

**HTL LTD.**

**Registered Office:** GST Road, Guindy , Chennai – 600 032.

**50<sup>th</sup> Annual Report 2010-11**

**Date of Annual General Meeting: 23<sup>rd</sup> September 2011 @12 Noon**

**Venue: Registered Office,  
GST Road,  
Guindy,  
Chennai – 600 032.**

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**HTL LTD.**

Registered Office: GST Road, Guindy, Chennai - 600 032

**NOTICE**

Notice is hereby given that the 50<sup>th</sup> Annual General Meeting of HTL Ltd. will be held on **Friday, the 23<sup>rd</sup> September 2011 @ 12 noon** at the Registered Office of the Company at GST Road, Guindy, Chennai – 600 032 to transact the following business:

**AS ORDINARY BUSINESS**

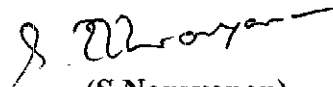
1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2011 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of **Shri M.P.Shukla** retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of **Shri Y.L.Agarwal** who retires by rotation and being eligible offers himself for reappointment.
4. 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 & Co., Chartered Accountants, New Delhi, the retiring Auditors of the Company are eligible for reappointment. The following Special Resolution is submitted in terms of Section 224A of the Companies Act, 1956:

"RESOLVED that M/s. Khandelwal Jain & Co., Chartered Accountants, New Delhi the retiring Auditors of the Company, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on remuneration to be decided by the Board of Directors of the Company."

Registered Office  
GST Road, Guindy  
Chennai – 600 032.

Place : Chennai  
Date : 5<sup>th</sup> August 2011

By Order of the Board  
For HTL Ltd.

  
(S.Narayanan)  
Company Secretary

Notes :

**1. Proxy**

- (i) Article 66 of the Articles of Association of the Company provides that a member entitled to attend and vote at a meeting may appoint another person (whether a member or not) as his proxy to attend a meeting and vote on a poll. No member shall appoint more than one proxy to attend on the same occasion. A proxy shall not be entitled to speak at a meeting or to vote except on a poll. The instrument appointing a proxy shall be in writing and be signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.
- (ii) Article 67 of the Articles of Association of the Company provides that the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll not less than 24 hours before the time appointed for taking of the poll and in default the instrument of proxy shall not be treated as valid.

**2. Appointment of Statutory Auditors**

Section 224A of the Companies Act, 1956 provides that in case of a company in which not less than 25% subscribed share capital is held, inter alia, by the Central Government, the appointment or re-appointment at the general meeting of an auditor shall be made by special resolution. Since the Central Government is holding 26% of the subscribed share capital of the Company, the auditors of the Company are required to be appointed by way of special resolution.

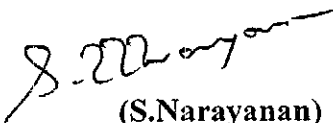
M/s. Khandelwal Jain & Co is the retiring auditors of the Company. A certificate from the above auditors has been received to the effect that their appointment, if made, would be within the limits prescribed u/s 224(1B) of the Companies Act, 1956. The Board of Directors recommend the resolution for the appointment of M/s.Khandelwal Jain & Co., Chartered Accountants , New Delhi as the Company's auditors for approval of the Members.

None of the Directors of the Company are in any way concerned or interested in passing the said resolution.

Registered Office  
GST Road, Guindy  
Chennai – 600 032.

By Order of the Board  
For HTL Ltd.

Place : Chennai  
Date : 5<sup>th</sup> August 2011

  
(S.Narayanan)  
Company Secretary

## HTL LTD.

Registered Office: GST Road, Guindy, Chennai - 600 032

### DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 50<sup>th</sup> Annual Report and Audited Accounts for the financial year ended 31<sup>st</sup> March 2011.

#### FINANCIAL RESULTS

(Rs. in crore)

PARTICULARS	2010-11 Rs	2009-10 Rs.
Sales, Services and Other Income	5.67	31.11
Profit (Loss) Before Depreciation, Finance Charges and Taxation	(15.50)	(2.72)
Less: Depreciation	0.56	0.67
Finance Charges	43.04	40.25
Net Loss for the year	(59.10)	(43.64)
Add: Loss Brought Forward from Previous Year	(432.53)	(388.89)
Deficit carried to the Balance Sheet	(491.63)	(432.53)

#### DIVIDEND

In view of the losses incurred by the Company, no dividend can be recommended for the year.

#### SIGNIFICANT EVENTS OF THE YEAR

- (1) The State Bank of India, leader of the consortium of Banks initiated action under SARFAESI and taken formal possession of the above lands on 29.6.2009. 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 against the proceedings of BIFR. 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 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 of the Company passed orders on 25.11.2010 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 ; (3) the sale proceeds of the said land shall be kept in a separate account by SBI subject to further orders of this Court ; (4) on receipt of the sale proceeds, the Commercial Tax Dept. or 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 this Court.

After their internal procedures, including the valuation of the vacant land proposed for sale, 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 stipulated time and the prospective bidders insisted for a No Objection Certificate from SIDCO for utilizing the said land for residential projects also 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 said circumstances, SBI has put on hold their sale of this vacant land of the Company.

- (2) The Hon'ble High Court of Madras has passed 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 over the resumption of the land measuring 11.50 acres out of the 15.09 acres of land at Hosur acquired by the Company from SIPCOT thru' a lease cum sale agreement in 1983. It is also made 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 on the outcome of the proceedings of the said Disputes Resolution Committee.

As per the above direction of the Hon'ble High Court of Madras, the Government of Tamil Nadu have issued orders vide G.O.(D) No.87 of Industries (MIG.2) Department dated 16.06.2011 constituted a " Disputes Resolution Committee" with the following officials:-

- |   |           |
|---|-----------|
| 1. The Principal Secretary to Government,<br>Industries Department.     | Chairman. |
| 2. The Principal Secretary / Chairman and<br>Managing Director, SIPCOT. | Member    |
| 3. The Estate Officer ,<br>SIPCOT Project Office, Hosur.                | Member    |



- |    |   |        |
|----|---|--------|
| 4. | The District Collector, Krishnagiri.<br>(Mediator in the capacity of LAO<br>of the District ) | Member |
| 5. | Thiru D.P.Gupta,<br>Chief Operating Officer , HTL.  | Member |
| 6. | Thiru K.Prakasan,<br>Project-in-charge, Hosur, HTL.   | Member |
| 7. | Thiru S.Narayanan,<br>Company Secretary & GM(Legal),HTL.                                      | Member |

The Company's plan for financial restructuring could not be carried out due to the delay in disposal of the vacant land at Chennai and the Company is confident to complete the necessary formalities in this regard during the financial year 2011-12.

#### REVIEW OF OPERATIONS

The value of sales of different products / services (net of excise duty) made during the year under review with comparative figures for the previous year are: -

(Rs in Lakhs)

PRODUCTS	2010-11 (Rs.)	2009-10 (Rs.)
IFWT		27.43
Tower Erection Charges	109.85	1067.56
Tower Materials		331.72
Service Charges	1.75	7.09
Spares	5.89	18.96
Impact of price revision on sales made in earlier years		(30.86)
<b>TOTAL</b>	<b>117.49</b>	<b>1421.90</b>

The Company's performance during the year under review was poor since the Company continued to face severe financial crisis including the working capital.

#### CURRENT POSITION AND OUTLOOK

The company's operations were impaired because of non-availability of working capital. The Company is hopeful in completing the formalities required for disposal of the vacant land at Chennai in the financial year 2011-12. Thereafter, necessary working capital (both fund and non-fund based) will be made available by the banks and the company will be able to resume its normal business operations. This will certainly result in the improvement of its financial performance in future.



## **FIXED DEPOSITS**

The Company has not accepted any deposits during the year under review.

## **DIRECTORS**

**Shri M.P.Shukla** and **Shri Y.L.Agarwal** are retiring by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves 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 31<sup>st</sup> 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 (read with Notes on Accounts in Schedule 20 of the Audited Statement of Accounts) 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 loss 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; and
4. that the Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2011 on a going concern basis subject to the position as clarified in Note No. C.2 in Schedule 20 of the Audited Statement of Accounts.

## **AUDITORS**

M/s.Khandelwal Jain & Co., Chartered Accountants, New Delhi 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 1 of this Report. \*



## PERSONNEL

The manpower strength at the close of the year was 221 as compared to 280 at the beginning of the year.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 or amended forms part of this Report and annexed as ANNEXURE 2.

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

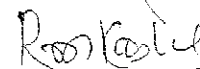
The information required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is set out in ANNEXURE 3 and forms part of this Report.

## ACKNOWLEDGEMENTS

Your Board of Directors place on record their sincere thanks for the assistance and support extended by the Department of Telecommunications, Government of India, Government of Tamil Nadu , BSNL , MTNL , Reliance and Aircel . Your Directors also wish to express their gratitude for the co-operation and assistance extended by the Banks and Suppliers.

Your Directors wish to place on record their sincere appreciation of the dedicated efforts put in by the employees at all levels in the Company.

For and on behalf of the Board



Whole-Time Director

Place : New Delhi

Date : June 30, 2011

/ Certified True Copy /

S. 22207  
5.8.2011

Company Secretary  
• HTL Ltd  
G.S.T. Road Gurgaon  
440945-600 032



## ANNEXURE 1 TO THE DIRECTORS' REPORT

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

#### (A) OBSERVATIONS IN THE AUDITORS' REPORT

##### Auditors' Observation:

4. *As mentioned in Note No.C-2 of Schedule 20 in the financial statements, the Company incurred a net loss of Rs.591,000 thousands during the year and has accumulated losses of Rs 4,916,288 thousands as at March 31, 2011, which has resulted in negative net worth of Rs. 4,766,288 thousands. The Company's current liabilities have exceeded its current assets by Rs 2,384,052 thousands as at that date. Further, the Company has overdrawn borrowings from banks by Rs. 574,955 thousands and also has overdue loans from Government of India amounting to Rs 62,420 thousands and interest accrued and due thereon of Rs. 196,482 thousands. The turnover during the current year is only Rs 11,749 thousands. The Company's plans to raise funds 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 Company will be able to continue as a going concern. The Company 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 financial statements have been prepared on a going concern basis. However, in view of the above uncertainties, we are unable to comment on the ability of the Company to continue as a 'going concern' and the consequential adjustments to the accompanying financial statements, if any, that might have been necessary had the financial statements been prepared under liquidation basis.*

##### Reply of the Board:

The Company is confident to clear its over dues on realization of proceeds of the proposed sale of vacant land at Chennai by SBI under SARFAESI and in reviving the operations on completion of the required formalities for the said land sale.

Though there is a good potential for Telecom Products & the Company is having necessary expertise, it could not perform well mainly due to lack of credit facilities from Bankers and also its acute financial constraints due to the attachment of receivables of the Company by SBI under SARFAESI. The Company is confident to improve its performance substantially on completion of the proposed sale of above mentioned land by SBI and release of receivables after realization of their dues. This matter has been explained in detail in Note No.C-2 of Schedule 20 of the Audited Statement of Accounts. All efforts are taken for continuance of the Company and hence, the Company is an ongoing concern only and the financial statements are finalized as an on going concern basis.



## B) OBSERVATIONS IN THE ANNEXURE TO AUDITORS' REPORT

### 1. Auditors' Observation:

*Para (ix)(a) : According to the information and explanations given to us and records examined by us, undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, sales-tax, excise duty, cess and other material statutory dues have not been regularly deposited with the appropriate authorities and there have been delays in large number of cases.*

#### Reply of the Board:

The delays in payment of statutory dues were on account of extreme critical financial position of the Company.

### 2. Auditors' Observation:

*Para (ix)(b): According to the information and explanations given to us and as certified by the management, undisputed dues in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, excise duty, cess and other statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:*

*(Details as per Auditors' Report not repeated here).*

#### Reply of the Board:

The dues in respect of sales-tax could not be paid mainly on account of non-reimbursement of sales-tax by BSNL in spite of its commitment to reimburse the sales-tax, non-submission of D/C Forms by the customers in time, critical financial position of the Company and the consequent interest liability for non-payment of sales-tax.

Regarding income-tax dues, the provision has been made on the basis of stand taken by the department in earlier years in respect of disallowance of provision for doubtful debts consequent upon changes in law with retrospective effect.

### 3. Auditors' Observations:

*Para (x): The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash loss during the year. In the immediately preceding financial year also, the Company had incurred cash loss.*

*Para (xi): Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the working capital borrowings from the banks have been in excess of the bank limits*



*throughout the year. At the close of the year, such overdrawn borrowings amounted to Rs.574,955 thousands. As at March 31, 2011 interest accrued and due on these loans was Rs. 1,428,910 thousands.*

*Para (xvii): According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that as at 31<sup>st</sup> March, 2011, short term funds to the tune of Rs 4,741,933 thousands working capital loans, cash credits and net current liabilities, have been used to primarily finance the losses of the Company.*

**Reply of the Board:**

These are only statement of facts and need no further comment by the Board except that in absence of any arrangement of long term funds to finance the cash losses, the available working funds got depleted resulting into use of short term funds for meeting the losses.



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## ANNEXURE 2 TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956  
READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES)  
RULES, 1975.

### Employed throughout the year

Name of the Employee	: Dr.R.M.Kastia
Designation	: Whole Time Director
Nature of Employment	: Contractual
Remuneration *	: 1.2.2009 to 31.3.2010 - Rs. 93,25,968/- 1.4.2010 to 31.3.2011 – Rs. 87,72,570/-
Qualification & Experience	: Post Graduate & Doctorate in Chemistry. Fellow Member of British Institute of Management (London). 48Years
Date of Commencement of Employment	: 1.2.2009
Age	: 69Years
Last Employment held and Designation	: Himachal Futuristic Communications Ltd. Whole Time Director

\* Note: Since the Government of India approval for appointment & payment of remuneration w.e.f.1.2.2009 has been received on 19.11.2010, the remuneration for the period 1.2.2009 to 31.3.2011 has been charged to the Profit and Loss Account during the current year i.e. Rs.93,25,968/- under Prior period expenses and Rs.87,72,570/- under Current year expenses.



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## ANNEXURE 3 TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011.

### CONSERVATION OF ENERGY

The Company's operations involve low energy consumption. The Company nevertheless, continued its efforts to conserve energy.

### RESEARCH AND DEVELOPMENT (R&D)

The Company has incurred a sum of Rs.0.01 lacs during the year 2010-11 towards recurring expenditure on R&D. The Company could not spend on R& D due to its severe financial constraints.

### TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The Company has absorbed technologies from tie-up with its foreign partners for the product they supplied. Efforts are continued for absorption of technology wherever new products are introduced.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

*(Rs. in '000)*

FOB Value of Exports	NIL
CIF Value of Imports	NIL
Expenditure in Foreign Currency	NIL

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# KHANDELWAL JAIN & CO.

## CHARTERED ACCOUNTANTS

BRANCH OFFICE :  
221, HANS BHAWAN,  
BAHADUR SHAH ZAFAR MARG,  
NEW DELHI-110002

Tel 23370091, 23370892, 23378795  
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E-mail delhi@kjco.net

### AUDITORS' REPORT

TO  
THE MEMBERS OF  
HTL LIMITED

1. We have audited the attached Balance Sheet of HTL Limited (the Company) as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year 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 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. *As mentioned in Note No.C-2 of Schedule 20 in the financial statements, the Company incurred a net loss of Rs.591,000 thousands during the year and has accumulated losses of Rs 4,916,288 thousands as at March 31, 2011, which has resulted in negative net worth of Rs. 4,766,288 thousands. The Company's current liabilities have exceeded its current assets by Rs 2,384,052 thousands as at that date. Further, the Company has overdrawn borrowings from banks by Rs. 574,955 thousands and also has overdue loans from Government of India amounting to Rs 62,420 thousands and interest accrued and due thereon of Rs. 196,482 thousands. The turnover during the current year is only Rs 11,749 thousands. The Company's plans*



-- 2 --

*to raise funds 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 Company will be able to continue as a going concern. The Company 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 financial statements have been prepared on a going concern basis. However, in view of the above uncertainties, we are unable to comment on the ability of the Company to continue as a 'going concern' and the consequential adjustments to the accompanying financial statements, if any, that might have been necessary had the financial statements been prepared under liquidation basis.*

5. Further to our comments in the Annexure referred to above paragraph, we report that:-
- (i) 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;
  - (ii) 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;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) 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;
  - (v) On the basis of written representations received from the Directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) 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:



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- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- (b) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

*Ak* *Shinghal*



**(Akash Shinghal)**  
Partner  
Membership No: 103490

Place: New Delhi  
Date : 30<sup>th</sup> June, 2011

*/ Certified True Copy /*

*S. 22*  
*5.8.2011*

Company Secretary  
HTL Ltd  
G.S.T. Road, Chandigarh  
401045-500132



# KHANDELWAL JAIN & CO.

## CHARTERED ACCOUNTANTS

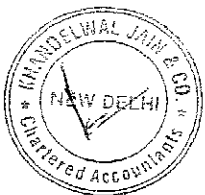
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E-mail delhi@kjco.net

### ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of HTL LIMITED on the accounts for the period ended 31<sup>st</sup> March, 2011;

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and as informed, no material discrepancies were noticed on such verification.
- (c) During the period, the Company has not disposed off any substantial part of the fixed assets.
- (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.

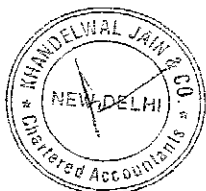


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- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (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.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) *According to the information and explanations given to us and records examined by us, undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, sales-tax, excise duty, cess and other material statutory dues have not been regularly deposited with the appropriate authorities and there have been delays in large number of cases.*

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (b) *According to the information and explanations given to us and as certified by the management, undisputed dues in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, excise duty, cess and other statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:*



-- 6 --

Sl. No.	Name of the Statute	Nature of Dues	Amount Rs. In '000s	Due Date
1	The Central Sales Tax Act 1956	Differential sales tax payable for 2001-02.	25,027	Various Dates
2	The Tamil Nadu General Sales Tax Act, 1959	Differential sales tax payable for 2002-03 for non-submission of 'C' Form including interest	271,657	Various Dates
3	The Central Sales Tax Act 1956	Differential sales tax on price revision for the years 2002-03 to 2005-06.	53,703	Various Dates
4.	The Central Sales Tax Act 1956	Differential sales tax payable on price revision for the years 2007-08 to 2010-11	3,045	Various Dates
5	Income Tax Act, 1961	Income Tax payable for the Assessment Year 1998-99 on account of disallowance of provision for doubtful debts & advances and inventories including interest.	37,323	31st March 2000
6	Professional Tax	Professional Tax payable for the financial year 2009-2010	441	Various Dates
7	Provident Fund Act, 1952	Employees Contribution	22	Various Dates

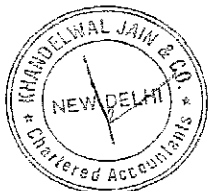
(c) According to the information and explanations given to us and as certified by the management, the dues outstanding of income-tax, sales-tax, excise duty and cess on account of any dispute, are as follows:

SL. No.	Name of the Statute	Nature of Dues	Amount Rs. In '000s	Forum where dispute is pending
1	The Central Sales Tax Act, 1956	Differential sales tax on sales to BSNL / MTNL for the years 1993-94 to 1997-98 for non-submission of C/D Forms	77,674	Appeal order passed, pending with Assessing Officer
2.	The Central Sales Tax Act, 1956	Differential sales tax on sales to BSNL / MTNL for the year 1999-2000 for non-submission of C/D Forms	5,399	Madras High Court



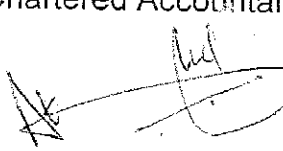
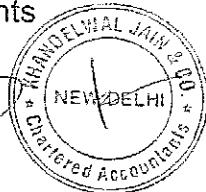
3.	<i>The Central Sales Tax Act, 1956</i>	<i>Differential sales tax on sales to BSNL /MTNL for the year 2000-01 for non-submission of C/D Forms including interest.</i>	887,146	Madras High Court
4	<i>The Tamil Nadu General Sales Tax Act, 1959</i>	<i>Interest levied on delay in payment of differential sales tax for October 2000.</i>	229	Madras High Court
5	<i>The Central Sales Tax Act, 1956</i>	<i>Interest levied on delay in payment of differential sales tax for the month of October 2000.</i>	6,030	Madras High Court
6	<i>Income Tax Act, 1961</i>	<i>Income Tax on disallowance of provision for doubtful debts and obsolete inventory for 2000-01 including interest.</i>	39,725	Income Tax Appellate Tribunal

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash loss during the year. In the immediately preceding financial year also, the Company had incurred cash loss.*
- (xi) *Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the working capital borrowings from the banks have been in excess of the sanctioned limits throughout the year. At the close of the year, such overdrawn borrowings amounted to Rs.574,955 thousands. As at March 31,2011 interest accrued and due on these loans was Rs. 1,428,910 thousands.*
- (xii) *According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
- (xiii) *In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Hence, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.*
- (xiv) *In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Hence, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.*



- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (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.
- (xvii) *According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that as at 31<sup>st</sup> March, 2011, short term funds to the tune of Rs 4,741,933 thousands working capital loans, cash credits and net current liabilities, have been used to primarily finance the losses of the Company.*
- (xviii) According to the information and explanations provided by the management, there are no parties covered under section 301 of the Companies Act, 1956. Hence, clause 4 (xviii) of Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (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.

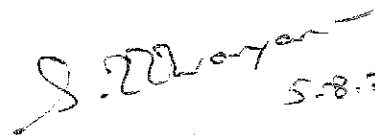
**For KHANDELWAL JAIN & CO.**  
Firm Registration No. 105049W  
Chartered Accountants

**(Akash Shinghal)**  
Partner  
Membership No: 103490

Place: New Delhi  
Date: 30<sup>th</sup> June, 2011

*/Certified True Copy/*

  
5.8.2011  
Company Secretary  
HTL Ltd  
G.S.T. Road Guindy  
CHENNAI-600 032

**HTL LIMITED**  
Balance sheet as at 31st March 2011

	Schedule	As at 31st March 2011		As at 31st March 2010	
		Rs. in 000s		Rs. in 000s	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1	150,000		150,000	
Reserves and Surplus	2	-	150,000	-	150,000
<b>Loan Funds</b>					
Secured Loans	3	2,143,899		1,834,588	
Unsecured Loans		276,402	2,420,301	403,920	2,238,508
<b>TOTAL</b>			<b>2,570,301</b>		<b>2,388,508</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	528,520		528,494	
Less: Depreciation		490,455		484,866	
Net Block			38,065		43,628
<b>Current Assets, Loans and Advances</b>					
Inventories	5	7,896		7,939	
Sundry Debtors	6	689,566		786,948	
Cash & Bank Balances	7	108,953		118,208	
Other Current Assets	8	36,074		88,184	
Loans and Advances	9	75,786		82,760	
		918,275		1,084,039	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	10	3,199,367		2,947,570	
Provisions		102,960		116,877	
		3,302,327		3,064,447	
Net Current Assets			(2,384,052)		(1,980,408)
Miscellaneous Expenditure (To the extent not written off or adjusted)	11		-		-
Profit and Loss Account			4,916,288		4,325,288
<b>TOTAL</b>			<b>2,570,301</b>		<b>2,388,508</b>

Notes on Accounts 20

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet

As per our report of even date

For **KHANDELWAL JAIN & CO**  
Chartered Accountants  
Firm Registration Number 105049

per **AKASH SHINGHAL**  
Partner  
Membership No. 103490



For and on behalf of the Board of Directors

*R.M. Kastia*  
**R.M. KASTIA**  
Whole Time Director

*M.P. Shukla*  
**M.P. SHUKLA**  
Director

*S. Narayanan*  
**S. NARAYANAN**  
Secretary

Place : New Delhi

Date : 3 J JUN 2011

Place : New Delhi

Date : June 30, 2011

*/Certified True Copy/*

*S. Narayanan*  
5.8.2011 Company Secretary  
**HTL Ltd**  
G.S.T. Road, Guindy  
MADRAS-600 032

**HTL LIMITED**

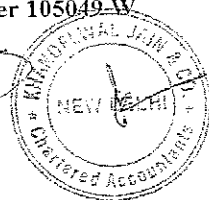
Profit and Loss Account for the period ended 31st March 2011

	Schedule	For the period ended 31st March 2011 Rs. in 000s	For the year ended 31st March 2010 Rs. in 000s
<b>INCOME</b>			
Turnover (Gross)	12	11,752	142,225
Less: Excise Duty		(3)	(34)
Turnover (Net)		11,749	142,190
Other Income	13	44,974	168,928
		<b>56,723</b>	<b>311,118</b>
<b>EXPENDITURE</b>			
Materials & Components Consumed	14	5,816	108,681
Excise Duty		-	55
Personnel Expenses	15	163,441	154,432
Operating and Other Expenses	16	31,374	46,833
Provision for Doubtful Debts and Advances (net)		-	-
Provision for Inventory (net)	17	-	23,799
Decrease in Inventories	18	-	6,112
Financial Expenses	19	430,440	402,547
Depreciation		5,589	6,728
Amortisation of Voluntary Retirement Scheme		-	-
Expenditure		<b>636,660</b>	<b>749,188</b>
Loss for the year before tax before prior period items		(579,937)	(438,070)
Prior period expenses/(Income) (Net)		11,063	(1,701)
Loss for the year before tax		(591,000)	(436,368)
Less: Fringe Benefit Tax		-	-
Loss After Tax		(591,000)	(436,368)
Add: Balance brought forward from Previous Year		(4,325,288)	(3,888,920)
Deficit Carried to the Balance Sheet		<b>(4,916,288)</b>	<b>(4,325,288)</b>
Earning Per Share (Face Value of Rs.100/- each)			
Basic/Diluted (Rs.)		(394.00)	(290.91)
Notes on Accounts	20		
The Schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account			

As per our report of even date

For **KHANDELWAL JAIN & CO**  
Chartered Accountants  
Firm Registration Number 105049-W

per **AKASH SHINGHAL**  
Partner  
Membership No. 103490



For and on behalf of the Board of Directors

**R.M. KASTIA**  
Whole Time Director

**M.P. SHUKLA**  
Director

**S. NARAYANAN**  
Secretary

Place : New Delhi

Date : 30 JUN 2011

Place : New Delhi

Date : June 30, 2011

*1 Certified True Copy*

*S. Narayanan*  
5.8.2011  
Company Secretary  
HTL Ltd  
G.S.T. Road, Gurgaon  
499949-600 032

HTL LIMITED

Cash Flow Statement for the year ended March 31, 2011

Particulars	2010-2011 Rs. 000's	2009-2010 Rs. 000's
<b>A. Cash Flows from/(used in ) Operating Activities</b>		
Net Loss before Taxation	(591,000)	(436,368)
Adjustments for:		
Depreciation	5,589	6,728
Loss/(Profit) on Disposal of Fixed Assets (net)		
Unrealised Foreign Exchange Loss/(Gain) (net)	(6,332)	(141,918)
Interest Income	(7,232)	(8,218)
Interest Expense	429,040	400,316
Provision for Inventory	-	23,799
Excess Liabilities Written Back	(30,054)	(12,788)
Provision for Doubtful Debts and Advances		
Miscellaneous Expenditure written off		
<b>Operating Loss before Working Capital Changes</b>	<b>(199,989)</b>	<b>(168,449)</b>
Movements in Working Capital :		
(Increase)/ Decrease in Sundry Debtors	97,382	89,601
Decrease /(Increase) in Inventories	43	(511)
(Increase)/ Decrease in Loans and advances	7,776	(1,600)
(Increase)/ Decrease in Other current assets	52,110	24,324
Increase/(Decrease) in Current Liabilities	50,356	(72,207)
Cash Generated from Operations	7,678	(128,840)
Direct Taxes Paid (Net of Refunds)	(801)	(1,806)
<b>Net Cash from/(used in) Operating Activities</b>	<b>6,877</b>	<b>(130,645)</b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(25)	(31)
Proceeds from sale of fixed assets		
Decrease in Term Deposits with Banks, redeemed during the year	(395)	15,844
Interest Received	7,232	11,097
<b>Net Cash from/(used in) Investing Activities</b>	<b>6,812</b>	<b>26,911</b>
<b>C. Cash Flows from Financing Activities</b>		
Repayments of Short - Term Borrowings*	(16,372)	-
Proceeds from Short-Term Borrowings		120,247
Interest Paid	(6,967)	(5,967)
<b>Net Cash from/(used in) Financing Activities</b>	<b>(23,339)</b>	<b>114,280</b>
<b>Net Decrease in Cash and Cash Equivalents (A + B + C)</b>	<b>(9,650)</b>	<b>10,545</b>
Cash and Cash Equivalents at the Beginning of the Year	17,983	7,438
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>8,333</b>	<b>17,983</b>

Components of Cash and Cash Equivalents as at \*\*

Cash and Cheques on Hand	152	342
With Banks - on Current Account	8,181	17,641
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>8,333</b>	<b>17,983</b>

\*Does not include Rs.129,000 thousands amount transferred to advances from customers

\*\* Cash and cash equivalents do not include term deposits pledged with banks, not readily available for encashment.

As per our report of even date

For KHANDELWAL JAIN & CO  
Chartered Accountants  
Firm Registration Number 105049 W

per AKASH SHINGHAL  
Partner  
Membership No. 103490



Place : New Delhi

Date : 3 J JUN 2011

For and on behalf of the Board of Directors

R.M. KASTIA  
Whole Time Director

M.P. SHUKLA  
Director

S. NARAYANAN  
Secretary

Place : New Delhi

Date : June 30, 2011

/Certified True Copy/

S. Narayanan  
5.8.2011

Company Secretary  
HTL Ltd  
G.S.T. Road Gurgaon  
\*FORAS-600 032



**HTL LIMITED**

Schedules to the Financial Statements for the period ended March 31, 2011

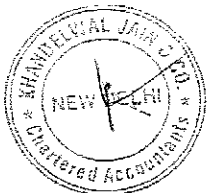
	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 1 : Capital</b>		
<b>Authorised Capital</b>		
2,000,000 Equity Shares of Rs.100 each	200,000	200,000
<b>Issued, Subscribed and Paid up capital</b>		
1,500,000 Equity Shares of Rs. 100 each	150,000	150,000
	<b>150,000</b>	<b>150,000</b>

Note:

1. Out of the above, includes 82,000 shares (Previous year 82,000) allotted as fully paid Bonu Capitalisation of General Reserve
2. Out of the above, 1,110,000 shares (Previous Year 1,110,000) are held by Himachal Futuris Communication Limited, the holding Company.

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 2 : Reserves and Surplus</b>		
Capital Reserve: *	-	-
	-	-

\* Represents Re.1/- for land acquired free of cost from Tamilnadu State Government.



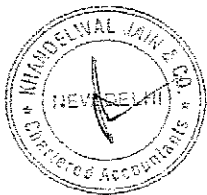
**HTL LIMITED**

Schedules to the Financial Statements for the period ended March 31, 2011

	As at 31st March 2011		As at 31st March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 3 : Loan Funds</b>				
<b>Secured : *</b>				
From Banks :				
Working Capital Demand Loans	23,034		23,034	
Cash Credit facilities	691,955		708,327	
Add: Interest accrued and due	<u>1,428,910</u>	2,143,899	<u>1,103,227</u>	1,834,588
<b>Unsecured :</b>				
Loan from Govt. of India **	62,420		62,420	
Add: Interest accrued and due	<u>196,482</u>	258,902	<u>181,461</u>	243,881
Loan from Others	17,500		146,500	
Add: Interest accrued and due	<u>-</u>	17,500	<u>13,539</u>	160,039
		<u>276,402</u>		<u>403,920</u>
		<u><b>2,420,301</b></u>		<u><b>2,238,508</b></u>

\* Refer Note C - 4 a) of Schedule 20

\*\* Refer Note C - 4 b) of Schedule 20



**HTL LIMITED**  
**Schedules to the Financial Statements for the period ended March 31, 2011**  
**Schedule 4 : Fixed Assets**

(Rs. In 000s)

Description of Assets	Gross Block			Accumulated Depreciation			Net Block		
	1st April 2010	Addition	Deletion	31st March 2011	1st April 2010	Charge during the period	Deletion	31st March 2011	31st March 2010
Freehold Land	588	-	-	588	-	-	-	588	588
Leasehold Land	244	-	-	244	-	-	-	244	244
Buildings	44,741	-	-	44,741	33,958	1,177	-	9,606	10,783
Plant & Machinery	430,366	14	-	430,380	399,223	4,038	-	27,119	31,143
Furniture & Fixtures	15,670	-	-	15,670	15,599	26	-	45	72
Vehicles	1,170	-	-	1,170	972	47	-	151	198
Airconditioning Plant	7,439	-	-	7,439	7,370	41	-	28	69
Office Equipment	7,635	10	-	7,646	7,542	72	-	32	93
Data Processing Equipment	20,641	1	-	20,642	20,202	188	-	252	438
<b>Total</b>	<b>528,494</b>	<b>25</b>	<b>-</b>	<b>528,520</b>	<b>484,866</b>	<b>5,589</b>	<b>-</b>	<b>38,605</b>	<b>43,628</b>
<b>Previous Year</b>	<b>528,463</b>	<b>31</b>	<b>-</b>	<b>528,494</b>	<b>478,138</b>	<b>6,728</b>	<b>-</b>	<b>484,866</b>	<b>43,628</b>

**Notes:** Plant & Machinery is inclusive of Testing Equipment, Electrical Installations, Research and Development Equipment and Model Telephone Exchange.



**HTL LIMITED**

Schedules to the Financial Statements for the period ended March 31, 2011

	As at 31st March 2011		As at 31st March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 5: Inventories</b>				
Stores and Spare Parts:				
Stores and Spares	5,324		5,324	
Dies, Jigs and Fixtures	-		-	
	<u>5,324</u>		<u>5,324</u>	
Less: Provision for Non Moving	<u>5,324</u>	-	<u>5,324</u>	-
Materials and Components	188,378		188,421	
Less: Provision for Non Moving	<u>180,482</u>	7,896	<u>180,482</u>	7,939
Finished Goods	11,545		11,545	
Less: Provision for Non Moving	<u>11,545</u>	-	<u>11,545</u>	-
Work-in-Progress	49,530		49,530	
Less: Provision for Non Moving	<u>49,530</u>	-	<u>49,530</u>	-
		<u>7,896</u>		<u>7,939</u>

	March 2011		March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 6: Sundry Debtors</b>				
<b>Debts outstanding for a period exceeding six months</b>				
Considered Good		688,561		771,527
Considered Doubtful		346,001		346,001
<b>Other Debts</b>				
Considered Good		<u>1,005</u>		<u>15,421</u>
		1,035,567		1,132,949
Less: Provision for Doubtful Debts		<u>346,001</u>		<u>346,001</u>
		<u>689,566</u>		<u>786,948</u>



**HTL LIMITED**

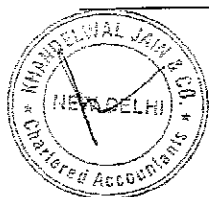
**Schedules to the Financial Statements for the period ended March 31, 2011**

	As at 31st March 2011		As at 31st March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 7: Cash &amp; Bank Balances</b>				
Cash in Hand		152		342
Balances with Scheduled Banks:				
On Current Accounts	8,181		17,641	
On Term Deposits	100,620	108,801	100,225	117,866
(margin money for BG)				
		<u>108,953</u>		<u>118,208</u>

	As at 31st March 2011		As at 31st March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 8: Other Current Assets</b> (Unsecured, Considered Good )				
Claims Receivable *	44,247			86,810
Less: Provison for Claims - Siemens	<u>9,547</u>	34,700		
Fixed Assets held for Sale		<u>1,374</u>		<u>1,374</u>
		<u>36,074</u>		<u>88,184</u>

\* Refer Note 8 of Schedule 20

	As at 31st March 2011		As at 31st March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 9. Loans and Advances</b> (Unsecured )				
<b>Considered Good</b>				
Loans to Employees		163		256
Advances, Recoverable in cash or in kind or for value to be received		3,543		12,444
Balances with Customs, Excise etc.		44		44
Advance income tax - Net of Provisions		27,997		27,196
Deposits – Others		<u>44,039</u>		<u>42,820</u>
		<u>75,786</u>		<u>82,760</u>
<b>Considered Doubtful</b>				
Advances, Recoverable in cash or in kind or for value to be received		37,567		37,567
Balances with Customs, Excise etc.		<u>8,995</u>		<u>8,995</u>
		<u>46,562</u>		<u>46,562</u>
Less : Provision for Doubtful Advances		(46,562)		(46,562)
		<u>75,786</u>		<u>82,760</u>



**HTL LIMITED****Schedules to the Financial Statements for the period ended March 31, 2011**

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 10: Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities :</b>		
<b>Sundry Creditors</b>		
Dues to Small Scale Industrial Undertakings	-	-
Due to others	2,671,119	2,677,450
Advance from Customers	275,200	20,200
Interest Accrued but not Due on Loans	-	-
Other Liabilities	253,048	249,920
	<u>3,199,367</u>	<u>2,947,570</u>
<b>Provisions:</b>		
Leave Encashment Benefit	25,434	30,363
Gratuity	77,526	86,514
	<u>102,960</u>	<u>116,877</u>
	<u>3,302,327</u>	<u>3,064,447</u>



**HTL LIMITED**

**Schedules to the Financial Statements for the year ended March 31, 2011**

	As at 31.03.2011 Rs.in 000s	As at 31.03.2010 Rs.in 000s
Schedule 11: Miscellaneous Expenditure	-	-
	<u>-</u>	<u>-</u>



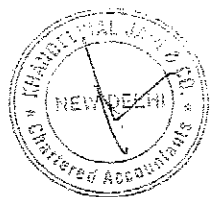
**HTL LIMITED**

Schedules to the Financial Statements for the period ended March 31, 2011

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 12 : Turnover (Gross)</b>		
Sale of Goods	592	37,846
Service Charges	11,160	107,465
Impact of price revision on sales of earlier years		(3,086)
	<u>11,752</u>	<u>142,225</u>

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 13 : Other Income</b>		
Interest Received from		
Banks *	7,230	8,210
Others	2	8
Provision withdrawn	13,539	
Rent	991	1,182
Foreign Exchange Fluctuation (Net)	6,332	141,918
Profit on Disposal of Fixed Assets (net)	-	-
Excess Provision Written Back	16,514	12,788
Scrap Sales	52	26
Miscellaneous	313	4,796
	<u>44,974</u>	<u>168,928</u>

\* Tax deducted at source Rs. 645 thousands (previous year Rs . 782 thousands)





**HTL LIMITED**

Schedules to the Financial Statements for the period ended March 31, 2011

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 14 : Materials &amp; Components Consumed</b>		
Opening Stock	188,421	181,799
Add: Purchases during the year	<u>498</u>	<u>49,658</u>
	188,919	231,457
Less: Closing Stock	<u>188,378</u>	<u>188,421</u>
	541	43,036
Outside Labour Charges on Components	<u>5,275</u>	<u>65,645</u>
	<u><u>5,816</u></u>	<u><u>108,681</u></u>

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 15: Personnel Expenses</b>		
Salaries, Wages and Bonus	124,197	104,548
Contribution to Provident and Other Funds	10,916	10,827
Gratuity Expense	15,824	27,826
Workmen and Staff Welfare expenses	<u>12,504</u>	<u>11,231</u>
	<u><u>163,441</u></u>	<u><u>154,432</u></u>



**HTL LIMITED****Schedules to the Financial Statements for the period ended March 31, 2011**

	As at 31st March 2011		As at 31st March 2010	
	Rs.in 000s		Rs.in 000s	
<b>Schedule 16 : Operating and Other Expenses</b>				
Stores and Spares Consumed		-		41
Consumable Tools		-		-
Power and Fuel (Factory Chennai & Hosur)		3,226		2,908
Repairs and Maintenance:				
Plant and Machinery		-		2
Buildings (includes Gardening Mtce)	2,532		2,155	
Others	243	2,775	290	2,447
Rent		673		695
Rates & Taxes		2,120		4,951
Insurance		686		708
Royalty and Knowhow Fee		-		-
Freight Outward (Net)		44		1,435
Research & Development Expenses		1		4
Professional & Consultancy charges		2,862		3,536
Security charges		3,127		2,519
Telephone charges		535		965
Liquidated Damages on Sales		-		14,288 *
Provision for Audit Fees				
For Audit	896		896	
For Tax Audit	110		110	
Reimbursement of Expenses	25	1,031	25	1,031
Provision for Claims		9,547		-
Donation		6		-
Travelling and Conveyance		2,673		6,666
Directors' Sitting Fees		30		23
Legal Expenses		692		2,383
General office expenses		430		439
Maintenance of office vehicles		237		375
Foreign Exchange Fluctuation (Net)				-
Installation & Maintenance		58		137
Miscellaneous Expenses		621		1,282
		<u>31,374</u>		<u>46,833</u>

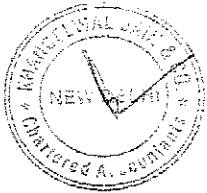
\*Being Rs. 1.42 crores recovered by a customer by invoking bank guarantee drawn in favour of the customer.



**HTL LIMITED**

**Schedules to the Financial Statements for the period ended March 31, 2011**

	As at 31st March 2011 Rs.in 000s	As at 31st March 2010 Rs.in 000s
<b>Schedule 17 : Provision for Inventory (net)</b>		
Stores and Spares	-	351
Materials and Components	-	4,467
Finished Goods	-	(190)
Work-in-Progress	-	19,171
	<u>-</u>	<u>23,799</u>





## SCHEDULE 20

### NOTES TO ACCOUNTS

#### A. NATURE OF OPERATIONS

HTL Limited ("the Company") has been engaged in manufacture of various types of Digital Electronic Telephone Exchange Equipment for rural and urban networks, Power Plants, Telephone Instruments, Transmission Systems (DCME, MUXs, SDH, Dias), Access Products (WLL- CORdect, HDSL, DLC, PMP) and Data Communication Products (Cross Connects, Data Modems and Internet Products). The Company was a wholly owned undertaking of Government of India ('GOI') under the Department of Telecommunications ('DOT') till 16<sup>th</sup> October'2001 when the Government divested 74 % of its shareholding in the Company as part of its divestment program, including transfer of management control, to Himachal Futuristic Communications Limited (HFCL), which is now the Holding Company.

#### B. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Preparation

The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006 (as amended) and other relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

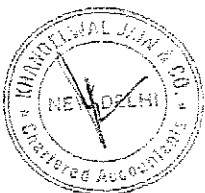
##### 2. Revenue Recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery at site. Revenue in respect of sales orders received on provisional price basis, is recognized on a provisional basis except to the extent stated otherwise (Refer Note 6 (a) under Section C below). In respect of such sales orders, the Company recognises the differential revenue, being the difference between provisional price and the final price, at the time when the provisional price gets firmed up.

##### 3. Fixed Assets

Fixed assets are stated at cost (Net of Cenvat), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Expenditure for additions, modifications and improvements are capitalized and expenditure for maintenance and repairs are charged to the Profit and Loss Account. When assets are sold or discarded, their costs and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the Profit and Loss Account.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.



#### 4. Depreciation

Depreciation on fixed assets is provided using the straight-line method at the rates mentioned below based on the useful lives of the assets as estimated by the management. These rates are greater than or equal to the corresponding rates prescribed in Schedule XIV to the Companies Act 1956.

Assets Description	SLM Rates on estimated life	Rates as per Schedule XIV to the Companies Act 1956
Factory Buildings	5%	3.34%
Staff Quarters	2.5%	1.63%
Plant and Machinery	12%	4.75%
Data Processing Equipment	16.21%	16.21%
Furniture and Fixtures	10%	6.23%
Office Equipment	15%	13.91%
Telephone Exchange (Model)	6%	4.75%
Electrical Installation	10%	4.75%
Research and Development Equipment	10%	4.75%
Vehicles	20%	9.5%
Air Conditioning Plant	15%	15%

Depreciation is charged for the full year in respect of additions during the year. Individual assets costing less than Rs.5,000/- are depreciated in full in the year of addition.

#### 5. Inventory Valuation

Inventories are valued as follows:

- (i) Materials, Components and Stores & Spares: Lower of cost and net realizable value. Cost is determined on a quarterly moving weighted average basis.
- (ii) Dies, Jigs and Fixtures: Written off at 12.5% p.a. on the original cost. Manufactured Tools each costing Rs.5,000/- or less are charged off in full in the first year of use.
- (iii) Work in Progress and Finished Goods: Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost of material included in work in progress and finished goods, is determined on quarterly moving weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and to make the sale.



## 6. Foreign Currency Transactions

### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### (ii) Conversion

Foreign currency monetary items are reported using the closing rate.

### (iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on re-statement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

## 7. Retirement and other Employees' Benefits

(i) Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the fund are due.

(ii) Gratuity liability is a defined benefit obligation. The Company has taken a policy under the Group Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability of the employees and amount paid / payable arrived at on the basis of actuarial valuation on projected unit credit method made at the end of each financial year, is charged to Profit & Loss Account.

(iii) Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

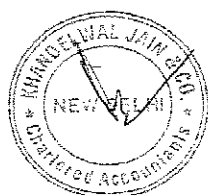
(iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

## 8. Miscellaneous Expenditure

Voluntary Retirement Scheme expenditure is amortized over a period of three years.

## 9. 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, 1961. 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 recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against



future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

#### **10. Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

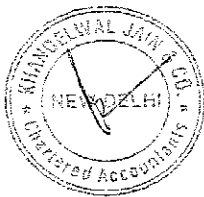
For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### **11. Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

#### **12. Cash and Cash Equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.





### C. NOTES ON ACCOUNTS

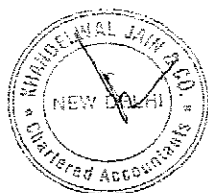
#### 1. Contingent Liabilities (not provided for):

	Particulars	(Rupees in thousands)	
		2010-11	2009-10
A.	Unredeemed bank guarantees.	81,082	88,225
B.	<u>Demands received from excise/sales tax /income tax authorities. *</u>		
(a)	Interest on delayed payment of sale tax – for 2000-2001	6,259	6,259
(b)	Interest on sales tax demand for the matter referred in Note 7 (b) (ii) below.	81,895	75,265
(c)	Penalty leviable on account of delay in payment of excise duty.	NIL	1,000

\* Based on discussions with the solicitors / favourable decisions in similar cases / legal opinions taken by the Company, the Management believes that the Company has a good chance of success in above-mentioned cases and hence, no provision there against is considered necessary.

2. The Company has incurred loss of Rs. 591,000 thousands (Previous year Rs.436,368 thousands) during the current year and has accumulated losses of Rs.4,916,288 thousands (Previous year Rs. 4,325,288 thousands) as at March 31, 2011, resulting in negative net worth of Rs. 4,766,288 thousands (Previous year Rs. 4,175,288 thousands). The Company's current liabilities exceed its current assets by Rs.2,384,052 thousands (Previous year Rs. 1,980,408 thousands) as of that date. Further, the Company has overdrawn borrowings from banks by Rs. 574,955 thousands (Previous year Rs. 591,327 thousands) and also has overdue loans from Government of India amounting to Rs. 62,420 thousands (Previous year: Rs 62,420 thousands) together with interest accrued and due thereon of Rs.196,482 thousands (Previous year: Rs 181,461 thousands). The turnover during the current year is Rs. 11,749 thousands (Previous Year: Rs. 145,276 thousands). Due to lack of working capital required, the operations of the company have been substantially curtailed. The Company has already made reference to Board for Industrial and Financial Reconstruction under Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985, and has since, been declared as a Sick Industrial Company vide order no. 261/2003 dated June 16, 2009. Subsequently, State Bank of India, on behalf of the consortium banks, issued a notice to the Company u/s 13 (2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) requiring the Company to discharge its full dues and attached the freehold surplus land mortgaged to the extent of 11.02 acres and 2.56 acres.

The Company's 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 Company 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 Rs. 27.10 crores 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.

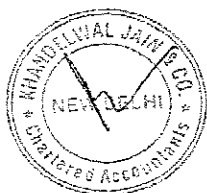
The State Bank of India (SBI), leader of the Consortium of Banks has taken formal possession of the above lands on 29.06.2009 under SARFAESI ACT. Since the BIFR has not agreed for abatement of their proceedings as pleaded by SBI during the hearing held on 27.8.2009, SBI made an appeal before the Appellate 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 Company 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.

3. Secured loans from banks and interest accrued and due include Rs. 787,899 thousands (Previous year Rs. 662,793 thousands) 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).
4. 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 Company and equitable mortgage of the Company'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 Rs.62.420 thousands (Previous year Rs.62.420 thousands) together with interest accrued and due thereon of Rs. 196,482 thousands (Previous year Rs. 181,461 thousands) is due to Government of India (GOI). As at March 31, 2011, total loan of Rs.62,420 thousands (Previous year Rs 62,420 thousands ) is overdue for payment. In addition to this, the Govt. of India has acceded to adjust Rs.34,700 thousands compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan.[ Refer Note.8 below ].

5. a) Out of the total land in possession of the Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Company in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Company, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in earlier years. In respect of the land measuring 27.30 acres, the name of the Company has been entered in the revenue records of the Government of Tamil Nadu. Other necessary formalities to transfer the land in favour of the Company are in progress. In respect of the balance land of 3.69 acres, the name of the Company has not been entered in the revenue records of Government of Tamil Nadu.

b) The Company has 15.09 acres of land at Hosur District, Tamil Nadu, which was acquired by the Company from State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) under Lease cum Sale agreement in 1983. The Estate Officer, SIPCOT issued order under Section 4 of the Tamil Nadu Public Premises Eviction Act, 1975 to surrender the unused portion of land measuring 11.50 acres out of the said land on 13.01.2010. The Company 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 Company 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.

6. (a) As at 01.04.2010, aggregate sales amounting to Rs. 1,488,112 thousand (Previous year Rs.1,656,220 thousands) 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 Rs. NIL (Previous year Rs. 168,108 thousands) was firmed up during the 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.

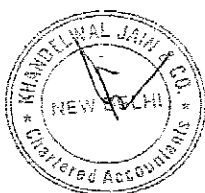
(b) From May 11, 2002, against the sales made to BSNL and MTNL, central sales tax at the concessional rate of 4% has been charged against C Forms to be received from them. During the previous year, the Company has performed reconciliation of C Forms received and the sales made till the year ended March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

7. (a) Sundry Debtors include Rs.134,185 thousands (Previous year Rs.134,185 thousands) 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 upto 31.03.2001. Upto the close of the year, only Rs. 3,242 thousands (Previous year Rs.3,242 thousands) have been received out of the total debit notes of Rs.9,544 thousands (Previous year Rs.9,544 thousands) 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 Rs. 75,427 thousands 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. Upto the close of the current year, the Company has received 'C' forms from MTNL for Rs. 73,917 thousand (Previous year Rs. 73,917 thousands). 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.

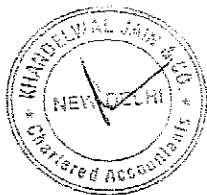
(b) (ii) Interest liability on the delay in payment of differential sales tax as above, has not been provided for in the books in terms of circular No. Acts Cell-IV/45217/2000/04.11.2000 issued by Commissioner of Commercial Taxes, where it is clarified that "Where ever no penal interest was levied for the belated payment of tax and penalty under the Central Sales Tax Act, 1956 upto 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 and the same has been disclosed in Note No. 1 B (b) above.

8. Claims receivable includes Rs.34,700 thousands receivable from BSNL against the compensation approved by Telecom Commission letter No. U-37012/3/97-FAC dated 1st May, 2001 for preclosure 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 Company requested DoT vide letter no.43.12 ETP dated 08.12.2003 to adjust the compensation amount of Rs.34,700 thousands 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 Rs.34,700 thousands 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 4(b) above].
9. In accordance with Accounting Standard 22 on 'Accounting for Taxes on Income' (AS 22), issued by the Institute of Chartered Accountants of India, on conservative basis, deferred tax assets have not been accounted for in the books, since the estimation of future taxable profits cannot be made with virtual certainty supported by convincing evidences, against which such deferred tax assets would be realized.



10. Sales include sale of the equipments purchased, which also involves testing, installation, commissioning and servicing activities of the equipments at the factory / customers' site. Hence, the purchases of such equipments have been included under purchases of materials & components.
11. 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 upto 31.03.2011 amounts to Rs. 25,070 thousands 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 Company.
12. a) Based on information available with the Company, there are no overdue amounts payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006. Further, the Company has not paid any interest to any Micro, Small and Medium Enterprises during the current year.  
b) Sundry Creditors as on March 31, 2011 represents payables for which balances have not been confirmed by the vendors / suppliers and the same is subject to reconciliation. However the management believes that there will not be any material change to the balances as reflected in the books of accounts as on March 31, 2011.  
c) The Prior Period Expenses charged to Profit and Loss Account consists of

	Amount (Rs.in thousands)
i) Material cost	- 1641
ii) Personnel Expenses	- 9326
iii) Operating & Other Expenses	- 96
<b>TOTAL</b>	<b>- 11063</b>

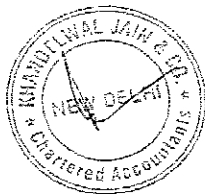


13. Related party disclosures

List of related parties -

(a) Names of the related parties where control exists are as under:

Holding company:	Himachal Futuristic Communications Limited (HFCL)
Fellow subsidiaries:	Moneta Finance Private Limited
Associate Companies of Holding Company	Exicom Telesystems Limited (ETL)
Key management personnel:	Mr. D.P.Gupta, Chief Operating Officer and Manager  Dr. R.M.Kastia Whole Time Director



During the year, the Company has entered into transactions with related parties. Those transactions along with related balances at March 31, 2011 and March 31, 2010 are presented in the following table:

**(Rs. In thousands)**

Particulars	2010-11		2009-10	
	Holding Company	Entities Under Common Control	Holding Company	Entities Under Common Control
Name of the Party	HFCL	ETL	HFCL	ETL

**a. Transactions during the year**

Rent received	343	328	442	418
Expenses recovered	95	115	282	172
Purchase of goods	1,641	-	1,437	-
Sale of services	3,441	-	96,289	-
Advance Received/ Transfer	255000	-	-	-

**b. Balances**

Creditors	93230	20,538	78,584	17,989
Advances payable	* 275200	-	20,200	-

\* includes amount Rs. 275,200 thousands from Sunvision Engineering Company which had been amalgamated with HFCL with effect from 01.01.2010 as per Hon'ble High Court of Himachal Pradesh sanction under composite scheme of Arrangement and Amalgamation.

**14. Segmental Reporting**

**a. Primary Segment Information (by Business Segments)**

The Company is engaged in the business of design, engineering, manufacturing, procurement, supply, commissioning and servicing of Digital Electronic Telephone Exchange Equipments and other telecom related products. Thus, it operates in a single primary segment.

**b. Secondary Segment Reporting (by Geographical Segments)**

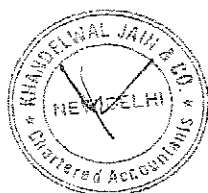
The Company mainly caters to the needs of the domestic market. Hence there are no reportable geographical segments.



15. Disclosure as per AS-15 revised-Defined Benefit Plans

(Rs. In thousands)

Particulars	Year Ended March 2011	Year Ended March 2010
<b>Obligations at the beginning of the period</b>	87,356	78,644
Current service cost	3,064	3,185
Interest cost	5,987	5,523
Past Services	-	19,630
Actuarial (gain) / losses	6,845	(427)
Benefits paid	(25,044)	(19,199)
<b>Obligations at the end of the period</b>	<b>78,208</b>	<b>87,356</b>
<b>Change in plan assets</b>		
Plan assets at period beginning, at fair value	842	1,005
Expected return on plan assets	58	70
Actuarial gain /(loss)	14	15
Contributions	24,810	18,951
Benefits paid	(25,044)	(19,199)
<b>Plan assets at period end, at fair value</b>	<b>680</b>	<b>842</b>
<b>Reconciliation of present value of the obligation and the fair value of plan assets</b>		
Fair value of plan assets at the end of the year	680	842
Present value of defined benefit obligations at the end of the period	78,208	87,356
<b>Asset/ ( Liability) recognised in the balance sheet</b>	<b>(77,528)</b>	<b>86,514</b>
<b>Gratuity cost for the period</b>		
Current service cost	3,064	3,185
Interest cost	5,987	5,523
Past Services	-	19,630
Expected return on plan assets	(58)	(70)
Actuarial (gain) / losses	6,831	(442)
<b>Net gratuity cost</b>	<b>15,824</b>	<b>27,826</b>
<b>Particulars</b>	<b>Year Ended March 2011</b>	<b>Year Ended March 2010</b>
Defined Benefit Obligation	78,208	87,356
Plan Assets	608	842
Surplus / (deficit)	(77,528)	(86,513)
Experience adjustments on plan liabilities (Loss) / Gain	(6,845)	427
Experience adjustments on plan assets – Gain / (Loss)	14	15
<b>Assumptions:</b>		
Interest rate	8%	8%
Estimated return on plan assets	8%	8%
Weighted average increase in compensation	5%	5%
Attrition Rate	1%	1%
Retirement expectancy in years	58	58





16. Earnings Per Share:

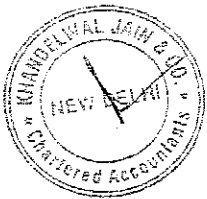
	March 31, 2011	March 31, 2010
Number of Equity Shares outstanding at the end of the year of Rs. 100 each fully paid up	150,000	150,000
Loss for the year (Rs. In thousands )	591,000	436,368
Basic and Diluted Earnings Per Share (in Rs.)	(394.00)	(290.91)

17. Additional information pursuant to the provisions of paragraphs 3, 4(c) & (d) of Part II of Schedule VI of the Companies Act, 1956 (As certified by the management)

(a) Details of capacity and production: (As certified by the management)

Description	Unit	Installed Capacity	Actual Production	
			2010-11	2009-10
Switching Products	No. of 'K' Lines	1,500	-	-
Power Plant	Nos.	2,000	-	-
EPBT	Nos.	500,000	-	-
STM- Rail Tel	Systems		-	-
NIB – Broadband	Systems		-	-
Corduct: Infra	No. of Lines	50,000	-	-
Corduct: FRS	No. of Lines	50,000	-	-
Integrated Fixed Wireless Terminal	Nos.	*	-	-
STM ( ADM's)	Nos.	*	-	-
STM (CPE's)	Nos.	*	-	-

\* - The capacity for the above has not been estimated by Management as the annual production capacity cannot be specifically identified currently.



(b) Particulars in respect of Sales & Stocks of Finished Goods:

	Class of Goods	Units	Opening Stock (net of provisions)		Sales		Closing Stock (net of provisions)	
			Qty.	Rs.000's	Qty.	Rs. 000's	Qty.	Rs. 000's
i)	STM ( ADM & CPE)	Nos.						
ii)	NIB	None	-	-				
iii)	IFWT	Nos	-	-	-	-		
			(2,000)	(2,743)	(2000)	(2,743)		
iv)	Tower *	None	-	7,939		-		7,896
				-		(33,172)		(7,939)
v)	Railtel	None	-	-				
vi)	Others **					589		
						(1,896)		
	<b>Total</b>			<b>7,939</b>		<b>589</b>		<b>7,896</b>
			<b>(2000)</b>	<b>(2,743)</b>		<b>(37,811)</b>		<b>(7,939)</b>

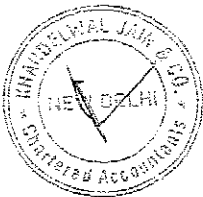
\* Refer Note No. 10

\*\*In view of various items of different nature and specifications, the quantitative details are not furnished.

(c) Particulars in respect of Materials and Components, Stores and Spares consumed: (as certified by the management)

a). Materials

	Class of Material	2010-11			2009-10		
		Qty. M. Tons	(Rs. In thousands)		Qty. M. Tons	(Rs.in thousands)	
			Imported	Indigenous		Imported	Indigenous
a)	Steel	-	-	-	4.881	0.00	217
b)	Aluminium	-	-	-	-	-	-
	<b>Sub – Total (a)</b>					-	<b>217</b>
			0.00%	100%		0.00%	100%



b). Components\*

	Class of Material	2010-11		2009-10	
		(Rs. in thousands)		(Rs. in thousands)	
		Imported	Indigenous	Imported	Indigenous
a)	Steel		541		27,353
b)	Plastic / Rubber				3
c)	Electrical / Cable			72	11,478
d)	Electronic				2,545
e)	Mechanical / Paper				1,368
	<b>Sub -Total (b)</b>		<b>541</b>		<b>42,747</b>
	<b>Total (a + b)</b>		<b>541</b>	<b>72</b>	<b>42,964</b>
			100%	0%	100%

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

c). Stores and Spares

Particulars	Value (Rs. in thousands)		% of Total Consumption	
	2010-11	2009-10	2010-11	2009-10
Indigenous	-	41	-	100%

(d) C. I. F. value of imports

Particulars	(Rs. in thousands)	
	2010-11	2009-10
i) Materials and Components	-	483
ii) Capital Goods	-	-

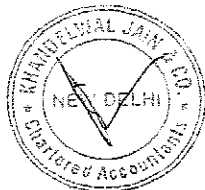
(e) Expenditure in Foreign Currency (On Cash Basis)

Particulars	(Rs. in thousands)	
	2010-11	2009-10
	-	-

(f) Remuneration paid to Whole Time Director \*:

	(Rs. in thousands)	
	2010-11	2009-10
Salary and Allowances	15,898	-
Contribution to Provident Fund	1,192	-
Other Benefits	1,008	-
<b>Total</b>	<b>18,098</b>	<b>-</b>

\* As the Government of India approval received vide communication dt. 19.11.2010 with effect from 1 February, 2009, the remuneration payable from 1 February, 2009 to 31, March 2011 amounting to Rs. 9,326 thousands has been accounted under prior period expenses and Rs. 8,772 thousands under the current year expenses.



(g) Remuneration paid to Chief Operating Officer (Manager) \*:

(Rs. in thousands)

	2010-11	2009-10
Salary and Allowances	2,145	2,145
Contribution to Provident Fund	115	115
Other Benefits	244	244
Total	2,504	2,504

\*The share of Gratuity and Leave liability of accumulated benefit have not been ascertained separately and not included above.

- 18 The Company does not use any derivative instruments to hedge its foreign currency exposures. The details of foreign currency balances which are not hedged as at the balance sheet date are as below:

Particulars	Currency	March 31, 2011		March 31, 2010	
		Amount in foreign currency	Amount in Indian Rupees	Amount in foreign currency	Amount in Indian Rupees
Payables	USD	21,764,281	980,405,810	21,764,281	988,479,232
	EURO	599,133	38,185,764	599,133	36,475,238
	JPY	510,250	279,234	510,250	248,709

- 19 Previous year's figures have been regrouped and/or re-arranged wherever necessary to conform to current year's grouping and classifications.

In terms of our attached report of even date

For KHANDELWAL JAIN & CO.  
Chartered Accountants  
Firm Registration Number 105049 W

Per AKASH SHINGHAL  
Partner  
Membership 103490



Place : New Delhi  
Date : 30 JUN 2011

For and on behalf of the Board of Directors

R.M. KASTIA  
Whole Time Director

M.P. SHUKLA  
Director

S. NARAYANAN  
Secretary

Place : New Delhi  
Date : June 30, 2011

/ Certified True Copy /

S. Narayanan  
5.8.2011  
Company Secretary

HTL Ltd  
G.S.F. Road, Gurgaon  
HDLR-2010082