.61)
Diluted (₹)			**0.35**	(7.61)
Notes forming part of the Accounts	19			

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 30th May, 2011

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 30th May, 2011

SCHEDULES FORMING PART OF THE ACCOUNTS

(₹ in thousands)

		As at 31.03.2011	As at 30.09.2010
1.	**SHARE CAPITAL**		
Authorised :			
5,100,000,000	(Previous year 5,100,000,000) Equity shares of ₹1/- each	**5,100,000**	5,100,000
25,000,000	(Previous year 25,000,000) Redeemable preference shares of ₹100/- each	**2,500,000**	2,500,000
		7,600,000	7,600,000
Issued and Subscribed :			
992,395,337	(Previous year 462,793,697) Equity shares of ₹1/- each	**992,395**	462,794
7,000,000	(Previous year 7,000,000, 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each (Note-2)	**700,000**	700,000
1,050,000	(Previous year 1,050,000, 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each (Note-2)	**105,000**	105,000
		1,797,395	1,267,794
Paid Up :			
992,395,337	(Previous year 462,793,697) Equity shares of ₹1/- each fully paid up (Refer note-1 below and B-10 of schedule 19)	**992,395**	4,627,937
	Less : Reduction in Equity share capital	**-**	4,165,143
		-	-
		992,395	462,794
7,000,000	(Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each, fully paid up (Note-2)	**700,000**	700,000
1,050,000	(Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each, fully paid up (Note-2)	**105,000**	105,000
		1,797,395	1,267,794

NOTES :

1 Of the above Equity shares :

(i) 278,180 (Previous year 278,180) shares represent Global Depository Receipts.

(ii) 14,550,000 (Previous year 14,550,000) shares issued for consideration other than cash pursuant to the amalgamation of erstwhile Himachal Telematics Ltd. with the Company.

(iii) 529,601,640 shares issued for a consideration other than cash pursuant to the Arrangement and Amagamation between earstwhile Sunvision Engineering Company Private Limited (SECPL) with the Company.

2 8,050,000 6.5% CRPS of ₹100/- each are redeemable in the financial year 2017-18 and 2018-19 in terms of the Rework CDR package.(Refer note no. 9 b(ii) and 9(c) of Schedule 19)

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

2. RESERVES & SURPLUS		As at 31.03.2011	As at 30.09.2010
Capital Reserve			
As per last Balance Sheet			
Central investment subsidy	-		1,000
Gain on foreign exchange fluctuation	-		244,753
D.G. set subsidy	-		14
Amount paid on warrants forfeited	-		46,000
Less: Transfer to Business Reconstruction Account	-		(291,767)
	-		-
Securities Premium Account			
As per last Balance Sheet	**301,125**		10,265,019
Less : Premium on redemption of bonds	-		(380,581)
Add : Premium on bonds reversed (refer note B-9(b)(iii)&9(e)of schedule 19)	**1,516,730**		86,854
Less : Transfer to Business Reconstruction account	-		(9,863,396)
	1,817,855		107,896
Add : On issue of equity share to the equity shareholder and OCD holders of erstwhile SECPL			5,410,898
Less : Transfer to Business Reconstruction account			(5,217,669)
		1,817,855	301,125
Amalgamation Reserve			
As per last Balance Sheet	-		97,000
Less : Proportionate calls in arrears	-		(17)
Less : Transfer to Business Reconstruction account			(96,983)
		-	-
Capital Redemption Reserve			
As per last Balance Sheet	-		140,000
Less : Transfer to Business Reconstruction account	-		(140,000)
		-	-
Debenture Redemption Reserve			
As per last Balance Sheet	-		250,000
Less : Transfer to Business Reconstruction account	-		(250,000)
		-	-
Profit & Loss Account			
Surplus as per account annexed		**402,151**	-
		2,220,006	301,125

3. SECURED LOANS

(Refer note no.B-9 of Schedule 19)

Zero coupon premium bonds	-	2,664,100
Working capital loans from banks	**529,360**	1,262,419
Term loans from financial institutions and banks	**1,265,129**	1,316,820
Funded interest term loans	**955,536**	790,722
Other loans	**122**	619
Premium payable on redemption of bonds	-	1,611,186
Interest accrued and due	**30,838**	844,645
	2,780,985	8,490,511

NOTES :

Secured loans comprising :-

1 Nil (Previous year 12,804,000) Zero Coupon Premium Bonds (ZCPBs) of ₹100/- each, Term loan of ₹ 791,043 (Previous year ₹ 791,043) from financial institution and Funded interest term loan of ₹ 450,022 (Previous year ₹ 443,289) 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 above said loan to be credited to the Escrow/designated account.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

2 Nil (Previous year 10,937,000) Zero Coupon Premium Bonds (ZCPBs) of ₹ 100/- each, Term loan of ₹ Nil (Previous year ₹ 266,300) from financial institution and Funded interest term loan of ₹ Nil (Previous year ₹230,625) are required to be secured by way of first charge on all the immovable properties, both present and future, on pari-passu basis, by way of equitable mortgage and hypothecation of moveable assets, both present and future, subject to the prior charge of the Company's bankers on specified moveable assets for securing the borrowings for working capital requirements. Term loan is further secured by way of pledge of certain shares.

3 Nil (Previous year 2,900,000) Zero Coupon Premium Bonds (ZCPBs) of ₹ 100/- each, Term loan of ₹ 233,541 (Previous year ₹ 259,477) from a bank, Working capital term loan of ₹ 105,604 and Funded interest term loan of ₹ 361,614 (Previous year ₹116,808) are secured by way of pledge of shares/Bonds/Units 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.

4 Working capital term loan of ₹134,940 from bank and Funded interest term loan of ₹ 143,900 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.

5 Working capital loans from banks aggregating to ₹ 529,360 (Previous year ₹ 1,262,419) 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.

6 Term loans are inclusive of Working Capital Term Loan of ₹ 240,545 (previous year ₹ Nil)

7 Other loans amounting to ₹123 (Previous year ₹ 619) are secured by way of hypothecation of assets under hire purchase agreements. Installment of loans falling due for repayment within one year ₹ 123

8 All the secured loans except as stated in 3 & 6 above are also personally guaranteed by some of the directors of the Company.

9 Term Loans repayable within one year ₹ Nil (Previous year ₹ 323,339).

4. **UNSECURED LOANS** (Refer note no.B- 9 of Schedule 19)	**As at** **31.03.2011**	As at 30.09.2010
Zero coupon premium bonds	-	380,300
Term loans from banks	**76,406**	109,909
Loans from bodies corporates	**989,450**	1,024,189
Funded interest term loans	-	87,248
Premium payable on redemption of bonds	-	219,944
Interest accrued & due	**37,750**	241,686
	1,103,606	2,063,276

NOTES :

1 Term loans from banks are personally guaranteed by some of the directors of the Company. Term Loans repayable within one year Nil (Previous year ₹10,051).

2 ₹ Nil (Previous year 380,300,000) Zero coupon premium bonds of ₹ 100/- each are personally guaranteed by some of the directors of the Company. These are to be redeemed in 48 monthly installments, on ballooning basis, from 30th April 2011 and ending 31st March 2015 to ensure yield of 8.5% p.a. by way of premium.

3 Loans from bodies corporate repayable within one year ₹ 989,450 (Previous year ₹ 528,782)

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

5. FIXED ASSETS

(₹ in thousands)

Description	GROSS BLOCK					DEPRECIATION				*IMPAIRMENT		NET BLOCK	
	As at 30.09.2010	Additions	Acquired on Amalgamation	Deductions/ disposed off	**As at 31.03.2011**	Up to 30.09.2010	For the year	Deductions/ disposed off	**Up to 31.03.2011**	As at 30.09.2010	**As at 31.03.2011**	**As at 31.03.2011**	As at 30.09.2010
1. Land - Leasehold	8,221	-	-	-	**8,221**	1,337	43	-	**1,380**	-	-	**6,841**	6,884
- Freehold	23,965	-	-	-	**23,965**	-	-	-	**-**	-	-	**23,965**	23,965
2. Buildings-Leasehold	15,068	-	-	-	**15,068**	6,244	251	-	**6,495**	-	-	**8,573**	8,824
- Freehold	143,892	-	-	-	**143,892**	63,519	2,397	-	**65,916**	-	-	**77,976**	80,373
- Leasehold Improvements	30,310	-	-	7,764	**22,546**	30,310	-	7,764	**22,546**	-	-	**-**	-
3. Plant & machinery	4,159,264	6,325	-	-	**4,165,589**	2,543,269	103,414	-	**2,646,683**	-	**795,275**	**723,631**	1,615,995
4. Electrical installation	49,638	-	-	-	**49,638**	45,352	367	-	**45,719**	-	-	**3,919**	4,286
5. Furniture & fixtures	41,815	130	-	80	**41,865**	37,037	557	40	**37,554**	-	-	**4,311**	4,778
6. Office equipments	184,348	529	-	47	**184,830**	168,674	1,630	40	**170,264**	-	-	**14,566**	15,674
7. Vehicles	65,531	325	-	3,782	**62,074**	37,376	3,587	3,226	**37,737**	-	-	**24,337**	28,155
8. Moulds & dies	536	-		-	**536**	534	-	-	**534**	-	-	**2**	2
Total	4,722,588	7,309	-	11,673	**4,718,224**	2,933,652	112,246	11,070	**3,034,828**	-	**795,275**	**888,121**	1,788,936
Previous year	4,670,343	15,974	70,721	34,450	**4,722,588**	2,552,279	390,328	8,954	**2,933,653**	-	**-**	**1,788,936**	2,118,064
Capital work-in progress												**158,328**	105,003

* (Refer note no. B-19 of schedule19)

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 ₹ 342,833, Electrical Installation ₹ 1,245 and Office Equipments ₹ 12,440.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

6. INVESTMENTS

(₹ in thousands)

	Face value per share/ debenture	As at 31.03.2011 No. of shares/ debentures	As at 31.03.2011 Amount	Amount	As at 30.09.2010 No. of shares/ debentures	As at 30.09.2010 Amount
A. LONG TERM INVESTMENTS (AT COST)						
(i) TRADE INVESTMENTS						
IN EQUITY SHARES (FULLY PAID UP)						
Associates						
Microwave Communications Ltd. (MCL) *	10	**12,187,440**	**-**		12,187,440	-
Exicom Tele-systems Ltd.	10	**630,223**	**43,344**		630,223	43,344
HFCL Kongsung Telecom Ltd.	10	**-**	**-**		620,100	-
HFCL Satellite Communications Ltd. (HSCL) **	10	**2,400,000**	**-**		2,400,000	-
HFCL Dacom Infochek Ltd. (HDIL)	10	**1,409,500**	**-**		1,409,500	-
HFCL Bezeq Telecom Ltd.	10	**100**	**-**		100	-
WPPL Ltd.	10	**-**	**-**		10	-
Westel Wireless Ltd.	10	**89,700**	**-**		89,700	-
Polixel Securities Systems (P) Ltd.	10	**10,000**	**100**		9,990	100
DragonWave HFCL India Pvt. Ltd.	10	**2,495,000**	**24950**		-	-
			68,394			43,444
Others						
Fascel Limited	10	**-**	**-**		100	1
Apex Enterprises (India) Limited	10	**-**	**-**		39,999	-
AB Corp Ltd.$	10	**13,300,000**	**1,650,000**		13,300,000	1,650,000
D L M Construction Pvt. Ltd.	10	**-**	**-**		150,000	-
Ja Ra Investments Pvt. Ltd.	100	**-**	**-**		15,000	-
Sant Lal Jain & Sons Pvt.Ltd.	100	**-**	**-**		10,000	-
Softline Leasing & Finance Ltd.	10	**-**	**-**		150,000	-
SCPL	10	**62,500**	**6,750,000**		62,500	6,750,000
Midas Communication Technologies Pvt. Ltd.	10	**2,642**	**3,000**		2,642	3,000
Etco Telecom Ltd	10	**-**	**-**		1,200,000	36,000
Platinum EDU Ltd.	10	**-**	**-**		400	-
Pioneer.net Pvt Ltd	10	**5,200,000**	**-**		5,200,000	-
Pagepoint Services (India) Pvt. Ltd.	10	**-**	**-**		49	1
			8,403,000			8,439,002
				8,471,394		8,482,446
* 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 which are pledged as security for the term loan given by OBC to HSCL and the Company, are being kept by OBC in their own name						

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

	Face value per share/ debenture	As at 31.03.2011 No. of shares/ debentures	Amount	Amount	As at 30.09.2010 No. of shares/ debentures	Amount
(ii) INVESTMENT IN SUBSIDIARY COMPANIES						
IN EQUITY SHARES (FULLY PAID UP)						
Unquoted						
HTL Ltd. (Refer note no. B-11 of Schedule 19)	100	**1,110,000**	**553,710**		1,110,000	553,710
Moneta Finance Pvt. Ltd.	10	**300,000**	**3,700**		300,000	3,700
				557,410		557,410
(iii) IN 0% OPTIONALLY FULLY CONVERTIBLE DEBENTURES						
Unquoted						
Amrit Sales Promotion Pvt. Ltd.	100	-	-		11,906,150	597,215
Apex Enterprises (India) Limited	100	-	-		24,175,860	607,613
Apurva Vanijya Pvt. Ltd.	100	-	-		420,000	42,000
Authentic Finance Pvt. Ltd.	100	-	-		58,061,080	1,259,108
APJR Traders & Commission Agent Pvt. Ltd.	100	**100,000**	**10,000**		100,000	10,000
Bachhawat Share Broking Pvt. Ltd.	100	**147,000**	**14,700**		147,000	14,700
Basant Marketing Pvt. Ltd.	100	**2,000,000**	**200,000**		2,000,000	200,000
Database Software & Technology Pvt. Ltd.	100	**4,500,000**	**450,000**		4,500,000	450,000
Etco Telecom Ltd.	100	-	-		3,000,000	300,000
Etisha Finance & Investment Pvt. Ltd.	100	**685,000**	**68,500**		685,000	68,500
Igloo Commerce Pvt. Ltd.	100	-	-		734,000	51,800
Lexus Infotech Ltd.	100	-	-		5,130,000	513,000
Shyam Basic Infrastructure Projects (P) Ltd. (formerly known as Shyam Telecommunications Pvt. Ltd.)	100	**6,434,000**	**643,400**		6,434,000	643,400
Telelink Finance Pvt. Ltd.	100	-	-		2,113,000	91,100
Vaibhav Credit & Portfolio Pvt. Ltd.	100	-	-		2,104,000	649,136
VSB Investment Pvt. Ltd.	100	-	-		225,000	22,500
Westel Wireless Ltd.	100	**126,000**	**12,600**		126,000	12,600
			1,399,200			5,532,672
Less:Provision for diminution in value			**755,800**			4,597,472
				643,400		935,200
(iv) IN Zero Coupon Optionally converted Bond						
SCPL	1,000	**26,000**		**26,000**	26,000	26,000
(v) IN 0.1% Unsecured Debenture						
Infotel Business Solutions Ltd.	10	**130,000,000**		**643,100**	130,000,000	643,100
(vi) IN Compulsorily Convertible Zero Coupon Bonds						
Infotel Technologies Private Ltd. (Formerly known as Digivision Infoysystem Private Ltd.)	1,000	-		-	900,000	-

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

	Face value per share/ debenture	As at 31.03.2011 No. of shares/ debentures	As at 31.03.2011 Amount	Amount	As at 30.09.2010 No. of shares/ debentures	As at 30.09.2010 Amount
B. CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE)						
OTHER INVESTMENTS						
IN EQUITY SHARES (FULLY PAID UP)						
Quoted						
Sumedha Fiscal Services Ltd	10	**18,200**	**182**		18,200	182
Indo Vanilion Ltd	10	**50,000**	**35**		50,000	35
Valiant Communications Ltd	10	**8,700**	**87**		8,700	87
Magma Fincorp Limited (Formerly known as Shrachi Securities Ltd)	2	**152,830**	**1,376**		91,700	1,375
				1,680		1,679
Unquoted						
The Greater Bombay co-op Bank Ltd.	25	**4,000**		**100**	4,000	100
IN UNITS (FULLY PAID UP)						
Quoted						
Mutual Fund - Cash Management Dividend	10	**14,829**		**149**	14,400	145
				10,343,233		10,646,080

NOTES :

	As at 31.03.2011	As at 30.09.2010
1. Aggregate book value of investments		
-Quoted	**1,829**	1,824
-Unquoted	**10,341,404**	10,644,256
2. Aggregate market value of quoted investments	**9,898**	9,525

7. INVENTORIES

(As Certified and valued by the management)

Stores & spare parts	**8,979**		9,142
Less : Provision for Non Moving	**1,937**	**7,042**	(1,937)
Loose tools		**877**	1,017
Raw materials	**328,380**		310,083
Less : Provision for Non Moving	**85,768**	**242,612**	(85,846)
Raw materials in transit		**-**	13,868
Stock in trade - securities *		**66,319**	74,670
Packing materials		**1,425**	1,385
Work in process**	**96,612**		95,178
Less : Provision for Non Moving	**66,992**	**29,620**	(34,200)
Finished goods	**6,494**		6,480
Less : Provision for Non Moving	**6,261**	**233**	-
		348,128	389,840

*(Refer note no.B-7 of Schedule 19)

**(Refer note no.B-8 of Schedule 19)

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

		As at 31.03.2011	As at 30.09.2010
8.	**SUNDRY DEBTORS**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	Considered good *	**2,862,513**	3,507,212
	Considered doubtful	**-**	444
	Other debts *- considered good	**467,438**	711,877
		3,329,951	4,219,533
	Less: Provision for doubtful debts	**-**	444
		3,329,951	4,219,089

* Includes receivable from subsidiaries : Debts outstanding for a period exceeding six months ₹ 1,05,574 (Previous year ₹ 105,765), Other debts ₹ Nil (Previous year ₹ 2,408)

9.	**CASH & BANK BALANCES**		
	Cash on hand	**1,312**	1,328
	Cheques in hand	**224,107**	-
	Balances with Scheduled banks in		
	Current accounts	**82,055**	270,834
	Fixed deposit accounts*	**442,424**	944,584
		749,898	1,216,746

* a) includes fixed deposit receipts pledged with banks as margin money/under lien ₹ 191,462/- previous year ₹177,907)
b) confirmation awaited for FDR with IDBI of ₹ 50,000.

10.	**OTHER CURRENT ASSETS**		
	Interest receivable	**1,97,684**	1,21,593
	Security deposits	**38,849**	39,007
		2,36,533	1,60,600
11.	**LOANS AND ADVANCES**		
	(Unsecured, considered good unless otherwise stated)		
	Loans to others	**60,000**	75,243
	Advances recoverable in cash or in kind or for value to be received	**732,187**	1,514,671
	Advances to vendors	**341,835**	344,561
	Balances with Central excise & Customs authorities	**57,204**	54,306
	Advance payment of Income tax (net)	**111,865**	79,321
		1,303,091	2,068,102
12.	**CURRENT LIABILITIES**		
	Sundry creditors	**718,743**	1,442,866
	Other liabilities	**101,654**	108,529
	Interest Accrued but not due	**-**	20,795
	Advances from customers and others	**6,185,035**	6,355,035
		7,005,432	7,927,225

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

13.	PROVISIONS		As at 31.03.2011	As at 30.09.2010
	Provisions for employees' retirement benefits		**14,617**	14,863
			14,617	14,863

14.	OTHER INCOME		6 Months Ended 31.03.2011	18 Months Ended 30.09.2010
	Interest (Gross)			
	On fixed deposits	**27,706**		26,120
	(TDS ₹ 3,334; previous year ₹ 2,269)			
	Others	**351**		3,742
			28,057	29,862
	(Diminution)/appreciation in value of investments		**-**	65
	Profit on sales of Investments (net) (refer note No.B-15 of schedule 19)		**85**	26,876
	Excise Claim received		**-**	304
	Waiver of loan and interest thereon		**2,278,447**	653,090
	Loans & advances, Investment recovered (earlier written off)		**89,838**	80,280
	Dividends on investments (Gross)		**13,604**	20,766
	Miscellaneous income		**392**	5,350
			2,410,423	816,593

15.	INCREASE/(DECREASE) IN STOCK		
	Opening stock		
	Finished goods	**6,480**	6,475
	Stock in trade - securities	**74,670**	62,142
	Work in process	**95,178**	209,713
		176,328	278,330
	Closing stock		
	Finished goods	**6,494**	6,480
	Stock in trade - securities	**66,319**	74,670
	Work in process	**96,612**	95,178
		169,425	176,328
	Increase/(Decrease) in Stock	**(6,903)**	(102,002)

16.	MATERIALS CONSUMED/COST OF GOODS SOLD		
	Opening stock	**3,10,083**	3,14,654
	Add : Purchases during the year *	**6,29,629**	1,803,575
		9,39,712	2,118,229
	Less : Closing stock	**3,28,380**	3,10,083
		6,11,332	1,808,146

* includes goods purchased for resale amounting to ₹ 399,609 (Previous year ₹ 344,207)

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

17. MANUFACTURING AND OTHER EXPENSES		6 Months Ended 31.03.2011	18 Months Ended 30.09.2010
Payments to and provisions for employees			
Salaries, wages and bonus	**75,562**		261,007
Contribution to provident & other funds	**5,454**		16,149
Welfare expenses	**6,695**		21,608
		87,711	298,764
Operating and other expenses			
Consumption of packing material	**5,877**		33,646
Consumption of stores and spare parts	**4,863**		20,055
Loose tools written off	**141**		598
Power, fuel and water charges	**6,314**		22,787
Repairs to buildings	**573**		3,914
Repairs to machinery	**1,427**		4,166
Other repairs	**669**		4,815
Rent	**4,491**		13,937
Rates and taxes	**1,702**		8,488
Insurance charges	**1,564**		5,779
Auditors remuneration			
Audit fees	**1,655**		4,136
In other capacity	**971**		1,515
Out of pocket expenses	**140**		190
Legal and professional charges	**39,308**		61,778
Communication expenses	**7,249**		12,554
Travelling, conveyance and vehicle expenses	**19,863**		45,924
Labour and service charges	**36,224**		467,305
Directors fees	**150**		480
Charity & Donation	**118**		88,287
Increase/(decrease) in excise duty on finished goods	**1**		4
Other expenses	**18,868**		45,337
		152,168	845,695
Selling and distribution expenses		**9,488**	28,170
		249,367	1,172,629

18. FINANCE CHARGES		
Interest and upfront fee on loans	**2,44,043**	501,001
Interest on other loans (net)	**4,195**	295,283
(Refer note no. B-6 of Schedule 19)		
Discounting & bank charges	**5,301**	18,539
	253,539	814,823

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

19. NOTES FORMING PART OF THE ACCOUNTS TO ABRIDGED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. 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 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- Revenue expenditure of specialized R&D Division including its depreciation incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets.

3. 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.

4. 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.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(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.

5. 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.

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.

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

6. 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-Process	At lower of cost and net realizable value

Note : 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.

7. 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.

8. 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.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(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.

9. 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.

10. 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.

11. 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.

12. 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”.

13. 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.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(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.

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

15. 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.

16. Taxes on Income

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.

17. 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.

18. 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.

19. 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.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

B. OTHER NOTES

1. The Company has opted for the period of current financial year as six months from 1st October, 2010 to 31st March 2011. During the previous year, Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh (ROC) vide its order dated 4th May, 2010 had granted the permission to the Company to prepare the annual accounts for a period of eighteen months ending 30th September, 2010.

			As at 31.03.2011	As at 30.09.2010
2.		Contingent Liabilities not provided for in respect of :		
	(a)	Unexpired Letters of Credit (margin money paid ₹ 20,511; Previous year ₹ 44,745)	**15,702**	24,348
	(b)	Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits ₹ 168,812; Previous year ₹ 104,422)	**4,78,992**	4,15,295
	(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)	**13,74,331***	19,15,672*

* This excludes Company's counter guarantees of ₹ 567,000 in respect of guarantees provided by the banks and institutions on behalf of HFCL Bezeq Telecom Ltd. for bid bonds to Department of Telecommunications (DoT) towards tender for operation of basic telephone services as the guarantees have already expired and the Hon'ble Delhi High Court vide its order dated 19.09.97 granted permanent injunction restraining the DoT from invoking the said guarantees. The appeal filed by DoT against this also stands dismissed. The DoT has filed application for restoration of appeal before the Double Bench of the Hon'ble High Court of Delhi which has been allowed and matter is now pending for decision.

	(d)	Arrears of Dividend on Cumulative redeemable preference shares (refer note no.9b(ii))	**4,05,594**	6,74,741
3.		Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**51,625**	17,834
4.	a)	Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 5,000 shown as advance)	**1,00,903**	43,497
	b)	Other claims against the company not acknowledge as debt	-	68,399

5. Directors remuneration including Managing Director (excluding provision for gratuity)

		2010-2011*	2009-2010*
(i)	Salaries	-	2,830
(ii)	Contribution to provident fund	-	340
(iii)	Perquisites and allowances	-	1,665
		-	4,835

* The Company has received necessary approval from the Central Government for the re-appointment and payment of remuneration to Wholetime Directors for the Financial year 2007-08, 2008-09 and part financial year of 2009-10 for ₹ 27,464. The Central Government has not given its approval for remuneration paid to Managing Director for the period from 1st October, 2010 to 31st March, 2011. However, since the financial year 2007-08, the Company has so far paid ₹ 52,772 as remuneration to Wholetime Directors. As the approval of Central Government received is of lesser amount than the actual remuneration paid for the aforesaid period, the excess amount of ₹ 25,308 paid continues to be shown as recoverable. The Company is in the process of making representation to the Central Government for seeking their approval for the entire amount of remuneration paid to them. The Company also filed necessary application with the Central Government seeking their approval for re-appointment and payment of remuneration to Wholetime Director for financial year 2009-10 and onwards which is under their consideration.

6. Interest charges on loans is net of Interest income from loans and advances amounting to ₹ 122,333 (Previous year ₹ 145,483).

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

7. Stock in trade - Securities include equity shares of the following companies:

	As at 31.03.2011		As at 30.09.2010	
Particular	**Qty**	**Amount**	Qty	Amount
Adinath Bio Labs Ltd.	**6,408,000**	**14,610**	6,408,000	14,546
Granules India Ltd.	**100,000**	**3,200**	100,000	3,200
Manvens Biotech Ltd.	**17,000**	**93**	17,000	230
Media Matrix Worldwide Ltd.	**4,750**	**15**	4,750	19
Optimates Textile Ltd.	**1,302,500**	**9,704**	1,302,500	9,704
Rashel Agrotech Ltd.	**478,500**	**603**	478,500	1,005
Sahara India Media and Entertainment Ltd.	**250,950**	**38,094**	250,950	45,966
		66,319		74,670

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

Particular	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Contract revenue recognized as revenue in the year / period	-	9,17,035
Aggregate amount of costs incurred and profit up to the reporting date on the contract under progress	-	-
Advance received on contract under progress	-	-
Retention amounts on contract under progress	-	-
Gross amount due from customers for the contract work as on assets	-	-
Gross amount due to the customers for contract work as a liability	-	-

9. 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. Because of liquidity problems and due to inadequate working capital funds, the Company had again approached its lenders viz. Banks and Financial Institutions for Rework of earlier sanctioned restructuring package. 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 29.03.2011. The Rework package includes interalia reduction in the existing payable rate of interest, reschedulement and longer period 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 said CDR package also stipulates conditions to be complied with by the Company and arrangement of additional infusion of funds from promoters.

b The Company has complied with most of the conditions as stipulated in CDR Rework package. Accordingly, the impact of CDR Scheme as above has been incorporated in these financial statements as below:

i) Interest to banks and financial institutions w.e.f. cut off date has been accounted for at the rates specified in the said package.

ii) The Cumulative Redeemable Preference Shares (CRPS) aggregating to ₹ 805,000 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. However, dividend accrued on notional basis, as

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹ in thousands)

same has not been declared and fallen due for payment, and penal interest thereon, till the cut-off date, shall be waived. (Also refer Note no. 9 (c) below)

iii) Zero Coupon Premium Bonds (ZCPBs) amounting to ₹ 1,950,700 shall be converted into equity shares of face value of ₹ 1/-each at a price to be arrived at as per SEBI guidelines. Accordingly Equity shares equal to ₹ 1,950,700 divided by such arrived at price shall be allotted to the holders of ZCPBs after necessary compliance & formalities. Out of the total premium of ₹ 1,189,781 accrued on these ZCPBs till cut off date, a sum of ₹ 314,400 shall also converted into equity share of face value of ₹ 1/- each at a price to be arrived at as per SEBI guidelines. According Equity shares equal to ₹ 314,400 divided by such arrived at price shall be allotted to the holders of ZCPBs after necessary compliance & formalities and balance amount of premium of ₹ 875,381 has been waived. The amount of premium waived which was earlier adjusted from security premium account in earlier years has now been reversed.

iv) Secured and unsecured working capital loans from banks amounting to ₹ 240,545 have been converted into working capital term loans (WCTL) which together with existing WCTL of ₹ 76,406 have been reschedule so as to be repaid in 84 monthly installments, commencing from 30th April 2012 and ending 31st March 2019.

v) Secured working capital loans from banks amounting to ₹ 170,142 shall be converted in to equity shares of face value of ₹ 1/- each at a price to be arrived at as per SEBI guidelines. Accordingly equity shares equal to ₹ 170,142 divided by such arrived at price shall be allotted to the respective lenders after necessary compliance & formalities.

vi) The outstanding principal amount of secured loan amounting to ₹ 1,024,584 from financial institutions and banks have been rescheduled so as to be repaid in 84 monthly installments commencing from 30th April, 2012 and ending 31st March 2019 on flat interest rate of 10% p.a. from cut off date.

vii) Funded Interest Term Loans (FITL) amounting to ₹ 647,346 have been settled at 25% on one time settlement basis. One time settled amount of ₹ 161,836 is payable by 30th September 2011. The balance 75% of FITL i.e. ₹ 485,509 has been waived off and shown under the head other income as waiver of loans & writes back of liability.

viii) Interest accrued and due on simple interest basis amounting to ₹ 506,500 up to the cut off date on the term loans have been converted into Funded Interest Term Loan (FITL) and is to be repaid in three equal installments on 31st December 2016, 31st December 2017 and 31st December 2018 and shall not carry any interest. Balance amount of outstanding interest as on cut off date, comprising of liquidated damages etc. amounting to ₹ 83,294 has been waived and shown under the head other income as waiver of loans & writes back of liability.

ix) Interest accrued and due on simple interest basis amounting to ₹ 287,200 up to the cut off date on working capital loans have been converted into Funded Interest Term Loan (FITL) and is to be repaid in three equal installments on 31st December 2016, 31st December 2017 and 31st December 2018 and shall not carry any interest. Balance amount of outstanding interest as on cut off date, comprising of liquidated damages etc. amounting to ₹ 63,928 has been waived and shown under the head other income as waiver of loans & writes back of liability.

x) The Company has to create securities as stipulated by the CDR Empowered Group.

xi) One of the working capital lender having total outstanding of ₹ 157,226 as at 31.03.2011 has not agreed to the restructuring granted by CDR empowered group. However, the Company is in discussion with the lender for fresh proposal which is under consideration.

c Some of the Cumulative Redeemable Preference Share (CRPS) shareholders have disputed the modified terms of redemption and rate of dividend as per CDR package on the ground that they have not agreed to any of the restructuring granted by CDR empowered group and hence original terms and conditions of 12% CRPS continues to be in force and accordingly are insisting for redemption and dividend as per the original terms of the issue of CRPS. One of the preference shareholder has earlier filed case against the company for recovery. The Company is in the advance stage of negotiation with these CRPS holders to accord their approval to reworked package approved under CDR system in view of the present financial position of the Company.

d The company is in process of reconciliation of balances with the lenders i.e. financial institutions and banks. Adjustments, if any, on account of interest/ principal will be made when the same are confirmed by them.

e The Company had settled the dues of certain lender/suppliers on One Time Settlement (OTS) basis and made the final payment of settled amount during the current period. The gain arising out of such OTS has been accounted for during the current period

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

under the head other income as waiver of loan, interest thereon and write backs. The provision for premium on Zero Coupon Premium Bond issued to lender amounting to ₹ 641,349 which was adjusted from security premium account in earlier years has been now reversed.

f Pursuant to the rework of CDR package, some of the loans amounting to ₹ 2,435,242, are to be converted into Equity shares of the Company at a price to be arrived at as per SEBI guidelines, after complying with necessary formalities in this regard. Pending completion of such formalities the amount of ₹ 2,435,242 has been kept as " Loans pending conversion into Equity" and shown under the head "Loan Funds".

10. 529,601,640 equity share of ₹ 1/- each have been issued & allotted as on 10th February, 2011 pursuant to the Arrangement & Amalgamation to the shareholders and Optionally Convertible Debenture (OCD) holders of erstwhile Sunvision Engineering Company Private Limited (SECPL) this amount was shown as 'Equity Share Suspense Account' as on 30.09.2010.

11. Pursuant to the disinvestment by the Government of India, the Company had acquired 1,110,000 equity shares of ₹100/- each of HTL Limited representing 74% of its equity capital at total consideration of ₹ 550,000 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 10th October, 2007 upholding the claim of the company on account of the above to the extent of ₹ 550,000 and interest from the date of award.

Since the Government of India has gone in appeal against the above arbitral award which is yet to be decided by the Hon'ble High Court, no adjustment has been made in the accounts in respect of above award pending the final outcome.

12. The Company had made a payment of ₹ 113,375 to certain cumulative preference shareholders as per contractual obligations in the earlier years. The said amounts paid have been treated as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.

13. Dividend on 6,500,000 equity shares of AB Corp Ltd. which are pledge with OBC (e- GTBL), amounting to ₹ 39,000 has not been received by the Company. The same is under reconciliation and shall be accounted for after completion of reconciliation.

14. During the year, the Company has transferred a sum of ₹ 1,432,715 to Loans & Advances from the carrying amount of its investment in Optionally Fully Convertible Debentures (OFCDs), as per the agreed terms with respective investee companies, since the Company has not exercised its conversion option and said OFCDs had become overdue for redemption. An amount of ₹1,132,715 had already been provided in the accounts in earlier years towards diminution in value of these OFCDs.

15. Profit on sales of Investment (net) includes ₹ 60 being Profit on sales of OFCD's, [Sale proceeds of OFCDs ₹ 60 Less (cost in books ₹ 2,700,757) less (Provision already made in earlier years for diminution in value ₹ 2,700,757)].

16. During the period the Company has paid Guarantee contract/obligation amounting to ₹ 64,500 towards obligation payments (as Corporate guarantor) to the lenders of promoted companies against their over dues.

17. Sundry debtors include debts outstanding for more than two years amounting to ₹ 2,564,056. The Company is in continuous process of working out different modalities of recovery for its remaining long outstanding debts. Pending outcome of such exercise, an amount of ₹ 614,203 has been written off during the period, which is in opinion of the management is adequate.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

18. 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/period are as under :

	6 Months ended 31.03.2011	18 Months ended 30.09.2010
Employer's Contribution to Provident Fund	**2,100**	7,678
Employer's Contribution to Pension Scheme	**1,713**	4,619

b) Defined Benefit Plan

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited 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.

	Gratuity (Funded)		**Leave Encashment**	
	6 Months ended 31.03.2011	18 Months ended 30.09.2010	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Actuarial assumptions				
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	**8.25%**	8.00%	**8.00%**	7.00%
Rate of increase in Compensation levels	**5.00%**	8.00%	**8.00%**	8.00%
Rate of Return on plan assets	**8.00%**	8.00%	**N.A.**	N.A.
Average remaining working lives of employees (Years)	**-**	-	**18.70**	18.70
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	**33,256**	35,741	**14,863**	17,294
Acquisition adjustment	**Nil**	Nil	**Nil**	Nil
Interest Cost	**1,372**	4,289	**593**	2,077
Past service cost (Vested Benefit)	**Nil**	11,584	**Nil**	Nil
Current Service Cost	**1,524**	8,941	**881**	2,493
Curtailment cost / (Credit)	**Nil**	Nil	**Nil**	Nil
Settlement cost /(Credit)	**Nil**	Nil	**Nil**	Nil
Benefits paid	**Nil**	Nil	**(670)**	(4,804)
Actuarial (gain)/ loss on obligations	**(35)**	(27298)	**(1050)**	(2,197)
Present value of obligation as at the end of the period	**36,117**	33,257	**14,617**	14,863
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	**8,441**	6,357	**Nil**	Nil
Acquisition adjustments	**Nil**	Nil	**Nil**	Nil

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

	Gratuity (Funded)		Leave Encashment	
	6 Months ended 31.03.2011	18 Months ended 30.09.2010	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Expected return of plan assets	**338**	763	**N.A.**	N.A.
Employer contribution	**Nil**	Nil	**Nil**	Nil
Benefits paid	**Nil**	Nil	**Nil**	Nil
Actuarial gain/ (loss) on obligations	**(268)**	1,322	**Nil**	Nil
Fair value of plan assets at year end	**8,511**	8,441	**Nil**	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	**(268)**	2,084	**Nil**	Nil
Expected return on plan assets	**338**	763	**Nil**	Nil
Excess of actual over estimated return on plan assets	**Nil**	Nil	**Nil**	Nil
Actuarial (gain)/ loss-plan assets	**70**	1,321	**Nil**	Nil
Actuarial Gain / loss recognised				
Actuarial (gain) / loss for the period - Obligation	**(35)**	(27,298)	**(1,050)**	(2,197)
Actuarial (gain) / loss for the period - Plan assets	**268**	(1,322)	**Nil**	Nil
Total (gain) / loss for the period	**233**	(28,620)	**(1,050)**	(2,197)
Actuarial (gain) / loss recognized in the period	**233**	(28,620)	**(1,050)**	(2,197)
Unrecognised actuarial (gains) / losses at the end of the period	**Nil**	Nil	**Nil**	Nil
The amounts to be recognized in Balance Sheet and statement of Profit and Loss:				
Present value of obligation as at the end of the period	**36,117**	33,256	**14,617**	14,863
Fair value of plan assets as at the end of the period	**8,511**	8,441	**Nil**	Nil
Funded Status	**(27,606)**	(24,815)	**(14,617)**	(14,863)
Unrecognised actuarial (gains) / losses	**Nil**	Nil	**Nil**	Nil
Net asset / (liability) recognised in Balance Sheet	**(27,606)**	(24,815)	**(14,617)**	(14,863)
Expenses recognised in statement of Profit and Loss :				
Current service cost	**1,524**	8,941	**881**	2,493
Past service cost (Vested Benefit)	**Nil**	11,584	**Nil**	Nil
Interest Cost	**1,372**	4,289	**593**	2,077
Expected return on plan assets	**(338)**	(763)	**Nil**	Nil
Curtailment and settlement cost /(credit)	**Nil**	Nil	**Nil**	Nil
Net Actuarial (gain)/ loss recognised in the period	**233**	(28,620)	**(1,050)**	(2,197)
Expenses recognised in the statement of Profit and Loss	**2,791**	(4,569)	**424**	2,373
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, taken 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.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

19. Pursuant to the Accounting Standard (AS-28) - Impairment of Assets issued by ICAI, the Company had appointed an outside agency for conducting an exercise of identifying the assets, if any, that may have been impaired. Based on the report Impairment loss of ₹ 795,275 has been determined on curtained fixed assets as at 31.03.2011 and the same has been provided in the accounts. The Impairment loss has been assessed on the basis of projected cash flows of Cash Generating Units (CGUs) for the next 3 years discounted at IRR of 8.5%.

20. 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:-

	6 Months ended 31.03.2011	18 Months ended 30.09.2010
Not later than one year	**7,224**	5,639
Later than one year but not later than five years	**4,556**	1,736

21. Balances of some of the sundry debtors, creditors, lenders ,loans and advances are subject to confirmations from the respective parties and consequential adjustments arising from reconciliation, if any. The Management, however is of the view that there will be no material adjustments in this regard.

22. As required by Accounting Standard 18 "Related Party Disclosures"

(i). Name of related parties and description of relationship:

Relationship	Name of Related Party
(a) Subsidiaries:	HTL Ltd.
	Moneta Finance Pvt. Ltd.
(b) Associates:	HFCL Bezeq Telecom Ltd.
	HFCL Dacom Infochek Ltd. (HDIL)
	HFCL Kongsung Telecom Ltd.
	HFCL Satellite Communications Ltd.
	Exicom Tele-systems Ltd.
	Microwave Communications Ltd.
	Westel Wireless Ltd.
	Polixel Security Systems Pvt. Ltd.
	ANM Engineering and Works Pvt. Ltd.
	Nextwave Communications Pvt. Ltd.
	DragonWave HFCL India 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.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

(ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at 31st March, 2011 are as under:

Particulars	Related parties referred above in	
	i(a)	i(b)
Purchases/receiving of		
Goods and materials	**-**	**7,710**
	(-)	(8,107)
Services	**4,164**	**4,704**
	(84,669)	(26,732)
Sales/rendering of *		
Goods and materials	-	**106**
	(5,643)	(17,474)
Services	-	**3,852**
	(-)	(19,854)
Income		
Rent received	-	**379**
	(49)	(1,217)
Expenses		
Rent/other expenses	**246**	**138**
	(707)	(10,503)
Finance		
Advance given	**48,500**	**-**
	(95,200)	(10,000)
Outstanding (net)		
Payables	**7,044**	**11,919**
	(31,625)	(11,850)
Receivables	**399,423**	**28,224**
	(200,927)	(66,175)
Guarantees and collaterals	**-**	**1,374,331**
	(-)	(1,374,331)

Details of remuneration to directors are disclosed under note B-5 . Figure in brackets represent the previous year figures

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

23. 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 have been considered as other business segments and are disclosed in the financial statements. Details of business segments are as follows:

Particulars	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Segment Revenue		
a. Telecom Products	**277,351**	2,036,504
b.Turnkey Contracts and Services	**586,796**	1,077,817
c.Others	**-**	-
Total	**864,147**	3,114,321
Less: Inter segment revenue	**-**	-
Turnover/Income from Operations	**864,147**	3,114,321
Segment Results		
a. Telecom Products	**(1,267,833)**	(500,091)
b.Turnkey Contracts and Services	**51,013**	229,518
c.Others	**-**	-
Total	**(1,216,820)**	(270,573)
Less: i. Interest and Finance charges	**253,539**	814,823
ii. Other un-allocable expenditure net off un-allocable income	**405,725**	122,907
iii. Waivers, writes backs of liability	**(2,278,447)**	3,916,050
Profit/(Loss) before Tax	**402,363**	(5,124,353)
Capital Employed		
a. Telecom Products	**3,303,532**	936,314
b. Turnkey Contracts and Services	**677,159**	658,918
c. Others	**-**	-
Total capital employed in segments	**3,980,691**	1,595,232
Add: Un-allocable corporate assets less liabilities	**36,710**	503,289
Total capital employed in Company	**4,017,401**	2,098,521

(b) Secondary segment information

The Company caters mainly to the needs of Indian market and the export turnover being 0.20% (Previous year 0.27%) of the total turnover of the Company, there are no reportable geographical segments.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

24. Deferred Tax

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

	2010-2011		2009-2010	
	Deferred tax liability	**Deferred tax asset**	Deferred tax liability	Deferred tax asset
Depreciation	**3,35,633**	**-**	3,89,991	-
Others	**-**	**3,568**	-	4,985
Unabsorbed losses (to the extent of liability only) *	**-**	**3,32,065**	-	3,85,006
	3,35,633	**3,35,633**	3,89.991	3,89,991
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.

25. Discloser required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :

	Particulars	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
a.	Principal amount due	**6,631**	12,962
b.	Interest due on above	**189**	645
c.	Interest paid during the period beyond the appointed day	**Nil**	Nil
d.	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	**Nil**	Nil
e.	Amount of interest accrued and remaining unpaid at the end of the period	**Nil**	Nil
f.	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: 1. The above information and that are given in schedule-12 ‘ Current Liabilities’ regarding Micro, Small and Medium Enterprises has been determine on the basis of information available with the Company and has been relied upon by the auditors.

Note: 2. The Company is in process of compiling relevant information for the period from its suppliers, since the information is not ready, no disclosure have been made in accounts. However, in view of the management, the impact of interest, if any, that may be payable is not expected to be material.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

		6 Months ended 31.03.2011	18 Months ended 30.09.2010
26.	Earning per Share (EPS)- In accordance with the Accounting Standard (AS-20)		
(a)	Basic & Diluted Earning per share before extra ordinary items		
	Profit /(Loss) after tax	**402,151**	(1,209,902)
	Less: Preference dividend and interest to OCD holders	**26,162**	81,307
	Profit attributable to ordinary shareholders	**375,989**	(1,291,209)
	Weighted average number of ordinary shares	**992,395,337**	683,614,865
	(used as denominator for calculating basic EPS)		
	Weighted average number of ordinary shares	**1,061,745,232**	686,007,632
	(used as denominator for calculating diluted EPS)		
	Nominal value of ordinary share	**₹ 1/-**	₹ 1/-
	Earning per share basic	**0.38**	(1.88)
	Earning per share diluted	**0.35**	-
(b)	Basic & Diluted Earning per share after extra ordinary items		
	Profit /(Loss) after tax	**402,151**	(5,125,952)
	Less: Preference dividend and interest to OCD holders	**26,162**	81,307
	Profit attributable to ordinary shareholders	**375,989**	(5,207,259)
	Weighted average number of ordinary shares	**992,395,337**	683,614,865
	(used as denominator for calculating basic EPS)		
	Weighted average number of ordinary shares	**1,061,745,232**	686,007,632
	(used as denominator for calculating diluted EPS)		
	Nominal value of ordinary share	**₹1/-**	₹1/-
	Earning per share basic	**0.38**	(7.61)
	Earning per share diluted	**0.35**	-
	(Ignored as the effect of potential equity shares is anti dilutive)		

While calculating EPS, equity share issued subsequent to the year end as consideration for the amalgamation refer to the note no 3(e) of above have been included in the calculation of weighted average number of equity shares.

27. Details of loans and advances in nature of loans outstanding from Subsidiary for the year ended 31st March, 2011 - Disclosure required by Clause 37 of the Listing Agreement.

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	31.03.2011	30.09.2010	**31.03.2011**	30.09.2010
HTL Ltd	**2,45,200**	95,200	**245,200**	95,200
Moneta Finance (P) Ltd.	**18,649**	149	**18,649**	149

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

28. The figures of the current period are not comparable with those of previous year as current period is for six months as against period of eighteen months for previous year. Previous year's figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

29. Additional information pursuant to Paragraphs 3,4C and 4D of Part-II of the Schedule VI to The Companies Act, 1956 (Previous year's figures are in brackets unless otherwise shown in separate columns)

(A) Licenced and installed capacity and actual production

Product	Unit	Licenced * capacity	Installed capacity	Actual production
OLTE terminals#	Nos	**N.A**	**1,200**	**-**
	Nos	(N.A)	(1,200)	(-)
STM ##	Nos	**N.A**	**1,200**	**-**
		(N.A)	(1,200)	(-)
Dense Wavelength Digital Multiplexer (DWDM)	Nos	**N.A**	**150**	**-**
		(N.A)	(150)	(-)
Microwave communications equipments	Nos	**N.A**	**1,700**	**-**
		(N.A)	(1,700)	(-)
CorDECT (Infra/FWT)	Lines	**N.A**	**350,000**	**-**
		(N.A)	(350,000)	(-)
CDMA (Infra/FWT)	Lines	**N.A**	**650,000**	**-**
		(N.A)	(650,000)	(-)
Digital Satellite Phone Terminals (DSPT)	Nos	**N.A**	**12000**	**-**
		(N.A)	(12,000)	(-)
Optical fiber cables @	Kms	**N.A**	**42,483**	**7,734**
		(N.A)	(25,704)	(40,675)

Notes

* As none of the Company's products are covered under licensing requirements of the new Industrial Policy, the licenced capacity is being treated and disclosed as 'N.A' i.e. Not Applicable. Installed capacity is taken as certified by the management being a technical matter.

The installed capacity for OLTE is 480 nos. of systems. It will be equivalent to 960 nos. for fully equipped terminals or 1440 nos. for a product mix of fully equipped terminals and regenerators.

The installed capacity of STM/DXC is either 1200 nos. of STM-1 or 900 nos. of STM-16 or 225 nos. of DXC.

@ The installed capacity of optical fibre cable is based on number of fibre in the cable and is calculated on 12/24 Fibre Multitube cable.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

(B) Opening and closing stock of finished goods

Product	Unit	Opening stock		Closing stock	
		Qty	Amount	Qty	Amount
OLTE - terminals	Nos	**3**	**2,845**	**3**	**2,845**
		(3)	(2,845)	(3)	(2,845)
STM Cards	Nos	**-**	**3,417**	**-**	**3,417**
		(-)	(3,417)	(-)	(3.417)
Optical fibre cables	Kms	**10**	**218**	**12**	**233**
		(10)	(214)	(10)	(218)
	Total		**6,480**		**6,495**
			(6,476)		(6,480)

(C) Sales and services

Product	Unit	Qty	Amount
Optical Fibre Cables	Kms	**7,732**	**222,739**
		(40,675)	(1,077,938)
Turnkey contracts and services	N.A.	**N.A.**	**586,796**
		(N.A.)	(1,077,817)
Job charges & annual maintenance charges	N.A.	**N.A.**	**30,070**
		(N.A.)	(193,440)
Components and others #	N.A.	**N.A.**	**45,921**
		(N.A.)	(856,274)
(# In view of various items of different nature and specifications the quantitative details are not furnished)	Total		**885,526**
			(3,205,469)

(D) Material Consumed/Cost of goods sold

		6 Months ended 31.03.2011		18 Months ended 30.09.2010	
	Unit	**Qty**	**Amount**	Qty	Amount
PCBs	Nos	**6,901**	**1,182**	4,065	714
ICs	Nos	**136,640**	**3,503**	223,735	7,236
Optical fibre	Kms	**175,133**	**58,178**	855,802	340,273
Nylon-12	Kgs	**2,700**	**992**	407,246	145,617
For turnkey contracts and services	N.A.	**-**	**399**	-	49,424
Components and others #	N.A.	**-**	**547,078**	-	1,264,882
			611,332		1,808,146

It is not practicable to furnish quantitative information of components consumed in view of the considerable number of items diverse in size and nature.

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

(₹in thousands)

(E) Value of imported and indigenous raw material and stores & spares consumed

Particulars	**6 Months ended 31.03.2011**		18 Months ended 30.09.2010	
	%	**Amount**	%	Amount
(a) Raw materials				
Imported	**38**	**56,576**	45	427,406
Indigenous	**62**	**90,983**	55	513,951
	100	**147,559**	100	941,357
(b) Component purchased				
Imported	**-**	**-**	-	-
Indigenous	**100**	**463,773**	100	866,789
	100	**463,773**	100	866,789
(c) Stores & spares				
Imported	**42**	**2,046**	6	1,116
Indigenous	**58**	**2,817**	94	18,939
	100	**4,863**	100	20,055

(F) Value of Imports on CIF Basis

Raw material & components	**70,291**	397,714
Stores & spares	**744**	6,017
Capital goods	**-**	1,520

(G) Expenditure in foreign currency

(On payment basis)

Travelling, Subscription & others	**1,867**	14,974

(H) Earnings in foreign exchange

FOB Value of export	**1,599**	8,578

SCHEDULES FORMING PART OF THE ACCOUNTS ...... contd.

30. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	**Registration Details**		
	Registration No.	:	7466
	State Code	:	06
	Balance Sheet Date	:	31.03.2011
II.	**Capital raised during the year (Amount ₹ in thousands)**		
	Public Issue	:	-
	Rights Issue	:	-
	Bonus Issue	:	-
	Private Placement	:	-
III.	**Position of Mobilisation and Deployment of Funds**		
	(Amount ₹ in thousands)		
	Total Liabilities	:	10,337,234
	Total Assets	:	10,337,234
	Sources of Funds		
	Paid-up Capital	:	1,797,395
	Reserves & Surplus	:	2,220,006
	Secured Loans	:	2,780,985
	Unsecured Loans	:	3,538,848
	Application of Funds		
	Net Fixed Assets	:	1,046,449
	Investments	:	10,343,233
	Net Current Assets	:	(1,052,448)
IV.	**Performance of Company (Amount ₹ in thousands)**		
	Turnover including other income	:	3,295,949
	Total Expenditure including prior period adjustments	:	2,893,586
	Profit before tax	:	402,363
	Profit after tax	:	402,151
	Earning per equity share (in ₹)	:	0.38
	Dividend rate (%)-On equity share capital	:	-
V.	**Generic names of four Principal Products / Services of Company (as per monetary terms)**		
	Product Description		Item Code (ITC Code)
	(a) Optical Line Terminal Equipment (OLTE)	:	85.17
	(b) Microwave Communication/WLL Equipment	:	85.25
	(c) Optical Fibre Cable	:	85.44

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 30th May, 2011

For and on behalf of the Board

M P Shukla	Chairman
Mahendra Nahata	Managing Director
Arvind Kharabanda	Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 30th May, 2011

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2011

(₹ in thousands)

	Particulars		6 Months ended 31.03.2011	18 Months ended 30.09.2010
A.	**Cash flow from Operating Activities :**			
	Net Profit before taxes		**402,997**	(5,131,043)
	Adjustments for :			
	Depreciation/Impairment	**907,521**		390,328
	Loss /(Profit) on sale of investments (net)	**(85)**		3,889,174
	Provision for diminution in value of investments	**-**		(65)
	Interest & finance charges	**253,539**		814,823
	Interest income	**(28,057)**		(29,862)
	Dividend income	**(13,604)**		(20,766)
	Loss/(Profit) on sale of fixed assets	**279**		9,062
	Bad Debts, advances and miscellaneous balances written off	**712,039**		677,191
	Waiver of term Loan and interest thereon	**(2,278,447)**		(653,090)
	Payment towards guarantee obligation	**64,500**		69,920
			(382,315)	5,146,715
	Operating Profit before working capital changes		**20,682**	15,672
	Adjustments for :			
	Trade and other receivables	**1,059,565**		(600,188)
	Adjustment due to amalgamation of SECPL	**-**		(972,501)
	Inventories	**41,712**		197,913
	Trade payables	**(901,487)**		(281,655)
	Adjustment due to amalgamation of SECPL	**-**		6,198,222
			199,790	4,541,791
	Cash generated from operations		**220,472**	4,557,463
	Income tax for earlier years		**-**	(1,143)
	Prior period adjustments		**(634)**	6,689
	Net Cash used in operating activities		**219,838**	4,563,009
B.	**Cash flow from investing activities**			
	Purchase of fixed assets		**(60,603)**	(23,688)
	Sale of fixed assets		**324**	16,433
	Purchase of investments		**(24,954)**	(106)
	Sale/disposal of investments		**36,086**	79,700
	Disposal of investment in subsidiary		**-**	1,000
	Loans and advances		**(3,257)**	726
	Interest paid (net)		**(174,411)**	(110,066)
	Dividend received		**13,604**	20,766
	Adjustment due to amalgamation of SECPL			
	Investments	**-**		(7,419,100)
	Fixed Assets	**-**		(70,721)
			-	
	Net Cash used in investing activities		**(213,211)**	(7,505,056)

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2011...... contd.

(₹ in thousands)

Particulars			6 Months ended 31.03.2011	18 Months ended 30.09.2010
C.	**Cash flow from financing activities**			
	Proceed from issue of share capital including premium (net of issue expenses)		-	700,043
	Proceeds from long term/short term borrowings			
	Secured	-		-
	Unsecured	-		1,934,338
			-	1,934,338
	Repayment of long term/short term borrowings			
	Secured	**(238,831)**		(377,758)
	Unsecured	**(68,242)**		(3,384,553)
			(307,073)	(3,762,311)
	Interest paid (net)		**(166,402)**	(200,759)
	Adjustment due to amalgamation of SCEPL			
	Share Capital	-		470,000
	Reserve account	-		4,770,500
			-	
	Net Cash from financing activities		**(473,475)**	3,911,811
	Net increase in cash & cash equivalents		**(466,848)**	969,7654
	Cash & cash equivalents (Opening Balance)		**1,216,746**	246,982
	Cash & cash equivalents (Closing Balance)		**749,898**	1,216,746

Notes:

1 The Cash flow statement has been prepared under the indirect method as setout in the Accounting Standard 3 “ Cash Flow Statements” issued by Institute of Chartered Accountants of India.

2 Figures in bracket indicate cash outflow

3 Cash & cash equivalents represents:

	6 Months ended 31.03.2011	18 Months ended 30.09.2010
Cash on hand	**1,312**	1,328
Cheques in hand	**224,107**	-
Balances with Scheduled banks in		
Current accounts	**82,055**	270,834
Fixed deposit accounts	**442,424**	944,584
Total	**749,898**	1,216,746

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 30th May, 2011

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 30th May, 2011

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

(₹ in thousands)

		Name of the Subsidiary Company	HTL Ltd.	Moneta Finance Pvt. Ltd.
1		The Financial Year of the Subsidiary ended on	31.03.2011	31.03.2011
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 2011	Nil	Nil
	(b)	Not dealt with in the accounts of the Company for the year ended 31st March 2011	(285,434)	(26)
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 30th September 2010	Nil	Nil
	(b)	Not dealt with in the accounts of the Company for the year ended 30th September 2010	(741,933)	(241)

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

New Delhi, 30th May, 2011

Manoj Baid, Company Secretary

AUDITORS' REPORT

To,

The Board of Directors,

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. We have audited the attached Consolidated Balance Sheet of **Himachal Futuristic Communications Limited (the company) and its Subsidiaries and Associates** as at 31st March 2011, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the period then ended. These Consolidated Financial Statements (CFS) are the responsibility of the Himachal Futuristic Communications Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Moneta Finance Private Limited, the subsidiary company, whose financial statements reflect total assets of ₹22,259,978 and total liability of ₹19,124,495 as at 31st March, 2011, total revenue of ₹Nil and total expenditure of ₹26,161 and cash flow arising therefrom for the period ended on that date. The financial statements and other financial information of the subsidiary have been audited by other auditor whose report have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

4. We report that the CFS have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of the Chartered Accountants of India and on the basis of the separate audited financial statements of Himachal Futuristic Communications Limited and its subsidiaries included in the CFS.

5. *In the case of holding company HFCL, attention is invited to:*

   a) *As mentioned in Note C6 of Schedule 20, the Company has accounted for the impact of Rework Package approved by the CDR Empowered Group after complying with most of the terms and conditions stipulated therein, though compliance of some of them is still in process and individual acceptance of one of lender is still awaited.*

   b) *With regard to the sundry debtors outstanding for a long period as mentioned in Note C14 of Schedule 20, we are unable to comment on the extent of realisability and consequently on the adequacy of provision for doubtful debts made by the Company. Impact thereof on the profit for the period, if any, is unascertainable.*

   c) *As mentioned in Note C17 of Schedule 20, balances of some of the sundry debtors, creditors, lenders and loans and advances are subject to confirmation reconciliation and adjustments, if any.*

   d) *As mentioned in Note C5 of Schedule 20, the Company has paid remuneration to managerial personnel during the period for which approval of central government is pending.*

   The effect of items mentioned at paragraph (a), (b), (c) and (d) above is unascertainable, and hence the consequential cumulative effect thereof on loss for the period, assets, liabilities and reserves is unascertainable.

6. *In the case of the subsidiary, HTL Ltd., as mentioned in Note No. C18(i) of Schedule 20 of Notes forming part of CFS. The Subsidiary incurred a net loss of ₹285,434,282 during the period and has accumulated losses of*

₹4,916,286,727 as at March 31, 2011, which has resulted in negative net worth of ₹4,766,286,728. The Subsidiary's current liabilities have exceeded its current assets by ₹2,384,050,835 as at that date. Further, the Subsidiary has overdrawn borrowings from banks by ₹574,955,000 and also has overdue loans from Government of India amounting to ₹62,420,000 and interest accrued and due thereon of ₹196,481,910. The turnover during the current period is only ₹2,095,718. The Subsidiary's plans to raise fund are dependent on resolution of various uncertainties as referred to in the said note. These factors along with other matters as set forth in the said note raise substantial doubt that the Subsidiary will be able to continue as a going concern. The Subsidiary is expecting to receive orders for erection of Telecom Towers and Integrated Fixed Wireless Terminals. In view of the management's expectation of the successful outcome of the above proposals, the financials 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 Subsidiary 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.

7. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Himachal Futuristic Communications Limited and its aforesaid subsidiaries, in our opinion, the CFS together with notes thereon and *subject to Para 5 and 6 above*, 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 consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2011;

(b) in the case of the Consolidated Profit and Loss Account, of the profit for the period ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

For KHANDELWAL JAIN & CO.,
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No: 103490

Place: New Delhi
Dated: 12th August, 2011

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(₹ in thousands)

		Schedule No.		As at 31.03.2011	As at 30.09.2010
I	**SOURCES OF FUNDS**				
1	Shareholders' funds				
	(i) Share Capital	1	**1,797,395**		1,267,794
	(ii) Equity Share pursuant to Scheme (as referred note No.B-5 of schedule 20)		**-**		529,602
	(iii) Reserves & surplus	2	**1,848,089**		331,359
				3,645,484	2,128,755
2	Loan funds				
	(i) Secured loans	3	**4,924,885**		10,491,460
	(ii) Unsecured loans	4	**1,380,007**		2,559,678
	(iii) Loans pending conversion into equity		**2,435,242**		-
				8,740,134	13,051,138
				12,385,618	15,179,893
II	**APPLICATION OF FUNDS**				
1	Fixed assets	5			
	(i) Gross block		**5,246,744**		5,251,097
	(ii) Less :Depreciation/ Impairment		**4,320,558**		3,421,882
	(iii) Net block		**926,186**		1,829,215
	(iv) Capital work-in-progress		**158,328**		105,003
				1,084,514	1,934,218
2	Investments	6		**9,833,046**	10,129,890
3	Goodwill (on consolidation of subsidiaries)			**742,205**	742,205
4	Current Assets, loans and advances				
	(i) Inventories	7	**356,024**		397,739
	(ii) Sundry debtors	8	**3,908,337**		4,855,154
	(iii) Cash and bank balances	9	**859,259**		1,335,373
	(iv) Other current assets	10	**316,647**		295,478
	(v) Loans and advances	11	**1,042,638**		2,014,208
			6,482,905		8,897,952
	Less : Current liabilities and provisions				
	(i) Current Liabilities	12	**9,818,893**		10,676,244
	(ii) Provisions	13	**117,577**		131,740
	Net Current Assets			**(3,453,565)**	(1,910,032)
5	Profit & Loss Account			**4,179,418**	4,283,612
				12,385,618	15,179,893
	Notes forming part of consolidated financial statements	20			

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 12th August, 2011

For and on behalf of the Board

M P Shukla	Chairman
Mahendra Nahata	Managing Director
Arvind Kharabanda	Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 12th August, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2011

(₹ in thousands)

	Schedule No.		**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
INCOME				
Sales and services		**886,106**		5,240,950
Less:- Excise Duty		**21,382**		91,238
			864,724	5,149,712
Profit/(Loss) on sale of fixed assets			**(279)**	(13,762)
Other income	14		**2,444,316**	862,268
Increase/(decrease) in stock	15		**1,448**	(120,643)
			3,310,209	5,877,575
EXPENDITURE				
Materials consumed/cost of goods sold	16		**611,554**	1,860,559
Cost of traded goods sold	17		**8,351**	(12,528)
Manufacturing and other expenses	18		**420,054**	2,161,121
Network operation expenditure			**-**	1,102,278
Provision for doubtful debts and advances			**-**	17,415
Bad Debts written off			**712,039**	713,441
Research & Development expenses written off			**-**	5
Payment towards guarantee / contract obligation			**64,500**	69,920
Goodwill on amalgamation written off			**-**	33,678
Finance charges	19		**455,358**	741,856
Depreciation			**114,471**	1,356,870
Provision for Impairment of fixed assets			**795,275**	-
			3,181,602	8,044,615
PROFIT /(LOSS) BEFORE EXTRAORDINARY ITEMS AND TAXES			**128,607**	(2,167,040)
Profit on disposal of investments in subsidiary			**-**	5,895,691
PROFIT/(LOSS) BEFORE TAXES			**128,607**	3,728,651
Provision for taxation :				
Current tax			**212**	455
Deferred tax			**-**	(622)
Share of results of Associates			**12,497**	(9,283)
PROFIT/(LOSS) FOR THE PERIOD BEFORE MINORITY INTEREST			**115,898**	3,738,101
Prior period adjustments			**(11,704)**	3,817
Income tax for earlier years			**-**	(1,143)
PROFIT/(LOSS) AFTER MINORITY INTEREST			**104,194**	3,740,775
Add : Balance brought forward from previous year			**(4,283,612)**	(28,049,363)
Less: Balance transferred to business reconstruction account			**-**	(20,024,976)
Balance carried to Balance Sheet			**(4,179,418)**	(4,283,612)
Earning per share (Face value of ₹1/- each) before extraordinary items				
Basic (₹)			**0.08**	(2.25)
Diluted (₹)			**0.07**	(2.25)
Earning per share (Face value of ₹1/- each) after extraordinary items				
Basic (₹)			**0.08**	(3.69)
Diluted (₹)			**0.07**	(3.69)
Notes forming part of consolidated financial statements	20			

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 12th August, 2011

For and on behalf of the Board

M P Shukla	Chairman
Mahendra Nahata	Managing Director
Arvind Kharabanda	Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 12th August, 2011

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in thousands)

1. SHARE CAPITAL	As at 31.03.2011	As at 30.09.2010
Authorised :		
5,100,000,000 (Previous year 500,000,000 face value ₹10/- each) Equity shares of ₹1/- each	**5,100,000**	5,100,000
25,000,000 (Previous year 25,000,000) Cumulative redeemable preference shares of ₹100/- each	**2,500,000**	2,500,000
	7,600,000	7,600,000
Issued & Subscribed :		
992,395,337 (Previous year 442,793,697) Equity shares of ₹1/- each	**992,395**	462,794
7,000,000 (Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each	**700,000**	700,000
1,050,000 (Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each	**105,000**	105,000
	1,797,395	1,267,794
Paid Up :		
992,395,337 (Previous year 442,793,697) Equity shares of ₹1/- each	**992,395**	4,627,937
Less : Reduction in Equity share capital (refer note No. C-4(c) schedule 20)	**-**	4,165,143
	992,395	462,794
7,000,000 (Previous year 7,000,000 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each, fully paid up	**700,000**	700,000
1,050,000 (Previous year 1,050,000 9%) 6.5% Cumulative redeemable preference shares of ₹100/- each, fully paid up	**105,000**	105,000
	1,797,395	1,267,794

2. RESERVES & SURPLUS			
Capital Reserve			
Central investment subsidy	**-**		1,000
Consolidation of Associates	**30,234**		30,234
Gain on foreign exchange fluctuation	-		244,753
Share Warrants forfeited	-		46,000
D.G. set subsidy	-		14
Less : Transfer to Business Reconstruction account	-		(291,767)
		30,234	30,234
Securities Premium Account			
Opening balance	**301,125**		10,265,019
Less : Premium on redemption of bonds	-		380,581
Add : Premium reversed due to OTS	**1,516,730**		86,854
Less : Transfer to Business Reconstruction account	-		9,863,396
	1,817,855		107,896
Add : On issue of equity share to the equity shareholder and OCD holders of SECPL			-
	-		5,410,898
Less : Transfer to Business Reconstruction account	-		5,217,669
		1,817,855	301,125
Amalgamation Reserve	-		96,983
Less : Transfer to Business Reconstruction account	-	-	(96,983)
			-
Capital Redemption Reserve	-		140,000
Less : Transfer to Business Reconstruction account	-	-	(140,000)
			-
Debenture Redemption Reserve	-		250,000
Less : Transfer to Business Reconstruction account	-	-	(250,000)
			-
Statutory Reserve		-	-
		1,848,089	331,359

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS..... contd.

(₹ in thousands)

		As at 31.03.2011	As at 30.09.2010
3.	**SECURED LOANS**		
	Zero coupon premium bonds	**-**	2,664,100
	Working capital loans from banks	**1,244,349**	1,996,769
	Term loans from financial institutions and banks	**1,265,129**	1,316,820
	Funded Interest term loan	**955,536**	790,722
	Other loans	**123**	619
	Premium payable on redemption of bonds and debentures	**-**	1,611,186
	Interest accrued and due	**1,459,748**	2,111,244
		4,924,885	10,491,460

4.	**UNSECURED LOANS**		
	Term loans from banks	**76,406**	109,909
	Funded interest term loans	**-**	87,248
	Loans from bodies corporate	**1,006,950**	1,241,889
	Loans from Govt. of India	**62,420**	62,420
	Zero coupon premium bonds	**-**	380,300
	Premium payable on redemption of bonds	**-**	219,944
	Interest accrued and due	**234,231**	457,968
		1,380,007	2,559,678

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in thousands)

5. FIXED ASSETS

Description	GROSS BLOCK					DEPRECIATION					IMPAIRMENT		NET BLOCK	
	As at 30.09.2010	Additions/ Adjustments	Deductions/ Adjustments	Deductions/ disposal of subsidiary	**As at 31.03.2011**	Up to 30.09.2010	For the year	On Sales / Adjustment	Deductions/ disposal of subsidiary	**Up to 31.03.2011**	As at 30.09.2010	**As at 31.03.2011**	**As at 31.03.2011**	As at 30.09.2010
1. Land														
-Leasehold	8,465	-	-	-	**8,465**	1,337	43	-	-	**1,380**	-		**7,085**	7,128
-Freehold	24,553	-	-	-	**24,553**	-	-	-	-	**-**	-		**24,553**	24,553
2. Buildings-Leasehold	15,068	-	-	-	**15,068**	6,244	251	-	-	**6,495**	-		**8,573**	8,824
-Freehold	188,623	10	-	-	**188,633**	98,089	2,963	-		**101,052**	-		**87,581**	90,534
-Leasehold- Improvements	30,310	-	7,764		**22,546**	30,310	-	7,764	-	**22,546**	-		**-**	-
3. Plant & machinery	4,589,644	6,325	-	-	**4,595,969**	2,944,888	105,056	-	-	**3,049,944**	-	**795,275**	**750,750**	1,644,756
4. Network Equipment	-	-	-	-	**-**	-	-	-	-	**-**	-		**-**	-
5. Optical Fibre Cable & Copper Cable	-	-	-	-	**-**	-	-	-	-	**-**	-		**-**	-
6. Telephone Instruments at Customers Premises	-	-	-	-	**-**	-	-	-	-	**-**	-		**-**	-
7. Electrical installation	49,638	-	-	-	**49,638**	45,352	367	-	-	**45,719**	-	**-**	**3,919**	4,286
8. Furniture & fixtures	57,485	130	80	-	**57,535**	52,720	499	40	-	**53,179**	-		**4,356**	4,765
9. Office equipments	220,074	530	47	-	**220,557**	204,037	1,681	40	-	**205,678**	-	**-**	**14,879**	16,037
10. Vehicles	66,701	325	3,782	-	**63,244**	38,371	3,611	3,226	-	**38,756**	-		**24,488**	28,330
11. Moulds & dies	536	-	-	-	**536**	534	-	-	-	**534**	-		**2**	2
Intangible Assets														
12. Licence entry fees	-	-	-	-	**-**	-	-	-	-	**-**	-		**-**	-
13. Goodwill	-	-	-	-	**-**	-	-	-	-	**-**	-		**-**	-
TOTAL	5,251,097	7,320	11,673		**5,246,744**	3,421,882	114,471	11,070	-	**3,525,283**	-	**795,275**	**926,186**	1,829,215
Previous year	18,123,172	86,750	34,460	12,924,365	**5,251,097**	9,075,070	1,356,870	8,954	7,001,104	**3,421,882**	-	**-**	**1,829,215**	9,048,103

NOTES :-

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 Rs.342,833,202, Electrical Installation Rs.1,245,295 and Office Equipments Rs.12,440,707.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS..... contd.

(₹ in thousands)

		As at 31.03.2011	As at 30.09.2010
6.	**INVESTMENTS**		
A.	**LONG TERM INVESTMENTS (at cost)**		
	(a) Trade Investments - Unquoted		
	In equity shares (fully paid up)	**8,423,203**	8,440,804
	(b) Investments in Associates - Unquoted		
	In equity shares (fully paid up)	**95,415**	82,862
	(c) 0% Optionally Fully Convertible Debentures - Unquoted	**643,400**	935,200
	(d) In Zero Coupon Optionally converted Bond	**26,000**	26,000
	(e) In 0.1% Unsecured Debenture	**643,100**	643,100
B.	**CURRENT INVESTMENTS**		
	(At lower of cost and fair value)		
	(a) In equity shares (fully paid up)		
	(i) Quoted	**1,679**	1,679
	(ii) Unquoted	**100**	100
	(b) In units (fully paid up)		
	Quoted	**149**	145
		9,833,046	10,129,890

		As at 31.03.2011	As at 30.09.2010
7.	**INVENTORIES**		
	(As Certified and valued by the management)		
	Stores & spare parts	**14,303**	14,467
	Loose tools	**877**	1,017
	Raw materials	**516,758**	498,463
	Raw materials in transit	**-**	13,868
	Packing materials	**1,425**	1,385
	Work in process	**146,142**	144,708
	Finished goods	**18,039**	18,025
	Stocks in trade (Securities)	**66,319**	74,670
	Less: Provision for Non Moving	**(407,839)**	(368,864)
		356,024	397,739

		As at 31.03.2011	As at 30.09.2010
8.	**SUNDRY DEBTORS**		
	Debts outstanding for a period exceeding six months		
	- Unsecured considered good	**3,439,893**	4,137,131
	- Unsecured considered doubtful	**346,001**	346,446
	Debts outstanding for a period less than six months		
	- Unsecured considered good	**468,444**	718,023
	- Unsecured considered doubtful	**-**	-
		4,254,338	5,201,600
	Less : Provision for doubtful debts	**346,001**	346,446
		3,908,337	4,855,154

		As at 31.03.2011	As at 30.09.2010
9.	**CASH & BANK BALANCES**		
	Cash on hand	**1,476**	1,685
	Cheques in hand	**224,107**	-
	Balances with Scheduled banks in		
	Current accounts	**90,632**	288,879
	Fixed deposit / Margin money account	**543,044**	1,044,809
		859,259	1,335,373

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS..... contd.

(₹ in thousands)

			As at 31.03.2011	As at 30.09.2010
10.	**OTHER CURRENT ASSETS**			
	Interest receivable		**197,684**	125,193
	Discarded assets held for sale		**1,374**	1,375
	Security deposits		**82,889**	82,100
	Insurance claim receivable		**34,700**	86,810
			316,647	295,478
11.	**LOANS AND ADVANCES**			
	(Unsecured, considered good unless otherwise stated)			
	Loans		**62,226**	77,104
	Advances recoverable in cash or in kind or for value to be received		**479,447**	1,477,899
	Advances to vendors		**341,835**	344,561
	Balances with Central excise & Customs authorities		**66,243**	54,689
	Advance payment of Income tax (net of provisions)		**139,862**	106,517
			1,089,613	2,060,770
	Less : Provision for doubtful advances		**46,975**	46,562
			1,042,638	2,014,208
12.	**CURRENT LIABILITIES**			
	Sundry creditors		**3,554,356**	3,984,290
	Other liabilities		**354,702**	391,124
	Interest accrued but not due		**-**	20,795
	Advances from customers and others		**5,909,835**	6,280,035
			9,818,893	10,676,244
13.	**PROVISIONS**			
	Provisions for employees' retirement benefits		**117,577**	131,740
			117,577	131,740
14.	**OTHER INCOME**			
	Interest (Gross)			
	On fixed deposits	**31,336**		44,900
	Others	**353**		3,751
			31,689	48,651
	Appreciation in value of investments (to the extent of cost price)		**-**	65
	Dividends on investments (Gross)		**13,604**	20,766
	Liquidated Damages Recovered		**-**	304
	Profit on sale of investment		**85**	26,876
	Waiver of loan and interest thereon		**2,278,447**	653,090
	Loans & advances recovered (earlier written off)		**89,837**	80,280
	Excess Liabilities Written Back		**30,054**	12,788
	Miscellaneous income		**600**	19,448
			2,444,316	862,268
15.	**INCREASE/(DECREASE) IN STOCK**			
	Opening stock			
	Finished goods		**18,025**	20,766
	Work in process		**144,708**	262,610
			162,733	283,376
	Closing stock			
	Finished goods		**18,039**	18,025
	Work in process		**146,142**	144,708
			164,181	162,733
	Increase/(Decrease) in Stock		**1,448**	(120,643)

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS..... contd.

(₹ in thousands)

			As at 31.03.2011	As at 30.09.2010
16.	**MATERIALS CONSUMED/COST OF GOODS SOLD**			
	Opening stock		**498,464**	496,454
	Add : Purchases during the year		**629,848**	1,862,568
			1,128,312	2,359,022
	Less : Closing stock		**516,758**	498,463
			611,554	1,860,559
17.	**COST OF TRADED GOODS SOLD**			
	Opening stock		**74,670**	62,142
	Less : Closing stock		**66,319**	74,670
			8,351	(12,528)
18.	**MANUFACTURING AND OTHER EXPENSES**			
	Payments to and provisions for employees			
	Salaries, wages and bonus	**154,649**		802,391
	Directors remuneration	**-**		27,224
	Contribution to provident & other funds	**11,166**		58,259
	Welfare expenses	**12,374**		93,200
			178,189	981,074
	Operating and other expenses			
	Consumption of packing material	**5,877**		33,646
	Consumption of stores and spare parts	**4,862**		20,096
	Loose tools written off	**141**		598
	Power, fuel and water charges	**8,347**		44,526
	Repairs to buildings	**2,121**		7,219
	Repairs to machinery	**1,427**		4,168
	Other repairs	**803**		17,174
	Rent	**4,368**		39,373
	Rates and taxes	**3,651**		19,158
	Insurance charges	**1,969**		11,988
	Auditors remuneration			
	Audit fees	**2,567**		5,049
	In other capacity	**1,081**		1,625
	Out of pocket expenses	**165**		215
	Legal and professional charges	**41,959**		100,111
	Communication expenses	**7,433**		16,866
	Travelling, conveyance and vehicle expenses	**21,185**		122,859
	Labour and service charges to sub-contractors	**33,455**		454,806
	Directors fees	**165**		833
	Charity & Donation	**119**		88,292
	Foreign exchange fluctuation	**(6,102)**		(215,228)
	Provision for Inventories	**38,975**		122,841
	Increase/(decrease) in excise duty of finished goods	**1**		4
	Other expenses	**21,636**		136,863
			196,205	1,033,082
	Liquidated Damages		**36,434**	22,069
	Selling and distribution expenses		**9,226**	121,225
	Customer acquisition cost		**-**	3,671
			420,054	2,161,121
19.	**FINANCE CHARGES**			
	Interest and upfront fee on debentures and fixed loans		**251,553**	(237,148)
	Interest on other loans		**197,672**	946,984
	Discounting & bank charges		**6,133**	32,020
			455,358	741,856

20. Notes forming part of Consolidated Financial Statements (₹ in thousands)

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 the consolidated position of the companies. 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

1. 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.

2. Fixed Assets (₹ in thousands)

(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 – Revenue expenditure of specialized R&D including its depreciation incurred for development and improvement of technology, products and designs etc which will generate probable future economic benefits are recognised as intangible assets.

3. 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.

4. 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) 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 benefits 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount.

5. 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”.

(₹ in thousands)

6. 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-Process	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

7. 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.

8. 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.

9. 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..

10. 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.

11. Excise and Custom 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.

12. 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”.

(₹ in thousands)

13. 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.

(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.

14. 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.

15. 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.

16. 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

(₹ in thousands)

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.

17. 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.

18. 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.

19. 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.

C. OTHER NOTES

1 (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, however having significant influence:
Exicom Tele-systems Ltd. (Formerly known as Himachal Exicom Communications Ltd.)
HFCL Bezeq Telecom Ltd.

2 The Company has opted for the period of current financial year as six months from 1st October, 2010 to 31st March 2011. During the previous year, Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh (ROC) vide its order dated 4th May, 2010 had granted the permission to the Company to prepare the annual accounts for a period of eighteen months ending 30th September, 2010.

3 Contingent Liabilities not provided for in respect of: (₹ in thousands)

	As at 31.03.2011	As at 30.09.2010
(a) Unexpired Letters of Credit	**15,702**	24,348
(b) Guarantees given by banks on behalf of the company	**560,075**	496,595
(c) Counter Guarantees given by the Company to the financial institutions/ banks for providing guarantees on behalf of companies promoted by the Company *	**1,374,331**	1,915,672

(*)This excludes Company's counter guarantees of ₹567,000 in respect of guarantees provided by the banks and institutions on behalf of HFCL Bezeq Telecom Ltd. for bid bonds to Department of Telecommunications (DoT) towards tender for operation of basic telephone services as the guarantees have already expired and the Hon'ble Delhi High Court vide its order dated 19.09.97 granted permanent injunction restraining the DoT from invoking the said guarantees. The appeal filed by DoT against this also stands dismissed. The DoT has filed application for restoration of appeal before the Double Bench of the Hon'ble High Court of Delhi which has been allowed and matter is now pending for decision.

(d) Arrears of Dividend on Cumulative redeemable preference shares (net of advances)	**405,594**	674,741
(e) Claims against the Company towards sales tax , income tax, excise duty demand and others in dispute not acknowledged as debt	**189,057**	194,532

4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 51,625 (Previous year ₹ 17,834).

5. Directors remuneration including Managing Director:*

(Excluding provision for gratuity)

	2010 – 2011	2009 – 2010
(i) Salaries	**18,043**	4,975
(ii) Contribution to provident fund	**1,307**	455
(iii) Perquisites and allowances	**1,253**	1,909
Total	**20,603**	7,339

* The Company has received necessary approval from the Central Government for the re-appointment and payment of remuneration to Wholetime Directors for the Financial year 2007-08, 2008-09 and part financial year of 2009-10 for ₹ 27,464. The Central Government has not given its approval for remuneration paid to Managing Director for the period from 1st October, 2010 to 31st March, 2011. However, since the financial year 2007-08, the Company has so far paid ₹ 52,772 as remuneration to Wholetime Directors. As the approval of Central Government received is of lesser amount than the actual remuneration paid for the aforesaid period, the excess amount of ₹ 25,308 paid continues to be shown as recoverable. The Company is in the process of making representation to the Central Government for seeking their approval for the entire amount of remuneration paid to them. The Company also filed necessary application with the Central Government seeking their approval for re-appointment and payment of remuneration to Wholetime Director for financial year 2009-10 and onwards which is under their consideration.

6 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. Because of liquidity problems and due to inadequate working capital funds, the Company had again approached its lenders viz. Banks and Financial Institutions for Rework of earlier sanctioned restructuring package. 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 29.03.2011. The Rework package includes interalia reduction in the existing payable rate of interest, reschedulement and longer period 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 said CDR package also stipulates conditions to be complied with by the Company and arrangement of additional infusion of funds from promoters.

(₹ in thousands)

b). The Company has complied with most of the conditions as stipulated in CDR Rework package. Accordingly, the impact of CDR Scheme as above has been incorporated in these financial statements as below:

i) Interest to banks and financial institutions w.e.f. cut off date has been accounted for at the rates specified in the said package.

ii) The Cumulative Redeemable Preference Shares (CRPS) aggregating to ₹ 805,000 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. 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, shall be waived. (Also refer Note no. 6 (c) below).

iii) Zero Coupon Premium Bonds (ZCPBs) amounting to ₹1,950,700 shall be converted into equity shares of face value of ₹ 1/-each at a price to be arrived at as per SEBI guidelines. Accordingly Equity shares equal to ₹1,950,700 divided by such arrived at price shall be allotted to the holders of ZCPBs after necessary compliance & formalities. Out of the total premium of ₹ 1,189,781 accrued on these ZCPBs till cut off date, a sum of ₹ 314,400 shall also converted into equity share of face value of ₹ 1/ each at a price to be arrived at as per SEBI guidelines. Accordingly Equity shares equal to ₹ 314,400 divided by such arrived at price shall be allotted to the holders of ZCPBs after necessary compliance & formalities and balance amount of premium of ₹875,381 has been waived. The amount of premium waived which was earlier adjusted from security premium account in earlier years has now been reversed.

iv) Secured and unsecured working capital loans from banks amounting to ₹240,545 have been converted into working capital term loans (WCTL) which together with existing WCTL of ₹76,406 have been reschedule so as to be repaid in 84 monthly installments, commencing from 30th April 2012 and ending 31st March 2019.

v) Secured working capital loans from banks amounting to ₹170,142 shall be converted into equity shares of face value of ₹1/- each at a price to be arrived at as per SEBI guidelines. Accordingly equity shares equal to ₹170,142 divided by such arrived at price shall be allotted to the respective lenders after necessary compliance & formalities.

vi) The outstanding principal amount of secured loan amounting to ₹ 1,024,584 from financial institutions and banks have been rescheduled so as to be repaid in 84 monthly installments commencing from 30th April, 2012 and ending 31st March 2019 on flat interest rate of 10% p.a. from cut off date.

vii) Funded Interest Term Loans (FITL) amounting to ₹ 647,346 have been settled at 25% on one time settlement basis. One time settled amount of ₹ 161,836 is payable by 30th September 2011. The balance 75% of FITL i.e. ₹485,509 has been waived off and shown under the head other income as waiver of loans & writes back of liability.

viii) Interest accrued and due on simple interest basis amounting to ₹ 506,500 up to the cut off date on the term loans have been converted into Funded Interest Term Loan (FITL) and is to be repaid in three equal installments on 31st December 2016, 31st December 2017 and 31st December 2018 and shall not carry any interest. Balance amount of outstanding interest as on cut off date, comprising of liquidated damages etc. amounting to ₹83,294 has been waived and shown under the head other income as waiver of loans & writes back of liability.

ix) Interest accrued and due on simple interest basis amounting to ₹ 287,200 up to the cut off date on working capital loans have been converted into Funded Interest Term Loan (FITL) and is to be repaid in three equal installments on 31st December 2016, 31st December 2017 and 31st December 2018 and shall not carry any interest. Balance amount of outstanding interest as on cut off date, comprising of liquidated damages etc. amounting to ₹63,928 has been waived and shown under the head other income as waiver of loans & writes back of liability.

x) The Company has to create securities as stipulated by the CDR Empowered Group.

xi) One of the working capital lender having total outstanding of ₹ 157,226 as at 31.03.2011 has not agreed to the restructuring granted by CDR empowered group. However, the Company is in discussion with the lender for fresh proposal which is under consideration.

c). Some of the Cumulative Redeemable Preference Share (CRPS) shareholders have disputed the modified terms of redemption and rate of dividend as per CDR package on the ground that they have not agreed to any of the restructuring granted by CDR empowered group and hence original terms and conditions of 12% CRPS continues to be in force and accordingly are insisting for redemption and dividend as per the original terms of the issue of CRPS. One of the preference

(₹ in thousands)

shareholders has earlier filed case against the company for recovery. The Company is in the advance stage of negotiation with these CRPS holders to accord their approval to reworked package approved under CDR system in view of the present financial position of the Company.

d). The company is in process of reconciliation of balances with the lenders i.e. financial institutions and banks. Adjustments, if any, on account of interest/ principal will be made when the same are confirmed by them.

e). The Company had settled the dues of certain lender/suppliers on One Time Settlement (OTS) basis and made the final payment of settled amount during the current period. The gain arising out of such OTS has been accounted for during the current period under the head other income as waiver of loan, interest thereon and write backs. The provision for premium on Zero Coupon Premium Bond issued to lender amounting to ₹ 641,349 which was adjusted from security premium account in earlier years has been now reversed.

f). Pursuant to the rework of CDR package, some of the loans amounting to ₹ 2,435,242, are to be converted into Equity shares of the Company at a price to be arrived at as per SEBI guidelines, after complying with necessary formalities in this regard. Pending completion of such formalities the amount of ₹ 2,435,242 has been kept as "Loans pending conversion into Equity" and shown under the head "Loan Funds".

7. 529,601,640 equity share of ₹ 1/- each have been issued & allotted as on 10th February, 2011 pursuant to the Arrangement & Amalgamation to the shareholders and Optionally Convertible Debenture (OCD) holders of erstwhile Sunvision Engineering Company Private Limited (SECPL) this amount was shown as 'Equity Share Suspense Account' as on 30.09.2010.

8. Pursuant to the disinvestment by the Government of India, the Company had acquired 1,110,000 equity shares of ₹100/- each of HTL Limited representing 74% of its equity capital at total consideration of ₹ 550,000 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 10th October, 2007 upholding the claim of the company on account of the above to the extent of ₹ 550,000 and interest from the date of award.

Since the Government of India has gone in appeal against the above arbitral award which is yet to be decided by the Hon'ble High Court, no adjustment has been made in the accounts in respect of above award pending the final outcome.

9. The Company had made a payment of ₹113,375 to certain cumulative preference shareholders as per contractual obligations in the earlier years. The said amounts paid have been treated as "advances" to be adjusted against future expected liability of dividend on cumulative preference shares.

10. Dividend on 6,500,000 equity shares of AB Corp Ltd. which are pledge with OBC (e- GTBL), amounting to ₹ 39,000 has not been received by the Company. The same is under reconciliation and shall be accounted for after completion of reconciliation.

11. During the year, the Company has transferred a sum of ₹1,432,715 to Loans & Advances from the carrying amount of its investment in Optionally Fully Convertible Debentures (OFCDs), as per the agreed terms with respective investee companies, since the Company has not exercised its conversion option and said OFCDs had become overdue for redemption. An amount of ₹ 1,132,715 had already been provided in the accounts in earlier years towards diminution in value of these OFCDs.

12. Profit on sales of Investment (net) includes ₹ 60 being Profit on sales of OFCD's, [Sale proceeds of OFCDs ₹ 60 Less (cost in books ₹ 2,700,757) less (Provision already made in earlier years for diminution in value ₹ 2,700,757)].

13. During the period the Company has paid Guarantee contract/obligation amounting to ₹ 64,500 towards obligation payments (as Corporate guarantor) to the lenders of promoted companies against their over dues.

14. Sundry debtors include debts outstanding for more than two years amounting to ₹ 2,564,056. The Company is in continuous process of working out different modalities of recovery for its remaining long outstanding debts. Pending outcome of such exercise, an amount of ₹ 614,203 has been written off during the period, which is in opinion of the management is adequate.

(₹ in thousands)

15. 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 :

	6 Months ended 31.03.2011	18 Months ended 30.09.2010
Employer's Contribution to Provident Fund	**6,364**	19,538
Employer's Contribution to Pension Scheme	**2,466**	7,911

b) Defined Benefit Plan

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited 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.

	Gratuity (Fund)/non fund		Leave Encashment	
	6 Months ended 31.03.2011	18 Months ended 30.09.2010	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	**8.25%**	8.00%	**7.00%**	7.00%
Rate of increase in Compensation levels	**8.00%**	8.00%	**8.00%**	8.00%
Rate of Return on plan assets	**8.00%**	8.00%	**NA**	NA
Average remaining working lives of employees (Years)			**18.70**	18.70
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	**120,612**	114,385	**14,863**	17,294
Acquisition adjustment	**Nil**	Nil	**Nil**	Nil
Interest Cost	**7,359**	9,812	**593**	2,077
Past service cost (Vested Benefit)	**Nil**	31,214	**Nil**	Nil
Current Service Cost	**4,588**	12,126	**881**	2,493
Curtailment cost / (Credit)	**Nil**	Nil	**Nil**	Nil
Settlement cost /(Credit)	**Nil**	Nil	**Nil**	Nil
Benefits paid	**(25,044)**	(19,199)	**(670)**	(4,804)
Actuarial (gain)/ loss on obligations	**6810**	(27,725)	**(1,050)**	(2,197)
Present value of obligation as at the end of the period	**114,325**	120,612	**14,617**	14,863
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	**9,283**	7,362	**Nil**	Nil
Acquisition adjustments	**Nil**	Nil	**Nil**	Nil
Actual return of plan assets	**396**	833	**N.A.**	N.A.
Employer contribution	**24,810**	18,951	**Nil**	Nil
Benefits paid	**(25,044)**	(19,199)	**Nil**	Nil
Actuarial gain/ (loss) on obligations	**(254)**	1,337	**Nil**	Nil
Fair value of plan assets at year end	**9,163**	9,283	**Nil**	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	**(312)**	2,169	**Nil**	Nil
Expected return on plan assets	**396**	833	**Nil**	Nil
Excess of actual over estimated return on plan assets Actuarial (gain)/ loss-plan assets	**84**	1,337	**Nil**	Nil

(₹ in thousands)

	Gratuity (Fund)/non fund		Leave Encashment	
	6 Months ended 31.03.2011	18 Months ended 30.09.2010	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Actuarial Gain / loss recognised				
Actuarial (gain) / loss for the period - Obligation	**6,810**	(27,755)	**(1,050)**	(2,197)
Actuarial (gain) / loss for the period - Plan assets	**254**	(1,337)	**Nil**	Nil
Total (gain) / loss for the period	**7,064**	(29,062)	**(1,050)**	(2,197)
Actuarial (gain) / loss recognized in the period	**7,064**	(29,062)	**(1,050)**	(2,197)
Unrecognised actuarial (gains) / losses at the end of the period	**Nil**	Nil	**Nil**	Nil
The amounts to be recognized in Balance Sheet and statement of Profit and Loss:				
Present value of obligation as at the end of the period	**42,091**	54,100	**14,617**	14,863
Fair value of plan assets as at the end of the period	**9,191**	9,283	**Nil**	Nil
Funded Status	**(27,606)**	(24,815)	**(14,617)**	(14,863)
Unrecognised actuarial (gains) / losses	**Nil**	Nil	**Nil**	Nil
Net asset / (liability) recognised in Balance Sheet	**49,922**	61,699	**(14,617)**	(14,863)
Expenses recognised in statement of Profit and Loss :				
Current service cost	**4,588**	12,126	**881**	2,493
Past service cost (Vested Benefit)	**Nil**	31,214	**Nil**	Nil
Interest Cost	**7,359**	9,812	**593**	2,077
Expected return on plan assets	**(396)**	(833)	**Nil**	Nil
Curtailment and settlement cost /(credit)	**Nil**	Nil	**Nil**	Nil
Net Actuarial (gain)/ loss recognised in the period	**7,064**	(29,062)	**(1,050)**	(2,197)
Expenses recognised in the statement of Profit and Loss	**18,615**	23,257	**424**	2,373
Investment Details				
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.

16. Pursuant to the Accounting Standard (AS-28) - Impairment of Assets issued by ICAI, the Company had appointed an outside agency for conducting an exercise of identifying the assets, if any, that may have been impaired. Based on the report Impairment loss of ₹795,275 has been determined on curtained fixed assets as at 31.03.2011 and the same has been provided in the accounts. The Impairment loss has been assessed on the basis of projected cash flows of Cash Generating Units (CGUs) for the next 3 years discounted at IRR of 8.5%.

17. Balances of some of the sundry debtors, creditors, lenders ,loans and advances are subject to confirmations from the respective parties and consequential adjustments arising from reconciliation, if any. The Management, however is of the view that there will be no material adjustments in this regard.

18. In respect of subsidiaries company, the following additional notes to accounts are disclosed: -

(₹ in thousands)

HTL LIMITED

i) The Subsidiary has incurred loss of ₹285,434 (Previous year ₹741,933) during the current period and has accumulated losses of ₹4,916,287 (Previous year: ₹ 4,630,552) as at 31st March, 2011, resulting in negative net worth of ₹4,766,287 (Previous year ₹4,480,852). The Subsidiary's current liabilities exceed its current assets by ₹2,384,051 (Previous year ₹ 2,023,781) as of that date. Further, the Subsidiary has overdrawn borrowings from banks by ₹ 574,955 (Previous year ₹ 594,320) and also has overdue loans from Government of India amounting to ₹62,420 (Previous year: ₹ 62,420) together with interest accrued and due thereon of ₹196,482 (Previous year: ₹ 188,971). The turnover during the current period is ₹ 2,096 (Previous Year: ₹ 154,929). Due to lack of orders for existing products from BSNL during the year and the shortfall in working capital required to diversify into new telecom products, 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 261/2003 dated June 16, 2009. During the year State Bank of India, has, on behalf of the consortium banks, issued a notice to the Subsidiary u/s 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 requiring the Subsidiary to discharge its full dues and attached the freehold surplus Land mortgaged to the extent of 11.02 acres and 2.56 acres.

The Subsidiary ability to continue as a going concern in spite of the present losses is dependent upon infusion of funds for its operations. In the earlier years, the Subsidiary had decided to sell the free hold land of 11.02 acres ('the land') situated in the Developed plot in Thiru Vi Ka Industrial Estate, Guindy Chennai and had held an e – auction at a value of ₹ 271,000 per acre after obtaining the permission of the Ministry of Communications and Information Technology. However based on the request of Small Industrial Development Corporation ('SIDCO'), the Government of Tamil Nadu decided to take back the land and to pay market value prevailing on the date of the relinquishing of the land. SIDCO informed that the Company did not obtain the permission from the Department of Industries & Commerce as per the condition laid down in the Assignment Deed before the auction. Subsequently, the Company has obtained a favorable order against the actions taken by SIDCO / Government of Tamilnadu from the Madras High Court. The Writ Appeal filed by the Government of Tamil Nadu against this has also been dismissed by the Division Bench of High Court of Madras. Further, the Special Leave Petition (SLP) filed by Govt. of Tamilnadu before the Supreme Court has been dismissed by the Supreme Court.

The State Bank of India (SBI), leader of the Consortium of Banks has taken formal possession of the above lands on 29.06.2009 under SARFAESI ACT. Since the BIFR has not agreed for abatement of their proceedings as pleaded by SBI during the hearing held on 27.8.2009, SBI made an appeal before the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) and obtained a stay on 13.1.2010. The AAIFR in their order dated 13.10.2010 in the said appeal abated the proceedings of the Company's reference before BIFR and permitted SBI to proceed with action initiated under SARFAESI ACT for realizations of their dues.

The Hon'ble High Court of Madras while disposing a Miscellaneous Petition in the Sales Tax Case No. WP. 15104/2007 passed orders directing that (1) the SBI is permitted to sell the said land ; (2) the sale shall be conducted in a transparent manner in accordance with the procedure under SARFAESI ACT ; (3) the sale proceeds of the said land shall be kept in a separate account by SBI subject to further orders of the Court; (4) on receipt of the sale proceeds, the Commercial Tax Department, SBI or the petitioner viz., HTL to move this Court for orders for appropriation; and (5) no amount consequent to the sale shall be appropriated by any party without the orders of the Court.

Subsequently, SBI issued a public advertisement on 3.1.2011 fixing the e-auction on 17.2.2011. Since no Earnest Money Deposit (EMD) was received within the stipulated time, SBI re-scheduled the e-auction date on 9.3.2011. No EMD was received within the re-scheduled stipulated time and the prospective bidders insisted for a No Objection Certificate from SIDCO for utilizing the said land for residential projects since the sale deed of SIDCO executed in favour of the Company stipulates that it can be used for industrial purposes only. The Company has taken up this with SIDCO and the same is being followed up. In the circumstances, SBI has put on hold the sale of this vacant land of the Company.

As the Management is confident in completing the required formalities in order to sell the said land under SARFAESI Act as proposed by the Bank, the proceeds of which will be available to settle its outstanding liabilities. The Subsidiary

(₹ in thousands)

is also expecting further orders for Telecom Towers and Integrated Fixed Wireless Terminals. In expectation of the successful outcome of the above proposals, the financial statements have been prepared on a going concern basis.

ii) Secured loans from banks and interest accrued and due include ₹ 787,899 (Previous year ₹ 662,793) on account of dues to IndusInd Bank and Axis Bank as the Banks have assigned the loans to Pegasus Assets Reconstruction Private Limited (an Asset Management Company).

iii) a. Working Capital Demand Loans and Cash Credit facilities from Banks shown in Schedule 3 are secured by pari-passu first charge on the inventories, receivables, moveable fixed assets of the Subsidiary and equitable mortgage of the Subsidiary's immovable properties viz. land measuring 11.02 acres situated at Thiru Vi Ka Industrial Estate, Guindy Chennai and another land measuring 2.56 acres at Lucky Bungalow Premises in Guindy Industrial Estate, Chennai together with buildings and erections thereon.

b. Loan of ₹ 62,420 (Previous year ₹ 62,420) together with interest accrued and due thereon of ₹196,482 (Previous year ₹ 181,461) is due to Government of India (GOI). As at March 31, 2011, total loan of ₹ 62,420 (Previous year ₹ 62,420) is overdue for payment. In addition to this, the Govt. of India has acceded to adjust ₹34,700 compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan.[Refer Note.vii below].

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 11.05 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 on 16.06.2011.

Further intimation of convening the meeting of this Committee is awaited to resolve the dispute over the resumption of the land.

v) (a) As at 01.04.2010, aggregate sales amounting to ₹ 1,488,112 (Previous year ₹1,656,220) inclusive of excise duty and sales tax (as certified by the management) was pending fixation of final price from Bharat Sanchar Nigam Limited (BSNL) (formerly Department of Telecom Services) and had been accounted for on provisional price basis in earlier years. Out of the above, provisional sales of ₹ NIL (Previous year ₹ 168,108) was firmed up during the

(₹ in thousands)

year and the balance are still pending for firm price fixation. The impact of the firm price orders, which can be higher or lower than the provisional price, will be reflected in the books as and when such firm price is fixed by BSNL.

(b) From May 11, 2002, against the sales made to BSNL and MTNL, central sales tax at the concessional rate of 4% has been charged against C Forms to be received from them. During the year Subsidiary has performed reconciliation of C forms received and the sales made till the year ended March 31, 2007 and provided for ₹98,700 against the tax liability for the cases where C forms has not been collected till date.

vi) (a) Sundry Debtors include ₹134,185 (Previous year ₹134,185) debited to BSNL in an earlier year pertaining to differential sales tax over and above 4 % in respect of purchase orders where scheduled delivery fell after 30.09.2000 and where actual delivery was executed subsequent to 30.09.2000 and up to 31.03.2001. Up to the close of the year, only ₹ 3,242 (Previous year ₹3,242) have been received out of the total debit notes of ₹9,544 (Previous year ₹9,544) raised on BSNL so far against the above recoverable amount. However, no provision is considered necessary against the outstanding balance as the management is fully hopeful of recovery of the entire amount.

(b) (i) During an earlier year, the Company had raised debit notes amounting to ₹ 75,427 on MTNL towards differential sales tax over and above 4% payable against 'C' Form on supplies made during the period 1993-94 to 1997-98. Up to the close of the current year, the Company has received 'C' forms from MTNL for ₹ 73,917 (Previous year ₹ 73,917). However, no adjustment for the sales tax forms received has been made in books. The Company has submitted the 'C' Forms and the matter is pending for verification of the forms by the sales tax authorities.

(b) (ii) Interest liability on the delay in payment of differential sales tax as above, has not been provided for in the books in terms of circular No. Acts Cell-IV/45217/2000/04.11.2000 issued by Commissioner of Commercial Taxes, where it is clarified that "Where ever no penal interest was levied for the belated payment of tax and penalty under the Central Sales Tax Act, 1956 up to 11.05.2000, no penal interest need to be levied now. The assessing officer can resort to levy of penal interest for the payments made on or after 12.05.2000, the date of publication of Gazette of India". In view of above clarification, the management considers that interest liability, if any, after 11.05.2000 is contingent in nature.

vii). Claims receivable includes ₹34,700 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 ₹34.700 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 ₹34,700 compensation receivable by HTL 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. [Refer Note iii(b) above]

viii). The Employees Salary / Wages were revised as per the settlement u/s 12(3) of the Industrial Disputes Act vide settlement dated 30.03.2011 and also salaries of Junior Engineers and Officers were revised retrospectively as per Company's Office Order dated 09.05.2011 and 25.05.2011 respectively. The amount payable consequent to revision up to 31.03.2011 amounts to ₹ 25,070 is charged to P&L Account. This amount, as per settlement / office order will be paid after realization of sale proceeds of the proposed sale of vacant land of the Subsidiary.

19. 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,

(₹ in thousands)

which is not in line with the accounting policy of the Company. The gross value of such assets is ₹528,520 (Previous year ₹ 528,494) and depreciation charged for the year is ₹2,225 (Previous year ₹10,093).

20. In case of subsidiary, HTL Limited, inventory of raw materials, components and stores & spares amounting to ₹7,896 (Previous year ₹ 7,939) 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.

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

HTL Ltd.	Goodwill	741,730
Moneta Finance (P) Ltd.	Goodwill	475
Total		742,205

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

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

Particular	**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
Contract revenue recognized as revenue in the year / period	**-**	917,035
Aggregate amount of costs incurred and profit up to the	**-**	-
reporting date on the contract under progress	**-**	-
Advance received on contract under progress	**-**	-
Retention amounts on contract under progress	**-**	-
Gross amount due from customers for the contract work as on assets	**-**	-
Gross amount due to the customers for contract work as a liability	**-**	-

24. Lease payments under cancellable operating leases have been recognised as an expense in the profit & loss account. Maximum obligation on lease amount

	6 month Ended on 31.03.2011	18 month Ended on 30.09.2010
Not later than one year	**7,224**	5,639
Later than one year but not later than five years	**4,556**	1,736

25. Segment Reporting

(a) Primary segment information

The Company and its subsidiaries operations primarily relates to manufacturing of telecom products, providing turnkey solutions relating thereto and providing basic telephony & ISP services. Accordingly segments have been identified in line with Accounting Standard on Segment Reporting (AS) - 17 Telecom products, Turnkey contracts & services and Basic telephony & ISP are the primary business segments whereas Others constituting less than 10% of the segment revenue/

(₹ in thousands)

results/assets have been considered as other business segments and are disclosed in the financial statements accordingly. The details of business segments for the year-ended 31.03.2011 are as follows:

	2010-2011		2009-2010	
Particulars	**Inter segment**	**Total**	Inter segment	Total
Segment Revenue				
a. Telecom Products	**1,519**	**277,351**	90,312	2,036,504
b. Turnkey Contracts and Services		**588,891**		1,229,605
c. Basic Telephony and ISP		**-**		1,973,916
d. Others		**-**		-
Total	**1,519**	**866,242**	90,312	5,240,024
Less:Inter segment revenue		**1,519**		90,312
Turnover/Income from Operations		**864,724**		5,149,712
Segment Results				
a. Telecom Products		**(1,267,833)**		(500,091)
b. Turnkey Contracts and Services		**(32,603)**		(118,753)
c. Basic Telephony and ISP		**-**		(916,881)
d. Others		**(26)**		(241)
Total		**(1,300,462)**		(1,298,460)
Less: i. Interest and Finance charges		**455,358**		741,856
ii. Other un-allocable expenditure net off un-allocable income		**(1,860,226)**		113,624
Profit/(loss) before Tax		**104,406**		(2,153,940)
Capital Employed				
a. Telecom Products		**(1,462,755)**		(3,547,226)
b. Turnkey Contracts and Services		**677,159**		658,918
c. Basic Telephony and ISP		**-**		-
d. Others		**3,135**		3,165
Total capital employed in segments		**(782,461)**		(2,885,146)
Add: Un-allocable corporate assets less liabilities		**248,527**		730,289
Total capital employed in Company		**(533,934)**		(2,154,857)

(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.

26. Deferred Tax

The break up of net deferred tax liability as on 31st March 2011 is as under:

	2010-2011		2009-2010	
	Deferred tax liability	**Deferred tax assets**	Deferred tax liability	Deferred tax assets
Depreciation	**335,633**	**-**	389,991	-
Others	**-**	**3,568**	-	4,985
Unabsorbed Losses (to the extent of liability only)*	**-**	**332,065**	-	385,006
	335,633	**335,633**	389,991	389,991
Net deferred tax Assets	**-**	**-**	-	-

(₹ in thousands)

27. Related Party Disclosures

1. Name of related parties and description of relationship:

(a) Associates:	HFCL Bezeq Telecom Ltd
	HFCL Dacom Infochek Ltd (HDIL)
	HFCL Kongsung Telecom Ltd
	HFCL Satellite Communications Ltd
	Exicom Tele-systems Ltd.
	Microwave Communications Ltd.
	Westel Wireless Ltd
	Polixel Security Systems Pvt. Ltd.
	ANM Engineering and Works Pvt. Ltd.
	Nextwave Communications Pvt Ltd.
	DragonWave HFCL India Pvt. Ltd.
(b) Key management personnel:	a) Mr. Mahendra Nahata
	b) Dr. R M Kastia
	c) Mr. Arvind Kharabanda
	d) 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, 2011 are as under

Particulars	**1 (a)**	(Previous Year)
Purchases		
Goods	**7,710**	(8,107)
Services	**4,704**	(26,732)
Sales		
Goods	**106**	(17,474)
Services	**3,852**	(9,854)
Expenses		
Rent/ Business Promotion	**138**	(-)
Foreign Exchange Fluctuation	**-**	(10,503)
Income		
Rent & other expenses recovered	**707**	(1,635)
Advance given	**4,000**	(10,000)
Outstanding (net)		
Payables	**32,457**	(29,839)
Receivables	**28,224**	(66,175)
Guarantees and collaterals	**1,374,331**	(1,374,331)

Notes: Details of remuneration to directors are disclosed under note 9

(₹ in thousands)

		2010-2011	2009-2010
28.	(a) Basic & Diluted Earnings per Share (EPS) before extra ordinary items		
	Profit/(Loss) after tax and minority interest	**104,194**	(2,154,916)
	Less: preference dividend	**26,163**	78,487
	Profit/(Loss) attributable to ordinary share holders	**78,031**	(2,233,403)
	Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	**992,395,337**	992,395,337
	Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	**1,061,745,232**	992,395,337
	Nominal value of ordinary share	**₹ 1/-**	₹ 1/-
	Earning per Share basic	**0.08**	(2.25)
	Earning per Share diluted	**0.07**	(2.25)
	(b) Basic & Diluted Earnings per Share after extra ordinary items		
	Profit/(Loss) after tax and minority interest	**104,194**	3,740,775
	Less: preference dividend	**26,163**	78,488
	Profit/(Loss) attributable to ordinary share holders	**78,031**	3,662287
	Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	**992,395,337**	992,395,337
	Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	**1,061,745,232**	992,395,337
	Nominal value of ordinary share	**₹ 1/-**	₹ 1/-
	Earning per Share	**0.08**	(3.69)
	Earning per Share diluted	**0.07**	(3.69)

(Ignored as the effect of potential equity shares is anti dilutive)

29. The figures of the current 0period are not comparable with those of previous year as current period is for eighteen months as against twelve months in previous year and in view of the amalgamation of SECPL w.e.f 01.01.2010. Previous year's figures have been regrouped / reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 12th August, 2011

For and on behalf of the Board

M P Shukla	Chairman
Mahendra Nahata	Managing Director
Arvind Kharabanda	Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 12th August, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(₹ in thousands)

	Particulars		**6 Months ended 31.03.2011**	18 Months ended 30.09.2010
A.	**Cash Flow from Operating Activities :**			
	Net Profit before taxes		**128,607**	3,728,651
	Adjustments for :			
	Depreciation/Impairment	**909,746**		1,356,870
	Diminution in value of investments	**-**		(65)
	Interest & finance charges	**455,358**		739,057
	Interest income	**(31,689)**		(48,651)
	Foreign exchange gain	**-**		(16,668)
	Dividend income	**(13,604)**		(20,766)
	Loss/(Profit) on sale of fixed assets	**279**		13,762
	Loss/(Profit) on sale of Investment	**(85)**		(26,876)
	Loss/(Profit) on sale of Investment in subsidiary	**-**		(5,895,691)
	Unpaid/ Unrealised exchange difference	**(6,333)**		(141,918)
	Bad debts written off	**712,039**		713,441
	Payment towards guarantee contract/obligation	**64,500**		69,920
	Excess Provision/Liability Written Back	**(30,054)**		(12,788)
	Provision for Inventories	**-**		23,798
	Term loan and their interest remit under OTS	**(2,278,447)**		(653,090)
	Provision for doubtful debts / advances	**-**		17,415
			(218,290)	(3,882,250)
	Operating Profit before working capital changes		**(89,683)**	**(153,599)**
	Adjustments for :			
	Trade and other receivables	**1,206,840**		(464,239)
	Adjustment due to amalgamation of SECPL	**-**		(972,501)
	Inventories	**41,715**		196,627
	Trade and other payables	**(826,706)**		(41,415)
	Adjustment due to amalgamation of SECPL	**-**		6,198,222
			421,849	4,916,694
	Cash generated from operations		**332,166**	**4,763,095**
	Income tax for earlier years		**(801)**	(16,385)
	Prior period adjustments		**(11,704)**	3,817
	Net Cash used in operating activities		**319,661**	4,750,527

(₹ in thousands)

B. Cash flow from investing activities			
Purchase of fixed assets		**(60,614)**	(180,790)
Sale of fixed assets		**324**	31,982
Miscellaneous expenditure		**-**	-
Purchase of investments		**(43,454)**	(107)
Sale of investments		**36,086**	79,700
Disposal of investments in subsidiary		**-**	1,000
Loans and advances		**(3,257)**	726
Interest received		**(170,779)**	(93,459)
Dividend received		**13,604**	20,766
Adjustment due to amalgamation of erstwhile SECPL			
Investments	-		(7,419,100)
Fixed Assets	-	-	(70,721)
Net Cash used in investing activities		**(228,090)**	(7,630,003)
C. Cash flow from financing activities			
Proceed from issue of share capital including premium (net of issue expenses)		-	700,043
Proceeds from long term/short term borrowings - Secured/ Unsecured		**(90,561)**	2,129,227
Repayment of long term/short term borrowings - Secured/ Unsecured		**(307,073)**	(3,776,241)
Interest paid (net)		**(170,051)**	(307,623)
Repayment of Public deposit		-	(190,519)
Dividends paid (including dividend tax)		-	(441)
Adjustment due to amalgamation of erstwhile SECPL			
Share Capital	-		470,000
Reserve	-	-	4,770,500
Net Cash from financing activities		**(567,685)**	**3,794,946**
Net increase in cash & cash equivalents		**(476,114)**	**915,470**
Cash & cash equivalents (Opening Balance)		**1,335,373**	**488,784**
Adjustment for Disposal of investments in subsidiary		**-**	**(68,881)**
Cash & cash equivalents (Closing Balance)		**859,259**	**1,335,373**

As per our report of even date attached

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

(Akash Shinghal)
Partner
Membership No.103490
New Delhi, 12th August, 2011

For and on behalf of the Board

M P Shukla, Chairman
Mahendra Nahata, Managing Director
Arvind Kharabanda, Director (Finance)

Manoj Baid, Company Secretary

New Delhi, 12th August, 2011

Statement Pursuant to General Exemption granted under section 212 (8) of the Companies Act , 1956 relating to subsidiary companies

(₹ in thousands)

Particulars	Name of Subsidiary companies	
	HTL Limited	Moneta Finance Pvt Ltd.
Capital	150,000	3,000
Reserves	(4,916,287)	135
Total Assets	956,341	22,260
Total Liabilities	5,722,628	19,124
Investment other than Investment in Subsidiary	-	
Turnover	2,099	-
Profit Before Taxation	(285,434)	(26)
Provision for Taxation/ FBT (Including for earlier years)	-	-
Profit after Taxation	(285,434)	(26)
Proposed dividend	-	-

For and on behalf of the Board

M P Shukla — Chairman
Mahendra Nahata — Managing Director
Arvind Kharabanda — Director (Finance)

New Delhi, 12th August, 2011

Manoj Baid, Company Secretary

Notes

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

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

Dear Shareholders,

The Ministry of Corporate Affairs (MCA) has taken "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies through electronic mode.

In accordance with the recent Circular No. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 of MCA, companies can now send various notices/documents (including notice calling AGM, Audited Financial Results, Directors' Report, Auditors' Report etc.) to their shareholders through electronic mode to the registered email address of the shareholders. Accordingly Company is sending Annual Report for financial year 2010-11 by electronic mode to the shareholders who have registered their Email ID with the Company.

Those shareholders who have not got their Email ID registered with the Company, are therefore, requested to send us their Email ID and mobile no. etc. in format given below. Alternatively you can visit our website www.hfcl.com and get your Email ID registered.

Please note that Annual Report for financial year 2010-11 is available at Company's website.

Thanking you,

Yours faithfully,
For **Himachal Futuristic Communications Ltd.**

(Manoj Baid)
Company Secretary

The Company Secretary
Himachal Futuristic Communications Limited
8, Commercial Complex
Masjid Moth
Greater Kailash-II
New Delhi-110 048

Reg.: Dispatch of Notices etc. in electronic mode

I am glad to note the option given by the "Ministry of Corporate affairs" (MCA) regarding E-communication and I hereby opt to receive all notice/documents (including notice calling AGM, Audited Financial Results, Directors' Report, Auditors' Report etc.) through electronics mode. My particulars are as under:

Name :

Father's/Husband's Name :

Folio No./DPID & Client ID :

Email ID :

Phone No. : Signature

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

Regd. Office: 8, Electronics Complex, Chambaghat, Solan – 173 213 (Himachal Pradesh)

ATTENDANCE SLIP

24th Annual General Meeting

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE VENUE.

I/We hereby record my/our presence at the Annual General Meeting of the Company held on Saturday, the 24th day of September, 2011 at 11:00 A.M. at Electronics Complex, Chambaghat, Solan – 173213, Himachal Pradesh.

Folio No.		
DP ID No.		
Client ID No.		
Full name of the Shareholder (In Block Letters)		Signature
Full Name of Proxy (in Block Letters)		Signature

PROXY

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

Regd. Office: 8, Electronics Complex, Chambaghat, Solan – 173 213 (Himachal Pradesh)

I/We ____________________

of __________ **being a member / members of Himachal Futuristic Communications Ltd., hereby appoint** ____________________

of __________ **or failing him** __________

of __________ **or failing him** __________

of __________ **as my / our proxy in my / our absence to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on Saturday, the 24th day of September, 2011 at 11:00 A.M.**

Signed this ____________________ **day of September, 2011**

Affix Revenue Stamp

Folio No.:	
DP ID No.:	
Client ID No.:	
No. of Shares.:	

Signature ____________________

Note:

The proxy form must be deposited at the Registered Office of the Company at 8, Electronics Complex, Chambaghat, Solan– 173213, Himachal Pradesh, not less than 48 hours before the time fixed for holding the Meeting.