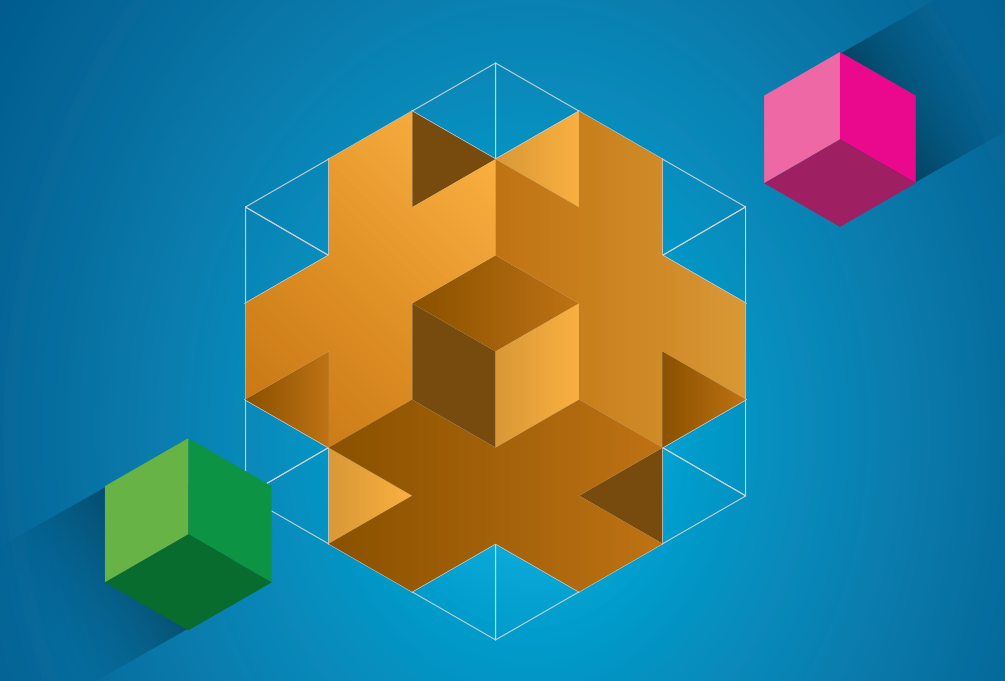




Adding New Dimensions



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Forward Looking Statements

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





Adding New Dimensions

From annual revenue of ₹ 261 Crore in FY12, we have come a long way in recording revenue of ₹ 2570 Crore with net profit of ₹ 119 Crore in the just concluded FY16. The accelerated progress of these four years gets reflected in our revenue and net profit growing at a CAGR of 78% and 80% respectively.

While being encouraging, what these numbers don't reveal include the methodical inside-out diversification of our business domain, thoughtfully crafted and executed strategies, disciplined cost regime and a sustained fostering of performance driven work culture. Not surprising, our telecom products revenue has grown 15 times while the turnkey contract revenue grew by 9 times in the last four years. Our thrust on turnkey contracts and services helped sustain our growth momentum, while also aiding growth of our telecom products business.

With both these segments attaining sizeable market-share, customer confidence and financial independence, we have successfully added dedicated business divisions for Railways and Defence in the year under review. The synergistic move is backed by our proven capabilities in telecom products and turnkey services, which map well with sizeable opportunities unfolding in Indian Railways and Defence sectors. With Government of India's thrust on domestic manufacturing and indigenisation of critical electronic components to be used in strategic sectors, we did take upon ourselves to respond to this clarion call of national self-reliance. Putting a talent pool of diversely experienced senior professionals and putting a robust business strategy in place during the year, we earned confidence of the Government in form of seven licenses for manufacturing defence equipment. We stand within striking range of forging technological partnerships with some globally renowned players.

Electronic security and surveillance, a big enabler of homeland security and a must add feature for smart cities, offers another area of significant growth for us. In order to maximise from this opportunity, we have raised our stake in Polixel Security Systems Private Ltd. ("Polixel") to 94%. Polixel provides integrated security and surveillance solutions/systems including CCTVs, Traffic Management and Enforcement, Access Control, Fire Alarm and Intelligent Building Management.

Our participation in four sizeable tenders aggregating to about ₹ 5000 Crore in FY15 and FY16, has culminated in awarding of one advance order of ₹ 1245 Crore and emergence as the lowest bidder in another tender of about ₹ 2500 Crore, where techno-commercial evaluation stands completed. We remain optimistic of positive outcome in the remaining tenders as well.

In less than four years of our recent business journey, we have gone through the survival, revival and accelerated growth phases of our business. Fortifying our current strengths while also adding new dimensions, we shall ensure and secure our business sustainability and profitability over the coming years.



The world of HFCL

Established in 1987, Himachal Futuristic Communications Limited (HFCL) is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment and Optic Fibre Cable (OFC). As an integrated telecom infrastructure enabler, it delivers innovative, customized and competitively priced end-to-end telecom solutions. Its technologically advanced solutions cover all aspects of the telecom value chain.

The Company is spreading its business spectrum by adding manufacturing of Defence Gears and turnkey installation of communication and signaling network for Railways in recent times.

VISION

To provide cost effective futuristic end-to-end solutions in telecom, defence and railways with focus on developing state-of-art technologies to maintain sustained long-term growth and create value for all Stakeholders

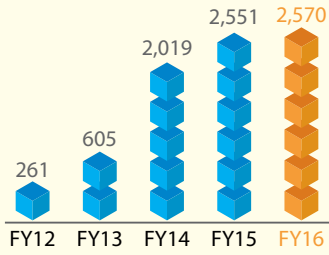
MISSION

To tap opportunities in the broadband revolution, defence indigenization and railways modernization, with focus on technologically advanced products for manufacturing, and to provide system integration and turnkey solutions.

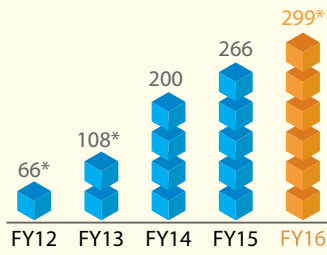


Financial Highlights

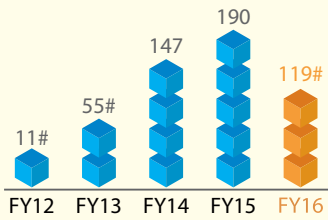
Revenue (₹ in Crore)



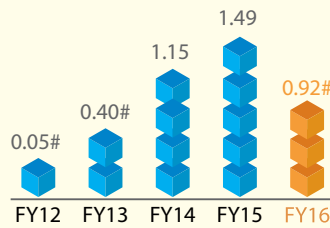
EBITDA (₹ in Crore)



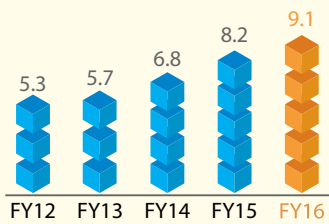
Net Profit (₹ in Crore)



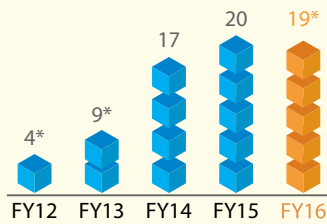
EPS (₹)



Book Value per Share (₹)

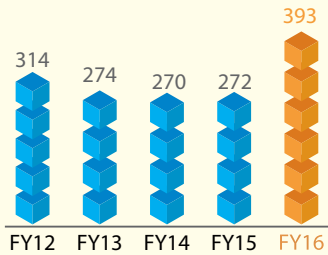


Return on Capital Employed(%)

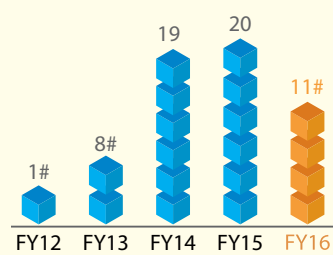


* Before exceptional items # After exceptional items

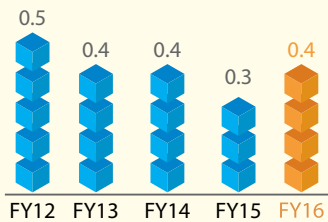
Gross Debt (₹ in Crore)



Return on Equity (%)



Debt to Equity Ratio (x)



Our turnaround from a revenue base of ₹ 261 Crore in FY12 to reported net profit of ₹ 119 Crore in FY16 (net off of exceptional items of ₹ 109.95 Crore) tells an impressive story.

Operational Highlights

- Secured seven licenses for manufacturing defence equipment
- Bagged an Advance Purchase Order worth ₹ 1245 Crore from BSNL, taking current order book to ₹ 3300 Crore approx
- Commissioned a dedicated OFC manufacturing facility at Chennai (under HTL Ltd., a subsidiary company)
- Bagged a breakthrough order from Switzerland's Trans Adriatic Pipeline AG for OFC supply
- Recorded impressive growth of over 100% in export of OFC

#After exceptional items



Managing Director's Message

highest ever revenue of 2570 Crore with EBIT Margin of 6.4% and our order book stands at 3300 Crore approx.

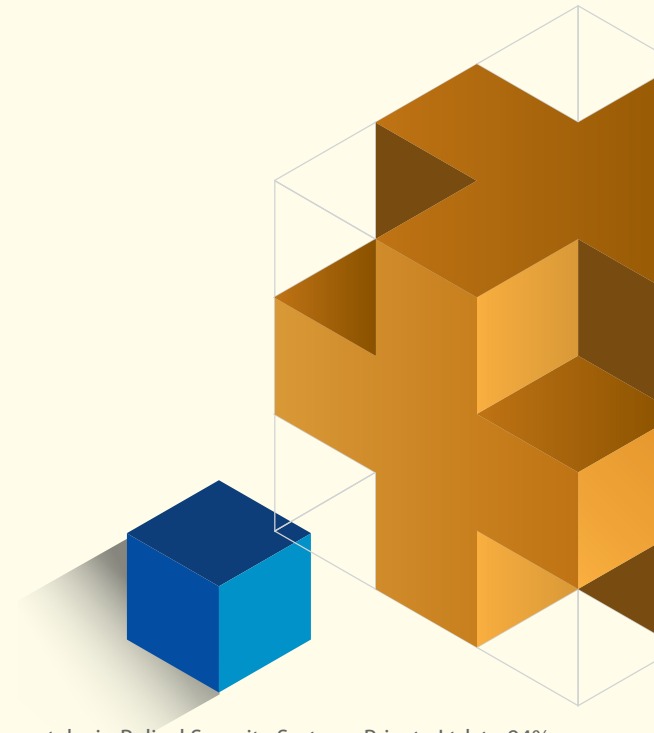
We continued to leverage our expanded capacity to grow the OFC business. Having expanded our OFC capacity at Goa facility in FY15, we expanded the OFC capacity of our subsidiary company, HTL Limited in the year gone by. You will be happy to note that the Chennai facility of HTL is fully operational. An impressive growth in exports of OFC remains the highlight of the year. Our export focus is going to intensify in coming times.

I am delighted to share that our turnkey business has been successful in bagging an Advance Purchase Order (APO) of about 1,245 Crore from BSNL for setting up of the prestigious countrywide Telecom Transmission Network. Your Company has also emerged as the lowest bidder in one more such tender. The order book position shall get a significant boost from such positive outcomes.

We are considering to expand our telecom product bouquet beyond GSM equipment with potential addition of WiFi Systems and Optical Broadband Access Equipment (FTTx). Our telecom product and turnkey solutions segments shall both continue to drive Company's growth in view of the Government's thrust on transforming the country into a 'Digital India' on the back of a robust OFC network that addresses fast multiplying data transmission requirements. Schemes like 'BharatNet' and 'Rural Wireline Broadband Scheme' shall fuel the demand for OFC and network installations. Need for speed and quantum jump in data consumption shall emphasise continued investments in next generation infrastructure and networks by telecom service providers, which augurs well for your Company.

Dear Shareholders,

We have witnessed another year of continued growth in recently concluded FY16. We made good progress across all our key objectives as set out in the previous year. Turnkey and Optic Fibre Cable (OFC) businesses both have contributed to our Growth while we made encouraging progress in our newly added business dimensions of Railways and Defence. The Company has achieved



On the macro-economic front, the aims of Railway Modernization, Defence Self-sufficiency, Digital Security, Make in India, Smart Cities etc. could not have been better timed than now. All these initiatives spell a bountiful of opportunities for your company, which has expanded its capability of manufacturing telecom products and has assimilated a valuable reservoir of know-how on constructing formidable telecom network across all kinds of terrains and topographies.

Having envisaged dedicated divisions to cater to emerging opportunities in Railways and Defence in the previous year, we have made good progress in FY16. Network Modernisation of Indian Railways by way of dedicated freight corridors and port connectivity remains high on Government's priority. Ensuing Metro Rail Projects would see a multiplier growth on the back of Smart City Program. All these provide a big opportunity of Design, Supply and Execution of Telecom Network on turnkey basis for our Company. The first success in form of a ₹ 92 Crore approx order from a leading MNC adds to our confidence of extracting better results in coming times.

The convergence of country's policy direction of strengthening the manufacturing sector as well as modernising its framework of sovereign defence is likely to catapult India as a promising destination for defence related manufacturing and assemblies. Our in-time alignment with this emerging segment has helped us earn seven Defence Production licences. Our discussions on forging technology alliances with some renowned global defence suppliers are at advanced stages.

In another synergistic move aimed at strengthening our business interest in electronic surveillance and security, we have recently

increased our stake in Polixel Security Systems Private Ltd. to 94%. Polixel, now a subsidiary company of HFCL, provides surveillance and security equipment and solutions and holds a promising prospect in light of increasing thrust on Homeland Security and Smart Cities.

With all these new developments and absolute readiness of our traditional business, order book of ₹ 3300 Crore with tender pipeline of another ₹ 5000 Crore, your Company is headed to further fortify its growth prospects as formidable player in the telecom products and infrastructure development.

Our growth has been fueled by unflinching dedication, passion and hard work of our people. On behalf of the Board of Directors, I appreciate their valued contribution. I extend my sincere thanks to all other stakeholders including you, our dear shareholders, for the continued trust and patronage that we, at HFCL have always received and valued.

In continued togetherness, our march forward on the path of value creation appears smoother and surer. Let us move ahead with our agenda of strengthening the telecom network and infrastructure in India and elsewhere in the world.

With best wishes,

Mahendra Nahata

Managing Director



Adding New. Strengthening Future

The birth of our newly added business divisions of Railways and Defence has occurred at the confluence of three national priorities namely 'Railways Modernisation', 'Make in India' and 'Localisation of Defence Procurements'. All the three programs hold strategic importance and have potential to raise India's stature as an economic superpower in the world.

We sensed a long-term opportunity of leveraging our traditional strengths in manufacturing high end OFCs and telecom gears, and designing and erecting complex telecom networks to help country's Railways and Defence frameworks. Our new divisions would enable us mine the opportunity landscape better.

Our self-confidence in inherent synergistic capabilities got vindicated in awarding of industrial licences to locally manufacture inter-alia a host of defence electronics equipment that were hitherto being imported.

Our gamut of defence products inter-alia includes radars, night vision devices, electronic warfare systems, fuses and radio communication equipment. The projects under our evaluation include Cellular LTE, MINT, AWAN Phase 2, EW suite MI17, HCRR,

Airforce Perimeter Security and projects from 2 RFPs of NFS.

In Railways segment, we are participating in various tenders for Design, Supply, and Erection of turnkey Telecom Networks in Railways for Freight Corridors and Metro Rail Projects. We have recently bagged a breakthrough order of about ₹ 92 Crore from a leading MNC in the under construction Bhanpur-Khurja section of Eastern dedicated Freight Corridor.

With a significant stake increase to 94% in Polixel Security Systems Private Limited, we have forayed into electronic security and surveillance segment. The move enables our Company to provide integrated security and surveillance solutions/ systems and optimise from unfolding opportunities in Homeland Security, Smart Cities and other urban rejuvenation initiatives.

We stand ready to support Government's initiative to improve infrastructure for railways and defence establishments including Air bases and Cantonment zones. Our opportunity landscape has broadened and we are a step closer to manufacture high-end defence electronics and critical infrastructure security systems.



Widening Base. Accelerating Growth.

The way to steady diversification is through optimal utilization of existing assets. In the year gone by, we continued to leverage our established strengths in telecom products and turnkey project businesses. The transition of the Indian telecommunication industry to a superior 4G network, ongoing national program of broadband connectivity for the rural topography, Bharat Net and urban rejuvenation through smart cities program are continuing to fuel demand growth for OFC and Broadband Access Equipment.

Having ramped up our OFC manufacturing capacity at Goa in the previous year, we went on to add and commission additional OFC capacity at the Chennai facility of our subsidiary company, HTL Ltd. Our endeavor to expand our OFC bouquet with new designs and specialized product specific applications such as FTTx application has continued. We intensified our make-to-order customized product supplies in the export markets.

We have technology tie-ups for manufacturing of next generation fibre access network equipment (FTTx System) and broadband wireless access solutions (Wifi Systems). Our

state-of-the-art facility at Solan is well placed to undertake the manufacturing of such equipment. We foresee a huge demand for such equipment in view of the government initiatives for rural broadband connectivity, security & surveillance and rollout of smart cities.

Our drive to execute complex projects in a timely manner continues. In recent times, we have been laying Optical Fiber Lines for Defence Forces as part of the project 'Network for Spectrum' (NFS) on behalf of Department of Telecommunications (DOT). The NFS project involves laying of 60,000 km of optic fibre cable in lieu of the spectrum vacated by the defence ministry for civilian use.

Our capability to provide single window solution for telecom and OFC projects, spanning from design, equipment supply, installation, system integration to operation and maintenance services makes us a unique and preferred partner. This, coupled with our prowess in telecommunication and related infrastructure domain has opened new avenues across Defence, Railways, Homeland security and SmartCity Projects.



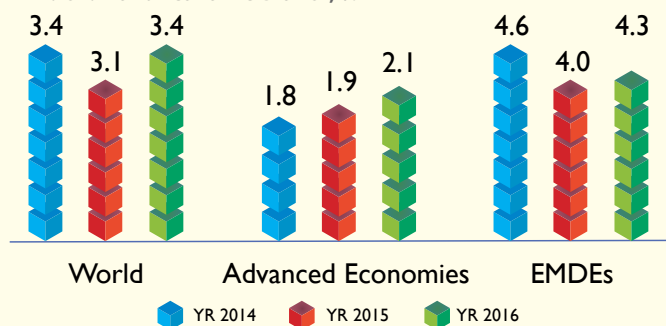


Management Discussions & Analysis

ECONOMIC SCENARIO

2015 proved to be another year of subdued economic activities for the global economy. While still contributing over 70 percent of the global growth, Emerging Markets & Developing Economies (EMDE) recorded the fifth consecutive year of decline in their growth rate. A modest recovery in advanced economies, though not sufficient to set-off the drop recorded in the EMDE, helped contain the Global GDP growth rate to 3.1 percent, a 30-bps drop from 2014, as per International Monetary Fund's (IMF) World Economic Outlook of January 2016. While predicting a 30-bps rebound in global GDP growth (3.4 percent) for 2016, IMF pointed to three key transitions that will influence the outlook as (1) The gradual slowdown and rebalancing of economic activity (from investment and manufacturing to consumption and services) in China, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States.

Exhibit 1: World Economic Growth, %



Source: IMF World Economic Update, Jan 2016

Amid subdued global growth, India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). The 7.6% growth in the GDP at constant market prices in 2015-16, according to the advanced estimates of the Central Statistics Office, compares favourably with growth of 7.2%, 6.6% and 5.6% in previous three years. This growth is achieved despite subdued global demand that reduced India's exports significantly and two consecutive monsoon seasons below than normal that impacted farm output and productivity. Fundamentals of Indian Economy have accelerated in last couple of years with the strong government reforms coupled with RBI's inflation focus supported by benign global commodity prices. The economy continued to grow on the back of increasing domestic consumption. Lower commodity prices including that of crude oil, a major import item helped contain

inflation. While exchange rate remained quite stable, lowering of base rate by the central bank helped spur consumer demand.

The steps taken by the government in recent times have shown positive results as India's gross domestic product (GDP) at factor cost at constant (2011-12) prices 2015-16 is INR 113.5 trillion (US\$ 1.668 trillion), as against INR 105.5 trillion (US\$ 1.55 trillion) in 2014-15, registering a growth rate of 7.6%. India could grow at a potential 8% on average during from fiscal 2016 to 2020 powered by greater access to banking, technology adoption, urbanisation and other structural reforms.

Foreign exchange reserves have risen to US\$351.5 billion in early February 2016, and are well above standard norms for reserve adequacy. Net FDI inflows have grown from US\$21.9 billion in April-December 2014-15 to US\$27.7 billion in the same period of 2015-16 and the nominal value of the Rupee measured against a basket of currencies, has been steady. The Current Account deficit has declined from 18.4 billion US dollars in the first half of last year to 14.4 billion this year. It is projected to be 1.4% of GDP at the end of this year.

India continues to be ranked the highest in global consumer confidence index created by Nielsen for the Quarter ended March, 2016 continuing its earlier trend of being ranked the highest during first three quarters of FY 16. According to IMF World Economic Outlook Update (April 2016), Indian economy is expected to grow at 7.5% during FY 2016-17, despite the uncertainties in the global market.

The Economic Survey 2015-16 had forecast that the Indian economy will be growing by more than seven percent for the third successive year 2016-17 and can start growing at eight percent or more in next two years.

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like 'Make in India' and 'Digital India'. The Government of India, under the 'Make in India' initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25% of the GDP from 15%. Besides, the Government has also come up with 'Digital India' initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Indian economy would continue to grow at 7-9% and would double in size to US\$ 4-5 trillion in a decade, becoming the third largest economy in absolute terms. Furthermore, initiatives like Make in India and Digital India will play a vital role in the driving the Indian economy.

TELECOM SCENARIO

Telecom, redefining the Communication

The telecom industry around the world is redefining communication services more frequently than ever. The technology is evolving in the wireless, mobile handset, telepresence solutions, cloud based solutions and broadband. The bandwidth promised by newer technologies is setting new benchmarks rapidly. Every new technology is superior to the former. This sector world over, continues to be at the epicenter for growth, innovation, and disruption for virtually any industry. Mobile devices and related broadband connectivity continue to be more and more embedded in the fabric of society today and they are key in driving the momentum around some key trends such as video streaming, Internet of Things (IoT), and mobile payments. The number of “connected things” continues to grow as mobile and smart device utilization and connectivity continues to expand which will ultimately shape and define the IoT space. Consumer demand for digital technologies that make it easier to access and pay for public services using mobile devices, such as for utilities and transportation, will help drive these initiatives. Telecommunications companies will find new and big opportunities for growth in the public sector, as “smart cities” gains more traction.

Telecom India, Surging Ahead

Having scripted the biggest success story, growth of telecommunications in India has been one of the key drivers of socio-economic development and so shall this continue. Sector has evolved from Mobile phones to Smartphones, single SIM to Multi SIM, Wireline to Wireless and Urban to Rural. We all have witnessed 2G, seamless talking at cost of paise, 3G, from voice to text, SMS to APP and now 4G LTE. India is hopeful of the success of 4G services in the future.

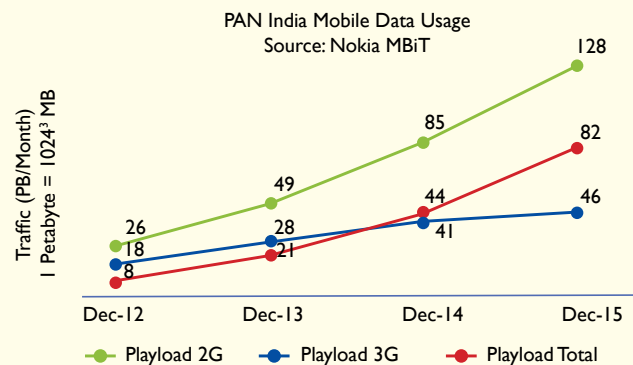
India's mobile industry is playing a key enabling role in the Digital India initiative, which aims to transform India into a digitally empowered society and provide broadband connectivity to all. Today industry is at the cusp of the new operating paradigm, marked most significantly by a transition from voice & data to Machine to Machine (M2M)/ Internet of Things (IoT) and associated services and offerings. Indian consumers are increasingly shifting towards internet driven applications such as video on demand, HDTV, etc. with growing adoption of smartphones, broadband services and upcoming 4G rollout. Mobile broadband is the reality. According to a report by independent brokerage and investment group CLSA, India's 3G and 4G subscribers have tripled to 120 million in 24 months. As affordability for 3G/4G data increases, fuelling data usage and spends, addressable market of 3G/4G will expand to 300 million subscribers by March 2018.

The performance of the telecommunication sector during 2015-16 has been encouraging, with approximately 41 million new telephone connections added during April to December 2015 and total connections reaching 1010 million. Overall tele density in the country has increased from 79.38% at the beginning of the financial year to 81.83 percent at the end of December 2015, while total broadband connections have touched 136.53 million (at end-December 2015) as per TRAI.

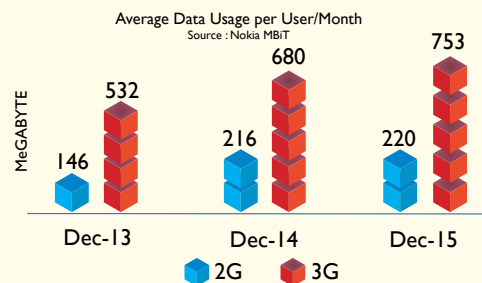
With the government's favourable regulation policies and 4G services hitting the market, the Indian telecommunication sector is expected to witness rapid growth in the next few years. India will emerge as a leading player in the virtual world.

Data Traffic Swells with 3G outpacing 2G

India saw surge in data consumption across the country. As per Nokia MBit study, there was a 50% growth of data traffic perhaps as a result of a complete network, device and content ecosystem with 3G traffic outpacing 2G across all circles for the first time. 3G network expansion was aggressive and instrumental in increasing data traffic in India. Consumption of 3G data across India peaked to 82 petabytes (PB) or 8.2 Crore gigabyte per month at the end of 2015 compared to 44 PB a month at the end of 2014.



The average 3G data consumption per user in India increased to 753 megabyte (MB), even as the booming 4G handset market is expected to further boost data traffic in 2016. With this, India is now moving close to the global average consumption per person which is in a range of 800 MB to 1 gigabyte (GB). All this was the result of a mature network, device and content ecosystem.

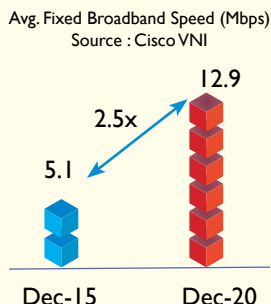


As per the Report, 3G device penetration more than doubled during 2015 while new network launches and expansions in existing circles boosted data adoption beyond larger towns and cities. Video and social networking made up 60% of the data traffic. However, 2G mobile internet usage grew only by 12% to 46 PB from 41 PB a month between 2015 and 2014 which says that the consumer wants high speed and good quality of communication.

3G with 4G LTE and Eco-system pose significant opportunity

With operators poised to launch 4G LTE networks, faster data speeds will fuel an even greater surge in traffic. As per Nokia MBit Index Report, the growing desire for multimedia services has so far

achieved a 60% of data traffic and the launch of 4G LTE networks is anticipated to bring on board faster data speeds. Average fixed broadband speed is expected to grow 2.5x from 5.1 Mbps in 2015 to 12.9 Mbps in 2020. Globally after launch of LTE networks, operators have witnessed average data usage of a LTE user to be up to 4x of average data usage of a 3G user, as per the report.

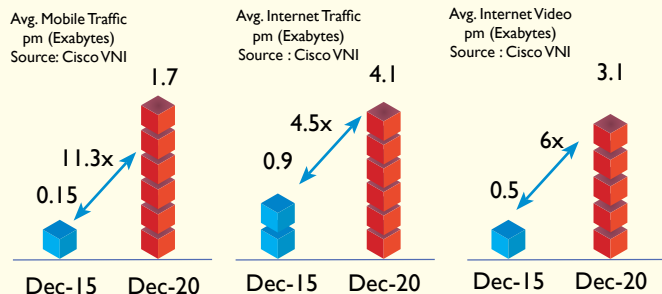


Average consumption of mobile data per smartphone user in India is expected to reach 2.08 GB per month by 2020, up by 384% from mere 430 MB in 2015, claims Cisco. Mobile data traffic grew by 89% in 2015. In India, there will be 603 million total Internet users (43% of population) in 2020, up from a little above 300 million (25% of population) in 2015.

There has been a rapid evolution of the device ecosystem which has the full support of declined prices and which in return presents notable growth prospects for operators. Nokia Report sees an eight-fold boom in the mobile device ecosystem for 4G services that will set the stage for data traffic growth in 2016.

In 2016, operators could also offer DC-HSPA, which will be a substitute for 4G LTE in some circles in the short term. 4G LTE device operators will have a chance to monetize once the launch of 4G LTE networks takes place.

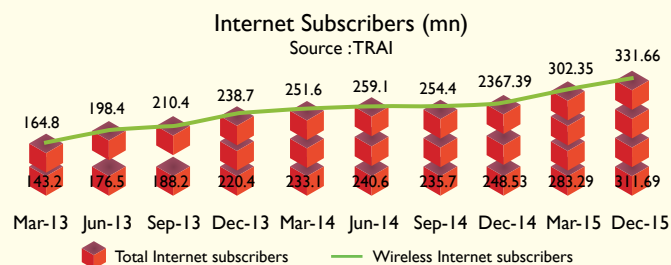
Traffic growth is likely to grow in the coming years due to the auction of additional spectrum, an increased smartphone penetration as well as the development of the content ecosystem.



There are 47 million 4G-enabled devices now active in the market but only few of them have 4G connections. Share of 310 million 3G-enabled devices having 3G connections is only 38% in 2015, implying a significant growth opportunity for operators' 3G users within an evolved handset base. The penetration of 3G devices has grown by 140% in 2015 and subscribers by 69% on year-on-year basis. 3G device penetration continued to increase across circles with most of them having greater than 20% device penetration. Network speeds too are on the rise led by aggressive 3G and 4G rollouts by operators, and availability of relevant content is

multiplying, thus mass adoption of 3G and 4G services appears mainly constrained by current data pricing. Therefore, affordable data pricing with smart phone penetration and high speed shall deliver Digital India Dream.

Though India has low Internet penetration about 25% compared with other developed and developing economies that have up to 90% penetration, the country has the third-largest Internet user base in the world, with more than 300 million users, of which more than 50% are mobile-only Internet users.



The number of mobile Internet users in India is expected to grow to 314 million by the end of 2017 with a CAGR (compounded annual growth rate) of around 28% for the period 2013- 2017. The growth will be led by the government's Digital India initiative, collaboration among mobile Internet ecosystem stakeholders and innovative content and service offerings from mobile-based services players. Meaningful and compelling content can be an important driver for enabling adoption of mobile Internet. In India, the average Internet user generated 6.1 gigabytes per month in 2015, up 21% from 5.0 gigabytes per month in 2014.

DEFENCE SECTOR

India has the third largest armed forces in the world and is one of the largest importers of conventional defence equipment. It spends about 31.5% of its total defence budget on capital acquisitions where 60% of its defence requirements are met through imports. India shall invest INR 250 Billion in the Sector during next 7-8 years.

The Government's policy is of promoting self-reliance, indigenisation, technology upgradation and achieving economies of scale and developing capabilities for exports in the defence sector and therefore, Defence finds special place in the Make in India Campaign launched last year. Defence Procurement Policy (DPP) of India recognises that there is a need to institute enabling provisions for utilization and consolidation of design and manufacturing infrastructure available in the country. A need has also been felt for identifying strategic partners for promoting defence production in the private sector. DPP focuses on institutionalizing, streamlining, and simplifying defence procurement procedure to give a boost to 'Make in India' initiative of the Government of India, by promoting indigenous design, development and manufacturing of defence equipment, platforms, systems and sub-systems. 'Make' procedure has also been refined to ensure increased participation of the Indian industry. DPP gives preference to 'Buy (Indian)' and 'Buy and Make (Indian)' over 'Buy (Global)'. It has simplified the procedure for 'Buy and Make (Indian)' with clear and unambiguous definition of indigenous content. This also has provision for Maintenance TOT to

Indian Industry partners. Industrial Licensing has been made easy where large numbers of parts/components, castings/forgings etc. have been excluded from the purview of industrial licensing.

Not only for Indian entrepreneurs, there are various reasons for foreign parties to invest in defence sector in India. The opening of this strategic sector for private sector participation will help foreign original equipment manufacturers to enter into strategic partnerships with Indian companies and leverage the domestic markets and also aim at global business. Besides helping build domestic capabilities, this will bolster exports in the long term. There lies an opportunities to avail defence offset obligations to the tune of approximately INR 250 Billion during the next 7-8 years. The offset policy (which stipulates the mandatory offset requirement of a minimum 30% for procurement of defence equipment in excess of INR 3 Billion) introduced in the capital purchase agreements with foreign defence players would ensure that an eco-system of suppliers is built domestically. The key objectives of the defence offset policy is to leverage capital acquisitions to develop the Indian defence industry.

On the FDI Regulation front, these have been eased as well. 100% FDI has been approved by the Government. Further, the requirement of single largest Indian ownership of 51% of equity has been removed. A lock-in period of three years on equity transfer has been done-away with in FDI for defence. The Department of Industrial Policy and Promotion (DIPP) granted permission to 19 private companies to manufacture defence equipment.

In view of the above and India's extensive modernisation plans with increased focus on homeland security make India attractive as a defence sourcing hub.

Government, an unprecedented support

The liberal and reformist policies of the Government of India have been instrumental along with strong consumer demand in the rapid growth in the Indian telecom sector. The government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices. The deregulation of foreign direct investment (FDI) norms has made the sector one of the fastest growing and a top five employment opportunity generator in the country. The government therefore, has fast-tracked reforms in the telecom sector and continues to be proactive in providing room for growth for telecom companies.

Government recognizes the futuristic role of M2M communication to facilitate the role of new technologies in furthering public welfare and enhanced customer choices through affordable access and efficient service delivery. A 'National Telecom M2M Roadmap' has been prepared putting together various standards, policy and regulatory requirements and approach for the industry on how to look ahead to M2M. It is expected to be reference document for all M2M eco-system partners and will augment the policy goals of 'Make in India' and 'Digital India'.

The Digital India programme is a unique opportunity for India's government and mobile industry to work together on a common agenda to transform the country into a digitally powered society and economy. Ensuring high-quality, widely available and

affordable mobile broadband will be critical to delivering this ambitious vision, which will require a regulatory framework and approach to spectrum that encourages investment and innovation.

All of the above along with the Governments of India's move for empowering its population by making the country a digital economy means that service providers will play an increasingly important role in the digital disruption as we move rapidly toward a mobile and cloud-based world. The 'Digital India' initiative will transform the way industries such as banking, retail and manufacturing operate today. The huge surge in mobile devices, Internet connectivity along with digital services both in private as well as government sector will need massive networks and infrastructure. Therefore the opportunity in the market is big for partners, especially global service providers (GSPs). With the government keen on involving private players in key areas such as National Optic Fibre Network (NOFN), service providers are in a unique position to leverage the digitization opportunity and need to work closely with the government and private sector, to make the most of initiative like the 'Smart Cities program'. Engaging in public-private-partnership (PPP) models is the best way forward.

With the objective of making India a global hub of manufacturing, design and innovation, the 'Make in India' initiative, which is based on four pillars --new processes, new infrastructure, new sectors and new mindset—has been taken by the government. The initiative is



set to boost entrepreneurship, not only in manufacturing but in relevant infrastructure and service sectors as well.

The 'Smart Cities Mission' with an outlay of 48,000 Crore targets promoting cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of 'smart' solutions. The core infrastructure



development in a smart city includes efficient urban mobility and public transport, robust IT connectivity and digitalization and safety and security systems. Investments are being prioritized in important areas like dedicated freight corridors, high speed rail, high-capacity rolling stock, last mile rail linkages and port connectivity. This provides huge opportunities for the telecom and rail infra.

Auction of Spectrum in 2015 was another step towards enabling operators to provide wide band of services at high speed. Rules for spectrum trading have been approved that will allow telecom companies to buy and sell rights to unused spectrum among themselves.

BharatNet / National Optical Fibre Network (NOFN) project is planned to connect all gram panchayats (approximately 2.5 lakh) in the country through optical fibre, utilizing existing fibre of PSUs, namely BSNL, RailTel and Power Grid, and laying incremental fibre wherever necessary. Access providers/service providers like mobile operators, Internet Service Providers (ISP), cable TV operators, content providers can launch various services in rural areas. Various applications for e-health, e-education, e-governance etc. will be provided. Under this project, upto 30th November 2015, 1,03,643 km of pipes and 74,994 km of optical fibre cables (OFC) have been laid. Further, OFC has been laid in 32,049 gram panchayats. Government is serious to build and strengthen OFC network for addressing the country's increasing data transmission requirements.

The Rural Wireline Broadband Scheme provides wireline broadband connectivity to rural and remote areas. As on October 31, 2014, a total of 6,35,929 broadband connections have been provided and 14,653 kiosks have been set up under the scheme in rural and remote areas.

In addition, digitization of cable TV network has been mandated in the country, which is further propelling the demand for OFC network.

Key Highpoints:

The digital revolution that has started and backed by Government's 'Digital India' will significantly increase the mobile and the internet penetration in India. India's mobile phone subscriber's base has crossed the 'One Billion' mark as per the data released by the telecom regulator.

The ballooning subscriber base and the spike in mobile-only data and smartphone usage can be traced back to the cheap availability of smartphones. With the lucrative growing base of smartphone users and the cut-throat competition among the mobile manufacturers led to slash in the prices of smartphones.

This Mobile traffic per user in India has dramatically increased and would take a huge leap in the coming years. The spectrum of 700 Mhz is crucial to 4G penetration and LTE deployment in India as per Telecommunication Regulatory Authority of India (TRAI). The lower frequency of 700 Mhz provides wide coverage, which in turn decreases the number of required towers for setting up LTE networks which could significantly help cut down capital expenditures involved.

India has 425,000 towers to service One Billion subscribers. The increasing subscriber base has brought the focus on increasing the investment on infrastructure.

OUTLOOK

Positive framework and plans of the Government provide a significant opportunity for HFCL to be part of the next leap in Telecom Infra. Government aims at increasing rural tele-density to 70% by 2017 and 100% by year 2020 along with providing affordable and reliable broadband-on-demand by the year 2016, achieving 175 million broadband connections by 2017 and 600 million by 2020 at minimum 2Mbps download speed.

In telecom equipment manufacturing, the Company plans to introduce manufacturing of WiFi systems and optical broadband access equipment (FTTx), at its Solan manufacturing facility. The Company has signed ToT agreement for manufacturing routers and switches for data transport networks and the products are currently under customer evaluation and approval, following which, the manufacturing will be taken up. The Company is already manufacturing GSM system for rural deployment.



Government is therefore, serious to build and strengthen OFC network for addressing the country's increasing data transmission requirements. BharatNet / National Optical Fibre Network (NOFN) project and Rural Wireline Broadband Scheme coupled with mandatory digitisation of Cable TV Networks shall fuel the demand of OFC and network installations. It is a proven fact that the data consumption shall continue to rise with increased desire of high speed which shall be possible with better infra and next gen networks. Service providers therefore, shall spend on networks along with FTTH expansion which means, significant opportunity for HFCL. Increasing data consumption and desire of high speed shall provide exponential growth in the transmission capacity over coming years. Service providers shall therefore, spend on better networks along with FTTH which shall ensure more opportunities to expand OFC business.

The Company has achieved good growth in OFC business during last year along with expansion of capacities. It expects that the growth in OFC business shall continue, both in domestic and exports market. It shall also continue to expand the capacity as shall be desired since the capacity created till last year is fully utilised which bears the testimony of growing demand of OFC. The Company shall remain focused on key markets in Europe, Middle East, Africa, Latin America, SEA and SAARC, and expanding its sales network in these markets. It is also keeping abreast of the latest breed of products that shall be required for network penetration to the end customer premises.

The key focus areas of the Government for Indian Railways amongst others include network modernization. Investments are therefore, being prioritized in important areas like dedicated freight corridors and port connectivity. Smart City Program also plans various city metro rail projects in coming year. Therefore, there is sizable amount of opportunity for the Company in this segment. The Company expects to get a few projects in signaling and telecom opportunities for Metro rails and Greenfield freight corridor projects during FY17.

The Company has been successful in two major tenders, floated by BSNL, to implement countrywide Defence telecom networks, out of which one project is under implementation and the order for other is likely to be received soon. Some more orders are likely to be fructify in FY17. With this, the Company is on sound footing with orders in hand which shall be implemented over next 2 years.

Government's focus on the Defence Sector and its 'Make in India' initiative, has opened up vast opportunities for Indian entrepreneurs. The Company see tremendous potential in Defence manufacturing, having already acquired seven Defence production licences, the Company is poised to undertake manufacturing with technology tie-ups with some of the best known international Defence companies.

Overall, FY17 shall continue to be promising for the business growth in the existing areas of operations along with new business verticals. The Company has sound order book of over ₹ 3,300 Crore with ₹ 5,000 Crore worth of tenders in pipeline.

OPERATIONAL REVIEW

The Company has achieved its highest ever revenue of ₹ 2570 Crore in FY16. It performed well on all the business verticals.

As projected last year, the OFC business has seen commendable growth, both in domestic and export market in FY16. The Company commands leadership position in supply of OFC, whereby, it has addressed substantial share of the domestic market demand. This has been possible by continuous expansion of the OFC manufacturing capacity which is almost quadrupled in last three years from 30,000 CKM to 1,10,400 CKM. With completion of expansion, the Company is now addressing Fiber to the home (FTTH) business segment which has significant potential over the coming years. Company has also established itself as a global supplier of OFC products with exports to over 25 countries in FY16 (16 countries in FY15).

It achieved highest ever export revenue of ₹ 75.27 Crore in FY16 (₹ 34.88 Crore in FY15) despite tough market competition from local as well as foreign competitors. It has already developed new range of OFC products from 288F Cables in Ribbon Construction to 1 Fibre Drop cables. OFC Division has therefore, witnessed unprecedented growth in last three years. Many new products were developed and launched in last three years to address increasing demand of special cables for FTTx application. Apart from FTTx, HFCL developed many other products which are extensively used in overseas markets.

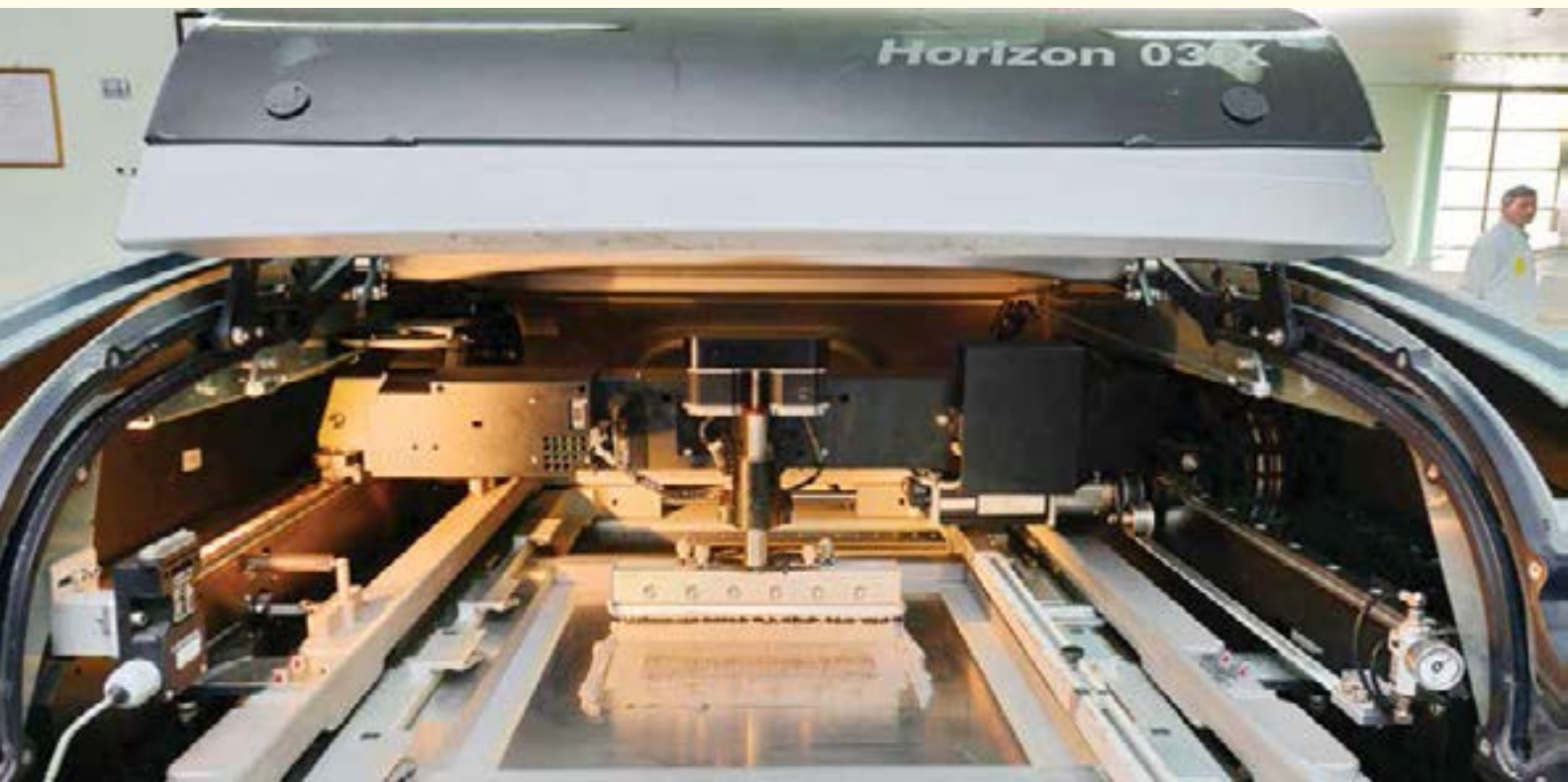
In telecom equipment manufacturing, the Company in FY16 has started manufacturing low capacity GSM system for rural deployment which has large business potential in India for next 2-3 years.

Total telecom solution for railway networks is another big opportunity that has started during current year resulting into a break through of first such contract valued ₹ 92 Crore approx. from a large MNC company. The project is under implementation and will be completed during next 2 years. The Company has also participated in several railway signaling and telecom opportunities for Metro rails and greenfield freight corridor projects and expects to sign up few more turnkey projects in Railway business segment during FY17.

The Company during FY15 and FY16 participated in four large tenders aggregating to approx. ₹ 5,000 Crore floated by BSNL for setting up of countrywide Defence Telecom network. Company has already received an advance order of ₹ 1,245 Crore in one tender and the techno-commercial evaluation of one more tender valued at approx. ₹ 2,500 Crore has been completed. The Company has stood as lowest bidder in that tender also. Company is hopeful to be successful in the remaining two tenders as well.

With increased focus on Defence segment under Make in India programme of the Government, the Company has been awarded seven Licences by the government for Manufacturing Defence Equipment including Radars, Communication Systems, Weapons, Night Vision Systems, Fuses etc. The Company is in advanced stages of finalisation of partnership with Global OEMs for manufacture of Defence equipment in India under ToT/ JV in the field of Electro Optronics, Electronic Fuses, CBRN and Communication Radios. A few more RFIs and EOIs for the same are under process.

In summary, the Company during FY16 and in part of current financial year has seen growth in business, expansion of OFC capacity, manufacturing of new equipment, acquisition of new technologies, new EPC contracts from railways with further expected business in defence which all shall lead to major successes during the FY17.



Financial Review

Revenue from Operations

The net sales during the year under review stood at ₹ 2,570 Crore, higher than ₹ 2,551 Crore recorded in FY15. The net revenue from the Turnkey Contracts and Services division FY16 was ₹ 1,965 Crore marginally down from ₹ 1,985 Crore in the previous year. The net sales from Telecom Products division for FY16 stood at ₹ 605 Crore, up from ₹ 566 Crore in the previous year.

Operating expenses

The total operating expenses for the FY16 stood at ₹ 2,271 Crore down from ₹ 2,285 Crore in the previous year.

EBITDA

The EBITDA during the year under review stood up at ₹ 299 Crore as against ₹ 266 Crore in FY15.

Profit after tax

The profit after tax for the year under review came in at ₹ 119 Crore, down from ₹ 190 Crore recorded for the year FY15 due to exceptional items consisting of impact of the recompense amount of ₹ 148.47 Crore on account of waivers under Rework Package of CDR and exceptional income of ₹ 38.52 Crore by way of interest on old claim settled and realised during the year under review. The Net Profit Margin for the year under review was 4.63% down from 7.44% in FY15.

The earnings per share for FY16 stood at ₹ 0.92 per share down from ₹ 1.49 in the previous year.

Net worth

With better profitability, the net worth of the Company has increased during the year under review to ₹ 1,125 Crore from ₹ 1,013 Crore in the previous year. The book value per share for the FY16 also increased to ₹ 9.08 from ₹ 8.17 in FY15.

Gross debt

The total gross debt at the end of the FY16 has increased to ₹ 393 Crore from ₹ 272 Crore in the previous FY15.

Gross block

The total gross fixed asset for the FY16 stood at ₹ 392 Crore, from ₹ 411 Crore in the previous year.

Capital structure

During FY16 the paid up capital of the Company stood at ₹ 204.44 Crore.

Risk Management

With Technology taking greater strides and rapid Globalization risk management has gained prominence in the Organizations across the world. As a leading Telecom product and services Company, HFCL's Business risks are identified and monitored on a continuous basis by the Risk Management Committee and Senior Management. These risks once assessed are mitigated by taking concrete measures and tracking the Company's response to these measures on an ongoing basis. Your Company recognises that risk



is an integral part of business and is committed to manage the risk in proactive and efficient manner. The Company periodically assesses risk in the internal and external environmental. There are no risks which in the opinion of the Board threaten the existence of the Company. However, some of the risks which may pose challenges are set out below:

Economic Risk: The slowdown in the economy adversely affecting the business fundamentals and key economic indicators can impact the Company's business operations.

Mitigation: The economic slowdown would have some drag on the Company business, but the Company having wide range of products offering to diversified sectors and healthy balance sheet can weather the slowdown. Also it has started to diversify its revenue stream by increasing its focus on new growth sectors such as Defence, Railways and Smart & Safe Cities.

Competition Risk: The Company has competitors in different segments making it vulnerable to loose contracts that are being awarded through Tenders.

Mitigation: The Company provides end-to-end solutions from manufacturing, integration & maintenance and has an excellent track record of successfully implementing turnkey projects. It has been maintaining long standing relations with its clients making it the preferred supplier.

Risk of Delay in Completion of Order: The risk arises from not adhering to the deadlines due to delayed approvals causing delay in completion of orders which may invoke penalties.

Mitigation: The Company has well-framed operational policies in place and experienced pool of managers handling different segments of businesses who are capable of completing the orders in time to the satisfaction of customers.

Foreign Exchange Risk: The Company imports various raw material goods which are susceptible to volatile exchange rates which can cause forex losses impacting Company's profitability.



Mitigation: The Company takes various currency hedging initiatives under guidance of professional consultants to protect the business interests and prevent the losses incurred by currency fluctuations. The Company also enters into forward contracts for hedging foreign exchange exposures wherever required.

Technology Risk: The Foreign players may dole out licenses to use their technology to the local manufacturers or they may set up their own establishments in India.

Mitigation: The Company has been in the forefront in setting up state of the art manufacturing facilities and relentlessly putting efforts to improve its technology and strengthening its R&D units. It has also maintained high standards of HR policies to attract and retain talent.

Government Policy Risk: The sector is heavily dependent on government regulations and policies and any adverse policy may have an impact on the Company's business.

Mitigation: Government policies have mostly been in favour for this sector. The incumbent government's reformist policy measures have also improved the business prospects of the Company.

Internal Financial Controls

The Company has in place adequate internal financial controls with reference to financial statements. The Company has adopted

accounting policies which are in line with Accounting Standards prescribed in the Companies (Accounting Standard) Rules, 2006 that continue to apply under Section 133 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts), Rules, 2014 and relevant provisions of Companies Act, 1956 to the extent applicable. These are in accordance with generally accepted accounting principles in India. The Company has implemented Project Management Tool for better control of various ongoing/upcoming projects. The Company has also implemented SAP ERP system. SAP has helped to minimize human errors and plugging the loopholes. The Company also has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly. HFCL has adequate and effective internal audit system, covering on a continuous basis, the entire gamut of operations and services spanning all locations, business and functions. The Audit Committee monitors the Internal Audit System on regular intervals and directs necessary steps to further improve the Internal Control System.

Human Resource Development

HFCL has a team of experienced and competent professionals. In the ever changing telecom scenario, the Company recognizes the need for training and retaining the talent pool of the Company. Employees have undergone technical trainings to further enhance



their skills. Performance reviews of employees are conducted on regular basis to motivate and reward the performers. The total on roll employee strength of the Company as on 31st March, 2016 was 1289.

Corporate Social Responsibility

As a part of CSR initiative, HFCL took a major leap in association with HelpAge India, by flagging off a Specialized Mobile Medicare Unit (SMMU) on 7th June, 2016 from its manufacturing facility in Solan, Himachal Pradesh. The Company also launched a Mobile Medicare Unit (MMU) from its manufacturing facility in Goa on 22nd July, 2016. The MMU was flagged off by Shri Francis D'Souza, Hon'ble Deputy Chief Minister, Goa. The SMMU & MMU have professional teams to provide free medical consultancy and diagnostics to the underprivileged segment of the society. Medicines are provided free of cost to patients for common ailments. The teams also train caretakers on hygiene, sleep disorders, nutrition etc. The SMMU & MMU comes equipped with ENT & Eye diagnostic Set, ECG Machine, Minor Surgical & Dressing Set etc. SMMU also carries physiotherapy equipments.

These joint initiatives with HelpAge India is aimed at reaching out to the poor and needy who have limited or no access to basic healthcare facilities. This association will provide good primary

health care to the elders and communities living in and around Solan and Goa.



Directors' Report

To the Members,

The Directors have pleasure in presenting the 29th Annual Report and Audited Accounts for the financial year ended 31st March, 2016.

FINANCIAL RESULTS

Particulars	₹ in Crore)	
	2015-2016	2014-2015
Gross Sales and Services	2631.14	2611.26
Other Income	21.94	20.05
Profit/(Loss) before depreciation, finance charges and taxation	298.80	266.56
Less: Depreciation & Amortisation	24.91	33.93
Finance charges	44.92	42.70
Profit before Exceptional items and Tax	228.97	189.93
Exceptional Items	109.95	-
Profit/(Loss) before taxes	119.02	189.93
Provision for taxation	26.90	26.74
MAT credit entitlement	(26.90)	(26.72)
Profit/(Loss) for the year	119.02	189.91
Add: Balance brought forward from previous years	408.32	234.04
Sub Total	527.34	423.95
Less: Appropriations		
First Interim Dividend paid on Preference Shares	2.62	2.62
Tax paid on First Interim Dividend on Preference Shares	0.60	0.44
Second Interim Dividend paid on Preference Shares	2.62	-
Tax paid on Second Interim Dividend on Preference Shares	0.54	-
Proposed Second Interim Dividend on Preference Shares	-	2.62
Tax on proposed Second Interim Dividend on Preference Shares	-	0.44
Adjustment relating to fixed assets	-	9.51
Closing Balance	521.96	408.32

DIVIDEND

During the year under review, the Board of Directors at its meeting held on 26th October, 2015 has declared and paid first Interim Dividend of ₹ 3.25 per share on 80,50,000, 6.5% Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each. The Board of Directors at its meeting held on 10th May, 2016 also declared Second Interim Dividend of ₹ 3.25 per share on above CRPS for financial year ended 31st March, 2016. The Company has made the payment of ₹ 6.38 Crore towards Interim Dividend (including tax) on CRPS for financial year 2015-16.

EXIT FROM CORPORATE DEBT RESTRUCTURING MECHANISM

Debts of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism and as stipulated therein, the Lenders had the right to claim recompense from the Company at the time of its exit from CDR on account of various sacrifices & waivers made by them in the CDR Package. With the improved financial performance, the Company submitted its proposal for exit from CDR mechanism to Monitoring Institution (MI) i.e. IDBI Bank Limited. The MI has recommended recompense amount of ₹ 148.47 Crore on term and working capital loans. The same has been approved by CDR - Empowered Group vide their order dated 22nd March, 2016 subject to the approval from Company's Lenders. Subsequent to CDR-EG's approval, the recompense amount has been approved by some of the lenders and approval from remaining lenders is expected soon. Accordingly, the Board of Directors of the Company at their meeting held on 10th May, 2016 has approved the recompense amount of ₹ 148.47 Crore to exit from CDR mechanism.

MANAGEMENT DISCUSSIONS & ANALYSIS (MDA)

Management Discussions and Analysis (MDA) Report for the year under review as stipulated under Regulation 34(2)(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") is presented in a separate section forming part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of your Company for the financial year 2015-16 are prepared in accordance with the Companies Act, 2013 read with the Rules issued thereunder, Accounting Standard AS-21 on Consolidated Financial Statements read with AS-23 on Accounting for Investments in Associates, AS -27 on Financial Reporting of Interests in Joint Ventures and the provisions of Listing Regulations. The Audited Consolidated Financial Statements are provided in the Annual Report. As per the provisions of Section 2(6) of the Companies Act, 2013, one of entity qualifies to be an Associate and hence requires its financials to be consolidated with the Company's Financials. However, the Company does not have any control over the business decisions or affairs of the said Associate. Moreover, the said Associate has not yet furnished its Financial Statements for consolidations even after reminders. In view of the above, financials of said Associate have not been consolidated with the Company's Financials.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

M/s HTL Limited, M/s Moneta Finance Private Limited and M/s HFCL Advance Systems Private Limited continue to be the subsidiaries of your Company. M/s Polixel Security Systems Private Limited has become the subsidiary of the Company w.e.f. 9th August, 2016.

A separate statement containing the salient features of financial statements of all subsidiaries of your Company as on 31st March, 2016 forms part of consolidated financial statements in

compliance with Section 129 and other applicable provisions, if any, of the Companies Act, 2013. The financial statements of the subsidiary companies and related information are available for inspection by the members at the Registered Office of your Company during business hours on all days except Saturdays, Sundays and public holidays up to the date of the Annual General Meeting (AGM) as required under Section 136 of the Companies Act, 2013. Any shareholder desirous of obtaining the Annual Accounts and related information of the above subsidiary companies may write to the Company Secretary at M/s Himachal Futuristic Communications Ltd. 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi – 110048 and the same shall be sent by post. The financial statements including the consolidated financial statements, financial statements of subsidiaries and all other documents required to be attached to this report have been uploaded on the website of the Company www.hfcl.com.

A report on the performance and financial position of each of subsidiaries, associates and joint venture companies as per the Companies Act, 2013 is provided as “Annexure-A” to the consolidated financial statements and hence not repeated here for sake of brevity. The policy for determining material subsidiaries as approved by the Board of Directors may be accessed on the Company’s website at the link: <http://www.hfcl.com/wp-content/uploads/2016/02/Policy-for-determining-material-subsidiaries.pdf>.

FIXED DEPOSITS

During the financial year 2015-16, your Company has not accepted any deposit within the meaning of Section 73 and 74 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014.

DISCLOSURE RELATING TO REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND PARTICULARS OF EMPLOYEES

The remuneration paid to the Directors is in accordance with the Remuneration Policy formulated in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force). The salient aspects covered in the Remuneration Policy have been outlined in the Corporate Governance Report which forms part of this report.

The Managing Director of your Company does not receive remuneration from any of the subsidiaries of the Company.

The information required under Section 197 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) in respect of Directors/employees of the Company is set out in “Annexure - A” to this Report and is available on the website of the Company.

DIRECTORS & KEY MANAGERIAL PERSONNEL

APPOINTMENTS/RE-APPOINTMENTS

Dr. R. M. Kastia, Non-Executive Director is liable to retire by rotation at ensuing Annual General Meeting pursuant to Section

152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Articles of Association of your Company and being eligible offers himself for re-appointment. Appropriate resolution for his re-appointment is being placed for your approval at the ensuing AGM. The Brief resume of him and other related information have been detailed in the Notice convening the 29th AGM of your Company. Your Directors recommend his re-appointment as Non-Executive Director of your Company.

In compliance with the provisions of Section 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, Shri M P Shukla & Smt. Bela Banerjee were appointed as Independent Directors of your Company at 27th and 28th Annual General Meeting held on 30th September, 2014 and 30th September, 2015 respectively.

Shri M P Shukla was appointed as an independent director to hold the office up to 2 (two) consecutive years for a term up to the conclusion of this Annual General Meeting. Smt. Bela Banerjee was appointed as an independent director to hold office up to 1 (one) year for a term up to the conclusion of this Annual General Meeting. Accordingly, the term of above Independent Directors will come to an end with the conclusion of this Annual General Meeting.

On the recommendations of the Nomination & Remuneration Committee of the Company, Shri M. P. Shukla and Smt. Bela Banerjee are proposed to be re-appointed as Independent Directors pursuant to the provisions of Section 149 of the Companies Act, 2013 and the rules made thereunder and Listing Regulations at the ensuing Annual General Meeting for the second term of two years each.

The present terms of Shri Arvind Kharabanda, Whole-time Director designated as Director (Finance) has expired on 31st May, 2016 and he has shown his unwillingness to continue as Whole-time Director. However he will continue to hold the position of a Non-Executive Director of the Company.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company and related matters are put up on the website of the Company at the link: <http://www.hfcl.com/wp-content/uploads/2016/04/HFCL-Familiarisation-Prog.pdf>.

ANNUAL EVALUATION OF BOARD PERFORMANCE

Pursuant to the provisions of the Companies Act, 2013, read with the rules issued thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Listing Regulations, the Nomination and Remuneration Committee / Committee of Independent Directors have evaluated effectiveness of the Board/Committees / Directors for the financial year 2015-16. Further, the Board of Directors also evaluated the performance of Independent Directors as required under Regulation 17 of Listing Regulations. The criteria applied in the evaluation process are detailed in the Corporate Governance Report which forms part of this report.

KEY MANAGERIAL PERSONNEL

During the year under review, Shri Mahendra Nahata, Managing Director, Shri Arvind Kharabanda, Director (Finance), Shri V R Jain, CFO and Shri Manoj Baid, Associate Vice-President (Corporate) & Company Secretary remained the Key Managerial Personnel in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder.

PARTICULARS OF EMPLOYEES' AND RELATED DISCLOSURES

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), a statement showing the names of top ten employees of the Company in terms of remuneration drawn and other particulars of the employees drawing remuneration in excess of the limits set out in said rules are given in "Annexure-A" annexed herewith.

NUMBER OF MEETINGS OF THE BOARD AND AUDIT COMMITTEE

The details of the number of Board and Audit Committee meetings of the Company are set out in the Corporate Governance Report which forms part of this Report.

AUDIT COMMITTEE

The details pertaining to Composition of Audit Committee are included in the Corporate Governance Report which forms part of this report.

DECLARATION OF INDEPENDENCE

The Company has received declaration from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the provisions of Companies Act, 2013 read with the Schedule and Rules issued thereunder as well as Regulation 16(1)(b) of Listing Regulations.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(3)(c) of the Companies Act, 2013, the Directors confirm that:

- (a) in the preparation of the annual accounts for the financial year ended 31st March, 2016, the applicable accounting standards and Schedule III of the Companies Act, 2013, have been followed and there are no material departures from the same;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit of the Company for the financial year ended 31st March, 2016;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a 'going concern' basis;
- (e) the Directors have laid down proper internal financial controls to be followed by the Company and that such

internal financial controls are adequate and are operating effectively; and

- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDITORS AND AUDITORS' REPORT

At the 28th Annual General Meeting (AGM) of the Company, Khandelwal Jain & Company, Chartered Accountants (Firm Registration No. 105049W) was appointed as the Statutory Auditors to hold office till the conclusion of the 29th AGM of the Company. Khandelwal Jain & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and having confirmed their eligibility, offer themselves for re-appointment. The Company has received necessary letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment. The Audit Committee and the Board of Directors, therefore, recommended re-appointment of Khandelwal Jain & Co., Chartered Accountants as Auditors of the Company for the financial year 2016-17 till the conclusion of next AGM, for the approval of the Shareholders.

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

Information and explanations on qualifications/observations in the Consolidated Auditors' Report are as under:

Auditor's Observations in the main Auditors' Report :

Para 4(a):

In the case of the subsidiary, HTL Ltd., as mentioned in Note 38 (v) in the notes forming part of CFS, the Subsidiary has not made the provision of interest on short term borrowings amounting to ₹ 6,000,000 (Cumulatively ₹ 12,000,000) on account of pending settlement with the lenders. Accordingly, finance cost would have been increased by ₹ 6,000,000 and profit for the year reduced by ₹ 6,000,000 and shareholders' fund would have been reduced by ₹ 12,000,000.

Reply

The provision for interest on short term borrowings has not been made by the subsidiary since the term of interest payable on them are yet to be finalised and the discussions are in progress. Once the terms are finalized, the same will be accounted for in the books of accounts of subsidiary company.

Though the auditor has mentioned the maximum impact of ₹ 60 Lakhs, however the management of the HTL Limited is discussing the matter with the concerned party for the payment of interest hence the management's estimation on impact of Audit Qualification is not ascertainable at present.

Para 4(b):

In respect of investment in one of the associate of the Holding Company, as mentioned in Note 47 in the notes forming part of CFS, where the Holding Company has significant influence in

terms of section 2(6) of the Companies Act, 2013, no adjustment has been made in respect of Group's share of net profit/loss, as the financial statements/information of the associate has not yet been received by the holding company and not furnished to us.

Reply

As per the provisions of the Section 2(6) of the Companies Act, 2013, one of the entities qualifies to be an Associate and hence requires its financials to be consolidated with the Company's financials.

However, the Group does not have any control over the business decisions or affairs of the said Associate.

Moreover the said Associate has not yet furnished its financial statements for consolidation even after reminders.

In view of the above the impact of Audit Qualification is not assessable.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed Shri Baldev Singh Kashtwal, Practicing Company Secretary having Membership No. F3616 and C.P. No. 3169 to conduct the Secretarial Audit of your Company. The Secretarial Audit Report is annexed herewith as "Annexure -B" to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

EXTRACT OF ANNUAL RETURN

The details forming part of the extracts of the Annual Return in Form MGT – 9 in accordance with Section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 are set out herewith as "Annexure-C" to this Report.

RELATED PARTY TRANSACTIONS

During the financial year 2015-16, Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014, which were in the ordinary course of business and on arms' length basis and in accordance with the provisions of the Companies Act, 2013, Rules issued thereunder and Regulation 23 of the Listing Regulations. During the year, the Company has also entered into transactions with related parties which were at arms' length basis but not in ordinary course of business as per details given below:

(In ₹)				
Sr. No.	Names of the Related Party & nature of relationship	Nature of transactions	Written down value	Amount of consideration
1	HTL Limited (Subsidiary under Section 2(87) of the Companies Act, 2013)	Sale of Old Plant & Machineries	31,387/-	15,43,000/-
2	-do-	-do-	14,29,000/-	1,53,76,000/-

Above related party transactions were entered into after obtaining approval of Audit Committee as well as Board of Directors of the Company.

During the financial year 2015-16, there were no transactions with related parties which qualify as material transactions under the Listing Agreement / Listing Regulations.

The details of the related party transactions as required under Accounting Standard – 18 are set out in Note - 42 to the standalone financial statements forming part of this Annual Report.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: <http://www.hfcl.com/HFCL-Related%20party%20transactions%20policy.pdf>.

LOANS, GUARANTEES AND INVESTMENTS

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

Amounts outstanding as at 31st March, 2016

(₹ in Crore)

Particulars	Amount
Loans given	13.75
Guarantees given	32.66
Investments made	176.68

Loans, Guarantees and Investments made during the financial year 2015-16

Name of the entity	Relation	Amount (₹ in Crore)	Particulars of Loans, Guarantees and Investments	Purpose for which the Loans, Guarantees and Investments are proposed to be utilized
HTL Limited	Subsidiary under Section 2(87) of the Companies Act, 2013	11.00	Loan	Short term loan given for working capital requirements.
Corning Finolex Optical Pvt. Ltd.	Supplier	12.50	Guarantee	Corporate Guarantee given to M/s Corning Finolex Optical Pvt. Ltd. on behalf of HTL Limited, a subsidiary of the Company, for supply of raw material to subsidiary.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the financial year 2015-16 are set out in "Annexure-D" of this report in the format prescribed in the Companies (Corporate Social Responsibility) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of this report. The CSR Policy is available on the website of the Company and may be accessed at the URL <http://www.hfcl.com/wp-content/uploads/2016/01/CSR-Policy.pdf>.

The Company is undertaking CSR activities through its Registered Society i.e. HFCL Social Services Society ("HSSS") established by the Company in the year 1996.

VIGIL MECHANISM

The Board of Directors of the Company have formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177(10) of the Companies Act, 2013 and Regulation 22 of Listing Regulations. The Company, through this policy envisages to encourage the Directors and Employees of the Company to report to the appropriate authorities any unethical behaviour, improper, illegal or questionable acts, deeds, actual or suspected frauds or violation of the Company's Code of Conduct for Directors and Senior Management Personnel. The Policy on Vigil Mechanism/ Whistle blower policy may be accessed on the Company's website at the link: <http://www.hfcl.com/wp-content/uploads/2016/02/Whistle-Blower-Policy.pdf>.

DEPOSITORY SYSTEMS

The Company's scrip has come under compulsory dematerialization w.e.f. 29th November, 1999 for Institutional Investors and w.e.f. 17th January, 2000 for all Investors. So far, 99.96% of the equity shares have been dematerialized. The ISIN allotted to the equity shares of the Company is INE548A01028.

CORPORATE GOVERNANCE

In Compliance with Regulation 34 of the Listing Regulations, a separate report on Corporate Governance along with certificate from the Auditors on its compliance, forms an integral part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is set out herewith as "Annexure-E" to this Report.

SIGNIFICANT/MATERIAL ORDERS PASSED BY THE REGULATORS

There are no significant/material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its operations in future.

GENERAL

- Your Company has not issued equity shares with differential rights as to dividend, voting or otherwise;
- Your Company does not have any ESOP scheme for its employees/directors.
- Neither the Managing Director nor the Whole-time Director of the Company receives any remuneration or commission from any of its subsidiaries.
- No fraud has been reported by the Auditors to the Audit Committee or the Board of the Directors of the Company.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

CAUTIONARY STATEMENT

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

M P Shukla
Chairman

Place: New Delhi
Date: 22nd August, 2016

DIN No. 00052977

Annexure (A) to Directors' Report

Information required under Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendments made thereto.

A. Ratio of remuneration of each Director to the median remuneration of all the employees of your Company for the financial year 2015-16 is as follows:

Sl. No.	Name of Director	Total Remuneration (in ₹)	Ratio of remuneration of Director to the Median remuneration
1.	Shri M P Shukla	4,75,000*	0.79
2.	Shri Mahendra Nahata	3,58,38,000	59.70
3.	Shri Arvind Kharabanda	64,26,985	10.70
4.	Dr. R M Kastia	3,50,000*	0.58
5.	Shri Rajiv Sharma	1,20,000*	0.20
6.	Smt. Bela Banerjee	2,95,000*	0.49

*Represents to Sitting Fee.

Notes:

- The information provided above is on standalone basis.
- Remuneration to Directors includes sitting fees paid to Non-executive Directors.
- Median remuneration of the Company for all its employees is ₹ 6,00,303/- for the financial year 2015-16.

B. Details of percentage increase in the remuneration of each Director, CFO and Company Secretary in the financial year 2015-16 are as follows:

(in ₹)

Sl. No.	Name	Category	Remuneration		Increase (%)
			2015-16	2014-15	
1.	Shri M P Shukla	Independent Director	4,75,000*	3,00,000*	NA
2.	Shri Mahendra Nahata	Managing Director	3,58,38,000	2,25,16,923	59.16
3.	Shri Arvind Kharabanda	Director (Finance)	64,26,985	64,26,985	Nil
4.	Dr. R M Kastia	Non Executive Director	3,50,000*	1,65,000*	NA
5.	Shri Rajiv Sharma	Non Executive Director	1,20,000*	60,000*	NA
6.	Smt. Bela Banerjee	Independent Director	2,95,000*	30,000*	NA
7.	Shri V R Jain	CFO	84,00,000	80,00,000	5%
8.	Shri Manoj Baid	Associate Vice President (Corporate) & Company Secretary	31,61,025	26,34,188	20%

* Represents to sitting fee.

Notes:

- The remuneration paid to Directors is within the overall limits approved by the shareholders.

C. Percentage increase in the median remuneration of all employees in the financial year 2015-16:

Particulars	2015-16 (In ₹)	2014-15 (In ₹)	Increase (%)
Median remuneration of all employees per annum	6,00,303	6,40,002	-6.20%

D. Number of permanent employees on the rolls of the Company as on March 31, 2016: 1289.

E. Comparison of average percentage increase in salary of employee other than the key managerial personnel and the percentage increase in the key managerial remuneration:

(in ₹)

Particulars	2015-16	2014-15	Increase (%)
Average salary of all employees (other than key managerial personnel)	8,76,372	8,53,529	2.68%
Average Salary of Managing Director & Director (Finance)	2,11,32,493	1,44,71,954	46.02%
Average Salary of CFO and Company Secretary	57,80,513	53,17,094	8.72%

The average increase in the salaries of employees other than Key Managerial Personnel in the last financial year was 2.68%. The Managing Director was drawing much less remuneration compared to the remuneration being drawn by his counterparts in industry and hence the Shareholders at the Annual General Meeting held on 30th September, 2015 had re-appointed him with increased remuneration.

F. Affirmation:

It is hereby affirmed that the remuneration paid during the year under review is as per the Remuneration Policy of the Company.

G. Statement containing the particulars of employees in accordance with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 or amendments made thereto:

Names of the top ten employees of the Company in terms of remuneration drawn and the names of employees who were employed through out the financial year 2015-16 and were paid remuneration not less than ₹ 1,02,00,000/- and employees who were employed for a part of financial year 2015-16 and were paid remuneration not less than ₹ 8,50,000/- per month

Sl. No.	Name	Remuneration received (in ₹)	Nature of employment	Designation	Qualifications & experience	Date of commencement of employment	Age (Years)	Last employment held
1	Shri Mahendra Nahata	3,35,20,000	Contractual	MD	B.Com 33 years	01.10.1992	57	Himachal Telematics Ltd. Vice Chairman
2	Shri Ashwani Gupta	2,17,74,282	Permanent	ED	B.Tech, MBA 35 years	18.05.2015	58	Crompton Greaves Ltd. President
3	Shri Y S Choudhary	1,49,35,318	Contractual	CEO	B.E.(Telecom) M.E.(Electronics) 47 years	01.06.2009	73	Exicom Tele-Systems Ltd. MD
4	Shri Harshwardhan Pagay	96,47,983	Permanent	President	B.E, MBA 21 years	22.10.2012	45	Teracom Ltd. CEO
5	Shri Karan Bamba	83,54,460	Permanent	VP	MBA (Finance) 27 years	01.03.2012	49	Nokia Siemens Ltd. Transformation Programme Manager
6	Shri Sushil K Wadhwa	80,78,664	Permanent	Sr. VP	CS, ICMA 34 years	21.07.2011	56	Aircel Ltd. Head Commercial
7	Shri V R Jain	75,27,654	Permanent	CFO	CA, CS 29 years	15.07.2011	52	Teracom Ltd. CFO
8	Shri Hemant Sachetee	71,27,453	Permanent	VP	CA 19 years	25.07.2011	45	Enso Ltd. Vice President
9	Shri Kuldeep Kohli	68,30,477	Permanent	President	LL.B 36 years	06.10.2014	61	Punj Lloyd Ltd. President
10	Shri Gurinder Singh Kalra	65,20,020	Permanent	Sr. VP	B.E., MBA 32 yrs	17.08.2012	53	Nokia Siemens Ltd.

Notes:

- The remuneration shown above comprises Salary, Allowances, Perquisites, Ex-gratia, Medical, Company's contribution to Provident Fund and all other reimbursements, if any.
- None of the employees is related to any director of the Company.
- None of above employee draws remuneration more than the remuneration drawn by Managing Director and Whole time Director and holds by himself or along with his spouse and dependent children not less than two percent of equity shares of the Company.

Annexure (B) to Directors' Report

FORM NO. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The Members
Himachal Futuristic Communications Limited
8, Electronics Complex
Chambaghat
Solan - 173 213 (H. P.)

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Himachal Futuristic Communications Limited (hereinafter called "the Company") for the year ended 31st March, 2016. The secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board - Processes and Compliance – Mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:-

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2016 according to the provisions of :-

- (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and bye - laws framed thereunder;
- (iv) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment, and External Commercial Borrowings; **(Not applicable to the Company during the financial year 2015-16);**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (up to 14th May, 2015) and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective 15th May, 2015);
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable as the Company has not issued any shares during the financial year 2015-16);**
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **(Not applicable to the Company during the Financial Year 2015-2016);**
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Financial Year 2015-2016);**
- (f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Financial Year 2015-2016);**
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998. **(Not applicable to the Company during the Financial Year 2015-2016);**
- (vi) Employees Provident Fund and Miscellaneous Act, 1952;
- (vii) Employees State Insurance Act, 1948;
- (viii) Factories Act, 1948;
- (ix) Minimum Wages Act, 1948;
- (x) Payment of Bonus Act, 1965;
- (xi) Payment of Gratuity Act, 1972;
- (xii) Payment of Wages Act, 1936;
- (xiii) Maternity Benefit Act, 1961;
- (xiv) Contract Labour (Regulation and Abolition) Act, 1970;
- (xv) Industrial Employment (Standing Orders) Act, 1946 and other applicable labour laws.

I have also examined the compliance with the applicable clauses of the following :-

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by

the Institute of Company Secretaries of India and made effective from 1st July, 2015; and

- (ii) The Listing Agreement entered into by the Company with BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) (effective 1st December, 2015)

During the period under review the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

I FURTHER REPORT THAT the compliance by the Company of applicable fiscal laws, such as direct and indirect tax laws, has not been reviewed in this audit, since the same have been subject to review by the statutory auditors.

I FURTHER REPORT THAT:-

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors, if any, that took place during the period under review were carried out in compliance with the provisions of the Act;
- Adequate notice of the Board Meetings is given to all the Directors. The Company also sent agenda and detailed notes on agenda to all the Directors in advance for meaningful participation at the meeting; and
- Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

I FURTHER REPORT THAT there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I FURTHER REPORT THAT during the audit period, there were no other instances having a major bearing on the Company's affairs under the above referred laws, rules, regulations, guidelines and standards etc.

Place : New Delhi
Dated : August 3, 2016

CS BALDEV SINGH KASHTWAL
PRACTISING COMPANY SECRETARY
FCS NO. 3616, C. P. NO. 3169

Note : This report is to be read with my letter of even date which is annexed as an “Annexure-A” and forms an integral part of this report.

The Members
Himachal Futuristic Communications Limited
CIN : L64200HP1987PLC007466
8, Electronics Complex
Chambaghat
Solani - 173 213 (H. P.)

I report that :-

- a) Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
- b) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that audit evidence and information obtained from the Company's management and the processes and practices, I followed provide a reasonable basis for my opinion.
- c) I have not verified the correctness and appropriateness of the financial statements of the Company.
- d) I have obtained the management representation about the compliance of laws, rules and regulations, wherever required.
- e) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

CS BALDEV SINGH KASHTWAL
PRACTISING COMPANY SECRETARY
Place : New Delhi
Dated : August 3, 2016

FCS NO. 3616, C. P. NO. 3169

Annexure (C) to Directors' Report

FORM NO. MGT-9 EXTRACTS OF ANNUAL RETURN

as on financial year ended on 31st March, 2016
Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Companies
(Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

i	CIN	L64200HP1987PLC007466
ii	Registration Date	11th May, 1987
iii	Name of the Company	Himachal Futuristic Communications Limited
iv	Category/Sub-category of the Company	Listed and Company having Share Capital
v	Address of the Registered Office & contact details	8, Electronics Complex Chambaghat, Solan Himachal Pradesh-173213 Tel: + 91-1792-230644 Fax: + 91-1792-231902 E-mail: secretarial@hfcl.com Website: www.hfcl.com
vi	Whether listed company	Yes
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any	MCS Share Transfer Agent Limited F-65, 1st Floor Okhla Industrial Area, Phase - I New Delhi – 110020 Tel: + 91-11-41406149 Fax: + 91-11-41709881 Email:admin@mcsregistrars.com

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the company shall be stated

Sl. No.	Name & Description of main Products/Services	NIC Code of the Product /Service	% to total turnover of the Company
1	Optical Fibre Cable	27310*	20.63%
2	Turnkey Contracts and services	42202	76.46%

* As per IEM issued by Department of Industrial Policy and Promotion, Ministry of Commerce, New Delhi

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES: As per Attachment A

IV SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY):

a)	Category-wise Shareholding	As per Attachment B
b)	Shareholding of Promoters	As per Attachment C
c)	Change in Promoters' Shareholding	As per Attachment D
d)	Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)	As per Attachment E
e)	Shareholding of Directors & KMPs	As per Attachment F

V INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment As per Attachment G

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

a)	Remuneration to Managing Director, Whole-time director and/or Manager	As per Attachment H
b)	Remuneration to other directors	As per Attachment I
c)	Remuneration to Key Managerial Personnel other than MD/Manager/WTD	As per Attachment J

VII PENALTIES/PUNISHMENTS/COMPOUNDING OF OFFENCES: As per Attachment K

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No.	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	HFCL Advance Systems Private Limited 8, Electronics Complex, Chambaghat Solan, Himachal Pradesh-173213	U29253HP2015PTC000880	Subsidiary	100	2(87)
2	Moneta Finance Private Limited 8, Electronics Complex, Chambaghat Solan, Himachal Pradesh-173213	U65921HP1995PTC017088	Subsidiary	100	-do-
3	HTL Limited G.S.T. Road, Guindy, Chennai-600032	U93090TN1960PLC004355	Subsidiary	74	-do-
4	DragonWave HFCL India Pvt. Ltd. 8, Commercial Complex, Masjid Moth Greater Kailash-II, New Delhi-110048	U64200DL2010PTC211117	Joint Venture	49.90	2(6)
5	AB Corp Ltd. A/102, Parimal Apartment Off Juhu Lane Andheri (West) Mumbai-400058	U99999MH1987PLC042097	Associate	27.27	-do-
6	Microwave Communications Limited 8, Commercial Complex, 1st Floor Masjid Moth, Greater Kailash-II New Delhi-110048	U64202DL1992PLC047750	Associate	32.50	-do-
7	Exicom Tele-Systems Limited 8, Electronics Complex, Chambaghat Solan, Himachal Pradesh-173213	U64203HP1994PLC014541	Associate	12.40	As per the provisions of Accounting Standard-18
8	Polixel Security Systems Private Limited D-7, Dhawandeep Apartment 6, Jantar Mantar Road New Delhi-110001	U93000DL2010PTC199073	Associate	5.52	-do-
9	HFCL Bezeq Telecom Limited 8, Commercial Complex, Masjid Moth Greater Kailash-II, New Delhi-110048	U74899DL1995PLC066338	Associate	0.19	-do-

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

(a) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 01.04.2015)				No. of Shares held at the end of the year (As on 31.03.2016)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	638344	0	638344	0.051	638344	0	638344	0.051	0.00
b) Central Govt. or State Govt.	0	0	0	0.000	0	0	0	0.000	0.00
c) Bodies Corporates	482284770	1100	482285870	38.914	482284770	1100	482285870	38.914	0.00
d) Bank/FIs	0	0	0	0.000	0	0	0	0.000	0.00
e) Any other	0	0	0	0.000	0	0	0	0.000	0.00
SUB TOTAL:(A) (1)	482923114	1100	482924214	38.965	482923114	1100	482924214	38.965	0.00
(2) Foreign									
a) NRI- Individuals	0	0	0	0.000	0	0	0	0.000	0.00
b) Other Individuals	0	0	0	0.000	0	0	0	0.000	0.00
c) Bodies Corp.	0	0	0	0.000	0	0	0	0.000	0.00
d) Banks/FIs	0	0	0	0.000	0	0	0	0.000	0.00
e) Any other	0	0	0	0.000	0	0	0	0.000	0.00
SUB TOTAL: (A) (2)	0	0	0	0.000	0	0	0	0.000	0.00
Total Shareholding of Promoter	482923114	1100	482924214	38.965	482923114	1100	482924214	38.965	0.00
(A) = (A)(1) + (A)(2)									
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	1199558	3830	1203388	0.097	1743249	3830	1747079	0.141	0.04
b) Banks/FIs	149663317	1100	149664417	12.076	106157837	1100	106158937	8.566	-3.51
c) Central Govt.	0	0	0	0.000	0	0	0	0.000	0.00
d) State Govt.	0	0	0	0.000	0	0	0	0.000	0.00
e) Venture Capital Funds	0	0	0	0.000	0	0	0	0.000	0.00
f) Insurance Companies	521000	0	521000	0.042	521000	0	521000	0.042	0.00
g) FIs	24798058	5620	24803678	2.001	10838205	5620	10843825	0.875	-1.13
h) Foreign Venture Capital Funds	0	0	0	0.000	0	0	0	0.000	0.00
i) Others (specify)									
Foreign Banks	1705	3600	5305	0.000	1705	3600	5305	0.000	0.00
Foreign Portfolio Investors	0	0	0	0.000	37748135	0	37748135	3.046	3.05
SUB TOTAL: (B)(1)	176183638	14150	176197788	14.216	157010131	14150	157024281	12.670	-1.55
(2) Non Institutions									
a) Bodies corporates	267312678	31070	267343748	21.571	263687366	31070	263718436	21.278	-0.29
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	240545930	380833	240926763	19.439	256110388	377914	256488302	20.695	1.26
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	64951889	0	64951889	5.241	68889479	0	68889479	5.558	0.32
c) Others									
Trusts	162960	0	162960	0.013	93644	0	93644	0.008	-0.01
Overseas Corporate Bodies	37250	1000	38250	0.003	37250	1000	38250	0.003	0.00
Foreign Nationals	7220	0	7220	0.001	4720	0	4720	0.000	0.00
Clearing Members	2387579	0	2387579	0.193	4779200	0	4779200	0.386	0.19
NRIs	4309783	127000	4436783	0.358	5290748	125920	5416668	0.437	0.08
SUB TOTAL: (B)(2)	579715289	539903	580255192	46.819	598892795	535904	599428699	48.365	1.55
Total Public Shareholding	755898927	554053	756452980	61.035	755902926	550054	756452980	61.035	0.00
(B) = (B)(1) + (B)(2)									
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.000	0	0	0	0.000	0.00
Grand Total (A + B + C)	1238822041	555153	1239377194	100.000	1238826040	551154	1239377194	100.000	0.00

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

(b) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year (As on 01.04.2015)			Shareholding at the end of the year (As on 31.03.2016)			% change in share holding during the year
		No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
1	MN Ventures Pvt. Ltd.*	23,83,90,000	19.24	50.22	23,83,90,000	19.24	51.00	0.00
2	NextWave Communications Pvt. Ltd.	23,47,65,000	18.94	51.00	23,47,65,000	18.94	51.00	0.00
3	Apex Enterprises India Ltd.	58,71,195	0.47	6.81	58,71,195	0.47	6.81	0.00
4	Kalyan Vyapaar Pvt. Ltd.	10,98,174	0.09	0.00	10,98,174	0.09	0.00	0.00
5	Vinsan Brothers Pvt. Ltd.	6,71,600	0.06	0.00	6,71,600	0.06	0.00	0.00
6	Burlington Finance Ltd.	6,64,200	0.05	98.77	6,64,200	0.05	98.77	0.00
7	Anant Nahata	4,70,000	0.04	51.00	4,70,000	0.04	51.00	0.00
8	Yashodham Merchants Pvt. Ltd.	3,50,000	0.03	0.00	3,50,000	0.03	0.00	0.00
9	Shankar Sales Promotion Pvt. Ltd.	3,00,201	0.02	0.00	3,00,201	0.02	0.00	0.00
10	Amrit Sales Promotion Pvt. Ltd.	1,72,700	0.01	0.00	1,72,700	0.01	0.00	0.00
11	Babulal Nahata	82,407	0.01	0.00	82,407	0.01	0.00	0.00
12	Mahendra Nahata	73,477	0.01	0.00	73,477	0.01	0.00	0.00
13	Manik Lal Nahata (Since deceased)	11,920	0.00	0.00	11,920	0.00	0.00	0.00
14	Vaibhav Credit & Portfolio Pvt. Ltd.	2,800	0.00	0.00	2,800	0.00	0.00	0.00
15	Anil Kumar Nahata	540	0.00	0.00	540	0.00	0.00	0.00
	Total	48,29,24,214	38.97	49.85	48,29,24,214	38.97	50.24	0.00

*ANM Enginnering & Works Pvt. Ltd. merged with MN Ventures Pvt. Ltd. w.e.f. 22nd June, 2015

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

(c) Change in Promoters' Shareholding (specify if there is no change)

Particulars	Share holding at the beginning of the Year (As on 01.04.2015)		Cumulative Share holding during the year (01.04.2015 to 31.03.2016)	
	No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	48,29,24,214	38.97	48,29,24,214	38.97
Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)#	#		#	
At the end of the year	48,29,24,214	38.97	48,29,24,214	38.97

There is no change in the total shareholding of promoters between 01.04.2015 to 31.03.2016.

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

(d) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sl No.	Name	Shareholding at the beginning of the year (As on 01.04.2015)		* Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding at the End of the year (As on 31.03.2016)	
		No. of Shares	% of the total shares of the Company			No. of Shares	% of total shares of the Company
1	IDBI Bank Limited	117534018	9.48	-21501273	Sale	96032745	7.75
2	Oriental Bank of Commerce	16591021	1.34	-11367557	Sale	5223464	0.42
3	Reliance Industrial Investments and Holdings Limited	48532764	3.92	0	NA	48532764	3.92
4	MKJ Enterprises Limited	20135461	1.62	3650000	Purchase	23785461	1.92
5	State Bank of India	13211382	1.07	-13211382	Sale	0	0.00
6	Maryada Barter Private Limited	12442478	1.00	-4713798	Sale	7728680	0.62
7	Infotel Telecom Infrastructure Private Limited	11068876	0.89	0		11068876	0.89
8	MV SCIF Mauritius	8285155	0.67	-3190982	Sale	5094173	0.41
9	Shoparna Brothers Private Limited	7584877	0.61	-7584877	Sale	0	0.00
10	Santosh Industries Limited	7063491	0.57	-4316497	Sale	2746994	0.22
11	Global Capital Market Ltd.	4673000	0.38	2411368	Purchase	7084368	0.57
12	Emerging Markets Core Equity Portfolio	5508748	0.44	2170033	Purchase	7678781	0.62
13	Dimensional Emerging Market Value Fund	1042163	0.08	7417065	Purchase	8459228	0.68
14	Wisdomtree India Investment Portfolio, Inc.	0	0.00	7782185	Purchase	7782185	0.63
15	Vishanji Shamji Dedhia	5650000	0.46	1380000	Purchase	7030000	0.57
16	Jaikarni Holdings Private Limited	6672253	0.54	2293637	Purchase	8965890	0.72

* The shares of the Company are traded on daily basis and hence datewise increase / decrease in shareholding is not indicated.

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

(e) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01.04.2015 to 31.03.2016)	
		No. of Shares at the beginning (01.04.2015) / at the end of the year (31.03.2016)	% of the total shares of the Company				No. of Shares	% of total shares of the Company
A DIRECTORS								
1	Shri M P Shukla Non-Executive Independent Chairman	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				
2	Shri Mahendra Nahata Managing Director	73477	0.01	1-Apr-15	0	Nil movement during the year	73477	0.01
		73477	0.01	31-Mar-16				
3	Shri Arvind Kharabanda Director (Finance)	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				
4	Dr. R M Kastia Non-Executive Director	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				
5	Shri Rajiv Sharma (Nominee Director IDBI Bank Ltd)	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				
6	Smt. Bela Banerjee Non-Executive Independent Director	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				
B KEY MANAGERIAL PERSONNEL (KMP)								
1	Shri V R Jain CFO	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				
2	Shri Manoj Baid Associate Vice President (Corporate) and Company Secretary	0	0.00	1-Apr-15	0	Nil movement during the year	0	0.00
		0	0.00	31-Mar-16				

V INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Crore)

Particulars	Secured Loans	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (As at 01.04.2015)				
i) Principal Amount	223.36	66.27	-	289.63
ii) Interest due but not paid	-	10.84	-	10.84
iii) Interest accrued but not due	-	-	-	-
Total (i + ii + iii)	223.36	77.11	-	300.47
Change in Indebtedness during the financial year				
Additions	278.33	11.66	-	289.99
Reduction	126.16	-	-	126.16
Net Change	152.17	11.66	-	163.83
Indebtedness at the end of the financial year (As at 31.03.2016)				
i) Principal Amount	375.53	75.91	-	451.44
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	12.86	-	12.86
Total (i + ii + iii)	375.53	88.77	-	464.30

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

(A) Remuneration to Managing Director, Whole-time Director and/or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Shri Mahendra Nahata Managing Director	Shri Arvind Kharabanda Director (Finance)	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax, 1961.	2,55,66,650	59,63,171	3,15,29,821
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	47,76,346	1,66,961	49,43,307
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	as % of profit	-	-	-
	others (specify)	-	-	-
5	Others, please specify	-	-	-
	Total (A)	3,03,42,996	61,30,132	3,64,73,128
	Ceiling as per the Act	₹ 16,37,86,842/- (being 10% of the profits of the Company calculated as per Section 198 of the Companies Act, 2013)		

(B) Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of the Directors				Total Amount
		Shri M P Shukla	Smt. Bela Banerjee	Dr. R M Kastia	Shri Rajiv Sharma	
1	Independent Directors					
(a)	Fee for attending board/ committee meetings	4,75,000	2,95,000	-	-	7,70,000
(b)	Commission	-	-	-	-	-
(c)	Others, please specify	-	-	-	-	-
	Total (1)	4,75,000	2,95,000	-	-	7,70,000
2	Other Non Executive Directors					
(a)	Fee for attending board committee meetings	-	-	3,50,000	1,20,000	4,70,000
(b)	Commission	-	-	-	-	-
(c)	Others, please specify.	-	-	-	-	-
	Total (2)	-	-	3,50,000	1,20,000	4,70,000
	Total (B) = (1 + 2)	4,75,000	2,95,000	3,50,000	1,20,000	12,40,000
	Overall Ceiling as per the Act.	₹ 1,63,78,684/- (being 1% of the profit of the Company calculated as per Section 198 of the Companies Act, 2013)				

Attachment - J

(C) Remuneration to Key Managerial Personnel other than MD/Manager/Whole-time Director

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnels		Total
		Shri V R Jain CFO	Shri Manoj Baid Associate Vice- President (Corporate) & Company Secretary	
1	Gross Salary			
(a)	Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961.	70,59,054	27,85,140	98,44,194
(b)	Value of perquisites u/s 17(2) of the Income Tax Act, 1961	39,600	32,400	72,000
(c)	Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission as % of profit	-	-	-
5	Others, please specify	-	-	-
	Total	70,98,654	28,17,540	99,16,194

Attachment - K

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/ NCLT/Court)	Appeal made if any (give details)
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A. COMPANY

Penalty

Punishment

Compounding

B. DIRECTORS

Penalty

Punishment

Compounding

C. OTHER OFFICERS IN DEFAULT

Penalty

Punishment

Compounding

None

Annexure (D) to Directors' Report

Annual Report on CSR Activities

1. Brief outline of the Company's CSR Policy

The Board of Directors of the Company at its meeting held on 18th March, 2015 approved the Corporate Social Responsibility (CSR) Policy of your Company pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The CSR Committee has identified the following CSR activities, around which your Company shall be focussing:

- (i) Promoting preventive health care.
- (ii) Sanitation and making available safe drinking water.
- (iii) Eradicating hunger, poverty and malnutrition.
- (iv) To arrange establish, run, manage, control, look after and supervise the widows homes, old age homes, orphanages, child welfare centres and to provide medical relief and/or aid to the suffering human body.
- (v) To establish sponsor, administer and provide funds, stipends, scholarships and study grants to enable poor deserving and /or meritorious students and teachers to pursue their studies, research and training in any fields in India.
- (vi) Rural Development Projects.

The CSR Policy of the Company is available on the website of the Company and can be accessed through the following link: <http://www.hfcl.com/CSR%20Policy.pdf>.

2. The composition of the CSR Committee:

The composition of the CSR Committee as on 31st March, 2016 is as under:

Name of the Member	Category
Shri M P Shukla Chairman	Independent Director
Shri Mahendra Nahata Managing Director	Executive Director
Shri Rajiv Sharma Nominee Director (IDBI Bank Ltd.)	Non – Executive Director

Shri Mahendra Nahata, Managing Director is the Chairman of the Committee.

Shri Manoj Baid, Associate Vice President (Corporate) & Company Secretary act as the Secretary to the Committee.

3. Average Net Profit of the Company for last three financial years: ₹142.99 Crore

4. Prescribed CSR Expenditure: ₹2.86 Crore

5. Details of CSR spent for the financial year:

- a) Total amount to be spent for the financial year : ₹ 2.86 Crore
- b) Amount unspent, if any : NIL
- c) Manner in which the amount spent during the financial year is detailed below:

(In ₹)

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programs (1) Local area or other (2) Specify the State and district where projects or Programs was undertaken	Amount outlay (budget) project or programs-wise	Amount spent on the projects or programs Sub-head : (1) Direct Expenditure on projects or programs (2) Overheads:	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
1.	Basic Health Care	Promoting Preventive Health Care	Solan, Himachal Pradesh	1,27,49,196	19,84,950	19,84,950	HelpAge India (implementing Agency)
2.	Basic Health Care	Promoting Preventive Health Care	Goa	97,47,401	29,35,838	29,35,838	HelpAge India (implementing Agency)
Total				2,24,96,597	49,20,788	49,20,788	

Since the Company is undertaking CSR activities through its Registered Society i.e. HFCL Social Services Society ("HSSS") established by the Company in the year 1996, entire amount of ₹ 2.86 Crore being CSR expenditure has been given to HSSS. The HSSS is in the process of engaging implementing agencies who has good background of doing CSR activities. This being the second year, your Company is taking necessary steps in the right direction and is committed to actively engage with the implementing

agencies to execute the projects and programmes as per the Company's CSR Policy and incur expenditure in accordance with Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

HSSS has already signed the Memorandum of Understanding with HelpAge India, a society registered under the Societies Registration Act, 1860, having its Registered office at C-14, Qutab Institutional Area, New Delhi – 110 016 for

providing medical facilities for the benefit of marginalized older persons and their communities of Solan where the Company has its Telecom Equipment Plant. The project i.e. "Specialised Mobile Medicare Unit" will address the problems of inaccessibility to, inability to afford and non-availability of basic health care to the poor older segment of society and the communities in and around Solan, Himachal Pradesh. The HSSS will spent ₹1,27,49,196/- (Rupees One crore twenty seven lakhs forty nine thousand one hundred ninety six only) under this project effective from 28th March, 2016 to 27th March, 2019. The HSSS has also signed another Memorandum of Understanding with

HelpAge India to provide basic health care facility under the programme called "Mobile Medicare Unit" to our rural vulnerable community with special focus on the elderly people of Goa where the Company has its Optical Fibre Cable Plant. The total project cost is ₹97,47,401 (Rupees Ninety seven lakhs forty seven thousand four hundred one only) which will be spent by 27th March, 2019. HSSS has already funded ₹49,20,788/- till date to HelpAge India to carry out both the projects.

The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and CSR Policy of the Company.

Annexure (E) to Directors' Report

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Section 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014

(A) CONSERVATION OF ENERGY:

(i) The steps taken or impact on conservation of energy:

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

(ii) The steps taken by the Company for utilizing alternative sources of energy: NIL

(iii) The capital investment on energy conservation equipments: NIL

(B) TECHNOLOGY ABSORPTION:

(i) The efforts made by the Company towards technology absorption:

The technology of the products has been absorbed substantially in earlier years.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution:

As a result of technology absorption, Company has been able to reduce product cost and save foreign exchange flow.

(iii) In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year), following information may be furnished:

- The details of Technology Imported: N.A.
- The Year of Import: N.A.
- Whether the technology been fully absorbed: N.A.
- If not fully absorbed, areas where absorption has not taken place and the reasons thereof and future plans of action: N.A.

(iv) The expenditure incurred on Research and Development (R&D): N.A.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Crore)

Particulars	Financial Year Ended 31.03.2016	Financial Year Ended 31.03.2015
Foreign exchange earned in terms of actual inflows	71.63	34.21
Foreign exchange outgo in terms of actual outflows	144.58	169.75

Corporate Governance Report

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

The Securities and Exchange Board of India ("SEBI") on 2nd September, 2015, issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "Listing Regulations") with an aim to consolidate and streamline the provisions of the Listing Agreements for different segments of capital markets to ensure better enforceability. The Listing Regulations were made effective from 1st December, 2015 (effective date). Accordingly, all listed entities were required to enter into the Uniform Listing Agreement within 6 (six) months from the effective date. Your Company has accordingly entered into Listing Agreement with BSE Limited and the National Stock Exchange of India Limited during the month of January, 2016.

A report on compliance with the implementation of Regulation 34(3) read with Chapter IV and Schedule V of Listing Regulations is given below:

1. HFCL Philosophy on Corporate Governance

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

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

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

Name	Director Identification No.	Category	No. of other present Directorships held in public companies	No. of Board Meetings		Attended last AGM (30.09.2015)	Shareholdings in the Company
				Held	Attended		
Shri Mahendra Pratap Shukla	00052977	NEID	1	5	5	Yes	Nil
Shri Mahendra Nahata	00052898	PD [MD]	4	5	5	No	73477
Shri Arvind Kharabanda	00052270	WD	-	5	5	Yes	Nil
Dr. R M Kastia	00053059	NED	3	5	5	No	Nil
Shri Rajiv Sharma (IDBI Bank Ltd. Nominee)	01342224	NED	-	5	5	No	Nil
Smt. Bela Banerjee	07047271	NEID	3	5	5	Yes	Nil

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

HFCL Corporate Philosophy envisages complete transparency and adequate disclosures with an ultimate aim of value creation for all players i.e. the Stakeholders, the Creditors, the Government and the Employees.

2. Board of Directors

The composition of the Board is in conformity with Regulation 17 of Listing Regulations as well as the Companies Act, 2013. As on 31st March, 2016, Company had 6 (six) Directors on the Board. More than fifty percent of the Board comprised of Non-Executive Directors. Out of 6 (six) Directors, 2 (two) are Non-Executive Independent Directors including 1 (one) Woman Director, 2 (two) Non-Executive Directors including 1 (one) Nominee Director of IDBI Bank Limited, a Lender and 2 (two) Whole time Directors including 1 (one) Promoter Managing Director as on 31st March, 2016. The Chairman of the Board is Non-Executive Independent Director.

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

2.1 Board Meetings

During the financial year 31st March, 2016, 5 (five) Board Meetings were held on 18.05.2015, 03.08.2015, 17.08.2015, 26.10.2015 and 21.01.2016. The Last Annual General Meeting was held on 30th September, 2015.

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

Sr. No.	Name of Director	Directorships (Name of Companies)*	Committee Position(s)		
			Name of the Company	Committee(s)	Position
1.	Shri M P Shukla	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Chairman
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
			HTL Ltd.	Audit	Chairman
			HTL Ltd.	Nomination & Remuneration	Member
2.	Shri Mahendra Nahata	1. HTL Ltd. 2. Reliance Jio Infocomm Ltd. 3. HFCL Advance Systems (P) Ltd.** 4. DigiVive Services (P) Ltd.**	Reliance Jio Infocomm Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
3.	Shri Arvind Kharabanda	Nil	HTL Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
4.	Dr. R M Kastia	1. HTL Ltd. 2. Moneta Finance (P) Ltd.** 3. HFCL Advance Systems (P) Ltd.**	Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
			Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Member
			HTL Ltd.	Audit	Member
5.	Shri Rajiv Sharma	Nil	Nil	Nil	Nil
6.	Smt. Bela Banerjee	1. Media Matrix Worldwide Ltd. 2. Bharuch Dahej Railway Company Ltd. 3. The Braithwaite Burn and Jessop Constructions Co. Ltd.	Himachal Futuristic Communications Ltd.	Nomination & Remuneration	Chairperson
			Himachal Futuristic Communications Ltd.	Audit	Member
			Media Matrix Worldwide Ltd.	Nomination & Remuneration	Member
			Bharuch Dahej Railway Company Ltd.	Nomination & Remuneration	Chairperson
		The Braithwaite Burn and Jessop Constructions Co. Ltd.	Audit	Member	

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

** Subsidiaries of Public Limited companies.

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

2.3 Disclosure of relationship between directors inter-se

None of the Directors of the Company are related to each other.

2.4 Number of shares and convertible instruments held by Non-Executive Directors

None of the Non-Executive Directors holds any share or convertible instrument of the Company.

2.5 Information Placed before the Board

The Board has complete access to all information of the Company, including inter-alia, the information to be placed before the Board of Directors as required under the Listing Regulations.

The important decisions taken at the Board/Board Committee Meetings are communicated to the concerned Departments/Divisions.

2.6 Evaluation of Board

In terms of Section 178(2) of the Companies Act, 2013 read with Rules framed thereunder and Part D of Schedule II of Listing Regulations, the Nomination & Remuneration Committee have evaluated the performance of each Director, Board and various committees for the financial year ended 31st March, 2016. The evaluation of the performance of each Director was based on level of participation in meetings, understanding the roles & responsibilities, understanding the strategic issues and challenges in the Company. The evaluation of the Performance of Board was based on board composition, experience & competencies, understanding of business and competitive environment, quality of discussions at the board meetings, time spent by the board on the Company's long term goals and strategies. The Independent Directors at their meeting also discussed the performance of the Non-Executive Directors including the Chairman of the Board. Based on the above broad parameters, the effectiveness of the Board and its Committees were found satisfactory.

2.7 Independent Directors

Your Company had at its Annual General Meeting (AGM) held on 30th September, 2014 has appointed Shri Mahendra Pratap Shukla as an Independent Director to hold office for 2 (two) consecutive years for a term up to the conclusion of this Annual General Meeting pursuant to Section 149 and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modifications or re-enactment thereof for the time being in force). The Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 22nd August, 2016 have re-appointed Shri Mahendra Pratap Shukla as an Independent Director of the Company for his second term of two years commencing from the conclusion of this Annual General Meeting subject to the approval of shareholders.

Your Company has at its Annual General Meeting (AGM) held on 30th September, 2015 has appointed Smt. Bela Banerjee as an Independent Director to hold office for 1 (One) year for a term up to the conclusion of this Annual General Meeting pursuant to Section 149 and 152 read

with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications or re-enactment thereof for the time being in force). The Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 22nd August, 2016 have re-appointed Smt. Bela Banerjee as an Independent Director of the Company for her second term of two years commencing from the conclusion of this Annual General Meeting subject to the approval of shareholders.

Independent Directors have submitted a declaration that they meet the criteria of Independence as per the provisions of Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations and none of the Independent Directors is holding directorships in more than 7 listed companies. Company has issued the formal letter of appointment to the Independent Directors in the manner provided under the Companies Act, 2013.

2.8 Meeting of Independent Directors

The Independent Directors of the Company meet at least once in every financial year without the presence of Executive Directors or management personnels. All Independent Directors strive to be present at such meetings.

During the Financial Year ended 31st March, 2016, 1 (one) meeting was held on 28th March, 2016.

2.9 Familiarization Programme for Independent Directors

Regulation 25(7) of the Listing Regulations mandates the Company to familiarize the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. through various programmes.

The Company through its Managing Director/ Whole time Director/ Senior Managerial Personnel conduct programmes/ presentations periodically to familiarize the Independent Directors with the strategy, business and operations of the Company.

Such programmes/presentations will provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company's strategy, business model, operations, services and product offerings, organization structure, finances, sales and marketing, human resources, technology, quality of products, facilities and risk management and such other areas as may arise from time to time.

The above programme also includes the familiarization on statutory compliances as a Board member including their roles, rights and responsibilities. The Company also circulates news and articles related to the industry from time to time and provide specific regulatory updates.

The Familiarization programme for Independent Directors in terms of Regulation 25(7) of the Listing Regulations is uploaded on the website of the Company and can be accessed through the following link: <http://www.hfcl.com/wp-content/uploads/2016/04/HFCL-Familiarisation-Prog.pdf>.

3. Committees of the Board

In terms of the Listing Regulations, the Board of the Company has constituted the following Committees:-

Audit Committee

Nomination & Remuneration Committee

Stakeholders Relationship Committee

Corporate Social Responsibility Committee

Risk Management Committee

3.1 Audit Committee

The brief description of terms of references of Audit Committee is as under: -

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment / re-appointment of external and internal auditors, tax auditors, cost auditors, fixation of statutory audit fees, internal audit fees and tax audit fees and also approval for payment of any other services.
- Review with management, the annual financial statements before submission to the Board.
- Review quarterly un-audited/audited financial results/quarterly review reports.
- Review the financial statements in particular of the investments made by the unlisted subsidiary companies.
- Review with management, performance of external and internal auditors, and adequacy of internal control system.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussions with statutory auditors before the audit commence about nature and scope of audit as well as have post audit discussions to ascertain any area of concern.
- Approve the appointment of Chief Financial Officer.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors, if any.
- Review of the use/application of money raised through Public/Rights/Preferential Issue, if any.
- Approval or any subsequent modification(s) of transactions of the Company with related parties, if any.
- Review and monitor auditors independence and performance and effectiveness of audit process.
- Scrutiny of inter corporate loans and investments.
- Review the Company's financial and Risk Management Policy.
- Discussions with internal auditors of any significant findings and follow up thereon.

- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Valuation of Undertakings or assets of the Company where it is necessary.
- To review the functioning of the Whistle Blower / Vigil mechanism.
- Evaluation of Internal Financial control and risk management system.

The Composition of the Audit Committee is in line with the provision of Section 177 of the Companies Act, 2013 and Regulation 18 of Listing Regulations. The members of the Audit Committee are financially literate and have requisite experience in financial management. Shri Mahendra Pratap Shukla, Non-Executive Independent Director is the Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

The followings are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2016:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	7	7
Shri Arvind Kharabanda	Member	7	7
Smt. Bela Banerjee	Member	7	7

During the financial year ended 31st March, 2016, the Audit Committee met 7 (seven) times on 18.05.2015, 03.08.2015, 17.08.2015, 26.10.2015, 21.01.2016, 05.02.2016 and 16.03.2016.

3.2 Nomination & Remuneration Committee

The Board of Directors of the Company has constituted a Nomination & Remuneration Committee which amongst others is responsible for determining the Company's policy on specific remuneration package for Directors/KMPs and other employees of the Company.

The brief description of term of reference of this Committee amongst others includes the following:-

- To identify persons who are qualified to become Directors and who may be appointed in Senior Management Personnel in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for directors, key managerial personnel and other employees.
- devising a policy on diversity of Board of Directors.
- Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of Independent Directors.

- To carry out evaluation of every director's performance.
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification(s), amendment(s) or modification(s) as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

The following are members of the Committee and their attendance at the Committee Meetings held during the financial year ended 31st March, 2016.

Name of Director	Status	No. of Meetings	
		Held	Attended
Smt. Bela Banerjee	Chairperson	2	2
Shri M P Shukla	Member	2	2
Dr. R M Kastia	Member	2	2

During the financial year ended 31st March, 2016, the Nomination & Remuneration Committee met 2 (Two) times on 18.05.2015 and 17.08.2015.

Performance evaluation of Independent Directors

Pursuant to Regulation 17(10) of Listing Regulations, the performance evaluation of independent directors was done by the entire Board of Directors excluding independent director being evaluated. Broad parameters for reviewing

The details of remuneration paid to the Executive and Non-Executive Directors during the financial year 2015-16 are given below:-

(Amount in ₹)						
Name of Director	Salary	Allowances	Perks etc.	Contribution to PF	Sitting Fee	Total
Category A - Executive Directors						
Shri Mahendra Nahata Managing Director	2,10,00,000	77,58,650	22,41,350	25,20,000	-	3,35,20,000
Shri Arvind Kharabanda Director (Finance)	31,80,000	26,86,004	2,46,728	3,81,600	-	64,94,332
Category B – Nominee Director (Non-Executive Director)						
Shri Rajiv Sharma Non- Executive Director (IDBI Bank Nominee)	-	-	-	-	1,20,000	1,20,000
Category C – Non-Executive Independent Directors/ Non-Executive Directors						
Shri M P Shukla Non-Executive Independent Director–Chairman	-	-	-	-	4,75,000	4,75,000
Smt. Bela Banerjee Non-Executive Independent Director	-	-	-	-	2,95,000	2,95,000
Dr. R M Kastia Non-Executive Director	-	-	-	-	3,50,000	3,50,000

The non-executive directors were paid sitting fee of ₹15,000/- for every Board / Committee meeting attended by them up to 16.08.2015. The Board of Directors increased the payment of sitting fees from ₹15,000/- to ₹25,000/- (excluding service tax) w.e.f. 17.08.2015.

the performance of Independent Directors amongst other include participation at the Board/Committee meetings, understanding their roles and responsibilities and business of the Company, effectiveness of their contribution/commitment, effective management of relationship with stakeholders, integrity and maintaining of confidentiality, exercise of independent judgment in the best interest of the Company, ability to contribute to and monitor corporate governance practice, adherence to the code of conduct for independent directors, bringing independent judgement during board deliberations on strategy, performance, risk management, etc.

3.3 Remuneration of Directors:

Details of pecuniary relationship or transactions of the Non-Executive Directors vis-a-vis the Company

Nil

Criteria of making payments to Non- Executive Directors:

The Company has adopted a Remuneration Policy for Directors, Key Managerial Personnel and other Employees, regulated by the Nomination and Remuneration Committee of the Board.

The Non-Executive Directors are entitled to sitting fees for attending Meeting of the Board and its Committees. The remuneration to the Managing Director and Whole-Time Director is paid on the scale determined by the Nomination and Remuneration Committee/Board of Directors within limits approved by the shareholders at the General Meeting.

Service contracts, notice period, severance fees:

The appointment of the Executive Directors is governed by Resolutions passed by the Shareholders of the Company, which covers the terms and conditions of such appointment, read with the service rule of the Company. A separate service contract is not entered into by the Company with Executive Directors. The office of the Managing Director may be terminated by the Company or by the Managing Director by giving the other 6(six) months' prior notice in writing. The office of the Whole-time Director can be terminated within three months' notice or on payment of three months' basic salary in lieu thereof from either side. No severance fee is payable to any Director.

Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable:

The Company does not have any stock option scheme.

Nomination & Remuneration Policy of the Company

The Nomination & Remuneration Policy of the Company is designed to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The Policy emphasize on promoting talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. The policy reflects the Company's objectives for good corporate governance as well as sustained long term value creation for shareholders.

The Remuneration Policy applies to Directors, Senior Management Personnel including its Key Management Personnel (KMPs) and other employees of the Company. When considering the appointment and remuneration of Whole-time Directors, the Nomination and Remuneration Committee inter -alia considers pay and employment conditions in the industry, merit and seniority of person and the paying capacity of the Company. The Non-Executive-Directors are paid remuneration in the form of sitting fees for attending the Board and its Committees. Presently Non Executive Directors are paid Rs.25000/- for attending each Board and its committee meetings. Remuneration of KMPs and senior management personnel is decided by the Managing Director. The remuneration to other employees is fixed as per principles outlined above.

The guiding principle is that the remuneration and the other terms of employment should effectively help in attracting and retaining committed and competent personnel. While designing remuneration packages, industry practices and cost of living are also taken into consideration.

3.4 Stakeholders Relationship Committee

The composition of the Stakeholder Relationship Committee is in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations.

As on 31st March, 2016, the Committee consists of one Non-Executive Independent Director, one Non-Executive Director and one Whole time Director and is chaired by

Shri M P Shukla, Chairman and Non-Executive Independent Director of the Company. This Committee looks into transfer and transmission of shares/debentures/bonds etc., issue of duplicate share certificates, issue of shares on re-materialization, consolidation and sub-division of shares and investors' grievances. This Committee particularly looks into the investors grievances and oversees the performance of the Share Department /Share Transfer Agent and to ensure prompt and efficient investors' services. During the financial year ended 31st March, 2016, the Stakeholders Relationship Committee met 6 (Six) times on 18.05.2015, 18.06.2015, 17.09.2015, 26.10.2015, 02.02.2016 and 25.02.2016. The followings are the members and their attendance at the Committee Meeting:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	6	6
Dr. R M Kastia	Member	6	6
Shri Arvind Kharabanda	Member	6	6

Details of the Shareholders' complaints:

Number of shareholders' complaints received during the financial year 2015-16	44
Number of complaints not resolved to the satisfaction of shareholders as on 31st March, 2016	Nil
No. of pending complaints	Nil

The Company has attended to the investor's grievances/ correspondence within a period of 15 days from the date of receipt of the same during the financial year 2015-2016 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2016.

The Board in its meeting held on 31st October, 2006 has designated Shri Manoj Baid, Company Secretary as the Compliance Officer. The Board has delegated powers of share transfer and dematerialization to Shri Manoj Baid, Company Secretary to expedite the process of share transfer/ dematerialization work.

3.5 Corporate Social Responsibility (CSR) Committee

The broad terms of reference of the CSR Committee are as follows:

- To formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Act.
- Recommending the amount of expenditure to be incurred on CSR activities of the Company
- Monitoring the CSR policy of the Company from time to time

The Composition of the CSR Committee is in alignment with the provisions of Section 135 of the Companies Act, 2013.

The following are the members and their attendance at the CSR Committee Meeting held during the financial year ended 31st March, 2016:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri Mahendra Nahata, Managing Director	Chairman	1	0
Shri M P Shukla, Non-Executive Independent Director	Member	1	1
Shri Rajiv Sharma, Nominee Director (IDBI Bank Ltd.)	Member	1	1

During the financial year ended 31st March, 2016, 1 (One) meeting of the Corporate Social Responsibility Committee was held on 28.03.2016.

The details of the CSR initiatives of the Company and expenditure incurred on it have been given in the Directors' Report which forms part of the Annual Report. The CSR policy has been placed on the website of the Company and can be accessed through the following links: <http://www.hfcl.com/wp-content/uploads/2016/01/CSR-Policy.pdf>.

3.6 Risk Management Committee

The Board of Directors has constituted a Risk Management Committee and defined its roles and responsibilities in accordance with Regulation 21 of Listing Regulations. Roles and Responsibilities of the Committee include the followings:

- Framing of Risk Management Policy.
- Overseeing implementation of Risk Management Plan and Policy.
- Monitoring of Risk Management Plan and Policy.
- Validating the process of risk management.
- Periodically reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes.

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

YEAR	AGM/EGM	SUBJECT MATTER OF SPECIAL RESOLUTIONS	Date	TIME
2014-2015	AGM	● Adoption of new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013	30-09-2015	10:00 A.M.
2013-2014	AGM	● Authorizing the Board of Directors to borrow money from time to time under Section 180 (1) (c) of the Companies Act, 2013 ● Authorizing the Board of Directors to provide security under Section 180 (1) (a) of the Companies Act, 2013	30-09-2014	2:30 P.M.
2012-2013	AGM	● Increase in remuneration of Shri Mahendra Nahata, Managing Director ● Waiver of excess remuneration paid to Shri Mahendra Nahata, Managing Director ● Waiver of excess remuneration paid to Shri Arvind Kharabanda, Director (Finance) ● Waiver of excess remuneration paid to Dr. R M Kastia	30-09-2013	11:00 A.M.

Postal Ballot

No special resolution was put through postal ballot during the financial year 2015-16.

None of the business proposed to be transacted in the ensuing Annual General Meeting (AGM) require passing of a Special Resolution through postal ballot.

- Performing such other functions as may be necessary for the performance of its oversight function.

Though Regulation 21 of Listing Regulations is applicable to top 100 listed entities determined on the basis of market capitalization at the end of immediate previous financial year, the Board constituted the Risk Management Committee of Directors of the Company for effective risk management.

The following are the members and their attendance at the Risk Management Committee Meeting held during the financial year ended 31st March, 2016:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri Mahendra Nahata	Chairman	1	0
Shri M P Shukla	Member	1	1
Shri Arvind Kharabanda	Member	1	1

During the financial year ended 31st March, 2016, the Risk Management Committee Meeting was held on 28.03.2016.

4. General Body Meetings

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

Year	AGM/EGM	Location	Date	Time
2014-2015	AGM	Mushroom Centre, Solan	30-09-2015	10:00 A.M.
2013-2014	AGM	Mushroom Centre, Solan	30-09-2014	2:30 P.M.
2012-2013	AGM	Mushroom Centre, Solan	30-09-2013	11:00 A.M.

5. Means of Communications

Quarterly results

The quarterly/ half-yearly/ annual financial results are regularly submitted to the Stock Exchanges where the securities of the Company are listed pursuant to the Listing Regulations requirements and are published in the newspapers. The financial results are displayed on the Company's website www.hfcl.com.

Newspapers wherein results normally published

The quarterly/ half-yearly/ annual financial results are published in Economic Times, Indian Express, Jansatta and Dainik Tribune.

Website, where displayed

The financial results and the official news releases are also placed on the Company's website **www.hfcl.com** in the 'Investor Relations' section.

Whether website also displays official news releases:

The Company has maintained a functional website **www.hfcl.com** containing basic information about the Company e.g. details of its business, financial information, shareholding pattern, codes, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievance, etc.

Presentations made to institutional investors or to the analysts:

NIL

6. General Shareholders' Information

6.1 Date, time and venue of Annual General Meeting

29th September, 2016 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan - 173213 (H.P.)

6.2 Financial Year

1st April, 2015 to 31st March, 2016

6.3 Dividend Payment Date

Not Applicable

6.4 Date of Book Closing

23rd, September, 2016 to 28th September, 2016 (both days inclusive)

6.5 Registered Office

8, Electronics Complex
Chambaghat
Solan - 173 213 (H.P.)
Tel : +91-1792-230644
Fax : +91-1792-231902

6.6 Corporate Office

8, Commercial Complex
Masjid Moth, Greater Kailash - II
New Delhi - 110 048
Tel : +91-11-30882624
Fax : +91-11-30689013

6.7 Corporate Identity Number (CIN)

L64200HP1987PLC007466

6.8 Website/Email

www.hfcl.com / secretarial@hfcl.com & investor@hfcl.com

6.9 Depositories

National Securities Depository Ltd.
4th Floor, 'A' Wing, Trade World
Kamla Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai - 400 013
Tel : +91-22-24994200
Fax : +91-22-24972993

Central Depository Services (India) Ltd.

Phiroze Jeejeebhoy Towers
28th Floor, Dalal Street
Mumbai - 400 023
Tel : +91-22-22723333
Fax : +91-22-22723199

6.10 ISIN

INE548A01028

6.11 Name and address of Stock Exchanges at which the Company's securities are listed

BSE Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Tel : +91-22-22721233
Fax : +91-22-22723121

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra Kurla Complex
Bandra (East)
Mumbai - 400 051
Tel : +91-22-26598235
Fax : +91-22-26598237

The Company has paid the listing fees to the above Stock Exchange (s) for the financial year 2016-2017.

6.12 Stock Codes

BSE: 500183 & NSE: HFCL

6.13 Stock Market Price Data on NSE and Performance in comparison to broad-based indices:

(in ₹)

Month	NSE		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
April, 2015	16.40	13.30	8844.80	8144.75
May, 2015	14.45	11.95	8489.55	7997.15
June, 2015	12.75	9.10	8467.15	7940.30
July, 2015	15.30	11.40	8654.75	8315.40
August, 2015	16.90	10.85	8621.55	7667.25
September, 2015	16.90	11.65	8055.00	7539.50
October, 2015	18.70	15.75	8336.30	7930.65
November, 2015	19.90	14.40	8116.10	7714.15
December, 2015	22.20	16.80	7979.30	7551.05
January, 2016	24.65	16.65	7972.55	7241.50
February, 2016	22.25	15.15	7600.45	6825.80
March, 2016	18.70	14.10	7777.60	7035.10

6.14 In case, the securities are suspended from trading, reason thereof:

Not applicable, since the securities of the Company have not been suspended from trading.

6.15 Registrar and Share Transfer Agents (RTA):

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

6.16 Share transfer Systems

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

The Total Number of equity shares transferred in physical form during the financial year 2015-2016:

Number of transfers	4
Number of Shares	400

6.17 Distribution of shareholdings as on 31st March, 2016

No. of Equity held (₹)	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Up to 5000	235984	96.036	134246721	10.832
5001 – 10000	4765	1.939	36449880	2.941
10001 – 20000	2257	0.919	33201250	2.679
20001 – 30000	833	0.338	21040838	1.698
30001 – 40000	343	0.140	12162792	0.981
40001 – 50000	258	0.105	12172312	0.982
50001 – 100000	494	0.201	36593754	2.952
100001 & above	484	0.197	948730447	76.549
Clearing Members	307	0.125	4779200	0.386
TOTAL	245725	100.000	1239377194	100.000

6.18 Categories of Shareholding as on 31st March, 2016:

Sl. No.	Category	Shares	%
A	Promoters Holding		
1	Indian Promoters	482924214	38.96507
2	Foreign Promoters	-	-
	Sub Total (A)	482924214	38.96507
B	Public Shareholding		
1	Institutional Investors		
a)	Mutual Funds/UTI	1747079	0.14096
b)	Venture Capital Funds	-	-
c)	Alternate Investment Funds	-	-
d)	Foreign Venture Capital Investors	-	-
e)	Foreign Portfolio Investors	37748135	3.04573
f)	Financial Institutions and Banks	106158937	8.56551
g)	Insurance Companies	521000	0.04204
h)	Provident Funds/Pension Funds	-	-
i)	Any Others(specify)		
	Foreign Institutional Investors	10843825	0.87494
	Foreign Banks	5305	0.00043
	Sub Total (B1)	157024281	12.66961
2	Central Government/State Government(s)/President of India	-	-
	Sub Total (B2)	-	-
3	Non Institutional Investors		
a)	Indian Public	325377781	26.25333
b)	NBFCs Registered with RBI	-	-
c)	Employee Trusts	-	-
d)	Overseas Depositories (holding DRs)	-	-
e)	Any Other		
i)	Bodies Corporates	263718436	21.27830
ii)	OCBs	38250	0.00309
iii)	NRIs	5416668	0.43705
iv)	Foreign Nationals	4720	0.00038
v)	Trusts	93644	0.00756
vi)	Clearing Members	4779200	0.38561
	Sub Total (B3)	599428699	48.36532
	Total Public Shareholding (B = B1 + B2 + B3)	756452980	61.03493
C	Non Promoter-Non Public Shareholders		
1	Custodian /DR Holder – Name of DR Holders	-	-
2	Employee Benefit Trustee (Under SEBI (Share based Employee Benefit) Regulation, 2014	-	-
	Total Non-Promoter- Non Public Shareholders (C = C1 + C2)	-	-
	GRAND TOTAL (A + B + C)	1239377194	100.00000

6.19 Dematerialization of shares and liquidity:

The Company's shares are compulsorily traded in dematerialized form as per SEBI Guidelines. As on 31st March, 2016, 99.96% of the equity shares have been dematerialized. The equity shares of the Company are frequently traded in BSE and NSE and hence provide liquidity to the investors.

6.20 Outstanding GDRs / ADRs or warrants or any Convertible Instruments, conversion date and any likely impact on equity:

N.A.

6.21 Commodity price risk or foreign risk and hedging activities

During the financial year 2015-16, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company entered into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 49 to the Standalone Financial Statements.

6.22 Plant Locations

Telecom Equipment Plant

Electronics Complex, Chambaghat
Solan - 173 213 (H.P.)
Tel : +91-1792-230644
Fax : +91-1792-231902

Optical Fibre Cable Plant

L 35-37, Industrial Area, Phase - II
Verna Electronic City, Salcete
Goa - 403 722
Tel : +91-832-6697000
Fax : +91-832-2783444

6.23 Address for correspondence

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

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

7. Other Disclosures:

7.1 Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large:

None of the materially significant transactions with any of the related parties were in conflict with the interest of the Company. Attention of the members is drawn to the disclosures of transactions with related parties set out in Note No. 42 of the Standalone Financial Statements forming part of the Annual Report. The Board has

approved a policy for related party transactions which has been uploaded on the Company's website and can be accessed through the following links: <http://www.hfcl.com/wp-content/uploads/2016/02/HFCL-Related-party-transactions-policy.pdf>.

7.2 Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange(s) or SEBI or any statutory authorities, on any matter related to capital markets, during the last three years:

None.

7.3 Details of establishment of Vigil Mechanism and Whistle-Blower Policy of the Company

The Board of Directors of the Company has adopted Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of Listing Regulations. The management of the Company, through this policy envisages to encourage the employees of the Company to report to the higher authorities any unethical, improper, illegal or questionable acts, deeds and things which the management or any superior may indulge in. This Policy has been circulated to employees of the Company and is also available on Company's website www.hfcl.com.

No employee of the Company is denied access to the Audit Committee.

7.4 Details of compliance with mandatory requirements and adoption of non-mandatory requirements

Company has complied with the all mandatory requirements specified in Listing Regulations and the status of compliance with non-mandatory requirements of this Regulation has been detailed hereunder:

- i) Separate Post of Chairman and CEO: The Chairman of the Board is Non Executive Independent Director and his position is separate from that of Managing Director.
- ii) Reporting of Internal Auditor: The Internal Auditor has direct access to Audit Committee.

7.5 Web link where policy for determining 'material' subsidiaries is disclosed

The Company has adopted a Policy for determining material subsidiaries, which has been uploaded on the Company's website and can be accessed at the following links: <http://www.hfcl.com/wp-content/uploads/2016/02/Policy-for-determining-material-subsidiaries.pdf>.

7.6 DISCLOSURE OF COMPLIANCE OF REGULATION 17 TO 27 AND CLAUSES (b) TO (i) OF SUB-REGULATIONS (2) OF REGULATIONS 46

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clause (b) to (i) of sub-regulations (2) of Regulation 46 of the Listing Regulations.

7.7 Code of conduct for Board Members and Senior Management Personnel

Pursuant to Regulation 17 of the Listing Regulations, the Company has adopted a Code of Conduct for Directors and Senior Management Personnel and the same has been posted on the Company's website. Pursuant to Regulation 26(3) of the Listing Regulations, the Directors and the Senior Management Personnel affirm the Compliance of the Code annually. A certificate to this effect is attached to this Report duly signed by the Managing Director.

7.8 Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance

The certificate from the statutory auditors of the Company regarding compliance of conditions of corporate governance is annexed with the Corporate Governance Report and forms an integral part of the Annual Report.

7.9 Company's Policy on Prohibition of Insider Trading

Your Company has adopted a "Code of Internal procedure and conduct for regulating, monitoring and reporting of trading in securities by Insiders" as required under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. The Company formulated a Code of Conduct to Regulate, Monitor, and Report trading by Insiders to deter the Insider trading in the securities of the Company based on the unpublished price sensitive information. The Code envisages procedures to be followed and disclosures to be made while dealing in the securities of the Company. During the year under review there has been due compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

7.10 Subsidiary companies

The Audit Committee reviews the consolidated financial statements of the Company and the investment made by its unlisted subsidiary companies. The minutes of the Board Meetings of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

The Company does not have any material non-listed Indian subsidiary companies.

7.11 Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding Rules framed thereunder, Shri Baldev Singh Kashtwal, Practicing Company Secretary, holding Membership No. FCS 3616 and C.P. No. 3169 was appointed as the Secretarial

Auditor of the Company to carry out the secretarial audit for the year ending 31st March, 2016.

A Secretarial Audit Report given by the Secretarial Auditor in Form No. MR-3 is annexed to Directors' Report as **ANNEXURE – B** which forms the part of Annual Report.

There are no qualifications, reservations or adverse remarks made by Secretarial Auditor in his Report.

7.12 Secretarial Certificates

- (i) Pursuant to Clause 47(c) of the Listing Agreement and Regulation 40(9) of the Listing Regulations, certificates, on half- yearly basis, have been issued by a Company Secretary in-Practice certifying that all certificates have been issued within thirty days of date of lodgement for transfer, sub-division, consolidation, renewal and exchange etc.
- (ii) A Company Secretary in-Practice carries out a reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited ("Depositories") and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the aggregate of the total number of shares in physical form and total number of shares in dematerialized form held with Depositories.

7.13 CEO & CFO certification

The Managing Director, Director (Finance) and Chief Financial Officer (CFO) give annual certifications on financial reporting and internal controls to the Board in terms of Regulation 17(8) of the Listing Regulations.

7.14 Financial Calendar (tentative and subject to change) 2016-2017:

Financial Reporting for the first quarter ending **30th June, 2016: Fourth week of August, 2016**

Financial Reporting for the second quarter and half year ending **30th September, 2016: Second week of December, 2016**

Financial Reporting for the third quarter ending **31st December, 2016: Second week of February, 2017**

Audited Accounts for the year ending **31st March, 2017: Last week of May, 2017**

Annual General Meeting for the year ending **31st March, 2017: September, 2017**

Declaration regarding Compliance of Code of Conduct

I, Mahendra Nahata, Managing Director of Himachal Futuristic Communications Ltd. hereby declare that all Board Members and Senior Management Personnel have affirmed compliance of the Code of Conduct as on 31st March, 2016 pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Place: New Delhi
Date : 22nd August, 2016

(Mahendra Nahata)
Managing Director

Certificate on Corporate Governance

To The Members of

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by Himachal Futuristic Communications Limited ("the Company"), for the year ended on 31st March, 2016, as stipulated in:
 - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Company with stock exchange(s) for the period from April 01, 2015 to November 30, 2015.
 - Clause 49(VII)(E) of the Listing Agreements of the Company with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015.
 - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016, and
 - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016.
5. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

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

(Manish Singhal)
Partner
Membership No.: 502570

Place: New Delhi
Date: 22nd August, 2016

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

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

Tel +91 1792-230644, Fax +91 1792-231902

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

(Corporate Identity Number: L64200HP1987PLC007466)

NOTICE

Notice is hereby given that the 29th Annual General Meeting of the Members of Himachal Futuristic Communications Limited will be held on Thursday the 29th day of September, 2016 at 11:00 A.M. at the Mushroom Centre, Chambaghat, Solan-173 213, Himachal Pradesh to transact the following businesses:

Ordinary Business:

1. To receive, consider and adopt (a) The audited financial statements of the Company for the financial year ended 31st March, 2016, the reports of the Board of Directors and Auditors thereon; and (b) The audited consolidated financial statements of the Company for the financial year ended 31st March, 2016 and the reports of the Auditors thereon and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
 - a) **"RESOLVED THAT** the audited financial statements of the Company for the financial year ended 31st March, 2016 and the reports of the Board of Directors and Auditors thereon laid before this meeting be and are hereby considered and adopted."
 - b) **"RESOLVED THAT** the audited consolidated financial statements of the Company for the financial year ended 31st March, 2016 and the reports of Auditors thereon laid before this meeting be and are hereby considered and adopted."
2. To confirm dividends on Cumulative Redeemable Preference Shares and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT first interim dividend of ₹ 3.25 per share and second interim dividend of ₹ 3.25 per share on Cumulative Redeemable Preference Shares of face value of ₹ 100/- each for the financial year 2015-16 amounting to ₹ 6.38 Crore (including of tax of ₹ 1.14 Crore) as declared by the Board of Directors on 26th October, 2015 and 10th May, 2016 respectively and already paid to preference shareholders be and is hereby confirmed and approved."
3. To appoint a Director in place of Dr. Ranjeet Mal Kastia (DIN:00053059), who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Dr. Ranjeet Mal Kastia (DIN:00053059), who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment be and is hereby re-appointed as a Director of the Company"
4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to provisions of Section 139, 142 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules, 2014 including any statutory modification(s) or re-enactment(s) thereof for the time being in force, Khandelwal

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

Special Business:

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

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and 160 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Shri Mahendra Pratap Shukla (DIN:00052977), who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and the Listing Regulations, who was appointed as an Independent Director not liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of a Director, be and is hereby re-appointed as an Independent Director of the Company not liable to retire by rotation for a term of 2 (two) years from the conclusion of this Annual General Meeting till the conclusion of the 31st Annual General Meeting of the Company to be held in the calendar year 2018."
6. To re-appoint Smt. Bela Banerjee (DIN:07047271) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and 160 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Smt. Bela Banerjee (DIN:07047271), who has submitted a declaration that she meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and the Listing Regulations, who was appointed as an Independent Director not liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of a Director, be and is hereby re-appointed as an Independent Director of the Company not liable to retire by rotation

a term of 2 (two) years from the conclusion of this Annual General Meeting till the conclusion of the 31st Annual General Meeting of the Company to be held in the calendar year 2018."

7. To consider and approve re-classification of Promoters of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to provisions of Regulation 31A(2) read with Regulation 31A(7) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any amendments made thereto) (hereinafter referred to as "Listing Regulations") or any other applicable provisions of Listing Regulations and other applicable laws, consent of the members of Company be and is hereby given to reclassify the following entities/persons from "Promoter Category" to "Public Category" since the entities/persons are neither involved in the management nor holds any controlling stake in the Company and also none of aforesaid entities/persons has entered into any Shareholders' Agreement with the Company nor have they got any Veto Rights or Special Information Rights or Special Rights as to voting power or control of the Company:

Name of Entity/Person	No. of Equity Shares held	% of total Equity Share Capital
Amrit Sales Promotion Private Limited	172700	0.01393
Yashodham Merchants Private Limited	350000	0.02824
Burlington Finance Limited	664200	0.05359
Kalyan Vyapaar Private Limited	1098174	0.08861
Apex Enterprises (India) Limited	5871195	0.47372
Vaibhav Credit & Portfolio Private Limited	2800	0.00023
Babulal Nahata	82407	0.00665
Anil Kumar Nahata	540	0.00004
Total	8242016	0.66501

RESOLVED FURTHER THAT it is hereby confirmed that

- The aforesaid entities/persons do not hold more than 10% of paid-up equity share capital of the Company. In fact, the aggregate shareholding of all of the above 8 entities/persons is only 0.66501% of the equity share capital of the Company and the individual shareholding is even lower.
- That the aforesaid entities/persons have not and will continue to not exercise direct or indirect control over the Company,
- That no director of above entities and aforesaid persons have been or would be appointed as key managerial personnel of the Company.
- That no special right were even held and would not be ever held by the above reclassified promoters.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board or the officers authorized by the Board in this regard be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company".

8. To issue 10.30% 33,72,750, Secured, Unlisted Non-Convertible Debentures (NCD's) on a Private Placement basis by way of conversion of outstanding recompense amount payable to the Lenders and in this regard to consider and

if, thought fit, to pass, with or without modification(s) the following resolution as a **Special Resolution**.

"RESOLVED THAT in accordance with the provisions of Section 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 read with the Rules framed thereunder (including any amendment thereto or re-enactment thereof for the time being in force), other applicable provisions, if any, of any other law for the time being in force, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the provisions in the Memorandum and Articles of the Association of the Company, and subject to such approvals, consents, permissions and sanctions as may be necessary or required from any authority(ies), and subject also to such conditions and modifications as may be prescribed or imposed by any of the such authorities while granting such approvals, consents, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee of directors duly constituted or to be constituted thereof to exercise its powers conferred by this resolution), the approval of the Company be and is hereby accorded to the Board of Directors / Committee of Directors to offer, issue and allot, in one or more tranches 10.30% 33,72,750 Secured, Unlisted Non-convertible Debentures (NCD's) on Private Placement basis to the allottees as detailed below, for an amount not exceeding ₹ 33,72,75,000/- (Rupees Thirty Three Crore Seventy Two Lac Seventy Five Thousand Only) by way of conversion of Outstanding Right of Recompense amount of ₹ 33,72,75,000/- (Rupees Thirty Three Crore Seventy Two Lac Seventy Five Thousand Only) payable to various Lenders of the Company on terms and conditions as detailed below:

Details of the Allottees:

(Amount in ₹)

Name	Right of Recompense Amount	No. of Non-Convertible Debentures to be issued	Category
Oriental Bank of Commerce	25,24,50,000	25,24,500	Banks i.e. Lenders of the Company
State Bank of India	4,23,00,000	4,23,000	
Bank of Baroda	1,65,00,000	1,65,000	
Union Bank of India	2,60,25,000	2,60,250	
Total	33,72,75,000	33,72,750	

Terms of the Issue:

Sr. No.	Particulars	Terms
1	Name of the Instrument	10.30%, Secured, unlisted, Non Convertible Debentures (NCDs)
2	Amount	₹ 33.73 Crore (Rupees Thirty Three Crore Seventy Three Lac only)
3	Coupon Rate	10.30% p.a.
4	Redemption	Redeemable at face value in installments in the ratio of 33.33%, 33.33% and 33.33% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21) and 2021 (FY 2021-22) respectively from the date of allotment
5	Face Value	₹ 100/- each
6	Early redemption Option	Company has the option to redeem earlier than the redemption date by giving 30 days notice
7	Security	First Pari Passu charge on Movable and Immovable fixed assets with existing term loans

RESOLVED FURTHER THAT the Board of Directors or Committee of the Board of Directors be and is hereby authorized to take all such steps and to do all such acts, deeds, things and give such directions as it may in its absolute discretion considers necessary, expedient, usual, proper or desirable or incidental to give effect to the foregoing resolution and settle any question, remove any difficulty or doubt that may arise from time to time in relation thereto without requiring the Board to secure any further consent or approval of the members of the Company."

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

By order of the Board

Place: New Delhi
Date: 22nd August, 2016

(**Manoj Baid**)
Associate Vice-President
(Corporate) & Company Secretary
Membership No. FCS 5834

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF THE PROXY IS ENCLOSED. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.
- Corporate Members intending to send their authorized representative(s) to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
- Pursuant to Section 91 of the Companies Act, 2013, the Register of Members and share transfer books of the Company will remain closed from 23rd September, 2016 to 28th September, 2016 (both days inclusive) for the purpose of Annual General Meeting (AGM).
- Members are requested:
 - to kindly notify the change of address, if any, to the Company/their Depository Participant.
 - to bring their attendance slip along with their copy of the Annual Report in the Meeting.
 - to deposit the duly completed attendance slip at the Meeting.
- Members may use the facility of nomination. A Nomination Form will be supplied to them on request.
- Members desiring any information with regard to Annual Accounts/Report are requested to submit their queries addressed to the Company Secretary at least ten days in advance of the Meeting so that the information called for can be made available at the Meeting.
- A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
- Relevant documents referred to in the accompanying Notice and Statement are open for inspection by the members at the Registered Office of the Company on all working days except Saturdays, Sundays and public holidays during business hours up to the date of the Annual General Meeting.
- The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
- The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the AGM.
- Copies of Annual Report for financial year ended 31st March, 2016 including Notice of AGM, Attendance Slip, Proxy Form and instructions for e-Voting are being sent by electronic mode only to all the members whose email addresses are registered with the Company/Depository Participant(s) unless any member has requested for a hard copy of the same. Members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses so that they can receive the Annual Report and other communications from the Company electronically in future. For members who have not registered their e-mail addresses, physical copies of the aforesaid documents are being sent by the permitted mode.
- The copies of the Annual Reports will not be distributed at the AGM. Members are requested to bring their copies to the meeting. The Annual Report of the Company is also available on the Company's website www.hfcl.com.
- Information and other instructions relating to remote e-Voting are as under:
 - In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings issued by Institute of Company Secretaries of India, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-Voting") will be provided by National Securities Depository Limited (NSDL).
 - The facility for voting through poll paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-Voting shall be able to exercise their right at the meeting through poll paper.
 - The members who have cast their vote by remote e-Voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
 - The remote e-Voting period commences on 26th September, 2016 (9:00 am) and ends on 28th September, 2016 (5:00 pm). During this period members of the Company,

holding shares either in physical form or in dematerialized form, as on the cut-off date of 22nd September, 2016, may cast their vote by remote e-Voting. The remote e-Voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

V. The process and manner for remote e-Voting are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)] :

- (i) Open email and open PDF file viz; "hfcl-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-Voting. Please note that the password is an initial password.
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder - Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of remote e-Voting opens. Click on remote e-Voting: Active Voting Cycles.
- (vii) Select "EVEN" of "Himachal Futuristic Communications Limited".
- (viii) Now you are ready for remote e-Voting as Cast Vote page opens.
- (ix) On the voting page enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/ AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/ AGAINST" taken together should not exceed your total shareholding as on the cutoff date. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head.
- (x) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (xi) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xii) Once you have voted on the resolution, you will not be allowed to modify your vote.

(xiii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. who are authorized to vote, to the Scrutinizer through e-mail to scrutinizer@hfcl.com with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

- (i) Initial password is provided on the letter enclosed with the Annual Report.
- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-Voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.

VII. If you are already registered with NSDL for remote e-Voting then you can use your existing user ID and password/PIN for casting your vote.

VIII. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of **22nd September, 2016**.

IX. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 22nd September, 2016 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA.

However, if you are already registered with NSDL for remote e-Voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

X. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting as well as voting at the AGM through poll paper.

XI. Shri Baldev Singh Kashtwal, Company Secretary in whole-time-practice having Membership No. 3616 and C.P. No. 3169 has been appointed for as the Scrutinizer to scrutinize the poll and remote e-Voting process in a fair and transparent manner.

XII. The Chairman shall, at the AGM at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Polling Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-Voting facility.

- XIII. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-Voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XIV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.hfcl.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).
- XV. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of Annual General Meeting i.e. 29th September, 2016.
- XVI. Route Map of the venue of 29th Annual General Meeting is enclosed in the Annual Report.

Details of Directors retiring by rotation and proposed to be re-appointed and re-appointment of independent directors (Pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India

Name of the Director	Dr. Ranjeet Mal Kastia	Shri Mahendra Pratap Shukla	Smt. Bela Banerjee
DIN	00053059	00052977	07047271
Date of Birth	10.10.1941	18.06.1932	07.10.1950
Date of first Appointment	07.02.1996	14.06.2004	18.03.2015
Experience/Expertise in Specific Functional Areas	Dr. Kastia has to his credit more than 52 years of business experience. Dr. Kastia has occupied various important positions in well known industries. He has in-depth knowledge of manufacturing of telecom equipment.	Shri Mahendra Pratap Shukla had been the Chairman cum Managing Director of Telecommunications Consultants of India Ltd. (TCIL) and the Chairman cum Managing Director of Mahanagar Telephone Nigam Ltd. (MTNL). He has to his credit more than 58 years of experience in the field of business planning, implementation and telecommunication services. He is fellow member of the Institute of Electronics & Telecommunications Engineers (India) and is elected as the council member of the governing body of the Institute. It was under his stewardship that MTNL was established as a public sector company by bringing new work culture and new work ethos. With his sheer business acumen and administrative capabilities, he brought the services of MTNL to the international level. As the CMD of TCIL, Shri Shukla achieved the unique distinction of having organized the telecom consultancy work in foreign countries.	Smt. Bela Banerjee has more than 38 years experience in Government of India on different positions both in Ministry of Railways as well as in the Ministry of HRD, Department of Education. After superannuating from Indian Railways in October, 2010, she joined as Member Technical in Railway Claims Tribunal. She has also represented as Director in the Board of Directors of Container Corporation of India as Govt. nominee. She has vast experience of works tender, project management & financial management of construction projects. As ED-Finance/ Exp. Railway Board, she was responsible for financial appraisal of investment proposals of various projects like New Lines, Doubling, Bridges etc. and dealt with various matters concerning Railway PSUs, RITES, IRCON. She is also registered member with Arbitration Council of India. She has handled various arbitration at different level in Railway and other PSUs.
Qualification(s)	Ph.D., FBIM (London)	B.E. (Electricals)	MA (History), LL.B
Directorship in other Companies	1. HTL Limited 2. Moneta Finance Private Limited 3. HFCL Advance Systems Private Limited 4. Anupriya Fincap Private Limited 5. Cosmic Associates Private Limited	1. HTL Limited	1. Media Matrix Worldwide Limited 2. Bharuch Dahej Railway Company Limited 3. The Braithwaite Burn and Jessop Construction Company Limited
Chairmanship/ Membership of Committees (across all public Cos.)	Himachal Futuristic Communications Ltd. Nomination & Remuneration - Member Stakeholders Relationship - Member HTL Limited Audit - Member	Himachal Futuristic Communications Ltd. Audit - Chairman Stakeholders Relationship - Chairman Nomination & Remuneration - Member HTL Limited Audit - Chairman Nomination & Remuneration - Member	Himachal Futuristic Communications Ltd. Nomination & Remuneration - Chairperson Audit - Member Media Matrix Worldwide Ltd. Nomination & Remuneration - Member Bharuch Dahej Railway Company Limited Nomination & Remuneration - Chairperson The Braithwaite Burn and Jessop Construction Company Limited Audit - Member
Shareholding in the Company	Nil	Nil	Nil
Relationship with other Directors and KMPs of the Company	N.A.	N.A.	N.A.
No. of Board Meetings held/ attended	5/5	5 / 5	5 / 5
Last Remuneration drawn (per annum)	₹ 3,50,000/- as Sitting fee	₹ 4,75,000/- as Sitting fee	₹ 2,95,000/- as Sitting fee

The above information may be treated as part of Statement annexed under Section 102 of the Companies Act, 2013 for item no 5 and 6 of the AGM Notice. The Board of Directors recommends the re-appointment of above directors.

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

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

Item No. 5

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Independent Directors can be appointed for not more than two consecutive terms of not more than five years each and shall not be liable to retire by rotation.

Shri Mahendra Pratap Shukla had been appointed as an Independent Director pursuant to Section 149 of the Companies Act, 2013 and other applicable provisions at the Annual General Meeting held on 30th September, 2014 for a period commencing from 14th August, 2014 till the conclusion of this Annual General Meeting. Therefore, his first term as Independent Director for the above mentioned period will be completed at the conclusion of this Annual General Meeting.

Keeping in view the above requirements, the Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 22nd August, 2016 have re-appointed Shri Mahendra Pratap Shukla (DIN:00052977) as an Independent Director of the Company at his second term of two years commencing from the conclusion of this Annual General Meeting subject to the approval of Shareholders.

The Company has received necessary declaration from Shri Mahendra Pratap Shukla that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Regulation 16(1) (b) of Listing Regulations.

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

Shri Mahendra Pratap Shukla is independent of the management.

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

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

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

A brief profile of Shri Mahendra Pratap Shukla to be re-appointed as an Independent Director is given under the heading "**Details of Directors retiring by rotation and proposed to be re-appointed and re-appointment of Independent directors (Pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India**" or elsewhere in this Notice.

Shri Mahendra Pratap Shukla does not hold any share in the Company.

This statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations.

It is proposed to re-appoint Shri Mahendra Pratap Shukla as an Independent Director under Section 149 of the Act and Regulation 17 of the Listing Regulations to hold office for two years for a term up to the conclusion of the 31st Annual General Meeting of the Company in the calendar year 2018.

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

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

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

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

Item No. 6

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Independent Directors can be appointed for not more than two consecutive terms of not more than five years each and shall not be liable to retire by rotation.

Smt. Bela Banerjee had been appointed as an Independent Director pursuant to Section 149 of the Companies Act, 2013 and other applicable provisions at the previous Annual General Meeting held on 30th September, 2015 for a period commencing from 18th March, 2015 till the conclusion of this Annual General Meeting. Therefore, her first term as Independent Director for the above mentioned period will be completed at the conclusion of this Annual General Meeting.

Keeping in view the above requirements, the Nomination & Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 22nd August, 2016 have re-appointed Smt. Bela Banerjee (DIN:07047271) as an Independent Director of the Company at her second term of two years commencing from the conclusion of this Annual General Meeting subject to the approval of Shareholders.

The Company has received necessary declaration from Smt. Bela Banerjee that she meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Regulation 16(1) (b) of the Listing Regulations.

In the opinion of the Board of Directors, Smt. Bela Banerjee fulfils the conditions for re-appointment as an Independent Director as specified in the Act and the Listing Regulations.

Smt. Bela Banerjee is independent of the management.

Smt. Bela Banerjee is not disqualified from being re-appointed as a Director in terms of Section 164 of the Act and has given her consent to act as Director.

The Company has received notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Smt. Bela Banerjee for the office of the Director of the Company.

Copy of the draft letter of re-appointment of Smt. Bela Banerjee as

an Independent Director, setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

A brief profile of Smt. Bela Banerjee to be re-appointed as an Independent Director is given under the heading “**Details of Directors retiring by rotation and proposed to be re-appointed and re-appointment of independent directors (Pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India**” or elsewhere in this Notice.

Smt. Banerjee does not hold any share in the Company.

This statement may also be regarded as a disclosure under Regulations 36(3) of the Listing Regulations.

It is proposed to re-appoint Smt. Bela Banerjee as an Independent Director under Section 149 of the Act and Regulation 17 of Listing Regulations to hold office for two years for a term up to the conclusion of the 31st Annual General Meeting of the Company in the calendar year 2018.

Smt. Banerjee is interested in the Resolution set out at Item No. 6 of the Notice with regard to her appointment. The relatives of Smt. Banerjee may be deemed to be interested in the resolution set out at Item No. 6 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board considers that association of Smt. Banerjee would be of immense benefit to the Company and it is desirable to avail her services as an Independent Director.

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

Item No. 7

The Company had received letters from the following entities/persons falling under the category of Promoters/Promoter Group of the Company requesting to be reclassified from the category of “Promoters/Promoter Group” to “Public category”:

Name of Entity/Person	No. of Equity Shares held	% of total Equity Share Capital
Amrit Sales Promotion Private Limited	172700	0.01393
Yashodham Merchants Private Limited	350000	0.02824
Burlington Finance Limited	664200	0.05359
Kalyan Vyapaar Private Limited	1098174	0.08861
Apex Enterprises (India) Limited	5871195	0.47372
Vaibhav Credit & Port Folio Private Limited	2800	0.00023
Babulal Nahata	82407	0.00665
Anil Kumar Nahata	540	0.00004
Total	8242016	0.66501

The aforesaid entities/persons together are holding very insignificant shareholding which constitutes 0.66% of the total paid up equity capital of the Company. The aforesaid entities/persons do not exercise any control over the Company and is not engaged in the management of the Company. The aforesaid entities neither have representation on the Board of Directors of the Company nor hold

any Key Management Personnel position in the Company. The Company has also not entered into any Shareholders Agreement with them. Further none of aforesaid entities/persons has got any Veto Rights or Special Rights as to voting power or control of the Company. They do not even have any Special Information Rights.

The aforesaid entities/persons have requested to the Company to reclassify them from being a “Promoter Shareholder” to “Public Shareholder” of the Company.

Based on the letters received from above promoter entities/persons, the matter was discussed by the Board of Directors of the Company at their meeting held on 21st January, 2016 and Board decided to get the above entities/persons re-classified from the category of “promoter” to “public” with the approval of stock exchanges.

Regulation 31A(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “Listing Regulations”) is the main Regulation which deals with reclassification of promoter shareholding into public shareholding. It provides that the stock exchanges shall allow reclassification of the status of the promoter shareholders only if the following main conditions are satisfied:

- (i) upon receipt of a request from the concerned listed entity or the concerned shareholders
- (ii) all relevant evidence
- (iii) on BSE / NSE being satisfied with the compliance of conditions mentioned in Regulation 31A.

In addition, 4 (four) alternative and mutually additional conditions have been specified under Regulation 31A (4) (Transmission / succession/ inheritance), 31A (5) (Replacement of Promoter), 31A (6) (entity becomes Professionally managed company and does not have identifiable promoters) and 31A (7) (Any other manner) depending upon the mode of reclassification. Thus, Regulation 31A (2) is the main regulation which provides for reclassification and the main conditions for the same.

A re-classification may also be permitted by the stock exchanges under the main Listing Regulation No. 31A(2) itself read with the additional conditions specified under Regulation 31A (7) of Listing Regulation. The sum totals of conditions under the two sub-regulations are as follows:

- (i) A request for reclassification is to be made by the concerned listed entity or by the concerned shareholders/ to stock exchanges;
- (ii) All relevant evidence to be provided;
- (iii) Reclassified promoter shall not directly or indirectly exercise control over the affairs of entity;
- (iv) Increase in the level of public shareholding pursuant to reclassification of promoters shall not be considered towards achieving compliance with minimum public shareholding requirement under Rule 19A of the Securities Contracts (Regulation) Rules, 1957 and
- (v) The event of reclassification shall be disclosed to the stock exchanges as a material event in accordance with the provisions of Listing Regulations.

All the conditions specified under Regulations 31A(2) and 31A(7) of Listing Regulation have been duly complied with by the Company.

The Company’s case of re-classification of promoter does not fall under the Regulation 31A (4), 31A (5) and 31A (6) of Listing Regulations which requires the approval of Shareholders.

However, National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) vide their e-mail dated 28th January, 2016 has informed the Company to furnish the approval of Shareholders, though approval of Shareholders is required if re-classification falls under Regulation 31A(5) and 31A(6) of Listing Regulations. The Company’s case falls under Regulation 31A(2) of Listing Regulations.

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

The Board, therefore commends the Resolution no. 7 for approval of the members as Special Resolution.

Item No. 8

The Company has availed financial assistance from various banks and financial institutions (the "Lenders") for the purposes set forth in the respective financing documents entered into amongst, inter-alia, the Company and the Lenders from time to time.

The Company had approached in the past to Lenders for financial restructuring package which had been approved under Corporate Debt Restructuring (CDR) mechanism by the CDR Empowered Group (CDR-EG) in the year 2004. The CDR-EG had further modified the package in the year 2005. In order to tide over the difficult situations caused by the liquidity crunch, the Company again approached to the CDR lenders for the re-work of CDR package which was approved by CDR-EG in February, 2011.

In last few financial years, the performance of the Company has improved significantly. The Company in last 3-4 financial years accelerated its performance in both of its manufacturing and turnkey business segments. The Company achieved record revenues and profits. With the improved financial performance, the Company submitted its proposal for exit from CDR mechanism to Monitoring Institution (MI).

The IDBI Bank Ltd; the MI has recommended a recompense amount of ₹ 148.47 Crore on term loans and working capital loans. The same was also approved by CDR EG vide their order dated 22nd March, 2016 subject to the approval from Company's Lenders.

Subsequent to CDR EG's approval, the recompense amount has been approved by the all the lenders except State Bank of India & Bank of Baroda. The Board of Directors at its meeting held on 10th May, 2016 also approved the recompense amount of ₹ 148.47 Crore. Out of recompense amount ₹ 148.47 Crore, ₹ 104.16 Crore has already been paid to Banks and ₹ 10.58 Crore is to be paid to Banks by March 2017. The balance of ₹ 33.73 Crore has to be paid by way of issue of Non-Convertible Debenture (NCD's) in favour of Banks as per the terms of exit from CDR as approved by the Lenders.

It is further informed that, Board of Directors of the Company at its meeting held on 22nd August, 2016 has accorded its consent for issue of 10.30% 33,72,750 Secured, Unlisted Non Convertible Debentures ("NCD's") of ₹ 100/- each by way of conversion of Outstanding Right of Recompense (ROR) amounting to

₹ 33.73 Crore (Rupees Thirty Three Crore Seventy Three Lac Only) to Oriental Bank of Commerce, State Bank of India, Bank of Baroda and Union Bank of India ("Lenders"). The Board has accorded its consent for aforesaid conversion, subject to the approval of members.

The amount to be raised by way of conversion of outstanding recompense amount of ₹ 33.73 Crore into NCD's along with other amount already borrowed by the Company are within the overall borrowing limits of ₹ 2500 Crore as already approved by the shareholders at 27th AGM held on 30th September, 2014.

The details of the Lenders to whom the NCDs are to be issued are as under:

Sr. No.	Name of the Banks	Recompense amount (in ₹)	No. of 10.30% NCDs to be issued
1.	Oriental Bank of Commerce	25,24,50,000	25,24,500
2.	State Bank of India	4,23,00,000	4,23,000
3.	Bank of Baroda	1,65,00,000	1,65,000
4.	Union Bank of India	2,60,25,000	2,60,250

Section 42 and 71 of the Companies Act, 2013 ("the Act") read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 deals with private placement of securities by a Company. Sub-Rule (2) of the said Rule 14 states that in case of an offer or invitation to subscribe for Non-Convertible Debentures (NCDs) on private placement basis, the company shall obtain previous approval of its members by means of a special resolution only once in a year for all the offers or invitations for such debentures during the year.

The Board, therefore, recommends the Special Resolution at item No. 8 for approval by the Members.

None of the Directors and the Key Managerial Personnel of the Company including their relatives is concerned or interested in the resolution at item no. 8 of the Notice.

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

Place: New Delhi
Date: 22nd August, 2016

By order of the Board

(Manoj Baid)
Associate Vice-President
(Corporate) & Company Secretary
Membership No. FCS 5834

Independent Auditors' Report

TO THE MEMBERS OF

Himachal Futuristic Communications Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of **HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at March 31, 2016 and its profit and its cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act 2013, we give in the Annexure-A a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
- B. As required by section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

- (e) On the basis of the written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28 to the financial statements.
 - ii. The Company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts – Refer Note 28(b) and (c) to the financial statements.
 - iii. There has been no any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

Manish Singhal
Partner
Membership No: 502570

Place: New Delhi
Dated: 10th May, 2016

ANNEXURE - A TO THE AUDITORS' REPORT

[Referred to in above the Auditors' Report of even date to the HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED on the Financial Statements for the year ended 31st March 2016]

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situations of its Fixed Assets.
- (b) Fixed assets have been physically verified by the management during the year and 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) In our opinion and according to the information and explanation given to us, the title deeds of immovable properties are held in the name of the company except the following

Particular of Assets	Gross Value of Assets	WDV of Assets	Remark
Leasehold Land at Solan	₹ 2,829,496/-	₹ 2,188,400/-	Refer Note No. 10
2. 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.
3. As per the information furnished, the Company has not granted any secured or unsecured loans to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. In view of the above, provisions of clause 3(iii)(b) and (c) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, the company has, in respect of loans, investments, guarantees, and security provisions, complied with section 185 and 186 of the Companies Act, 2013.
5. According to the information and explanation given to us, The Company has not accepted any deposits, whether the directives issued by the Reserve Bank of India, and the provisions of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013. Hence the provisions of clause 3(v) are not applicable to the Company.
6. Pursuant to the rules made by the Central Government, the maintenance of Cost Records have been prescribed u/s. 148(1) of the Companies Act, 2013. We are of the view that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
7. (a) According to the information and explanations given to us and records examined by us, the Company has been regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income-tax, VAT, service tax, excise duty and other material statutory dues, *though there have been a slight delay in a few cases.* According to the information and explanations given to us no undisputed arrears of statutory dues were outstanding as at 31st March, 2016 from the date they become payable.
- (b) According to the records of the Company, the dues of Sales Tax/VAT, Income Tax, Excise Duty and Service Tax which has not been deposited on account of disputes and the forum where the dispute is pending, are as under:

Name of the Statute	Nature of the dues	Amount in ₹	Period to which the amount relates	Forum where dispute is pending
1. Sales Tax Act	Sales Tax	18,742,719	1997-1998 & 1998-1999	Hon'ble High Court of Punjab & Haryana.
2. Value Added Tax Act	VAT	19,476,838	2009-2010 & 2010-2011	Addl. Commissioner, Department of Trade & Taxes, New Delhi
3. Central Excise Act	Excise Duty	24,380,673	2003-2004 & 2004-2005	Central Excise and Service Tax Appellate Tribunal, New Delhi
4. Service Tax	Service Tax	1,397,894	2006-2007 & 2007-2008	Central Excise and Service Tax Appellate Tribunal, New Delhi
5. Central Excise Act	Excise Duty	82,17,348	2006-2007	Central Excise and Service Tax Appellate Tribunal, Mumbai

8. According to the information and explanations given to us and records examined by us, the Company has not defaulted in repayment of dues to financial institution or banks or government or debenture holders as to the Balance Sheet date, in view of the Reworked Package approved by the Corporate Debt Restructuring (CDR) Empowered Group as explained in Note. 33.
9. Based on our examinations of the records and information and explanations given to us, the Company has applied the term loans for the purpose for which they were obtained. Also, during the year the Company has raised inter corporate loans which on an overall basis, have been applied for the purposes for which they were obtained.
10. 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.
11. According to the information and explanation given to us and the books of accounts verified by us, the Managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with the Schedule V to the Companies Act.
12. The Company is not a Nidhi Company, hence the provisions of clause 3(xii) are not applicable to the Company.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act 2013 where applicable and details of such transactions have been disclosed in the Financial Statements as required by the applicable accounting standards.
14. According to information and explanations given to us, the Company during the year, has not made any preferential allotment as private placement of shares or fully or partly convertible debentures, hence the provision of clause 3(xiv) are not applicable to the Company.
15. According to the information and explanation given to us and the books of accounts verified by us, the company has not entered into any non-cash transaction with directors or persons connected with him.
16. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Manish Singhal
Partner
Membership No: 502570

Place: New Delhi
Dated: 10th May, 2016

ANNEXURE - B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED AS ON 31ST MARCH 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of HIMACHAL FUTURISTIC COMMUNICATIONS Limited

We have audited the internal financial controls over financial reporting of HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the guidance note on Audit of Internal financial control over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on audit of Internal financial controls over financial reporting (the "Guidance Note") and the standards on auditing as specified under Section 143 (10) of the companies act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by Institute of Chartered Accountants of India. Those standards and the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Manish Singhal
Partner
Membership No: 502570

Place: New Delhi
Dated: 10th May, 2016

Balance Sheet as at March 31, 2016

				(₹ in Crore)	
Particulars	Note No(s)	Figures as at March 31, 2016	Figures as at March 31, 2015		
I EQUITY AND LIABILITIES					
1. Shareholder's Funds					
(a) Share Capital	2	204.44	204.44		
(b) Reserves & Surplus	3	921.08	808.44		
2. Non- Current Liabilities					
(a) Long Term Borrowings	4	251.17	162.23		
(b) Long Term Provisions	5	11.02	13.78		
3. Current Liabilities					
(a) Short Term Borrowings	6	142.26	105.41		
(b) Trade Payables	7	470.03	307.08		
(c) Other Current Liabilities	8	231.32	184.64		
(d) Short Term Provisions	9	7.26	9.41		
Total		2,238.58	1,795.43		
II ASSETS					
1. Non-Current Assets					
(a) Fixed Assets	10				
(i) Tangible Assets		104.53	118.30		
(ii) Intangible Assets		2.19	3.23		
(iii) Capital Work-In-Progress		0.11	0.45		
(iv) Intangible Assets under Development		0.55	-		
(b) Non- Current Investments	11	176.50	295.84		
(c) Long Term Loans & Advances	12	2.44	2.09		
2. Current Assets					
(a) Current Investments	13	0.18	0.18		
(b) Inventories	14	259.88	236.04		
(c) Trade Receivables	15	1,118.64	367.42		
(d) Cash & Bank Balance	16	77.21	135.79		
(e) Short-Term Loans & Advances	17	460.00	588.50		
(f) Other Current Assets	18	36.35	47.59		
Total		2,238.58	1,795.43		
See accompanying notes to the Financial Statements	1 to 54				

As per our report of even date attached

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

For and on behalf of the Board

Chairman
Managing Director
Director (Finance)

(Manish Singhal)
Partner
M.No. 502570

V. R. Jain
Chief Finance Officer

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

New Delhi, 10th May, 2016

New Delhi, 10th May, 2016

Statement of Profit and Loss for the year ended March 31, 2016

(₹ in Crore)

Particulars	Note No(s)	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
INCOME			
I Revenue From Operations	19	2,569.54	2,551.08
II Other Income	20	21.94	20.05
III Total Revenue		2,591.48	2,571.13
IV EXPENDITURE			
Cost of Materials Consumed	21	377.06	379.14
Purchase of goods for resale in turnkey contracts		238.78	72.51
Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	22	(37.71)	(82.37)
Project Labour and Service charges		1,166.99	1,389.84
Employee Benefits Expense	23	157.46	205.44
Finance Costs	24	44.92	42.70
Depreciation and Amortisation	10	24.91	33.93
Other Expenses	25	341.21	233.33
Bad debts, Loans & advances and Others written off (Net)		6.06	58.72
Loss on sale of investments (net)		42.83	47.96
Investments written off		-	67.47
Less: Transferred from provision for diminution in value		-	(67.47)
Total Expenditure		2,362.51	2,381.20
V Profit before Exceptional and Extraordinary items and Tax (III- IV)		228.97	189.93
VI Exceptional Items (refer note 35)		109.95	-
VII Profit before Extraordinary items and Tax (V + VI)		119.02	189.93
VIII Extraordinary Items		-	-
IX Profit before Tax (VII- VIII)		119.02	189.93
X Less: Tax Expense:			
Current Tax		26.90	26.74
MAT credit entitlement		(26.90)	(26.72)
XI Profit/(Loss) for the year (after tax)(IX- X)		119.02	189.91
XII Earnings per share (Face value of ₹ 1/- each)	47		
Basic (₹)		0.92	1.49
Diluted (₹)		0.92	1.49
See other accompanying notes to the Financial Statements	1 to 54		

As per our report of even date attached

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

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& Company Secretary

New Delhi, 10th May, 2016New Delhi, 10th May, 2016

Cash Flow Statement for the year ended March 31, 2016

(₹ in Crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
A. Cash flow from Operating Activities :		
Net Profit before taxes	119.02	189.93
Adjustments for :		
Depreciation	24.91	33.93
Loss /(Profit) on sale of investments (net)	42.83	47.96
Interest & finance charges including recompense	193.39	42.70
Interest income	(51.82)	(11.43)
Dividend income	(0.01)	(0.01)
Loss / (Profit) on sale of fixed assets	(2.06)	(0.24)
Bad Debts, advances and miscellaneous balances written off	6.06	58.72
	213.30	171.63
Operating Profit before working capital changes	332.32	361.56
Adjustments for :		
(Increase) in Trade and other receivables	(602.67)	(184.24)
(Increase) in Inventories	(23.83)	(86.04)
(Decrease) in Trade payables	190.86	50.49
	(435.64)	(219.79)
Cash generated from operating activities	(103.32)	141.77
Income tax	(31.13)	(22.71)
Net Cash flow from / (used) in operating activities	(134.45)	119.06
B. Cash flow from Investing activities		
Purchase of fixed assets	(12.70)	(14.93)
Sale of fixed assets	3.97	0.49
Purchase of investments	-	(0.01)
Sale/Adjustment of investments	76.51	20.79
Loans and advances	(10.75)	-
Interest received	42.53	5.44
Dividend received	0.01	0.01
Decrease/(Increase) in Term Deposits with Banks	44.19	(56.17)
Net Cash flow from / (used) in investing activities	143.76	(44.38)

(₹ in Crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
C. Cash flow from Financing Activities		
Proceeds from long term/short term borrowings		
Secured	129.86	6.47
Unsecured	9.63	19.34
	139.49	25.81
Repayment of long term/short term borrowings		
Secured	(22.00)	(21.77)
Unsecured	-	(2.16)
	(22.00)	(23.93)
Interest paid (net)	(33.87)	(39.93)
Recompense paid	(104.16)	-
Dividend on preference share paid	(2.62)	(19.60)
Tax on dividend paid	(0.54)	(3.34)
Net Cash flow from / (used) in Financing activities	(23.70)	(60.99)
Net increase/(decrease) in cash & cash equivalents	(14.39)	13.69
Cash & cash equivalents (Opening Balance)	20.25	6.56
Cash & cash equivalents (Closing Balance)	5.86	20.25
Notes:		
1 The Cash flow statement has been prepared under the indirect method as set-out in the Accounting Standard - 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.		
2 Figures in bracket indicate cash outflow		
3 Cash & cash equivalents represents:		
Cash on hand	0.17	0.02
Cheques on hand	0.01	-
Balances with Scheduled banks in Current accounts	5.68	20.23
Fixed Deposits Account - Maturity less than 3 months	-	-
TOTAL	5.86	20.25

As per our report of even date attached

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

For and on behalf of the Board

Chairman
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(Manish Singhal)
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M.No. 502570

V. R. Jain
Chief Finance Officer

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

New Delhi, 10th May, 2016New Delhi, 10th May, 2016

Notes Forming Part of the Financial statements

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES TO FINANCIAL STATEMENTS

(i) Method of Accounting

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

(ii) Fixed Assets

- (a) Fixed Assets are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use but is net of CENVAT.
- (b) Capital Work-in-Progress - All expenses incurred for acquiring, erecting and commissioning of fixed assets including interest on long term loans utilized for meeting capital expenditure and incidental expenditure incurred during construction of the projects are shown under capital work-in-progress and are allocated to the fixed assets on the completion of the respective projects.
- (c) Intangible Assets- (i) Revenue expenditure of specialized R&D Division including technical know-how fee incurred for development and improvement of technology, products and designs etc. which will generate probable future economic benefits are recognised as intangible assets. (ii) Purchase of computer software used for the purpose of operations is capitalised. However, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Statement of Profit & Loss.

(iii) Leases

- (a) Finance Lease or similar arrangements, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Finance charges are charged directly against income.
- (b) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are

classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss or on a basis, which reflect the time pattern of such payment appropriately.

(iv) Depreciation, Amortisation and Impairment

- (a) Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other fixed assets on written down value method on the basis of useful lives specified in Schedule II of the Companies Act, 2013.
- (b) Depreciation due to increase or decrease in the liability on account of exchange fluctuation or on account of rollover charges on forward exchange contract is provided prospectively over the residual lives of the assets.
- (c) On assets acquired on lease (including improvements to the leasehold premises), depreciation has been provided for on Straight Line Method on the basis of useful lives specified in Schedule II of the Companies Act, 2013 or at the rates worked out on the basis of remaining useful lives of the assets, whichever is higher.
- (d) Premium on leasehold land is amortised over the period of lease.
- (e) The Technical Know-how fees is written off over a period of six years from the year of the commencement of commercial production of the respective projects. Where the production has not commenced and the benefit of know-how is unlikely to accrue, the fee paid therefore is fully written off in the year in which it is so determined.
- (f) Intangible assets are amortised over a period of five years or life of the product considered at the end of each financial year whichever is earlier. Amortisation commences when the asset is available for use.
- (g) At the balance sheet date, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

(v) Investments

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

(vi) Inventories

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

(vii) Revenue Recognition

- (a) Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.
- (b) Sales & services include sales during trial run and excise duty recoverable. Liquidated damages are accounted for as and when they are ascertained.
- (c) Revenue in respect of long term turnkey works contracts is recognised under percentage of completion method subject to such contracts having progressed to a reasonable extent. Revenue in respect of other works contracts and services is recognised on completed contract method.
- (d) Insurance claims are accounted for as and when admitted by the concerned authority.
- (e) Dividend income is recognised when the right to receive payment is established. Interest income is recognised on the time proportion basis.

(viii) Foreign Currency Transactions

- (a) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transactions.
- (b) Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the year end rates.
- (c) Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognised in the Statement of Profit and Loss as income or expense.
- (d) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the

contract. Further exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/expense for the period except where the foreign currency liabilities have been incurred in connection with fixed assets acquired up to March, 2004 and subsequent thereto in case of fixed assets acquired from a country outside India, where the exchange differences are adjusted in the carrying amount of concerned fixed assets.

(ix) Provisioning/Write off of Doubtful Debts

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

(x) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

(xi) Excise and Customs Duty

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

(xii) CENVAT Credit

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

(xiii) Employees Benefits

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

Short Term Employee Benefits

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

Long Term Employee Benefits**a) Defined Contribution plan**

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

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to

the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

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

(ii) Gratuity

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits". The Company makes annual contributions to the HDFC Standard Life Insurance Company Ltd. for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

b) Other long term benefits

Leave Encashment

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

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

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

(xv) **Research & Development Costs**

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

(xvi) **Income - Tax**

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

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

(xvii) **Segment Reporting**

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

(xviii) **Earnings Per Share**

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

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

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

Standalone
(₹ in Crore)

NOTE 2. SHARE CAPITAL	Figures as at March 31, 2016	Figures as at March 31, 2015
AUTHORISED :		
5,10,00,00,000 (Previous year 5,10,00,00,000) Equity shares of ₹ 1/- each	510.00	510.00
2,50,00,00,000 (Previous year 2,50,00,00,000) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each	250.00	250.00
	760.00	760.00
ISSUED & SUBSCRIBED :		
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of ₹1/- each	123.94	123.94
80,50,000 (Previous year 80,50,000) 6.50% Cumulative Redeemable Preference Shares (CRPS) of ₹100/- each	80.50	80.50
	204.44	204.44
PAID UP :		
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of ₹ 1/- each fully paid up	123.94	123.94
80,50,000 (Previous year 80,50,000) 6.50% Cumulative Redeemable Preference Share (CRPS) of ₹100/- each, fully paid up	80.50	80.50
TOTAL	204.44	204.44

A. Equity Shares

52,96,01,640 shares of ₹ 1/- each have been allotted for a consideration other than cash pursuant to the Composite Scheme of Arrangement and Amalgamation between Sunvision Engineering Company Private Limited (SECPL), its Shares holders & the Optionally Convertible Debenture (OCD) holders and the Company & its Shareholders, sanctioned by the Hon'ble High Court of Himachal Pradesh at Shimla vide its order passed on 5th January, 2011.

B. Preference Shares

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

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

Name of Shareholder	Figures as at March 31, 2016	Figures as at March 31, 2015
	No. of shares held	No. of shares held
NextWave Communications (P) Ltd	234,765,000	234,765,000
% of Holding	18.94%	18.94%
MN Ventures (P) Ltd (erstwhile ANM Engineering & Works (P) Ltd)	238,390,000	238,390,000
% of Holding	19.23%	19.23%
IDBI Bank Limited	96,033,845	117,534,018
% of Holding	7.74%	9.48%

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

Name of Shareholders	Figures as at March 31, 2016	Figures as at March 31, 2015
	No. of shares held	No. of shares held
Arizona Global Services Pvt. Ltd.	2,950,000	2,950,000
% of Holding	36.65%	36.65%
Everest Grow More Finance Pvt. Ltd.	700,000	700,000
% of Holding	8.70%	8.70%
IDBI Bank Limited	3,500,000	3,500,000
% of Holding	43.48%	43.48%
Oriental Bank of Commerce	600,000	600,000
% of Holding	7.45%	7.45%

D Reconciliation of number of equity shares is set below:

PARTICULARS	Figures as at March 31, 2016	Figures as at March 31, 2015
	No of shares	No of shares
No. of shares at the beginning of the year	1,239,377,194	1,239,377,194
Add: Shares issued during the year	-	-
Add: Bonus shares issued during the year	-	-
Less: Share bought back during the year	-	-
No. of shares at the end of the year	1,239,377,194	1,239,377,194

E Terms/right attached to Equity/Preference Shares

The Company has issued equity share of ₹ 1/- each and Cumulative redeemable preference share of ₹100/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up capital of the Company held by them. Preference shareholders shall have voting right in proportion to the shares of the paid up capital provided if the dividend due on such capital or any part of such dividend has remained unpaid. The Company declares dividend, if any, in Indian Rupees. The dividend, if any, proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amount in proportion to their shareholdings.

(₹ in Crore)

NOTE 3. RESERVES & SURPLUS	Figures as at March 31, 2016	Figures as at March 31, 2015
Securities Premium Reserve	400.12	400.12
Surplus in Statement of Profit & Loss:		
As per last Balance Sheet	408.32	234.04
Add: Profit for the year as per Statement of Profit & Loss	119.02	189.91
	527.34	423.95
Less:		
Residual value of assets where useful life of assets is Nil	-	9.51
Dividend on Preference Shares paid	2.62	2.62
Tax on dividend paid	0.60	0.44
Proposed dividend on Preference Shares (refer note 40)	2.62	2.62
Tax on proposed dividend	0.54	0.44
	520.96	408.32
TOTAL	921.08	808.44

(₹ in Crore)

NOTE 4. LONG TERM BORROWINGS	Figures as at March 31, 2016	Figures as at March 31, 2015
Secured		
Term Loans from Banks & Financial Institutions	158.30	80.27
Funded Interest Term Loans (FITL)	52.17	80.76
Other loans	3.45	1.20
Unsecured		
Recompense amount payable	37.25	-
TOTAL	251.17	162.23

Secured Long Term Borrowings

- a) Term loan of ₹ 143.51 Crore (Previous year ₹ 55.37 Crore) and Funded interest term loan (FITL) of ₹ 28.92 Crore (Previous year ₹ 28.92 Crore) from one of the bank are secured on pari passu basis by way of first charge on all the immovable properties, both present and future, by way of equitable mortgage and first charge on the entire sales proceeds of the contracts covered under the aforesaid loan to be credited to the Escrow/designated account.
- b) Term loan of ₹ 12.85 Crore (Previous year ₹ 16.35 Crore) from a bank, Working capital term loan of ₹ 10.01 Crore (Previous year ₹ 12.74 Crore) and Funded interest term loan (FITL) of ₹ 31.06 Crore (Previous year ₹ 31.06 Crore) are secured by way of pledge of equity shares and also secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi-finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to the Company.
- c) Working capital term loans of ₹ 13.79 Crore (Previous year ₹ 17.66 Crore) from banks and Funded interest term loans (FITL) of ₹ 20.78 Crore (Previous year ₹ 20.78 Crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi-finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties of the Company.
- d) Part of term loan and FITL from Banks & Financial Institutions amounting to ₹ 160.91 Crore are secured by Pledge of equity shares up to 51% (241548750) of new co-opted promoters and also personally guaranteed by Managing Director of the Company and further by way of corporate Guarantee of M/s MN Ventures Private Ltd (erstwhile M/s ANM Engineering and Works Pvt. Ltd.)
- e) "As referred in Note No 33 (c), terms of payment of recompense, 12.5% each is payable before 31.03.2016 and 31.03.2017 respectively and balance 75% amount payable are to be converted into Non Convertible Debentures (NCD's) at coupon rate of BBR + 1% p.a. (payable annually) redeemable at the end of 4th, 5th & 6th year from September 30, 2015.

	F.Y. 2016-2017	F.Y. 2017-2018	F.Y. 2018-2019	F.Y. 2019-2020	F.Y. 2020-2021	F.Y. 2021-2022
Recompense amount	7.07	-	-	12.42	12.42	12.42

- f) Other loan of ₹ 3.95 Crore represent vehicle loans (Previous Year ₹ 1.34 Crore) from banks is secured by way of hypothecation of respective assets.

	F.Y. 2016-2017	F.Y. 2017-2018	F.Y. 2018-2019	F.Y. 2019-2020	F.Y. 2020-2021	F.Y. 2021-2022	F.Y. 2022-2023
Other Loans	0.49	0.55	0.61	0.67	0.74	0.74	0.14

- g) Term loans and FITL are repayable in 7 years / 3 years commencing from Financial year 2012-13 / 2016-17 with rate of Interest @10% p.a. or at the rate as re-set by the lenders as detailed here in below:

	F.Y. 2016-2017	F.Y. 2017-2018	F.Y. 2018-2019
Term Loans		21.86	29.15
FITL		28.59	28.59

- h) Term Loan amount to ₹ 100 Crore with rate of Interest @ 10.75% p.a. re- payable as under:

	F.Y. 2017-2018	F.Y. 2018-2019	F.Y. 2019-2020	F.Y. 2020-2021	F.Y. 2021-2022
Term Loans	12.50	12.50	25.00	25.00	25.00

(₹ in Crore)

NOTE 5. LONG TERM PROVISIONS	Figures as at March 31, 2016	Figures as at March 31, 2015
Provision for Employees Benefits	11.02	13.78
TOTAL	11.02	13.78

(₹ in Crore)

NOTE 6. SHORT TERM BORROWINGS	Figures as at March 31, 2016	Figures as at March 31, 2015
Secured		
Loans Repayable on Demand		
From Banks	66.35	39.13
Unsecured		
Loans Repayable on Demand		
From Body Corporates	71.05	63.45
From Banks - Vendors Bill Discounting	4.86	2.83
TOTAL	142.26	105.41

Secured Short Term Borrowings

Working capital loans from banks aggregating to ₹ 66.35 Crore (Previous year ₹ 39.13 Crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi-finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (241548750) of new co-opted promoters and are also personally guaranteed by Managing Director of the Company and further by way of corporate guarantee of M/s MN Ventures Private Ltd. (erstwhile M/s ANM Engineering and Works Pvt. Ltd.).

(₹ in Crore)

NOTE 7. TRADE PAYABLES	Figures as at March 31, 2016	Figures as at March 31, 2015
Trade Payables		
Micro, Small & Medium Enterprises	8.56	9.81
Others	461.47	297.27
(refer note 45)		
TOTAL	470.03	307.08

(₹ in Crore)

NOTE 8. OTHER CURRENT LIABILITIES	Figures as at March 31, 2016	Figures as at March 31, 2015
Current maturities for Long term secured debt		
Term Loan & FITL from Banks (refer foot note 'a to g' of note no. 4)	50.45	21.86
Other loans	0.49	0.14
Recompense amount payable (refer note no 33 (c))	7.07	-
Interest accrued and due on Borrowing	12.86	10.84
Advance from Customers	0.26	52.14
Other Payables		
Retention Payable	85.45	53.97
Creditors for Capital Goods	0.68	1.16
Expenses Payable	41.07	28.14
Other Employees Dues	5.14	3.35
Statutory Dues Payable	27.85	13.04
TOTAL	231.32	184.64

(₹ in Crore)

NOTE 9. SHORT TERM PROVISIONS	Figures as at March 31, 2016	Figures as at March 31, 2015
Provision for Employee benefits	4.10	6.33
Provision for proposed dividend on preference shares	2.62	2.62
Provision for tax on proposed dividend	0.54	0.44
Provision for Wealth Tax	-	0.02
TOTAL	7.26	9.41

NOTE 10. FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 31.03.2015	Additions	Deductions/ adjustments	As at 31.03.2016	Up to 31.03.2015	For the year	Deductions/ adjustments	Transfer to retain earnings (Note 2)	Up to 31.03.2016	As at 31.03.2016	As at 31.03.2015
Tangible Assets											
1. Land - Leasehold	0.82	-	-	0.82	0.18	0.01	-	-	0.19	0.63	0.64
- Freehold	2.40	-	-	2.40	-	-	-	-	-	2.40	2.40
2. Buildings - Leasehold	1.57	-	-	1.57	0.85	0.05	-	-	0.90	0.67	0.72
- Freehold	59.44	-	-	59.44	10.03	1.56	-	-	11.59	47.85	49.41
3. Plant & machinery	285.07	2.66	23.52	264.21	238.30	13.90	22.75	-	229.45	34.76	46.77
4. Electrical installations	14.36	0.01	-	14.37	7.44	1.84	-	-	9.28	5.09	6.92
5. Furniture & fixtures	6.70	0.60	-	7.30	4.17	0.77	-	-	4.94	2.36	2.53
6. Office equipments	25.38	1.18	4.43	22.13	19.97	3.10	4.07	-	19.00	3.13	5.41
7. Vehicles	10.07	7.52	4.11	13.48	6.57	2.59	3.32	-	5.84	7.64	3.50
	405.81	11.97	32.06	385.72	287.51	23.82	30.14	-	281.19	104.53	118.30
Intangible Assets											
Computer software	5.81	0.05	-	5.86	2.58	1.09	-	-	3.67	2.19	3.23
Total	411.62	12.02	32.06	391.58	290.09	24.91	30.14	-	284.86	106.72	121.53
Previous year	492.73	12.13	93.24	411.62	339.63	33.93	92.98	9.51	290.09	121.53	153.10
Capital work-in progress										0.11	0.45
Intangible Assets under Development										0.55	-

NOTES :-

- Gross block and Net block of fixed assets are net of provision for impairment in respect of Plant & Machinery ₹ 113.81 Crore, Electrical Installation ₹ 0.12 Crore and Office Equipments ₹ 1.24 Crore. During the year company has scrapped Plant & Machinery amounting to ₹ 22.47 Crore and its accumulated depreciation of ₹ 21.87 Crore which was obsolete/redundant.
- Due to change in depreciation policy the carrying amount of the assets as on 01.04.2014 where useful life of assets was nil has been adjusted from retained earnings.
- One of the Lease hold Land situated at Solan (H.P.) is pending for title in the name of the Company.

NOTE 11. NON CURRENT INVESTMENTS	As at 31.03.2016				As at 31.03.2015			
	Face value per share/debenture	No. of shares/debentures	Amount	Amount	Face value per share/debenture	No. of shares/debentures	Amount	Amount
I TRADE INVESTMENTS								
Unquoted								
i) INVESTMENT IN EQUITY INSTRUMENTS								
Subsidiary Companies								
HTL Ltd.	100	1,110,000	0.37		100	1,110,000	55.37	
Moneta Finance Pvt. Ltd.	10	300,000	0.37		10	300,000	0.37	
HFCL Advance Systems Pvt. Ltd.	10	10,000	0.01		10	10,000	0.01	
			0.75				55.75	
Associates								
Polixel Security Systems Pvt. Ltd.	10	10,000	0.01		10	10,000	0.01	
Exicom Tele-Systems Ltd.	10	630,223	4.33		10	630,223	4.33	
Microwave Communications Ltd. (MCL) *	10	12,187,440	-		10	12,187,440	-	
HFCL Bezeq Telecom Ltd.	10	100	-		10	100	-	
AB Corp Ltd.#\$	10	13,300,000	165.00		10	13,300,000	165.00	
			169.34				169.34	
Joint Venture								
DragaonWave HFCL India Pvt. Ltd.	10	3,493,000	3.50		10	3,493,000	3.50	
Others								
Midas Communication Technologies Pvt. Ltd.	10	2,642	0.30		10	2,642	0.30	
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.01		25	4,000	0.01	
			0.31				0.31	
			173.90				228.90	
ii) INVESTMENT IN 0% OPTIONALLY FULLY CONVERTIBLE DEBENTURES								
Unquoted								
APJR Traders and Commission Agents Pvt. Ltd.	-	-	-		100	100,000	-	
Bachawat Share Broking Pvt. Ltd.	-	-	-		100	147,000	-	
Basant Marketing Pvt. Ltd.	-	-	-		100	2,000,000	-	
Database Software Technology Pvt. Ltd.	-	-	-		100	4,500,000	-	
Shyam Basic Infrastructure Projects Pvt. Ltd.	-	-	-		100	6,434,000	64.34	

NOTE 11. NON CURRENT INVESTMENTS	As at 31.03.2016			As at 31.03.2015		
	Face value per share/debenture	No. of shares/debentures	Amount	Face value per share/debenture	No. of shares/debentures	Amount
iii) INVESTMENT IN ZERO COUPON OPTIONALLY CONVERTIBLE BOND						64.34
Senior Consulting Pvt. Ltd.	1000	26,000	2.60	1000	26000	2.60
TOTAL			176.50			295.84

* Shares pledged with IDBI Bank Ltd. as a security for the term loan given by IDBI to MCL. Loan has been settled in full and release of these shares are in process.
Pursuant to applicability of Sec. 2(6) of Companies Act, 2013 above companies is an Associate Company.

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

As at 31.03.2016	As at 31.03.2015
176.50	295.84

Aggregate amount of unquoted investment

NOTE 12. LONG TERM LOANS & ADVANCES	Figures as at	
	March 31, 2016	March 31, 2015
Unsecured, considered good		
Capital Advances	0.06	0.08
Security Deposits	2.38	2.01
TOTAL	2.44	2.09

NOTE 13. CURRENT INVESTMENTS	(₹ in Crore)					
	As at 31.03.2016			As at 31.03.2015		
	Face value per share/units	No. of shares/units	Amount	Face value per share/units	No. of shares/units	Amount
INVESTMENT IN EQUITY SHARES (FULLY PAID UP)						
Quoted						
Sumedha Fiscal Services Ltd.	10	18,200	0.01	10	18,200	0.01
Valiant Communications Ltd.	10	8,700	0.01	10	8,700	0.01
Magma Fincorp Limited (Formerly known as Shrachi Securities Ltd.)	2	152,830	0.14	2	152,830	0.14
			0.16			0.16
Unquoted						
Indo Vanillion Chemical Ltd.	10	50,000	-	10	50,000	-
INVESTMENT IN UNITS (FULLY PAID UP)						
Quoted						
Principal Cash Management fund - Dividend reinvestment Plan	1000	193	0.02	1000	181	0.02
TOTAL			0.02			0.02
			0.18			0.18

	(₹ in Crore)	
	As at 31.03.2016	As at 31.03.2015
1. Aggregate book value of investments		
- Quoted	0.18	0.18
- Unquoted	-	-
2. Aggregate market value of quoted investments	1.25	1.48

Standalone
(₹ in Crore)

NOTE 14. INVENTORIES	Figures as at March 31, 2016	Figures as at March 31, 2015
(As Certified and valued by the management)		
(a) Raw Materials	45.38	42.21
Raw Materials in transit	0.80	10.54
Less: Provision for Non Moving	26.59	20.50
	19.59	32.25
(b) Work-in-Progress*	238.15	202.64
Less: Provision for Non Moving	6.31	6.31
	231.84	196.33
(c) Finished Goods	1.32	0.91
(d) Stock-in-trade- Goods	3.15	2.01
(e) Stock-in-trade- Securities (Refer Note No. 31)	2.25	2.64
(f) Stores and spares	1.81	1.56
Less: Provision for Non Moving	0.86	0.29
	0.95	1.27
(g) Loose tools	0.54	0.60
(h) Others (Packing Materials)	0.24	0.03
TOTAL	259.88	236.04

*Work-in-progress includes contract work in progress ₹ 217.58 Crore (previous year ₹174.10 Crore)

(₹ in Crore)

NOTE 15. TRADE RECEIVABLES	Figures as at March 31, 2016	Figures as at March 31, 2015
Unsecured, considered good		
(Debts outstanding for a period exceeding six months)		
Considered good*	323.73	74.64
Others Debts	794.91	292.78
TOTAL	1,118.64	367.42

* Includes receivable from subsidiaries : Debts outstanding for a period exceeding six months ₹ 6.80 Crore (Previous year ₹ 7.94 Crore)

(₹ in Crore)

NOTE 16. CASH & BANK BALANCES	Figures as at March 31, 2016	Figures as at March 31, 2015
Cash & cash equivalents		
Balance with Scheduled Banks in Current Accounts	5.68	20.23
Cheques on Hand	0.01	-
Cash on Hand	0.17	0.02
Other Bank Balances		
Bank Deposits (Maturity less than 3 months)*	18.84	-
Bank Deposits (Maturity more than 3 months, less than 12 months)	48.72	102.41
Bank Deposits with more than 12 months maturity	3.79	13.13
TOTAL	77.21	135.79

* Balances in Fixed Deposit Account pledged with bank as margin money/under lien ₹ 71.35 Crore (previous year 115.54 Crore).

(₹ in Crore)

NOTE 17. SHORT TERM LOANS AND ADVANCES	Figures as at March 31, 2016	Figures as at March 31, 2015
Unsecured, considered good		
Loans & Advances to Related Parties		
Subsidiary Companies	84.44	63.01
Others	1.40	1.42
Other Loans and Advances		
Security Deposits	2.00	2.48
Advances Recoverable in cash or in kind or for value to be received	33.50	26.88
Advance tax/TDS (net of tax)	51.86	47.63
MAT credit entitlement	97.30	70.40
Loans to body corporate	2.75	3.00
Advances to Vendors	169.62	365.37
Balance with Central Excise & Customs authorities	17.13	8.31
	460.00	588.50
Unsecured, considered doubtful		
Loans to non-body corporate	6.00	6.00
Less : Provision for doubtful advances	6.00	6.00
TOTAL	460.00	588.50

(₹ in Crore)

NOTE 18. OTHER CURRENT ASSETS	Figures as at March 31, 2016	Figures as at March 31, 2015
Interest Receivable	22.85	22.59
Receivable under assignment	13.50	25.00
TOTAL	36.35	47.59

(₹ in Crore)

NOTE 19. REVENUE FROM OPERATIONS	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Sale of Products	666.38	634.30
Sale of Turnkey Contracts & Services	1,964.76	1,976.96
	2,631.14	2,611.26
Less: Excise Duty	61.60	60.18
TOTAL	2,569.54	2,551.08

Standalone
(₹ in Crore)

NOTE 20. OTHER INCOME	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Interest (Gross)		
On fixed deposits (TDS ₹ 0.85 Crore; previous year ₹ 0.43 Crore)	7.18	6.84
Others	6.11	4.58
Excess Provisions Written Back	2.84	0.12
Profit on sale of assets (net)	2.06	0.24
Recovery of debts, loans & advances earlier written off	1.24	5.42
Exports Incentives	1.07	1.04
Rent received	0.64	0.63
Dividends on investments	0.01	0.01
Miscellaneous income	0.79	1.17
TOTAL	21.94	20.05

(₹ in Crore)

NOTE 21. COST OF MATERIALS CONSUMED	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Opening Balance	42.21	35.09
Add : Purchases during the year	380.23	386.26
	422.44	421.35
Less: Closing Stock	45.38	42.21
TOTAL	377.06	379.14

(₹ in Crore)

NOTE 22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Opening Stock		
Finished Goods	0.91	4.14
Work-in-Progress	202.64	118.13
Stock-in-Trade - Goods	2.01	1.12
Stock-in-Trade - Securities	2.64	2.44
	208.20	125.83
Less: Provision for non moving written off	1.07	-
Less: Closing Stock		
Finished Goods	1.32	0.91
Work-in-Progress	238.15	202.64
Stock-in-Trade - Goods	3.13	2.01
Stock-in-Trade - Securities	2.24	2.64
	244.84	208.20
NET (INCREASE) / DECREASE IN OPENING AND CLOSING STOCK OF INVENTORIES ETC.	(37.71)	(82.37)

(₹ in Crore)

NOTE 23. EMPLOYEE BENEFITS EXPENSE	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Salaries, wages and bonus	144.60	188.45
Contribution to provident & other funds	6.51	9.48
Welfare expenses	6.35	7.51
TOTAL	157.46	205.44

(₹ in Crore)

NOTE 24. FINANCE COSTS	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Interest expenses (Refer Note No. 30)	36.53	35.48
Bank charges	8.39	7.22
TOTAL	44.92	42.70

(₹ in Crore)

NOTE 25. OTHER EXPENSES	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Manufacturing & turnkey activities expenses		
Consumption of packing material	14.07	12.62
Consumption of stores and spare parts	3.01	3.24
Loose tools written off	0.20	0.23
Power, fuel and water charges	6.64	5.31
Repairs to building	0.33	0.12
Repairs to machinery	0.89	0.50
Other repairs	0.63	1.03
Insurance charges	4.41	4.52
Administrative & other Expenses		
Rent	8.41	6.31
Rates and taxes	0.83	0.46
Auditors' remuneration		
Audit fees	0.60	0.62
In other capacity	0.20	0.20
Out of pocket expenses	0.03	0.03
Legal and professional charges	25.02	14.06
Communication expenses	4.45	7.76
Travelling, conveyance and vehicle expenses	185.33	145.11
Directors' fees	0.14	0.09
Charity & Donation	0.61	0.69
Increase/(decrease) in excise duty on finished goods	0.05	(0.41)
Miscellaneous expenses	10.25	13.13
Selling and Distribution	17.63	7.33
Provision for Inventories	7.73	4.94
Liquidated damages	45.50	3.15
Foreign exchange fluctuations	1.36	1.05
Corporate Social Responsibility Expenses (refer note No. 46)	2.86	1.25
Loss on sale / write off of fixed assets	-	-
Prior Period Items	0.03	(0.01)
TOTAL	341.21	233.33

Standalone

(₹ in Crore)

NOTE 26. Contingent Liabilities not provided for in respect of :		As at March 31, 2016	As at March 31, 2015
(a)	Unexpired Letters of Credit (margin money paid ₹17.26 Crore ; Previous year ₹ 53.02 Crore)	32.29	44.75
(b)	Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits ₹ 53.40 Crore; Previous year ₹ 61.99 Crore)	107.88	102.00
(c)	Counter Guarantees given by the Company to the financial institutions/banks/others for providing guarantees on behalf of companies promoted by the Company.	32.66	20.16
NOTE 27.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.62	0.03
NOTE 28.	Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 0.66 Crore shown as advance)	7.56	7.89

- (a) The Company's pending litigations comprise of claims against the Company and proceedings pending with Tax Authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial position.
- (b) The Company periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Company has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.
- (c) As at 31st March, 2016 the Company did not have any outstanding term derivative contracts.

(₹ in Crore)

NOTE 29. Directors' remuneration including Managing Director (excluding provision for gratuity)		2015-2016	2014-2015
(i)	Salaries	2.42	1.51
(ii)	Contribution to provident fund	0.29	0.18
(iii)	Perquisites and allowances	1.29	1.08
		4.00	2.77

NOTE 30. Interest charges on loans is net of Interest income from loans and advances amounting to ₹ 0.45 Crore (Previous year ₹ 0.85 Crore).

NOTE 31. Stock in trade - Securities include equity shares of the following companies:

(₹ in Crore)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Qty	Amount (₹)	Qty	Amount (₹)
Adinath Biolabs Ltd.	6,408,000	0.12	6,408,000	0.12
Granules India Ltd.	-	-	1,000,000	0.32
Mavens Biotech Ltd.	17,000	-	17,000	-
Media Matrix Worldwide Ltd.	4,750	-	4,750	-
Optimates Textile Industries Ltd.	1,302,500	0.27	1,302,500	0.27
Rashel Agro Tech Ltd.	478,500	0.04	478,500	0.04
Sahara One Media and Entertainment Ltd.	250,950	1.80	250,950	1.89
		2.25		2.64

NOTE 32. The disclosures as per the Accounting Standard 7 on 'Construction Contracts' issued by The Institute of Chartered Accountants of India are as under:

Particulars	(₹ in Crore)	
	2015-2016	2014-2015
Contract revenue recognized as revenue in the year / period	1,689.28	1,933.72
Aggregate amount of costs incurred and profit up to the reporting date on the contract under progress	1,906.85	2,082.77
Advance received on contract under progress	-	51.87
Retention amounts on contract under progress	-	-
Gross amount due from customers for the contract work as on assets	217.58	174.10
Gross amount due to the customers for contract work as a liability	-	-

- NOTE 33.** (a) Debt of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism in April 2004 which was subsequently modified in June 2005 with cut-off date as 1st April, 2005. CDR Empowered Group at its meeting held on 9th February, 2011 has approved the Rework Package of the Company with the cut off date as 1st January, 2011 and communicated its sanction vide their letter No. BY CDR(JCP)/No 8643/2010-11 dated 29th March, 2011. The Rework Package includes inter-alia reduction in the existing rate of interest, re-schedulement for repayment of loans, conversion of overdue interest into funded interest term loan (FITL), conversion of Zero Coupon Premium Bonds (ZCPB's), part of their premium and part of working capital loans into Equity, conversion of part of working capital loan into working capital term loan (WCTL), waiver of unpaid dividend on preference shares, waiver of penal interest etc. The conditions as stipulated by CDR EG while sanctioning Rework Package have been complied with by the Company. Accordingly, the impact of the rework package has been considered in the Financial Statements.
- (b) Subsequent to the implementation of Rework Package, lenders have reset the rate of interest on certain loans in view of improved performance of the Company.
- (c) Further, lenders have the right to claim recompense from the Company on account of various sacrifices & waivers made by them in the CDR Rework Package upon exit by the Company from CDR. The Company's proposal for CDR exit was considered by the Monitoring Institution (MI) of lenders i.e. IDBI Bank Ltd. which has recommended the recompense amount of ₹ 148.47 Crore on term loans and working capital loans. The said recompense amount has also been approved by CDR-EG vide its order CDR(PMG) No.740/2015-16 dated March 22, 2016 subject to confirmations by the respective lenders. Accordingly, the Board of Directors at their meeting held on 10th May, 2016 has approved the recompense amount so that the Company can exit from CDR mechanism. Approval of some of the lenders is in process.

NOTE 34. Pursuant to the disinvestment by the Government of India, the Company had acquired 11,10,000 equity shares of ₹ 100/- each of HTL Limited representing 74% of its equity capital at total consideration of ₹ 55.00 Crore in terms of Shareholders Agreement dated 16.10.2001. The above consideration paid by the Company was subject to post closing adjustments on account of difference in net worth of HTL Limited as on 31.03.2001 and as on the date of purchase of shares in terms of Share Purchase Agreement dated 16.10.2001. The Company has submitted its claim on account of Closing Date Adjustment to the Government in respect of such reduction in net assets of HTL Limited which has been settled and amounting to ₹ 93.52 Crore received during the year. Accordingly, Company has reduced amounting to ₹ 55.00 Crore from value of investment and balance ₹ 38.52 Crore on account of interest shows as exceptional item.

NOTE 35. The Exceptional items consist of : (i) Impact of recompense amount on account of waivers under rework package of CDR - ₹ 148.47 Crore. Recompense amount payable has been worked out by Monitoring Institution (MI) of lenders i.e. IDBI Bank Ltd. and approved by CDR -EG and (ii) Claims in regard to one of investment made in earlier years amounting to ₹ 38.52 Crore settled and recovered during the year.

NOTE 36. In accordance with the Company's Policy, the Company has reviewed the outstanding receivables and has written off a sum of ₹ 11.50 Crore during the year as bad, which in the opinion of the Management is adequate and sundry balances has also written back amounting to ₹ 5.44 Crore.

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

a) Defined Contribution Plan

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

(₹ in Crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Employer's Contribution to Provident Fund	3.87	6.05
Employer's Contribution to Pension Fund Scheme	1.81	2.44

b) Defined Benefit Plan

The employees' gratuity fund scheme is partially managed by HDFC Standard Life Insurance Company Limited which is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015
Actuarial assumptions				
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	8.04%	8.75%	7.75%	7.75%
Rate of increase in Compensation levels	8.00%	8.00%	7.75%	7.75%
Rate of Return on plan assets	8.04%	9.31%	N.A.	N.A.
Average remaining working lives of employees (Years)	-	-	16.78	16.78
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	10.94	6.97	10.40	9.74
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	0.87	0.65	0.81	0.85
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Current Service Cost	2.97	2.35	2.19	4.35
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(0.15)	(0.97)	(5.56)	(1.29)
Actuarial (gain)/ loss on obligations	(5.06)	1.94	(1.02)	(3.26)
Present value of obligation as at the end of the period	9.57	10.94	6.83	10.39
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	1.23	1.03	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.10	0.10	N.A.	N.A.
Employer contribution	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.05)	0.10	Nil	Nil
Fair value of plan assets at year end	1.28	1.23	Nil	Nil

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	(0.05)	0.10	Nil	Nil
Expected return on plan assets	0.10	0.10	Nil	Nil
Excess of actual over estimated return on plan assets	Nil	Nil	Nil	Nil
Actuarial (gain)/ loss-plan assets	0.05	0.20	Nil	Nil
Actuarial Gain / loss recognised				
Actuarial (gain) / loss for the period - Obligation	(5.06)	1.94	(1.02)	(3.26)
Actuarial (gain) / loss for the period - Plan assets	0.05	(0.10)	Nil	Nil
Total (gain) / loss for the period	(5.01)	1.84	(1.02)	(3.26)
Actuarial (gain) / loss recognised in the period	(5.01)	1.84	(1.02)	(3.26)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil
The amounts to be recognized in Balance Sheet and Statement of Profit and Loss:				
Present value of obligation as at the end of the period	9.57	10.94	6.83	10.39
Fair value of plan assets as at the end of the period	1.28	1.23	Nil	Nil
Funded Status	(8.30)	(9.71)	(6.83)	(10.39)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(8.30)	(9.71)	(6.83)	(10.39)
Expenses recognised in Statement of Profit and Loss :				
Current service cost	2.97	2.35	2.19	4.35
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Interest Cost	0.87	0.65	0.81	0.85
Expected return on plan assets	(0.10)	(0.10)	Nil	Nil
Curtailment and settlement cost/(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the period	(5.01)	1.84	(1.02)	(3.26)
Expenses recognised in the Statement of Profit and Loss	(1.26)	4.74	1.99	1.94

Investment Details

HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy

Note1: The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary.

NOTE 38. The Company has carried out Impairment Test of Fixed Assets as on 31.03.2016 and the Management is of the opinion that there is no asset for which impairment is required to be made as per Accounting Standard -28 on Impairment of Assets issued by the ICAI. (Previous year ₹ Nil)

NOTE 39. Lease payments under cancellable operating leases have been recognized as an expense in the Statement of profit & loss. Maximum obligation on lease amount payable as per rentals stated in respective agreements are as follows:-

(₹ in Crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Not later than one year	5.68	3.26
Later than one year but not later than five years	11.56	8.41
More than five years	1.88	1.03

NOTE 40. During the year, the Company has paid first interim dividend of ₹ 3.25/- per 6.50% Cumulative Redeemable Preference Share (CRPS) of par value ₹ 100/ each for the year 2015-16. Further Company has proposed second interim dividend of ₹ 3.25/- per CRPS of par value of ₹ 100/- each for the year 2015-16. Thus, the total dividend for the financial year is ₹ 6.50/- per CRPS of ₹ 100/- each.

NOTE 41. Investment In Joint Venture entities:

a) Pursuant to Accounting Standard (AS-27) - Financial Reporting of interest in Joint Ventures, the disclosures relating to the Joint Venture Companies viz. DragonWave HFCL India Pvt. Ltd. (hereinafter referred to as JV) is as follows:

Particulars	Investment in Equity Shares		Ownership interest (in percentage)	
	2016	2015	2016	2015
DragonWave HFCL India Pvt. Ltd.	3.49	3.49	49.90%	49.90%

b) The proportion of interest in the Company in the JV is by way of equity participation with DragonWave Pte Ltd., Singapore

c) The aggregate amount of interests in the JV as at 31st March, 2016 is as follows:

Particular	Year	Assets	Liability	Income	Expenses	Contingent	Capital & other Commitments
DragonWave HFCL India Pvt. Ltd.	2016	15.17	5.40	31.28	26.57	-	-
	2015	213.77	7.21	55.41	47.79	-	-

NOTE 42. As required by Accounting Standard 18 "Related Party Disclosures"

(i). Name and description of related parties.

Relationship	Name of Related Party
(a) Subsidiaries:	HTL Ltd. Moneta Finance Pvt. Ltd. HFCL Advance Systems Pvt. Ltd.
(b) Associates:	Microwave Communications Ltd. Exicom Tele-Systems Ltd. HFCL Bezeq Telecom Ltd AB Corp Ltd.\$ Polixel Security Systems Pvt. Ltd.
(c) Joint Venture:	DragonWave HFCL India Pvt. Ltd.
(d) Key management personnel :	Mr. Mahendra Nahata (Managing Director) Mr. Arvind Kharabanda (Director Finance) Mr. V.R. Jain (Chief Financial Officer) Mr. Manoj Baid (Company Secretary)

\$ Pursuant to applicability of Sec.2(6) of Companies Act, 2013 above company is an associate company.

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

- (ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at 31st March, 2016 are as under:

(₹ in Crore)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Purchases/receiving of Goods & Materials		
HTL Ltd.	7.38	-
Exicom Tele-Systems Ltd.	1.50	0.06
Polixel Security Systems Pvt. Ltd.	0.00	0.05
Purchases/receiving of Services		
Exicom Tele-Systems Ltd.	1.05	5.06
Sales/rendering of Goods and Materials		
HTL Ltd.	9.29	0.26
Exicom Tele-Systems Ltd.	-	-
Polixel Security Systems Pvt. Ltd.	0.14	0.26
Sales/rendering of Services		
Exicom Tele-Systems Ltd.	0.87	1.12
DragonWave HFCL India Pvt. Ltd.	-	0.01
Fixed Assets		
HTL Ltd.	1.69	0.27
Income - Rent /Other expenses		
HFCL Advance Systems Pvt. Ltd.	0.01	-
Polixel Security Systems Pvt. Ltd.	0.22	0.21
Income - Interest on loan given		
HTL Ltd.	0.05	-
Expenses - Rent /Other expenses		
HTL Ltd.	0.07	0.06
Advances		
HTL Ltd.	11.00	-
Moneta Finance (P) Ltd.	-	0.02
Exicom Tele-Systems Ltd.	1.40	1.42
Loan Given		
HTL Ltd.	11.00	-
Loans & Advances and Receivables		
HTL Ltd.	93.42	69.04
Moneta Finance (P) Ltd.	1.44	1.90
Exicom Tele-Systems Ltd.	2.43	2.64
Polixel Security Systems Pvt. Ltd.	0.53	0.24
HFCL Advance Systems Pvt. Ltd.	0.01	-
DragonWave HFCL India Pvt. Ltd.	-	0.01
Guarantees and collaterals		
Microwave Communications Ltd.	13.66	13.66
Exicom Tele-Systems Ltd.	6.50	6.50
HTL Ltd.	12.50	-
Remuneration of Key Management Personnel's		
Mr. Mahendra Nahata	3.35	2.14
Mr. Arvind Kharabanda	0.65	0.63
Mr. V.R. Jain	0.75	0.68
Mr. Manoj Baid	0.30	0.23

NOTE 43. SEGMENT REPORTING

(a) Primary segment information

The Company's operations primarily relates to manufacturing of telecom products, executing turnkey contracts and providing services relating thereto. Accordingly segments have been identified in line with Accounting Standard on Segment Reporting 'AS-17'. Telecom products and Turnkey contracts and services are the primary business segments. Details of business segments are as follows:

(₹ in Crore)

Particulars	Business Segments				Total	
	Telecom Products		Turnkey Contracts and Services		Current Year	Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Segment Revenue						
Turnover (Net of Excise duty)	604.78	565.74	1,964.76	1,985.34	2,569.54	2,551.08
Segment Result	69.79	13.05	250.81	268.54	320.60	281.59
Unallocated Finance charges					44.92	42.70
Unallocated expenses					195.20	49.18
Unallocated Income					(38.54)	(0.22)
Profit before tax					119.02	189.93
Income tax (net)					-	0.02
Profit after tax					119.02	189.91
Other Information						
Segment assets	583.40	572.03	1,219.16	720.16	1,802.56	1,292.19
Unallocated other assets	-	-	-	-	436.02	503.24
Total assets	583.40	572.03	1,219.16	720.16	2,238.58	1,795.43
Segment liabilities	224.76	279.19	501.76	327.36	726.52	606.55
Unallocated other liabilities	-	-	-	-	379.48	176.00
Total liabilities	224.76	279.19	501.76	327.36	1,106.00	782.55
Depreciation	22.05	27.63	2.86	6.30	24.91	33.93
Capital Expenditure	11.87	8.89	0.36	3.14	12.23	12.03
Non-cash expenses other than Depreciation	6.06	58.71	-	0.01	6.06	58.72

(b) Secondary segment information

The Company caters mainly to the needs of Indian market and the export turnover being 2.91% (Previous year 1.40%) of the total turnover of the Company, there are no reportable geographical segments.

NOTE 44. DEFERRED TAX

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, in view of carry-forward losses and unabsorbed depreciation, estimation of future taxable profits cannot be made with virtual certainty supported by convincing evidences, against which such deferred tax assets would be realized.

NOTE 45. DISCLOSURE REQUIRED UNDER MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("THE ACT") ARE GIVEN AS FOLLOWS :

(₹ in Crore)

Particulars	As at March 31, 2016	As at March 31, 2015
a. Principal amount due	8.56	9.81
Interest due on above	0.06	0.05
b. Interest paid during the period beyond the appointed day	Nil	Nil
c. Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	Nil	Nil
d. Amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
e. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprises for the purpose of disallowance as a deductible expenditure under Sec.23 of the Act	Nil	Nil

Note: The above information and that given in Note No. 8 'Trade Payables' regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company and has been relied upon by the auditors.

NOTE 46. CORPORATE SOCIAL RESPONSIBILITY EXPENSES:

(₹ in Crore)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Gross amount to be spent by the Company during the year	2.86	1.24
Amount spent during the year:		
Contribution on acquisition of assets	-	-
On other purposes	2.86	1.25

NOTE 47. EARNING PER SHARE (EPS)- IN ACCORDANCE WITH THE ACCOUNTING STANDARD (AS-20)

(₹ in Crore)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
a. Basic & Diluted Earnings per share before extra ordinary items		
Profit /(Loss) after tax	119.02	189.91
Less: Preference dividend	5.23	5.23
Profit attributable to ordinary shareholders	113.78	184.68
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	1,239,377,194	1,239,377,194
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	1,239,377,194	1,239,377,194
Nominal value of ordinary share	₹ 1	₹ 1
Earnings per share basic	0.92	1.49
Earnings per share diluted	0.92	1.49

Standalone

(₹ in Crore)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
b. Basic & Diluted Earnings per share after extra ordinary items		
Profit/(Loss) after tax	119.02	189.91
Less: Preference dividend	5.23	5.23
Profit attributable to ordinary shareholders	113.78	184.68
Weighted average number of ordinary shares (used as denominator for calculating basic EPS)	1,239,377,194	1,239,377,194
Weighted average number of ordinary shares (used as denominator for calculating diluted EPS)	1,239,377,194	1,239,377,194
Nominal value of ordinary share	₹ 1	₹ 1
Earnings per share basic	0.92	1.49
Earnings per share diluted	0.92	1.49

NOTE 48.

Details of business advances outstanding from Subsidiary for the year ended 31st March, 2016 - Disclosure required under Clause 32 of the Listing Agreement / Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(₹ in Crore)

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
HTL Ltd	72.00	62.57	72.00	62.57
Moneta Finance (P) Ltd.	1.44	1.91	1.91	1.91

NOTE 49.**DERIVATIVE INSTRUMENTS**

a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy, which provides principles on the use of such forward contracts consistent with Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

b) Details of outstanding Hedging Contracts

(₹ in Crore)

Derivative Contracts	As at March 31, 2016		As at March 31, 2015	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹.
USD/INR	325,619	2.16	-	-

Note : Subsequently Company has taken forward contracts on 27.04.2016 ₹ 4.28 Crore (US\$ 6,45,791)

c) Foreign Currency exposure

(₹ in Crore)

Derivative Contracts		As at March 31, 2016		As at March 31, 2015	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹.
Trade payable	USD/INR	2,565,585	17.02	2,494,598	15.60
	EUR/INR	1,528	0.01	224,057	0.37
Trade receivable	USD/INR	1,588,789	10.34	1,105,136	6.79
	EUR/INR	-	-	105,793	0.70

NOTE 50. Previous years figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

NOTE 51. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL AND STORES & SPARES CONSUMED

(₹ in Crore)

Particulars	Year ended March 31, 2016		Year ended March 31, 2015	
	%	Value	%	Value
(a) Raw materials				
Imported	36	137.26	38	142.98
Indigenous	64	239.80	62	236.16
	100	377.06	100	379.14
(b) Component/Material purchased				
Imported	10	22.72	39	28.25
Indigenous	90	216.06	61	44.26
	100	238.78	100	72.51
(c) Stores & spares				
Imported	20	0.60	20	0.64
Indigenous	80	2.41	80	2.60
	100	3.01	100	3.24

NOTE 52. VALUE OF IMPORTS ON CIF BASIS

Raw material & components	142.09	166.75
Stores & spares	0.64	2.19
Capital goods	1.86	0.81

NOTE 53. EXPENDITURE IN FOREIGN CURRENCY

(On payment basis)		
Exp. - Travelling, Subscription & others	4.42	1.00

NOTE 54. EARNINGS IN FOREIGN EXCHANGE

FOB Value of export	71.63	34.21
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As per our report of even date attached

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

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

V. R. Jain
Chief Finance Officer

New Delhi, 10th May, 2016

For and on behalf of the Board

Chairman
Managing Director
Director (Finance)

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

New Delhi, 10th May, 2016

Independent Auditors' Report

TO THE MEMBERS OF HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Himachal Futuristic Communications Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements" (CFS)).

2. Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards

on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

4. Basis for Qualified Opinion

- (a) *In the case of the subsidiary, HTL Ltd., as mentioned in Note 38 (v) in the notes forming part of CFS, the Subsidiary has not made the provision of interest on short term borrowings amounting to ₹ 6,000,000 (Cumulatively ₹ 12,000,000) on account of pending settlement with the lenders. Accordingly, finance cost would have been increased by ₹ 6,000,000 and profit for the year reduced by ₹ 6,000,000 and shareholders' fund would have been reduced by ₹ 12,000,000.*
- (b) *In respect of investment in one of the associate of the Holding Company, as mentioned in Note 47 in the notes forming part of CFS, where the Holding Company has significant influence in terms of section 2(6) of the Companies Act, 2013, no adjustment has been made in respect of Group's share of net profit/loss, as the financial statements/information of the associate has not yet been received by the holding company and not furnished to us.*

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above*, the aforesaid consolidated financial statements give the information

required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31st March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

6. Emphasis of Matter

- (a) In the case of the subsidiary, HTL Ltd., as mentioned in Note No. 38 (i) and (ii) in the of Notes forming part of CFS, the Subsidiary has become a Sick Industrial Company due to erosion of its net worth and its current liabilities exceed its current assets by ₹ 1499,445,000 (Previous year ₹ 1,079,975,000) as on balance sheet date. Further, the Company has overdue loans from Government of India amounting to ₹ 62,420,000 (Previous year: ₹ 62,420,000) and interest accrued and due thereon of ₹ 271,588,000 (Previous year: ₹ 256,566,000). These factors, along with other matters as set forth in the said notes, raise doubt that the Company will be able to continue as a going concern. The Company is in the process of restructuring/revival of its business under the aegis of BIFR and during the year, the company has set up a manufacturing plant for manufacture of optical fibre cables and Fiber-to-home cables. In view of the above, the financial statements have been prepared on a going concern basis. Our report is not qualified in respect of this matter.
- (b) In the case of the subsidiary, HTL Ltd., as mentioned in Note No. 46 in the of Notes forming part of CFS, the Subsidiary has paid remuneration to managerial personnel during the year for which approval of central government is yet to be obtained. Our report is not qualified in respect of this matter.

7. Other Matters

- (a) We did not audit the financial statements of two subsidiaries whose financial statements information reflect total assets of ₹ 24,390,913 as at 31st March, 2016, total revenues of ₹ 470,624 and net cash flows amounting to ₹ 328,173 for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based

solely on the report of the other auditor.

- (b) We did not audit the financial statements of one jointly controlled entity, whose financial statements reflect total assets of ₹ 304,101,672 as at 31st March, 2016, total revenues of ₹ 626,801,953 and net cash flows amounting to ₹ 63,832,513 for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 6,690,000 for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of 1 associate. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the unaudited financial statements certified by the Management.

8. Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
- (a) We have sought and, *except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph above*, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, *except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph above*, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, *except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph above*, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) *The matters described in paragraph 4(a) and (b) above, the Basis for Qualified Opinion paragraph, in our opinion, may have an adverse effect on the functioning of the Group.*
- (f) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the other directors of the Group's companies, its associate companies incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (g) *The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.*
- (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure"; and
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. *Except for the possible effect of the matter described in the Basis of Qualified Opinion paragraph above*, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates – Refer Note 28 & 38(iv)(b) to the consolidated financial statements.
 - ii. *Except for the possible effect of the matter described in the Basis of Qualified Opinion paragraph above*, the Group and its associates did not have any material foreseeable losses on long-term contracts including derivative contracts – Refer Note 28(b) and (c) to the financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies and associate companies incorporated in India.
2. Statement of non banking financial companies: In the case of the subsidiary, Moneta Finance Private Limited-
- i. The subsidiary is registered with RBI and the certificate number is B-06.00384 dated 20/12/2000.
 - ii. a) The board of directors have passed resolution for non acceptance of public deposits;
 - b) The subsidiary has not accepted any public deposits during the year.
 - iii. The subsidiary has complied with the norms of income recognition accounting standard etc, as applicable to it.

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

(Manish Singhal)
Partner
Membership No: 502570

Place: New Delhi
Date: 10th May, 2016

ANNEXURE - THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED AS ON 31ST MARCH 2016.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

TO THE MEMBERS OF

HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED ("the Holding Company") and its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The Respective Board of Directors of the Holding Company and its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on audit of Internal financial controls over financial reporting (the "Guidance Note") and the standards on auditing as specified under Section 143 (10) of the companies act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by Institute of Chartered Accountants of India. Those standards and

the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the

company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31,2016, based on the internal control over financial reporting criteria established by the Company

considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiary companies, one associate company and one jointly controlled company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

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

Manish Singhal
Partner
Membership No: 502570

Place: New Delhi
Dated: 10th May, 2016

Consolidated Balance Sheet

as at March 31, 2016

(₹ in Crore)

Particulars	Note No(s)	Figures as at March 31, 2016	Figures as at March 31, 2015
I EQUITY AND LIABILITIES			
1. Shareholder's Funds			
(a) Share Capital	2	204.44	204.44
(b) Reserves & Surplus	3	872.64	753.27
2. Non- Current Liabilities			
(a) Long Term Borrowings	4	251.25	162.29
(b) Long Term Provisions	5	12.68	15.98
3. Current Liabilities			
(a) Short Term Borrowings	6	155.26	126.86
(b) Trade Payables	7	523.27	325.66
(c) Other Current Liabilities	8	274.41	221.68
(d) Short Term Provisions	9	9.09	9.86
Total		2,303.04	1,820.04
II ASSETS			
1. Non-Current Assets			
(a) Fixed Assets	10		
(i) Tangible Assets		154.52	121.30
(ii) Intangible Assets		2.26	3.23
(iii) Capital Work-In-Progress		0.11	3.69
(iv) Intangible Assets under Development		0.55	-
(b) Non- Current Investments	11	202.05	271.65
(c) Deferred tax Assets (net)		-	-
(d) Long Term Loans & Advances	12	2.69	2.80
(e) Goodwill (on Consolidation of Subsidiaries)		19.22	74.22
(f) Other Non- Current Assets	13	-	-
2. Current Assets			
(a) Current Investments	14	0.19	0.18
(b) Inventories	15	276.20	236.10
(c) Trade Receivables	16	1,118.27	365.64
(d) Cash & Bank Balance	17	102.50	161.34
(e) Short-term Loans & Advances	18	382.91	528.70
(f) Other Current Assets	19	41.57	51.19
Total		2,303.04	1,820.04
See other accompanying notes to the Financial Statements	1 to 50		

As per our report of even date attached

For and on behalf of the Board

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

Chairman
Managing Director
Director (Finance)

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

V. R. Jain
Chief Finance Officer

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

New Delhi, 10th May, 2016

New Delhi, 10th May, 2016

Consolidated Statement of Profit and Loss

for the year ended 31st March, 2016

(₹ in Crore)

Particulars	Note No(s)	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
INCOME			
I Revenue From Operations	20	2,611.05	2,553.07
II Other Income	21	34.74	157.51
III Total Revenue		2,645.79	2,710.58
IV EXPENDITURE			
Cost of Materials Consumed	22	393.55	380.97
Purchase of goods for resale		252.19	72.51
Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	23	(43.59)	(82.37)
Labour and service charges to sub-contractors		1,174.82	1,389.84
Employee Benefits Expense	24	162.60	216.92
Finance Costs	25	47.82	44.38
Depreciation and Amortization Expenses	10	26.33	34.21
Other Expenses	26	347.27	235.82
Bad debts, Loans & advances and Others written off (Net)		6.06	58.72
Provision for Doubtful advances		-	-
Loss on sales of Investments		42.83	47.97
Investments written off		-	67.47
Less: Transferred from provision for diminution in value		-	(67.47)
Total Expenditure		2,409.88	2,398.97
V Profit before Exceptional and Extraordinary items and Tax (III- IV)		235.91	311.61
VI Exceptional Items		109.95	-
VII Profit before Extraordinary items and Tax (V- VI)		125.96	311.61
VIII Extraordinary Items		-	-
IX Profit before Tax (VII- VIII)		125.96	311.61
X Less: Tax Expense:			
Current Tax		28.41	26.75
Deffered Tax		-	-
MAT credit entitlement		(26.90)	(26.72)
Share of results of Associates		(1.72)	(12.29)
Minority Interest		-	-
XI Profit / (Loss) for the year (after tax) (IX- X)		126.17	323.87
XII Earnings per share (Face value of ₹ 1/- each)	48		
Basic (₹)		0.98	2.57
Diluted (₹)		0.98	2.57
See other accompanying notes to the Financial Statements	1 to 50		

As per our report of even date attached

For and on behalf of the Board

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

Chairman
Managing Director
Director (Finance)

(Manish Singhal)
Partner
M.No. 502570

V. R. Jain
Chief Finance Officer

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

New Delhi, 10th May, 2016

New Delhi, 10th May, 2016

Consolidated Cash Flow Statement for the year ended March 31, 2016

(₹ in Crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
A. Cash flow from Operating Activities :		
Net Profit before taxes	125.96	311.61
Adjustments for :		
Depreciation/Impairment	26.33	34.21
Interest & finance charges	196.26	44.38
Interest income	(52.85)	(13.51)
Dividend income	(0.01)	(0.01)
Amortisation of miscellaneous expenditure	-	-
Loss/(Profit) on sale of fixed assets	(3.25)	(0.24)
Loss/(Profit) on sale of Investments	42.83	47.97
Unpaid/ Unrealised exchange difference	0.18	0.13
Bad debts written off	6.06	58.72
Excess Provision/Liability Written Back	(3.24)	(135.25)
Provision for doubtful debts / advances	-	-
	212.31	36.40
Operating Profit before working capital changes	338.27	348.01
Adjustments for :		
(Increase) in Trade and other receivables	(616.06)	(149.20)
(Increase) in Inventories	(39.79)	(86.04)
(Decrease) in Trade payables	251.27	39.70
	(404.58)	(195.54)
Cash generated from operating activities	(66.31)	152.47
Taxation	(32.71)	(23.04)
Net Cash used from operating activities	(99.02)	129.43
B. Cash flow from investing activities		
Purchase of fixed assets	(58.80)	(14.93)
Sale of fixed assets	6.17	(3.01)
Miscellaneous expenditure	-	-
Purchase of investments	-	(0.01)
Sale/Adjustment of investments	76.51	20.79
Loans and advances	0.71	(0.04)
Interest received/(paid) net	43.56	7.52
Dividend received	0.01	0.01
Decrease/(Increase) in Term Deposits with Banks	59.38	(55.81)
Net Cash used in investing activities	127.54	(45.48)

(₹ in Crore)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
C. Cash flow from financing activities		
Proceed from issue of share capital including premium (net of issue expenses)	-	0.01
Proceeds from long term/short term borrowings - Secured/ Unsecured	147.10	34.38
Repayment of long term/short term borrowings - Secured/ Unsecured	(34.57)	(44.95)
Interest paid (net)	(38.05)	(40.11)
Recompense paid	(104.16)	-
Dividend on preference share paid	(2.62)	(19.60)
Tax paid on preference shares dividend	(0.54)	(3.34)
Net Cash used in financing activities	(32.84)	(73.61)
Net increase in cash & cash equivalents	(4.32)	10.34
Cash & cash equivalents (Opening Balance)	26.56	16.22
Adjustment for investments in Joint Venture	4.86	-
Cash & cash equivalents (Closing Balance)	27.10	26.56
Notes:		
1 The Cash flow statement has been prepared under the indirect method as set-out in the Accounting Standard - 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.		
2 Figures in bracket indicate cash outflow.		
3 Cash & cash equivalents represents:		
Cash on hand	0.21	0.06
Cheques on hand	0.01	-
Balances with Scheduled banks in		
Current accounts	10.25	21.97
Fixed Deposits Account - Maturity less than 3 months	16.63	4.53
TOTAL	27.10	26.56

As per our report of even date attached

For and on behalf of the Board

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

Chairman
Managing Director
Director (Finance)

(Manish Singhal)
Partner
M.No. 502570

V. R. Jain
Chief Finance Officer

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

New Delhi, 10th May, 2016New Delhi, 10th May, 2016

Notes Forming Part of the Consolidated Financial statements

NOTE 1.

A Principles of Consolidation

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

B. Significant Accounting Policies

I. Method of Accounting

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

II. Fixed Assets

(a) Fixed Assets are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use but is net of CENVAT.

(b) Capital Work-in-Progress

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

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

III. Leases

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

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

IV. Depreciation, Amortization and Impairment

a) Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight-line method and on other fixed assets on written down value method on the basis of useful life specified in Schedule II of the Companies Act, 2013. In one of the subsidiaries, depreciation on all the fixed assets is provided for on straight-line method. Based on useful life of the assets estimated by the management.

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

c) On assets acquired on lease (including improvements to the leasehold premises), depreciation has been provided for on Straight Line Method on the basis of useful life specified in Schedule II of the Companies Act, 2013 or at the rates worked out on the basis of remaining useful life of the assets, whichever is higher.

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

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

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

V. Investments

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

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

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

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

VI. Inventories

(a) Raw Materials, Materials in transit, Packing Materials, Stores & Spares and Components At cost or net realizable value whichever is lower.

(b) Finished Goods and Work-in-Progress At lower of cost and net realizable value.

Note: Cost of Inventories is ascertained on First In First Out (FIFO) basis.

(c) Contract Work in Progress At cost

(d) Loose Tools After write-off at 27.82% p.a.

(e) Securities as stock in trade At lower of cost or market rate

VII. Revenue Recognition

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

VIII. Provisioning/Write-off of Doubtful Debts

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

IX. Foreign Currency Transactions

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

X. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying

asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

XI. Excise and Customs Duty

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

XII. CENVAT Credit

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

XIII. Retirement Benefits

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

Short Term Employee Benefits

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

Long Term Employee Benefits

- a) Defined Contribution plan
 - (i) Provident Fund and Employees' State Insurance Schemes
- Contributions to both these schemes are expensed in the Statement of Profit and Loss.
- These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India. The Company has no further obligations under these plans beyond its monthly contributions.
- (ii) Gratuity

Gratuity obligations provides for through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits" Liability is provided by way of premium to the HDFC Standard Life Insurance Company Ltd. And Life Insurance Company Limited under group gratuity scheme in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each

period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

- b) Other long term benefits
Provision for leave encashment has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.
- c) Actuarial gains and losses are recognized as and when incurred.

XIV. Miscellaneous Expenditure:

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

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

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

XV. Research & Development Expenditure

Revenue expenditure is charged to Statement of Profit and Loss (in the year in which it is incurred). Capital expenditure is added to the cost of fixed assets.

XVI. Income Tax

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

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

XVII. Segment Reporting

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

XVIII. Earnings Per Share

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

XIX. Contingent Liabilities

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

(₹ in Crore)

NOTE 2. SHARE CAPITAL	Figures as at March 31, 2016	Figures as at March 31, 2015
AUTHORISED :		
5,10,00,00,000 (Previous year 5,10,00,00,000) Equity shares of ₹ 1/- each	510.00	510.00
2,50,00,000 (Previous year 2,50,00,000) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each	250.00	250.00
	760.00	760.00
ISSUED & SUBSCRIBED :		
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of ₹ 1/- each	123.94	123.94
80,50,000 (Previous year 80,50,000) 6.50% Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each	80.50	80.50
	204.44	204.44
PAID UP :		
1,23,93,77,194 (Previous year 123,93,77,194) Equity Shares of ₹ 1/- each fully paid up	123.94	123.94
80,50,000 (Previous year 80,50,000) 6.50% Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each fully paid up	80.50	80.50
TOTAL	204.44	204.44

(₹ in Crore)

NOTE 3. RESERVES & SURPLUS	Figures as at March 31, 2016	Figures as at March 31, 2015
Capital Reserve		
Consolidation of Associates	-	-
Securities Premium Reserve		
Opening balance	400.12	400.12
Add : On issue of equity shares to banks	-	-
	400.12	400.12
Surplus in statement of Profit & Loss:		
As per last Balance Sheet	353.15	26.78
Add: Share of results of Associates	(0.42)	18.13
Add: Profit for the year as per Statement of Profit & Loss	126.17	323.87
	478.90	368.78
Less:		
Residual value of assets where useful life of assets is Nil	-	9.51
Dividend on Preference Shares paid	2.62	2.62
Tax on dividend paid	0.60	0.44
Proposed dividend on preference shares	2.62	2.62
Tax on proposed dividend	0.54	0.44
	472.52	353.15
TOTAL	872.64	753.27

Consolidated
(₹ in Crore)

NOTE 4. LONG TERM BORROWINGS	Figures as at March 31, 2016	Figures as at March 31, 2015
Secured		
Term Loans from Banks & Financial Institutions	158.30	80.27
Funded Interest Term Loans (FITL)	52.17	80.76
Other loans	3.53	1.23
Unsecured		
Recompense amount payable	37.25	-
Other loans and advances	-	0.03
TOTAL	251.25	162.29

(₹ in Crore)

NOTE 5. LONG TERM PROVISIONS	Figures as at March 31, 2016	Figures as at March 31, 2015
Provision for Gratuity & Leave Encashment	12.68	15.98
TOTAL	12.68	15.98

(₹ in Crore)

NOTE 6. SHORT TERM BORROWINGS	Figures as at March 31, 2016	Figures as at March 31, 2015
Secured Loans		
Working Capital Loans from Banks	66.35	39.13
Un-Secured Loans		
Short Term Loans From Bodies Corporate	84.05	84.90
Vendors Bill Discounting	4.86	2.83
TOTAL	155.26	126.86

(₹ in Crore)

NOTE 7. TRADE PAYABLES	Figures as at March 31, 2016	Figures as at March 31, 2015
Trade Payables		
Micro, Small & Medium Enterprises	9.81	8.56
Others	513.46	317.10
TOTAL	523.27	325.66

(₹ in Crore)

NOTE 8. OTHER CURRENT LIABILITIES	Figures as at March 31, 2016	Figures as at March 31, 2015
Current maturities for Long term debt		
Term Loan from Banks	50.45	21.88
Loans from Govt. of India	6.24	6.24
Other loans	0.52	0.14
Recompense amount payable	7.07	-
Interest accrued and due on Borrowings		
Interest Accrued & Due on Long Term	29.13	27.89
Interest Accrued & Due on Short term	11.78	11.57
Advances from Customers and others	0.28	52.14
Other Payables		
Creditors for Capital Goods	0.68	1.16
Retention Payable	85.65	54.18
Expenses Payable	42.52	29.58
Other Short Term Advances	10.95	3.35
Statutory Dues Payable	29.14	13.55
TOTAL	274.41	221.68

(₹ in Crore)

NOTE 9. SHORT TERM PROVISIONS	Figures as at March 31, 2016	Figures as at March 31, 2015
Provision for Employee benefits	4.41	6.77
Provision for Income Tax	1.52	0.03
Provision for proposed dividend on preference shares	2.62	2.62
Provision for tax on proposed dividend	0.54	0.44
TOTAL	9.09	9.86

NOTE 10. FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK				
	As at 31.03.2015	Additions / adjustments	Deductions / adjustments	As at 31.03.2016	Up to 31.03.2015	For the year	On Sales / Adjustment	Transfer to retained earnings (Note 2)	Up to 31.03.2016	As at 31.03.2016	As at 31.03.2015
Tangible Assets											
1. Land											
- Leasehold	0.85	-	-	0.85	0.18	0.01	-	-	0.19	0.66	0.67
- Freehold	2.43	-	-	2.43	-	-	-	-	-	2.43	2.43
2. Buildings											
- Leasehold	1.51	-	-	1.51	0.75	-	-	-	0.75	0.76	0.76
- Freehold	63.97	9.05	1.00	72.02	14.04	1.86	0.90	-	15.00	57.02	49.93
3. Plant & machinery	328.15	43.04	66.60	304.59	279.23	14.83	63.77	-	230.29	74.30	48.92
4. Electrical installations	14.37	0.01	-	14.38	7.44	1.84	-	-	9.28	5.10	6.93
5. Furniture & fixtures	8.26	0.62	1.57	7.31	5.74	0.77	1.57	-	4.94	2.37	2.52
6. Office equipments	28.98	2.07	8.02	23.03	23.55	3.21	7.56	-	19.20	3.83	5.43
7. Vehicles	10.52	7.81	4.11	14.22	6.81	2.69	3.33	-	6.17	8.05	3.71
	459.04	62.60	81.30	440.34	337.74	25.21	77.13	-	285.82	154.52	121.30
Intangible Assets											
Computer software	5.81	0.18	-	5.99	2.58	1.12	(0.03)	-	3.73	2.26	3.23
Total	464.85	62.78	81.30	446.33	340.32	26.33	77.10	-	289.55	156.78	124.53
Previous year	545.70	12.39	93.24	464.83	389.58	34.21	92.98	9.51	340.32	124.53	156.12
Capital work-in-progress										0.11	3.69
Intangible Assets under development										0.55	-

NOTES :-

- Gross block and Net block of fixed assets are net of provision for impairment in respect of Plant & Machinery ₹ 113.81 Crore, Electrical Installation ₹ 0.12 Crore and Office Equipments ₹ 1.24 Crore. During the year company has scrapped Plant & Machinery amounting to ₹ 22.47 Crore and its accumulated depreciation of ₹ 21.87 Crore which was obsolete/redundant.
- Pursuant to change in requirement of schedule 2 of the Companies Act, 2013, in case where the useful life were nil as at 01.04.2014 the net residual value aggregating to ₹ 9.51 Crore has been transferred to reserves & surplus account. (refer note 40)
- One of the Lease hold Land situated at Solan (H.P.) is pending for title in the name of the Company.



(₹ in Crore)

NOTE 11. NON CURRENT INVESTMENTS	Figures as at March 31, 2016	Figures as at March 31, 2015
(a) Trade Investments - Unquoted In equity shares (fully paid up)	2.33	2.33
(b) Investments in Associates - Unquoted In equity shares (fully paid up) (refer note no. 47)	197.12	202.38
(c) 0% Optionally Fully Convertible Debentures - Unquoted	-	64.34
(d) In Zero Coupon Optionally convertible Bond	2.60	2.60
TOTAL	202.05	271.65

(₹ in Crore)

NOTE 12. LONG TERM LOANS & ADVANCES	Figures as at March 31, 2016	Figures as at March 31, 2015
Unsecured, considered good		
Capital Advances	0.06	0.08
Security Deposits	2.38	2.01
Loans to others	0.25	0.71
	2.69	2.80
Unsecured, considered doubtful	0.10	0.10
Less :Provision for doubtful loans and advances	(0.10)	(0.10)
TOTAL	2.69	2.80

(₹ in Crore)

NOTE 13. OTHER NON - CURRENT ASSETS	Figures as at March 31, 2016	Figures as at March 31, 2015
Unsecured, considered good		
Preliminary expenses to the extent not written off	-	-
	-	-

(₹ in Crore)

NOTE 14. CURRENT INVESTMENT	Figures as at March 31, 2016	Figures as at March 31, 2015
(At lower of cost and fair value)		
(a) In equity shares (Quoted) (fully paid up)	0.17	0.16
(b) In units (Quoted) (fully paid up)	0.02	0.02
TOTAL	0.19	0.18

Consolidated

(₹ in Crore)

NOTE 15. INVENTORIES	Figures as at March 31, 2016	Figures as at March 31, 2015
(As Certified and valued by the management)		
(a) Raw materials	54.85	42.28
Raw materials in transit	0.80	10.54
(b) Work in progress	239.68	202.64
(c) Finished goods	6.64	0.91
(d) Stock-in-trade - Goods	3.15	2.01
(e) Stocks-in-trade - Securities	2.25	2.64
(f) Stores & spare parts	1.81	1.56
(g) Loose tools	0.54	0.60
(h) Other (Packing materials)	0.24	0.03
Less: Provision for Non Moving	(33.76)	(27.11)
TOTAL	276.20	236.10

(₹ in Crore)

NOTE 16. TRADE RECEIVABLES	Figures as at March 31, 2016	Figures as at March 31, 2015
Debts outstanding for a period exceeding six months		
- Unsecured considered good	304.13	72.86
- Unsecured considered doubtful	-	-
Debts outstanding for a period less than six months		
- Unsecured considered good	814.14	292.78
	1,118.27	365.64
Less : Provision for doubtful debts	-	-
TOTAL	1,118.27	365.64

(₹ in Crore)

NOTE 17. CASH & BANK BALANCES	Figures as at March 31, 2016	Figures as at March 31, 2015
Cash & cash equivalents		
Balance with Scheduled Banks in Current Accounts	10.25	21.97
Balance with Fixed Deposit Accounts (Maturity less than 3 months)	16.63	4.53
Cash on hand	0.21	0.06
Cheques on hand	0.01	-
Other Bank Balances		
Bank Deposit (Maturity less than 3 months)	18.84	-
Bank Deposit (Maturity more than 3 months, less than 12 months)	48.73	116.52
Bank Deposit with more than 12 months maturity	7.83	18.26
TOTAL	102.50	161.34

(₹ in Crore)

NOTE 18. SHORT TERM LOANS & ADVANCES	Figures as at March 31, 2016	Figures as at March 31, 2015
Unsecured, considered good		
Loans and advances to Related Parties	12.40	1.42
Other Loans and Advances		
Security Deposits	2.33	2.95
Advances Recoverable in cash or in kind or for value to be received	36.05	27.52
Advance tax/TDS	55.13	49.72
MAT Credit Entitlement	97.30	70.40
Other Loans and Advances	(8.25)	3.00
Advances to Vendors	169.62	365.38
Balance with Central Excise & Customs authorities	18.33	8.31
	382.91	528.70
Unsecured, considered Doubtful		
Other Loans and Advances	6.00	6.00
Less :Provision for doubtful loans and advances	6.00	6.00
TOTAL	382.91	528.70

(₹ in Crore)

NOTE 19. OTHER CURRENT ASSETS	Figures as at March 31, 2016	Figures as at March 31, 2015
Interest receivable	22.87	22.58
Discarded Assets held for Sale	1.73	0.14
Claim receivable	3.47	3.47
Receivable under assignment	13.50	25.00
TOTAL	41.57	51.19

(₹ in Crore)

NOTE 20. REVENUE FROM OPERATIONS	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Sale of Products	2,378.83	636.58
Sale of Services	297.23	1,976.76
	2,676.06	2,613.34
Less :Excise Duty	65.01	60.27
TOTAL	2,611.05	2,553.07

Consolidated

₹ in Crore)

NOTE 21. OTHER INCOME	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Interest (Gross)		
On fixed deposits	8.18	8.92
Others	6.07	4.59
	14.25	13.51
Rent Received	0.67	0.66
Profit on sales of assets	3.25	0.24
Dividends on investments	0.01	0.01
Appreciation in value of current investment	-	-
Waiver of interest	-	0.44
Recovery of debts, loans & advances earlier written off	1.24	6.17
Excess liabilities written back	12.74	134.18
Miscellaneous income	2.58	2.30
TOTAL	34.74	157.51

₹ in Crore)

NOTE 22. MATERIALS CONSUMED / COST OF GOODS SOLD	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Opening stock	42.28	35.15
Add : Purchases during the year	406.11	388.10
	448.39	423.25
Less : Closing stock	54.84	42.28
TOTAL	393.55	380.97

₹ in Crore)

NOTE 23. CHANGE IN INVENTORIES OF FINISHED GOODS, WORK-IN- PROGRESS AND STOCK-IN-TRADE	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Opening stock		
Finished goods	0.91	4.14
Work-in-Progress	202.64	118.13
Stock-in-Trade- Goods	2.01	1.12
Stock-in-Trade - Securities	2.64	2.44
	208.20	125.83
Add: Adjustment due to Joint Venture	0.31	-
Less: Provision for non moving written off	1.08	-
Closing stock		
Finished goods	5.96	0.91
Work-in-Progress	239.67	202.64
Stock-in-Trade- Goods	3.14	2.01
Stock-in-Trade - Securities	2.25	2.64
	251.02	208.20
Increase/(Decrease) in opening and closing stock	(43.59)	(82.37)

₹ in Crore)

NOTE 24. EMPLOYEE BENEFITS EXPENSE	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Salaries, wages and bonus	148.93	195.93
Contribution to provident & other funds	6.91	10.00
Welfare expenses	6.76	8.16
VRS expenditure	-	2.83
TOTAL	162.60	216.92

₹ in Crore)

NOTE 25. FINANCE COSTS	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Interest expenses	39.34	37.16
Bank charges	8.48	7.22
TOTAL	47.82	44.38

₹ in Crore)

NOTE 26. OTHER EXPENSES	Figures for the year ended March 31, 2016	Figures for the year ended March 31, 2015
Manufacturing & turnkey activities expenses		
Consumption of packing material	14.07	12.62
Consumption of stores and spare parts	3.02	3.24
Loose tools written off	0.20	0.23
Power, fuel and water charges	7.47	5.61
Repairs to building	0.43	0.36
Repairs to machinery	0.90	0.50
Other repairs	0.76	1.09
Administrative & other expenses		
Rent	8.67	6.26
Rates and taxes	0.97	0.58
Insurance charges	4.48	4.59
Auditors' remuneration		
Audit fees	0.80	0.71
In other capacity	0.23	0.21
Out of pocket expenses	0.04	0.04
Legal and professional charges	25.94	14.33
Communication expenses	4.63	7.80
Travelling, conveyance and vehicle expenses	186.63	145.46
Directors' fees	0.15	0.10
Charity & donation	0.61	0.69
Miscellaneous expenses	10.94	13.78
Selling and distribution expenses	17.66	7.33
Provision for Inventories	7.73	4.94
Increase/(decrease) in excise duty of finished goods	0.05	(0.41)
Liquidated damages	45.50	3.34
Foreign exchange fluctuations	1.54	1.18
Corporate Social Responsibility Expenses	2.86	1.25
Prior period adjustments	0.99	(0.01)
TOTAL	347.27	235.82

NOTE 27. (a) Information of subsidiary companies:

The following is the list of all subsidiary companies along with the proportion of voting power held. Each of them is incorporated in India.

Name of the Subsidiary Companies	Percentage of Holding
HTL Limited ("HTL")	74%
Moneta Finance (P) Ltd.	100%
HFCL Advance Systems (P) Ltd.	100%

(b) Information of Associate Companies:

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

(i) Name of the Associate Companies	Proportion of Ownership
Microwave Communications Ltd.	32.50%
Polixel Security Systems Pvt. Ltd.	47.95%
AB Corp Ltd\$*	27.27%

\$ Pursuant to applicability of Sec.2(6) of Companies Act, 2013 above companies is an associate company.

*Financial year ended on 31st December.

(ii) Name of Associates in which the company is holding less than 20% of voting power, however having significant influence:	
Exicom Tele-Systems Ltd.	12.40%
HFCL Bezeq Telecom Ltd.	0.19%
(iii) Joint-venture Company	
DragonWave HFCL India Pvt. Ltd.	49.90%

(c) Additional Information, as required under Schedule III of the Companies Act, 2013 of enterprises consolidated as Subsidiaries/ Associates / Joint Ventures.

Name of the Enterprises	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of Consolidated net assets	Amount (₹ in Crore)	As % of Consolidated profit or loss	Amount (₹ in Crore)
Parent				
Himachal Futuristic Communications Ltd.	104.50	1,125.52	94.33	119.02
Subsidiaries				
Indian				
HTL Limited	(9.44)	(101.63)	1.74	2.19
Moneta Finance (P) Ltd.	0.08	0.83	0.03	0.04
HFCL Advance Systems (P) Ltd.	-	0.01	(0.01)	(0.01)
Minority Interest in all subsidiaries	-	-	-	-
Associates (Investment as per equity method)				
Polixel Security Systems Pvt. Ltd.	0.36	3.83	0.53	0.67
Exicom Tele-Systems Ltd.	0.85	9.13	0.83	1.05
AB Corp Ltd.	17.10	184.16	-	-
Joint Ventures (as per proportionate consolidated / Investment as per jointly control entity)				
DragonWave HFCL India Pvt. Ltd.	0.58	6.28	2.55	3.22

NOTE 28. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF:

₹ in Crore)

S. No.	Particulars	As at March 31, 2016	As at March 31, 2015
a	Unexpired Letters of Credit	32.29	44.75
b	Guarantees given by banks on behalf of the Company	109.35	102.61
c	Counter Guarantees given by the Company to the financial institutions/banks for providing guarantees on behalf of companies promoted by the Company.	32.66	20.16
d	Claims against the Company towards sales tax, income tax, excise duty demand and others in dispute not acknowledged as debt .	11.18	11.43

- (a) The Company's pending litigations comprise of claims against the Company and proceedings pending with Tax Authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial position.
- (b) The Company periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Company has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.
- (c) As at 31st March, 2016 the Company did not have any outstanding term derivative contracts.

NOTE 29. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 0.62 Crore (Previous year ₹ 0.03 Crore).

NOTE 30. DIRECTORS' REMUNERATION INCLUDING MANAGING DIRECTOR:

(Excluding provision for gratuity)

₹ in Crore

S.No	Particulars	FY 2015-16	FY 2014-15
(i)	Salaries	2.42	2.96
(ii)	Contribution to provident fund	0.29	0.26
(iii)	Perquisites and allowances	1.29	1.10
TOTAL		4.00	4.32

- NOTE 31.** (a) Debts of the Company were earlier restructured under Corporate Debt Restructuring (CDR) mechanism in April 2004 which was subsequently modified in June 2005 with cut-off date as 1st April, 2005. CDR Empowered Group at its meeting held on 9th February, 2011 has approved the Rework Package of the Company with the cut-off date as 1st January 2011 and communicated its sanction vide their letter No. BY CDR(JCP)/No 8643/2010-11 dated 29th March, 2011. The Rework Package includes inter-alia reduction in the existing rate of interest, re-schedulement for repayment of loans, conversion of overdue interest into funded interest term loan (FITL), conversion of Zero Coupon Premium Bonds (ZCPB's), part of their premium and part of working capital loans into Equity, conversion of part of working capital loan into working capital term loan (WCTL), waiver of unpaid dividend on preference shares, waiver of penal interest etc. The conditions as stipulated by CDR EG while sanctioning Rework Package have been complied with by the Company. Accordingly, the impact of the rework package has been considered in the Financial Statements.
- (b) Subsequent to the implementation of Rework Package, lenders have reset the rate of interest on certain loans in view of improved performance of the Company.
- (c) Further, lenders have the right to claim recompense from the Company on account of various sacrifices & waivers made by them in the CDR Rework Package upon exit by the Company from CDR. The Company's proposal for CDR exit was considered by the Monitoring Institution (MI) of lenders i.e. IDBI Bank Ltd which has recommended the recompense amount of ₹ 148.47 Crore on term loans and working capital loans. The said recompense amount has also been approved by CDR EG vide its order CDR(PMG) No.740/2015-16 dated March 22, 2016 subject to confirmations by the respective lenders. Accordingly, the Board of Directors at their meeting held on 10th May, 2016 has approved the recompense amount so that the Company can exit from CDR mechanism. Approval of some lenders is in process.

NOTE 32. Pursuant to the disinvestment by the Government of India, the Company had acquired 11,10,000 equity shares of ₹ 100/- each of HTL Limited representing 74% of its equity capital at total consideration of ₹ 55.00 Crore in terms of Shareholders Agreement dated 16.10.2001. The above consideration paid by the Company is subject to post closing adjustments on account of difference in net worth of HTL Limited as on 31.03.2001 and as on the date of purchase of shares in terms of Share Purchase Agreement dated 16.10.2001. The Company has submitted its claim on account of Closing Date Adjustment to the Government in respect of such reduction in net assets of HTL Limited which has not been settled by the Government. Due to this, the Company has invoked the provisions of the Share Purchase Agreement for settlement. Hon'ble Supreme Court of India had settled the claim of the Company on account of the above to the extent of ₹ 55.00 Crore and interest from the date of award till actual date of payment. Accordingly, Company has received the payment and account for during the year.

NOTE 33. The Exceptional items consist of: (i) Impact of recompense amount on account of waivers under rework package of CDR - ₹ 148.47 Crore. Recompense amount payable has been worked out by Monitoring Institution (MI) of lenders i.e. IDBI Bank Ltd. and approved by CDR EG and (ii) Claims in regard to one of investment made in earlier years amounting to ₹ 38.52 Crore settled and recovered during the year.

NOTE 34. In accordance with the Company's Policy, the Company has reviewed the outstanding receivables and has written off a sum of ₹ 11.50 Crore during the year as bad, which in the opinion of the Management is adequate and sundry balances has also written back amounting to ₹ 5.44 Crore.

NOTE 35. During the year, Company has recognised the following amounts in the financial statements as per Accounting Standard - 15 (Revised) "Employees Benefits" issued by the ICAI :

a) Defined Benefit Plan

₹ in Crore

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Employer's Contribution to Provident Fund	4.11	6.43
Employer's Contribution to Pension Scheme	1.91	2.51

b) Defined Benefit Plan

The employees' gratuity fund scheme managed by HDFC Standard Life Insurance Company Limited is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

₹ in Crore

Particulars	Gratuity (Fund)/non fund		Leave Encashment	
	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2015
Motility Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	8.04%	8.75%	7.75%	7.75%
Rate of increase in Compensation levels	8.00%	8.00%	7.75%	7.75%
Rate of Return on plan assets	8.04%	9.31%	NA	NA
Average remaining working lives of employees (Years)	-	-	16.28	16.78
Table showing changes in present value of obligations :				
Present value of obligation as at the beginning of the year	12.74	10.05	11.37	11.37
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	1.00	0.83	0.88	0.95
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Current Service Cost	3.06	2.43	2.25	4.41

Particulars	Gratuity (Fund)/non fund		Leave Encashment	
	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2015
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(0.54)	(3.05)	(5.74)	(2.36)
Actuarial (gain)/ loss on obligations	(5.25)	2.47	(1.25)	(2.99)
Present value of obligation as at the end of the period	11.01	12.74	7.51	11.37
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	1.35	1.14	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return on plan assets	0.11	0.10	N.A.	N.A.
Employer contribution	0.01	0.01	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.05)	0.10	Nil	Nil
Fair value of plan assets at year end	1.42	1.35	Nil	Nil
Table showing actuarial gain /loss - plan assets :				
Actual return of plan assets	(0.04)	0.11	Nil	Nil
Expected return on plan assets	0.11	0.11	Nil	Nil
Excess of actual over estimated return on plan assets	0.05	0.19	Nil	Nil
Actuarial Gain / loss recognized				
Actuarial (gain) / loss for the period - Obligation	(5.25)	2.47	(1.25)	(2.99)
Actuarial (gain) / loss for the period - Plan assets	0.05	(0.10)	Nil	Nil
Total (gain) / loss for the period	(5.20)	2.38	(1.25)	(2.99)
Actuarial (gain) / loss recognized in the period	(5.20)	2.38	(1.25)	(2.99)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil
The amount to be recognized in Balance Sheet and Statement of Profit and Loss:				
Present value of obligation as at the end of the period	11.01	12.74	7.51	11.37
Fair value of plan assets as at the end of the period	1.42	1.35	Nil	Nil
Funded Status	(9.59)	(11.39)	(7.51)	(11.37)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(9.59)	(11.39)	(7.51)	(11.37)
Expenses recognised in Statement of Profit and Loss :				
Current service cost	3.06	2.43	2.25	5.64
Past service cost (Vested Benefit)	Nil	Nil	Nil	Nil
Interest Cost	1.00	0.83	0.88	0.49
Expected return on plan assets	(0.11)	(0.11)	Nil	Nil
Curtailement and settlement cost /(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognised in the period	(5.20)	2.38	(1.25)	0.81
Expenses recognised in the Statement of Profit and Loss	(1.25)	5.53	1.88	6.94
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	Nil	Nil	Nil	Nil

Note : The estimates of rate of escalation in salary considered in actuarial valuation, taken into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary.

NOTE 36. The Company has carried out Impairment Test of Fixed Assets as on 31.03.2016 and the Management is of the opinion that there is no asset for which impairment is required to be made as per accounting Standard -28 on Impairment of Assets issued by the ICAI. (Previous year ₹ Nil)

NOTE 37. Company has received balance confirmations from most of the Trade receivables, Trade payables, lenders and loans and advances. The Management is of the view that there will be no material adjustments in this regard from the remaining amount of confirmations.

NOTE 38. In respect of subsidiary companies, the following additional notes to accounts are disclosed: -

HTL LIMITED

i) The Subsidiary has accumulated losses of ₹ 116.63 Crore (Previous year loss of ₹ 119.00 Crore) as at March 31, 2016, resulting in negative net worth of ₹ 101.63 Crore (Previous year ₹ 104.00 Crore). The Subsidiary's current liabilities exceed its current assets by ₹ 149.94 Crore (Previous year ₹ 108.00 Crore) as of that date. Further, the Subsidiary has overdue loans from Government of India amounting to ₹ 6.24 Crore (Previous year: ₹ 6.24 Crore) together with interest accrued and due thereon of ₹ 27.16 Crore (Previous year: ₹ 25.66 Crore). The turnover during the period ended 31, March 2016 is ₹ 27.23 Crore (Previous Year: ₹ 2.18 Crore). The Subsidiary has already made reference to Board for Industrial and Financial Reconstruction under Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985, and has since, been declared as a Sick Industrial Company vide order dated June 08, 2009 in case reference no. 261/2003. Subsequently, State Bank of India, on behalf of the consortium banks, issued a notice to the Company u/s 13 (2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) requiring the Company to discharge its full dues and attached the freehold surplus land mortgaged to the extent of ₹ 11.02 acres and 2.56 acres. During the year 2013-14, SBI has sold 11.02 acres land under SARFAESI Act at ₹ 272.29 Crore in June 2013. The Proceeds have been apportioned among the Consortium of Banks and Pegasus Assets Reconstruction Private Limited on account of dues to IndusInd Bank and Axis Bank as the Banks have assigned the loans to Pegasus and the SBI has withdrawn the action under SARFAESI Act with effect from 22.06.2013.

After the withdrawal of SARFAESI Action by SBI, the reference of the Company under BIFR has been restored vide AAIFR order dated 24.03.2014.

During the year, the Subsidiary's has set up the manufacturing plants for manufacture of OFC Cable at its Chennai and manufacture of FRP Rods & IGFR at Hosur Plant at a total cost of ₹ 50.43 Crore. The Sales Turnover upto 31.03.16 is ₹ 2.37 Crore for OFC Cables and ₹ 3.56 Crore for FRP & IGFR.

In view of above, the financial statements have been prepared on a going concern basis.

ii) The Subsidiary became a Sick Industrial Company within the meaning of Section 3(1)(O) of Sick Industrial Companies (Special Provision) Act, 1985 (SICA) due to erosion of its net worth accordingly the Company was declared a Sick Industrial Company by BIFR on June 08, 2009 under section 17(1) of SICA.

iii) Loan of ₹ 6.24 Crore (Previous year ₹ 6.24 Crore) together with interest accrued and due thereon of ₹ 27.16 Crore (Previous year ₹ 25.66 Crore) is due to Government of India (GOI). As at March 31, 2016, total loan of ₹ 6.24 Crore (Previous year ₹ 6.24 Crore) is overdue for payment. In addition to this, the Govt. of India has acceded to adjust ₹ 3.47 Crore compensation receivable by subsidiary in case of ETP claim against the outstanding interest portion in respect of GOI Loan.

iv) a). Out of the total land in possession of the Subsidiary at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Subsidiary in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Subsidiary, the Government of Tamil Nadu had required the Subsidiary to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Subsidiary had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in earlier years. In respect of the land measuring 30.99 acres, the name of the Subsidiary has been entered in the revenue records of the Government of Tamil Nadu. Other necessary formalities to transfer the land in favour of the Subsidiary are in progress.

b) The Subsidiary has 15.09 acres of land at Hosur District, Tamil Nadu, which was acquired by the Subsidiary from State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) under lease cum sale agreement in 1983. The Estate Officer SIPCOT has issued order under Section 4 of the Tamil Nadu Public Premises Eviction Act, 1975 to surrender unused land aggregating to 11.50 acres out of the said land on 13.01.2010. The Subsidiary has filed a writ petition 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 Tamil Nadu have constituted a Committee with two members from Government, two members representing SIPCOT and three members representing the Subsidiary under Chairmanship of the Principal Secretary to Government, Industries Department.

The Disputes Resolution Committee has met and could not arrive at a mutually acceptable solution and hence the Company has filed a Writ Petition (WP no. 10532 /2012) before the Honorable High Court of Madras with a prayer to quash the resumption order of SIPCOT and to direct SIPCOT to execute and register Sale Deed in favour of the Subsidiary. The court has given interim stay of proceedings of the SIPCOT officer and further court hearing is in progress.

- v) The Subsidiary has taken unsecured loans from various parties and after repayment, the net amount outstanding as on 31st march, 2016 is ₹ 24.00 Crore (Previous year ₹ 17.55 Crore). The interest payable on these loans amounting to ₹ 5.00 Crore is under discussion with the concerned lenders and the interest liability if any fastened on the Subsidiary will be provided after finalization. However, the interest liability estimated as per the basis followed in the earlier year amount to ₹ 0.60 Crore (cumulative ₹ 1.20 Crore).
- vi) Claims receivable includes ₹ 3.47 Crore receivable from BSNL against the compensation approved by Telecom Commission letter No. U-37012/3/97-FAC dated 1st May, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated 02.12.2003 conveyed the decision of the competent authorities to adjust the above said amount against the interest portion of the outstanding Government of India Loan. In reply, the Subsidiary requested DoT vide letter no.43.12 ETP dated 08.12.2003 to adjust the compensation amount of ₹ 3.47 Crore against the principal amount of loan outstanding as on 01.05.2001, the date on which the compensation was approved. The Govt. of India has rejected this request and reiterated the adjustment of ₹ 3.47 Crore compensation receivable by Subsidiary in case of ETP claim against the interest portion of the outstanding in respect of GOI Loan while making payment of outstanding Govt. of India Loan with accrued interest thereon.

NOTE 39. In case of subsidiary HTL Limited, depreciation on Fixed Assets is charged on Straight Line Method, based on the useful lives of the assets as estimated by the management. Depreciation is charged for the full year in respect of additions during the year, which is not in line with the accounting policy of the Company. The gross value of such assets is ₹ 54.22 Crore (Previous year ₹ 53.22 Crore) and depreciation charged for the year is ₹ 1.29 Crore (Previous year ₹ 0.28 Crore).

NOTE 40. The breakup of goodwill shown as net off with capital reserve arising on consolidated of subsidiaries with the holding company is as under:

		₹ in Crore
HTL Ltd.	Goodwill	19.17
Moneta Finance (P) Ltd.	Goodwill	0.05
TOTAL		19.22

NOTE 41. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the company's financial statements.

NOTE 42. Lease payments under cancellable operating leases have been recognised as an expense in the Statement of Profit & Loss. Maximum obligations on lease amount payable as per rentals stated in respective agreements are as follows:-

Particulars	₹ in Crore	
	March 31, 2016	March 31, 2015
Not later than one year	5.68	3.74
Later than one year but not later than five years	11.56	8.41
More than five years	1.88	1.03

NOTE 43. SEGMENT REPORTING

- (a) Primary segment information

The Company and one of its subsidiaries operations primarily relates to manufacturing of telecom products and providing turnkey solutions relating thereto. Accordingly segments have been identified in line with Accounting Standard on Segment

Reporting (AS - 17) Telecom products and Turnkey contracts & services are the primary business segments whereas others constituting less than 10% of the segment revenue/results/assets and accordingly have been considered as other business segments and are disclosed in the financial statements accordingly. The details of business segments are as follows:

₹ in Crore

Particulars	Business Segment						Total	
	Telecom Products		Turnkey Contracts and Services		Others		Current Year	Previous Year
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year		
Segment Revenue								
Turnover (Net of Excise duty)	662.93	567.92	1,964.76	1,985.34	0.05	0.05	2,627.74	2,553.32
Less Segment Revenue							16.69	0.25
Net Revenue							2,611.05	2,553.07
Segment Result	79.58	136.39	250.81	268.53	0.03	0.04	330.42	404.96
Unallocated Finance charges							47.80	44.38
Unallocated expenses							195.20	49.18
Unallocated Income							(38.54)	(0.21)
Profit before tax							125.96	311.61
Income tax (net)							28.41	26.75
Mat Credit Entitlement							(26.90)	(26.72)
Profit after tax							124.45	311.58
Other Information	-	-	-	-	-	-	-	-
Segment assets	710.09	616.81	1,219.16	720.16	2.34	2.76	1,931.59	1,339.73
Unallocated other assets	-	-	-	-	-	-	371.45	480.31
Total assets	710.09	616.81	1,219.16	720.16	2.34	2.76	2,303.04	1,820.04
Segment liabilities	443.30	427.97	501.76	327.36	1.50	1.95	946.56	757.28
Unallocated other liabilities	-	-	-	-	-	-	279.42	105.06
Total liabilities	443.30	427.97	501.76	327.36	1.50	1.95	1,225.98	862.34
Depreciation	23.47	27.91	2.86	6.30	-	-	26.33	34.21
Capital Expenditure	62.33	12.39	0.36	3.14	-	-	62.68	15.52
Non-cash expenses other than Depreciation	6.06	58.71	-	0.01	-	-	6.06	58.72

(b) Secondary segment information

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

NOTE 44. DEFERRED TAX :

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, in view of carry-forward losses and unabsorbed depreciation, estimation of future taxable profits cannot be made with virtual certainty supported by convincing evidences, against which such deferred tax assets would be realized.

NOTE 45. INTEREST IN JOINT VENTURE:

Pursuant to Accounting Standard (AS-27) – Financial Reporting of Interest in Joint Ventures, the un-audited financial statements of DragonWave HFCL India Pvt. Ltd. (hereinafter referred to as JV), the Joint Venture between the company and DragonWave Inc., Canada have been consolidated using proportionate consolidation method.

- The company's share of each of the assets, liabilities, income and expenses of JV's has been included in the consolidated financial statements.

- The aggregate amount of assets, liabilities, income and expenses related to the company's interest in the JV's as at 31st March, 2016 is as follows:

Particular	Year	Assets	Liabilities	Income	Expenses	Contingent	Capital & other Commitments
DragonWave	2016	15.17	5.40	31.28	26.57	-	-
HFCL India Pvt. Ltd.	2015	213.77	7.21	55.41	47.79	-	-

Being Consolidation with joint venture has been prepared for the first time, previous year figures are not comparable.

NOTE 46. Related Party Disclosures:

- Name of related parties and description of relationship:

(a) Associates:

HFCL Bezeq Telecom Ltd.

DragonWave HFCL India Pvt. Ltd.

Polixel Security Systems Pvt. Ltd.

Exicom Tele-Systems Ltd.

Microwave Communications Ltd.

AB Corp Limited \$

\$ Pursuant to applicability of Sec.2(6) of Companies Act, 2013 above companies is an associate company.

(b) Key management personnel:

i) Mr. Mahendra Nahata – Managing Director

ii) Dr. R M Kastia – Whole Time Director

iii) Mr. Arvind Kharabanda – Director Finance

iv) Mr. D. P. Gupta – Chief Operating Officer & Manager up to 24.06.2015

v) Mr. Vijay Raj Jain – Chief Finance Officer

vi) Mr. Manoj Baid – Associate Vice-President & Company Secretary

vii) Mr. G.S. Naidu – Chief Operating Officer & Manager From 25.06.2015

viii) Mr. N. Thangraj – Chief Finance Officer

ix) Mr. S. Narayanan – Company Secretary

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

- Nature of transactions: The transaction entered into with the related parties during the year along with related balances as at March 31, 2016 are as under:

Particulars	₹ in Crore	
	Year ended March 31, 2016	Year ended March 31, 2015
Purchases/receiving of Goods & Materials		
Exicom Tele-Systems Ltd.	1.50	0.06
Polixel Security Systems Pvt. Ltd.	-	0.05
Purchases/receiving of Services		
Exicom Tele-Systems Ltd.	1.05	5.06
Sales/rendering of Goods and Materials		
Exicom Tele-Systems Ltd.	-	-
Polixel Security Systems Pvt. Ltd.	0.14	0.26
Sales/rendering of Services		
Exicom Tele-Systems Ltd.	0.87	1.12
DragonWave HFCL India Pvt. Ltd.	-	0.01
Income - Rent /Other expenses		
Exicom Tele-Systems Ltd.	0.02	0.02
Polixel Security Systems Pvt. Ltd.	0.22	0.21
Advances		
Exicom Tele-Systems Ltd.	1.40	1.42

Consolidated

₹ in Crore

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Outstanding - Payable (net)		
Exicom Tele-Systems Ltd.	1.22	0.08
Polixel Security Systems Pvt. Ltd.	0.32	-
Receivables		
Exicom Tele-Systems Ltd.	3.55	2.80
Polixel Security Systems Pvt. Ltd.	0.84	0.24
DragonWave HFCL India Pvt. Ltd.	-	0.01
Remuneration of Key Management Personnel's		
Mr. Mahendra Nahata	3.35	2.14
Mr. Arvind Kharabanda	0.65	0.63
Dr. R.M Kastia*	1.47	1.55
Mr. D.P. Gupta*	0.25	0.47
Mr. Vijay Raj Jain	0.75	0.68
Mr. Manoj Baid	0.30	0.23
Mr. G.S Naidu*	0.32	-
Mr. N. Thangaraj	0.11	0.01
Mr. S Narayanan	0.15	0.14
Guarantees and collaterals		
Microwave Communications Ltd.	13.66	13.66
Exicom Tele-Systems Ltd.	6.50	6.50

* Remuneration paid in respect of managerial persons above has been approved in AGM by a special resolution, and the Company is in the process of obtaining Central Government approval and hence the amount has been shown as recoverable.

NOTE 47. As per the provisions of section 129 of the Companies Act, 2013 (the "Act"), Company is required to consolidate financial statements of its subsidiary companies, joint venture companies and associates companies with its financial statements. Accordingly, Company has consolidated the financial statement of all its subsidiaries, joint venture and associate companies except one of its associate (where the Company has significant influence in terms of Section 2(6) of the Act, though the Company does not have any participation over business decisions or affairs of said associate) who has not furnished its accounts for consolidation so far.

NOTE 48. (a) **Basic & Diluted Earnings per Share (EPS) before extra ordinary items:**

₹ in Crore

Particulars	For the Year ended March 31, 2016	For the Year ended- March 31, 2015
Profit/(Loss) after tax and minority interest	126.17	323.87
Less: preference dividend	5.23	5.23
Profit/(Loss) attributable to ordinary share holders	120.94	318.64
Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	1,23,93,77,194	1,23,93,77,194
Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	1,23,93,77,194	1,23,93,77,194
Nominal value of ordinary share	₹ 1	₹ 1
Earnings per Share basic	0.98	2.57
Earnings per Share diluted	0.98	2.57

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

₹ in Crore

Particulars	For the Year ended March 31, 2016	For the Year ended- March 31, 2015
Profit/(Loss) after tax and minority interest	126.17	323.87
Less: preference dividend	5.23	5.23
Profit/(Loss) attributable to ordinary share holders	120.94	318.64
Weighted average number of ordinary shares (used as denominator for calculating Basic EPS)	1,23,93,77,194	1,23,93,77,194
Weighted average number of ordinary shares (used as denominator for calculating Diluted EPS)	1,23,93,77,194	1,23,93,77,194
Nominal value of ordinary share	₹ 1	₹ 1
Earnings per Share basic	0.98	2.57
Earnings per Share diluted	0.98	2.57

NOTE 49. Derivative Instruments

- a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign Currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the company's strategy, which provides principles on the use of such forward contracts consistent with Company's Risk Management Policy. The company does not use forward contracts for speculative purposes.
- b) Details of outstanding Hedging Contracts

Derivative Contracts	₹ in Crore			
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2015
USD/INR	325,619	2.16	-	-

- c) Foreign Currency Exposures

		₹ in Crore			
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
		March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2015
Trade receivable	USD/INR	1,588,789	10.34	1,105,136	6.79
	EUR/INR	-	-	105,793	0.70
Trade payables	USD/INR	5,338,071	35.76	3,041,935	10.95
	EUR/INR	1,528	0.01	558,591	3.43
	AED/INR	-	-	24,057	0.37

50. Previous period's figures have been regrouped/reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

As per our report of even date attached

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

M P Shukla
Mahendra Nahata
Arvind Kharabanda

For and on behalf of the Board

Chairman
Managing Director
Director (Finance)

(Manish Singhal)
Partner
M.No. 502570

V. R. Jain
Chief Finance Officer

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

New Delhi, 10th May, 2016

New Delhi, 10th May, 2016

Annexure - A

Form AOC-1

(Statement pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

Name of the Subsidiary	HTL Ltd.	Moneta Finance Pvt. Ltd.	HFCL Advance Systems Pvt. Ltd.	(in ₹)
Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	NA	NA	NA*	
Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	NA	NA	NA	
Share Capital	15,00,00,000	30,00,000	1,00,000	
Reserves and Surplus	(116,62,63,780)	52,97,490	(80,590)	
Total Assets	111,51,24,988	40,86,903	1,01,260	
Total liabilities	213,13,89,000	1,59,92,163	81,850	
Investments	Nil	2,02,02,750	Nil	
Turnover	27,23,34,000	4,66,475	Nil	
Profit before taxation	2,37,36,133	3,93,257	(80,590)	
Provision for taxation	Nil	1,20,716	Nil	
Profit after taxation	2,37,36,133	2,72,541	(80,590)	
Proposed Dividend	Nil	Nil	Nil	
% of Shareholding	74	100	100	

* Incorporated on 23rd February, 2015. Hence the HFCL Advance Systems Pvt. Ltd. has prepared its first financial statements for the period 23rd February, 2015 to 31st March, 2016.

Name of Subsidiaries which are yet to commence operations: NA

Name of Subsidiaries which have been liquidated or sold during the year: NA

Part "B" Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate companies and Joint Ventures

Name of Associates/Joint Ventures	DragonWave HFCL India Pvt. Ltd.	Microwave Communications Ltd.	AB Corp Ltd.	(in ₹)
Latest audited Balance Sheet Date	31/03/2015	31/03/2015		31/12/2014
No. of Shares of Associates/Joint Venture held by the Company on the year end	34,93,000	1,21,87,440		133,00,000
Amount of Investments in Associates/Joint Venture	3,49,30,000	Nil	165,00,00,000 (65,00,000 shares are pledged as security for the long term loan given by Oriental Bank of Commerce(OBC) to the Company. The shares are held by OBC in their own name)	
Extent of holding %	49.90	32.50		27.27
Description of how there is significant influence	Pursuant to Sec 2(6) of the Companies Act, 2013	Pursuant to Sec 2(6) of the Companies Act, 2013		Pursuant to Sec 2(6) of the Companies Act, 2013
Reason why the associates/joint venture is not consolidated	NA	NA		Financial Statements not provided by AB Corp Ltd.
Networth attributable to Shareholding as per latest audited Balance Sheet	6,56,74,555 as per Balance sheet of 31.03.2015	(₹ 32,58,92,977) as per Balance Sheet of 31.03.2015		₹ 1,29,62,62,664 as per Balance Sheet of 31.12.2014
Profit / (Loss) for the year	12,02,37,133 (2015-16)	(₹ 29,95,573) for 2015-16		₹ 3,76,98,868 as per period ended 31.12.2014
i. Considered in Consolidation	Yes	Yes		No
ii. Not Considered in Consolidation	NA	NA		Yes

Name of Associates/Joint Ventures	Exicom Tele-Systems Ltd	Polixel Security Systems Pvt. Ltd.	HFCL Bezeq Telecom Ltd.
Latest audited Balance Sheet Date	31/03/2016	31/03/2015	31/03/2015
No. of Shares of Associates/Joint Venture held by the Company on the year end	6,30,223	10,000	100
Amount of Investments in Associates/Joint Venture	4,33,43,664	1,00,000	Nil
Extent of holding %	12.40	5.52	0.19
Description of how there is significant influence	As per the provisions of Accounting Standard 18	As per the provisions of Accounting Standard 18	As per the provisions of Accounting Standard 18
Reason why the associates/joint venture is not consolidated	NA	NA	NA
Networth attributable to Shareholding as per latest audited Balance Sheet	10,99,31,818 as per Balance sheet of 31.03.2016	36,36,901 as per Balance sheet of 31.03.2015	Nil as per Balance Sheet of 31.03.2015
Profit / (Loss) for the year	8,57,49,660 (2015-16)	1,32,04,279 (2015-16)	NA
i. Considered in Consolidation	Yes	Yes	Yes
ii. Not Considered in Consolidation	NA	NA	NA

- Names of associates or joint ventures which are yet to commence operations.
HFCL Bezeq Telecom Ltd.
- Names of associates or joint ventures which have been liquidated or sold during the year: NA

For and on behalf of the Board

M P Shukla
Mahendra Nahata
Arvind Kharabanda

Chairman
Managing Director
Director (Finance)

V. R. Jain
Chief Finance Officer

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

Date: 10th May, 2016

Place: New Delhi



HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

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

Tel +91 1792-230644, Fax +91 1792-231902

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

(CIN: L64200HP1987PLC007466)

ATTENDANCE SLIP

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

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

Name and Address of the Shareholder(s) _____

Name and Address of the Proxy holder _____

I/We hereby record my/our presence at the 29th Annual General Meeting of the Company, to be held on Thursday, the 29th day of September, 2016 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan-173213 (H.P.)

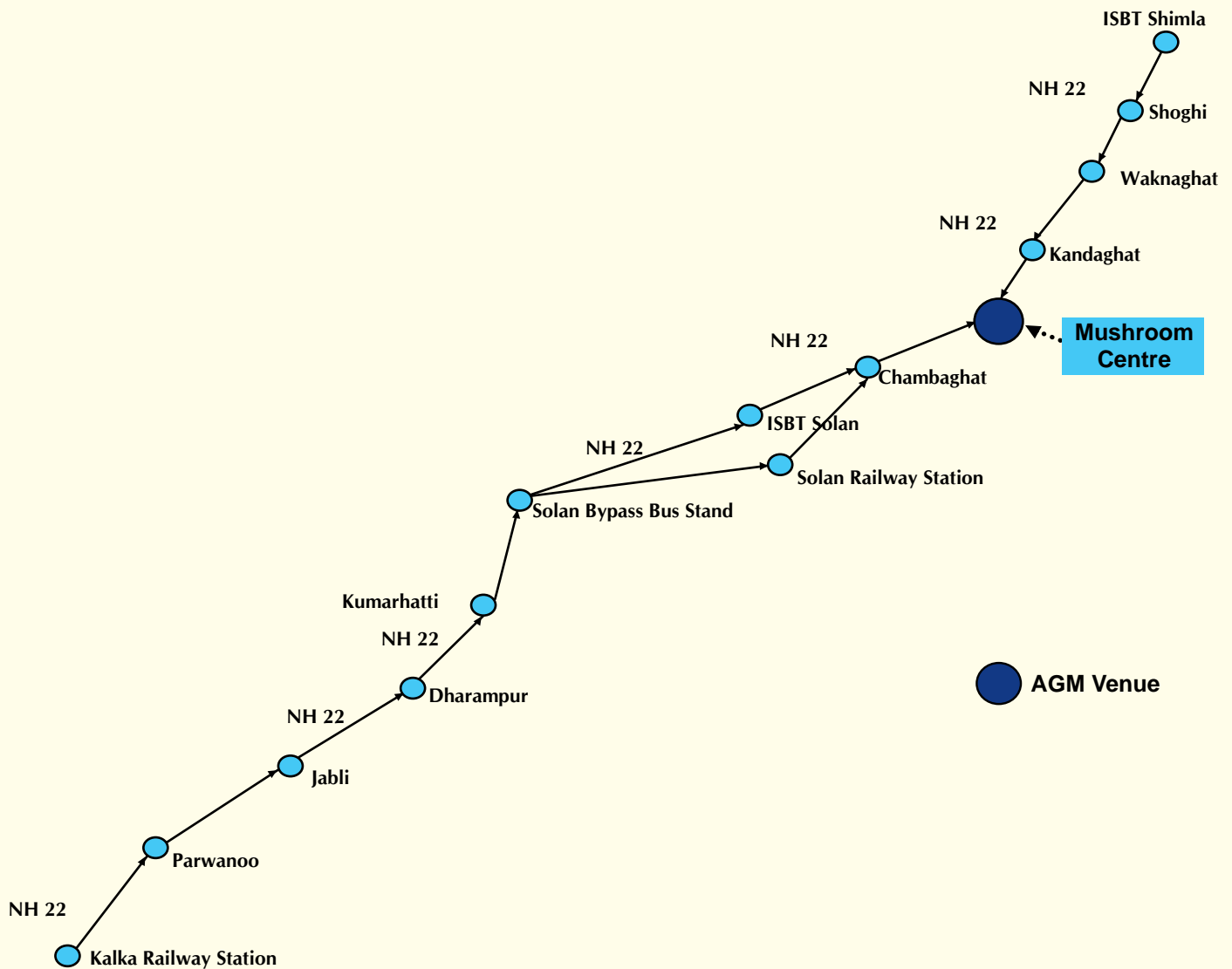
Signature of Shareholder

Signature of Proxy holder

*Applicable for investors holding shares in electronic form.



Road Map of AGM Venue i.e. Mushroom Centre, Chambaghat Solon-173213 (Himachal Pradesh)





HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED

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

Tel +91 1792-230644, Fax +91 1792-231902

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

(CIN: L64200HP1987PLC007466)

PROXY FORM

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

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

*Applicable for investors holding shares in electronic form.

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

(1) Name: _____ of _____

_____ having e-mail id _____ or failing him

(2) Name: _____ of _____

_____ having e-mail id _____ or failing him

(3) Name: _____ of _____

_____ having e-mail id _____ or failing him

and whose signature(s) are appended in Proxy Form as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29th Annual General Meeting of the Company, to be held on Thursday, the 29th day of September, 2016 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan-173213 (H.P.) and at any adjournment thereof in respect of such resolutions as are indicated overleaf :



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

Sl. No.	Resolutions	For	Against
1.	Receive, consider and adopt :		
	a) Audited Financial Statements, Reports of the Board of Directors' and Auditors'		
	b) Audited Consolidated Financial Statements and Auditors' Report thereon		
2.	Confirmation of Dividends on Cumulative Redeemable Preference Shares		
3.	Re-appointment of Dr. Ranjeet Mal Kastia, Director (DIN:00053059), who retires by rotation		
4.	Appointment of M/s Khandelwal Jain & Co., Chartered Accountants (Firm Registration No. 105049W), as Auditor and to fix their remuneration		
5.	Re-appointment of Shri Mahendra Pratap Shukla, (DIN:00052977) as an Independent Director		
6.	Re-appointment of Smt. Bela Banerjee, (DIN:07047271) as an Independent Director		
7.	Re-classification of Promoters of the Company		
8.	Issuance of 10.30% 33,72,750 Secured, Unlisted Non-Convertible Debenture (NCD's) on Private Placement basis by way of conversion of outstanding recompense amount payable to the lenders		

Signed this _____ day of _____ 2016

Affix
Revenue
Stamp

Signature of shareholder

Signature of first Proxy holder

Signature of second Proxy holder

Signature of third Proxy holder

Notes:

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

Corporate Information

BOARD OF DIRECTORS

Shri Mahendra Pratap Shukla

Non-Executive Chairman

Shri Mahendra Nahata

Managing Director

Shri Arvind Kharabanda

Director (ceased to be a Whole-time
Director w.e.f. 1st June, 2016)

Dr. R M Kastia

Director

Smt. Bela Banerjee

Director

Shri Rajiv Sharma

Director (Nominee - IDBI Bank Ltd.)

CHIEF FINANCE OFFICER

Shri V R Jain

ASSOCIATE VP (CORPORATE) & COMPANY SECRETARY

Shri Manoj Baid

BANKERS

IDBI Bank Limited

State Bank of India

Oriental Bank of Commerce

Punjab National Bank

Bank of Baroda

Union Bank of India

AUDITORS

M/s Khandelwal Jain & Co.

Chartered Accountants

12-B, Baldota Bhawan

117, Maharshi Karve Road

Mumbai – 400 020

REGISTERED OFFICE & TELECOM EQUIPMENT PLANT

8, Electronics Complex

Chambaghat

Solan – 173 213

Himachal Pradesh

OPTICAL FIBRE CABLE PLANT

L 35-37, Industrial Area, Phase – II

Verna Electronics city

Salcete, Goa - 403 722

CORPORATE OFFICE

8, Commercial Complex

Masjid Moth, Greater Kailash - II

New Delhi – 110 048

SECRETARIAL DEPARTMENT & INVESTOR RELATION CELL

8, Commercial Complex

Masjid Moth, Greater Kailash - II

New Delhi – 110 048





HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

Registered Office

8, Electronics Complex
Chambaghat
Solan – 173 213
Himachal Pradesh

Corporate Office

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

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Website

www.hfcl.com