HFCL GROUP

HIMACHAL FUTURISTIC COMMUNICATIONS LTD.

ANNUAL REPORT 2017-18

ROBUST FOUNDATION. SUSTAINED GROWTH.

CONTENTS

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.

ROBUST FOUNDATION. SUSTAINED GROWTH.

Telecommunication over the last two decades, has transformed the socio-economic growth and development of India. Having reached mobile telephony to over a billion Indians across the length and breadth of the country, the Indian telecom industry is headed to script its next wave of revolution across high-speed broadband and rollout of 5G services. From existing 1.5 million fibre kilometers (mfkm), country's fibre backbone is headed to cross 2.5 mfkm in the next four–five years. A denser fibre network holds the key for content-heavy 5G services, both for front haul and the back haul.

₹ 8,700 cr.
STRONGEST EVER ORDER BOOK

6.4 mfkm pa
GREENFIELD **OPTICAL FIBRE** PLANT UNDER EXECUTION

7 mfkm pa
GREENFIELD **OPTICAL FIBRE CABLE** PLANT UNDER EXECUTION

TRAI's recommendation of 'zero net import' of telecom gears by 2022 would serve well in transforming the Indian telecom equipment sector from being import-dependent to export-oriented. The consolidation in telecom space, coupled with rapid adoption of new age telecom solutions across defence, railways, smart cities, power transmission, etc. is going to present much larger network deployment opportunities than what has been witnessed in the last two decades.

As an established Indian player in telecom product, network and turnkey solutions, we, at HFCL, have far consolidated our strengths. With a proven track record of over three decades across telecom product manufacturing and network development, deployment and maintenance, we have emerged as a partner of choice for a range of customers including private and PSU telcos, defence, railway and metro, civic utilities, etc. Forging partnerships with Indian and MNC entities of repute, we have expanded our serving domains and geographies in recent years.

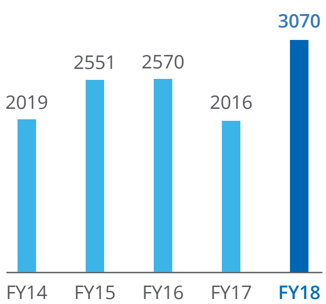
Our FY18 performance was marked with highest ever revenue and operating profit. Including the post FY18 wins, our order book is around ₹8700 crore, which far exceeds our last three year's cumulative revenue. Also on the anvil are a backward integration project of optical fibre manufacturing and an optical fibre cable manufacturing plant, both greenfield. Post commencement of these two facilities, we would feature among the top 10 global OFC manufacturers (including installed capacity of one of our subsidiary companies).

From a revenue of ₹ 261 crore in FY12 to ₹ 3070 crore in FY18, our journey has been one of putting a robust foundation - a multi-dimensional strengthening of our business foundation that spanned manufacturing and technological capabilities, human capital, social capital and environmental capital. As the roots of these capitals deepen, we are headed to deliver sustained value creation over coming years, for all our stakeholders – customers, employees, partners, investors, governments, communities and the peer group.

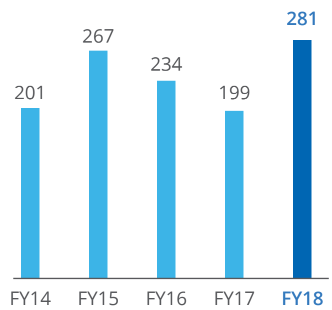
Artist's impression of our upcoming Optical Fibre Plant at Hyderabad, Telangana

FINANCIAL HIGHLIGHTS

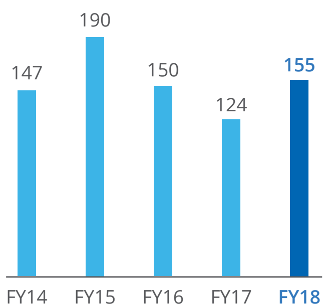
REVENUE (₹ in crore)



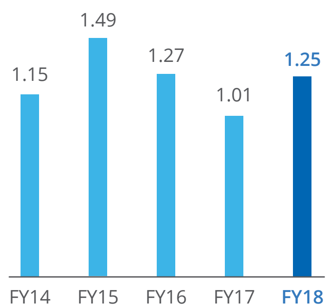
EBITDA (₹ in crore)



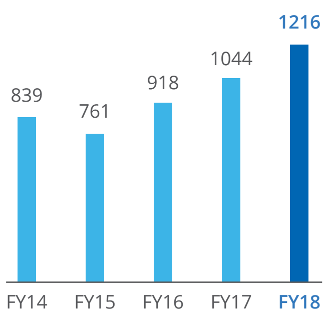
NET PROFIT (₹ in crore)



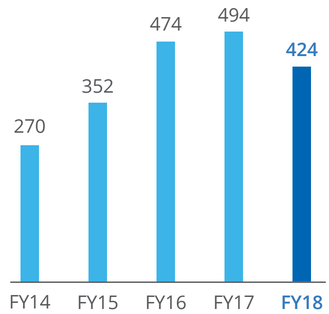
EPS (in ₹)



NET WORTH (₹ in crore)



GROSS DEBT (₹ in crore)



Operational Highlights

- Company recorded the highest ever revenue, EBITDA and net worth
- A 6.4 mfkm pa Greenfield Optical Fibre plant coming up at Hyderabad at a CAPEX of ₹ 225 crore
- A 7 mfkm pa Greenfield Optical Fibre Cable plant also coming up at Hyderabad at a CAPEX of ₹ 75 crore
- Highest ever outstanding Order Book of ₹ 8,700 crore (including post FY18 orders)
- An indigenously developed WiFi network solution ready for deployment
- Dividend payout of ₹ 7.44 crore, subject to shareholders approval
- Debt reduction of ₹ 70 crore

OFC MANUFACTURING.
SUSTAINED GROWTH AND PROFITABILITY.

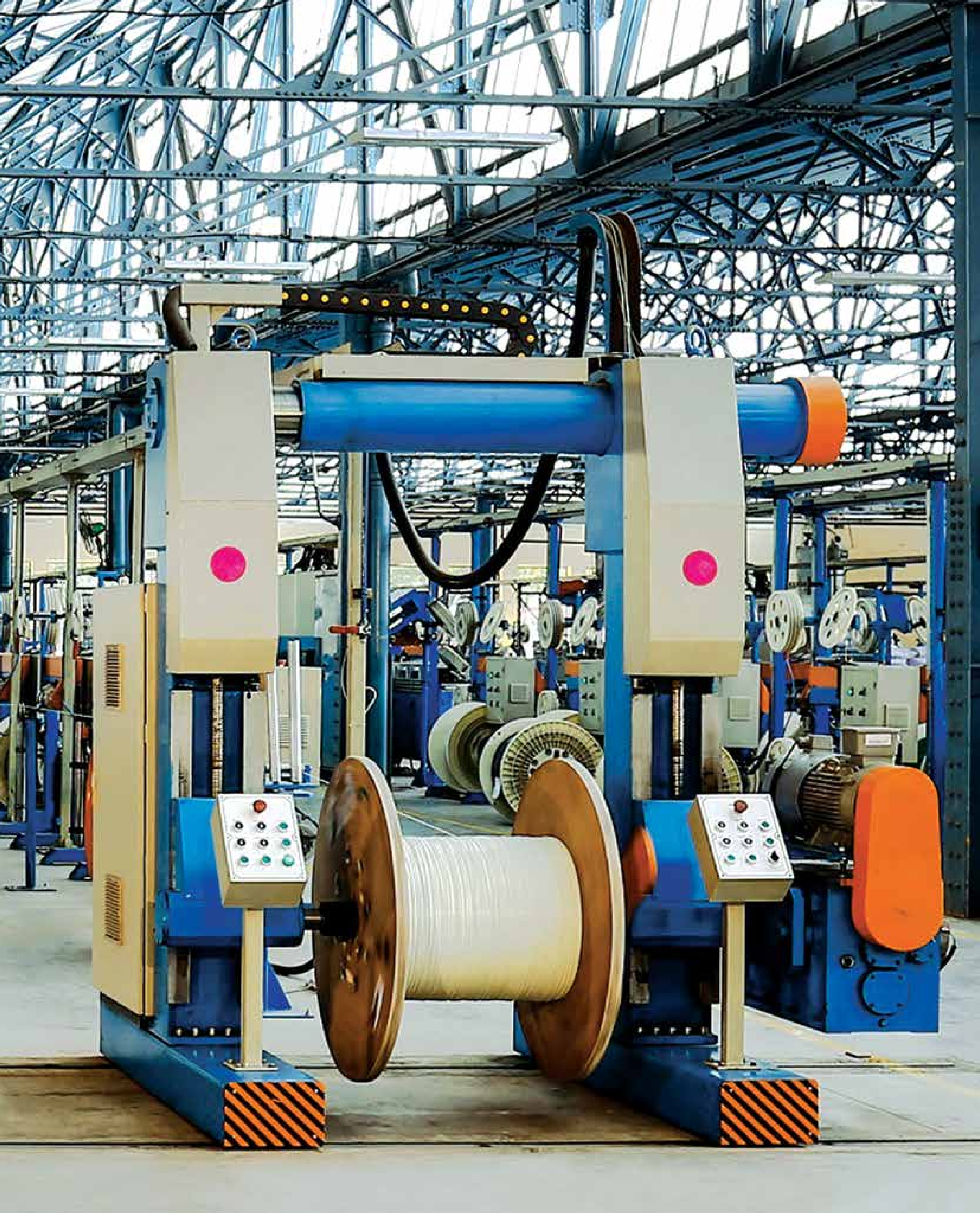
The vision of a truly digital India can only be realised on the bedrock of a high density OFC network. Domestic OFC demand from ongoing broadband and network development initiatives, BharatNet Project for connecting over 2,50,000 Gram Panchayats, dedicated network for defence forces, massive upgradation of railway connectivity and signaling, connectivity for smart cities, etc. are likely to keep supplies stretched over the next couple of years. With the country readying to roll out 5G services by 2022, OFC demand would further accentuate and sustain.

Upcoming Optical Fibre Plant at Hyderabad, Telangana

Our OFC manufacturing units are already running at near full capacities and then there are worldwide supply constraints of optical fibre. Aiming to counter supply vagaries of optical fibre and also strengthening operating margin, we are foraying into optical fibre manufacturing. With an estimated CAPEX of ₹ 225 crore, our Greenfield plant at Hyderabad, Telangana would initially manufacture 6.4 million fibre kilometer (mfkm) pa. With the orders for key machinery and equipment already placed, the construction work at the site is progressing as planned. The plant is likely to be commissioned by May, 2019, accruing business benefits from FY20.

We are also putting up a Greenfield OFC manufacturing facility at the same site at Hyderabad. With an estimated CAPEX of ₹ 75 crore, the plant would initially manufacture 7 mfkm pa of OFC. The plant is likely to be commissioned by April, 2019 and would take Company's standalone OFC capacity to 15 mfkm pa. Our consolidated capacity of 22 mfkm pa (including 7 mfkm pa of our subsidiary HTL Limited) would catapult us into world's top 10 OFC manufacturers. The strategic location of the plant would help the Company save on logistic costs.

In terms of operations, FY18 was a landmark year which witnessed development of several new products, optimal utilization of capacities and market expansion across domestic and export geographies. The division recorded its highest ever throughput and revenues. The critical pivots of our business strategy, going forward, include intense development of value-added next generation products, broad-basing our product mix with clear skew towards high-margin and new-application products, increasing contribution of exports and steady expansion of our manufacturing and distribution footprints.



NETWORK TURNKEY SOLUTION.
SCALABILITY AND SUSTAINABILITY

The power of secure, scalable and speedy telecom network is fast being acknowledged. In a country of 1.3 billion people, while 5G readiness is being contemplated at the one end, many a million people still await mobile telephony, leave aside hi-speed broadband. The paradox is, thankfully, drawing attention and resources from a multitude of stakeholders and the country is receiving the socio-commercial benefits of modern telecommunication technology.

At HFCL, we have steadily strengthened our network design, implementation and maintenance capabilities while implementing many arduous assignments in terms of technology, topography, cost or time complexities. As a result of which, we have emerged as a network developer of choice for our customers. Successful completion and delivery of many of these assignments have led to follow-up orders of similar or much higher scale and/or complexities heading our way.

Through the FY18, our delivery roster as well as our order book continued to swell as India continued to build/upgrade/expand its telecom network. Taking the GSM network deeper into LWE (Left Wing Extremism) area across 6 states, setting up of WiFi hotspots across 16 states in Northern & Eastern India, setting up 6,000 access points across Gram Panchayats in Rajasthan, upgradation and IPfication of BSNL backhaul network empowering them with 4G offerings.

Significant addition to the order book during the year included a purchase order worth ₹ 935 crore from BSNL for building a dense wavelength division multiplexing (DWDM) based transmission network for armed forces. A purchase order worth ₹ 2,004 crore was received in the current year (FY19) for implementing GIS based Optical Fiber Network Management System (GOFNMS). Two more Purchase orders totalling ₹583 crore were received during the current year (FY19) from Bharat Broadband Network Limited for creating Optical Fiber Cable GPON Network and Radio Network in the State of Punjab.

We also received an advance purchase order from BSNL worth ₹579 crore for establishing a green-energy based GSM network for unconnected villages of Karbi Anglong and Dima Hasao districts of Assam, deploying 924 BTS sites catering to 1,313 villages. Another advanced purchase order from BSNL worth ₹558 crore was received for implementing high capacity wireless backbone links in strategic locations for the Indian Armed Forces.

Alongside our turnkey network projects, we have been building a healthy portfolio of Operation & Maintenance (O&M) revenue, which is adding visibility and predictability to our revenues and cash flow. Our turnkey order book stood more than ₹6,400 crore while our O&M order book stood more than ₹1,850 crore.

Besides, we have also got a healthy tender mix, out of which we expect positive outcomes in many of them. With a view to channelise our accumulated skills and scale up abilities, we have started to explore overseas markets for turnkey network development opportunities.

NEW BUSINESSES.
BUILDING A SOLID FOUNDATION.

In order to leverage our telecom product and EPC capabilities in adjacent space, we ventured into railways, smart city and defence segments. Each of these segments offer sizeable opportunities and we have steadily been strengthening our business proposition.

Railway Communication & Signaling

We have secured three significant orders with a combined contract value of ₹ 291 crore. These include a ₹113 crore turnkey order from Alstom Systems India Pvt. Ltd., a ₹95 crore project from Larsen & Toubro Ltd. and a ₹ 83 crore order from China Railway Signal & Communication Co. Ltd. Being part of both (Eastern as well as Western) Dedicated Freight Corridors, the orders involved designing, developing, commissioning, testing and onsite training for the telecommunication system. In collaboration with a leading Indian EPC company, we have submitted bids for turnkey telecommunication solutions for a metro-rail project overseas. We continue to explore collaboration and co-development opportunities with Indian as well as foreign players in the railway sector.

Defence Equipment

Having completed a detailed analysis of requirements of our security forces over medium-to-long term, we have planned to foray in equipment manufacturing in three key disciplines namely Opto-electronics, Electronic Fuses and Unmanned Aerial Vehicles (UAVs). We have executed technical co-operation agreements with global OEMs of repute in respective fields. We have successfully submitted the RFPs for electronic fuses and some weapon sight accessories. Having successfully cleared the Technical evaluation for the Mini UAVs tender, we have progressed to equipment trial stage. We are also exploring opportunities in perimeter security of Air Bases and Border Management and Surveillance System.

Smart City Solutions

We received Letter of Intent from RajComp Info Services Ltd. (RISL) for supply, installation and commissioning of edge networking equipment worth ₹108 crore. Implementing this surveillance and incident response project would further diversify our solution mix towards safe & smart cities and help us win and execute bigger opportunities. Our concentration remains on CCTV Surveillance, Traffic Enforcement, Adaptive Traffic Management System, City Command and Control Centers including Data Centers, ICT Infrastructure and spans across hardware, software, data and analytics. An equal focus is also being allotted towards building a strong foothold in the System Integration space. Our selective bid approach is directed towards those projects, where we can offer innovative solutions through value-added products and services involving pan-city solutions. We are targeting 39 cities that have been selected in Round 3 and Round 4 by Smart Cities Mission with allocation of ₹ 12,600 crore towards pan-city solution.

MANAGING DIRECTOR'S MESSAGE

Dear Shareholders,

The spate of structural strengthening of our socio-economic foundations continued through the FY18. The momentum gained through demonetisation, real estate regulation, and insolvency and bankruptcy laws of FY17 was accelerated through smooth implementation of GST and recapitalisation of banks in FY18. The momentary slowdown in economic growth appeared to settle down with FY18 GDP growth at 6.7%. The road ahead from hereon shall witness steady pick up in our growth rate.

FY18 was a watershed year for the Indian Telecom Industry. Prolonged competition led to a year of tectonic consolidation where two large players merged and a new incumbent gained rapid market share. The turf continued to shift from call and VAS revenues to data-linked play. The Government of India continued to further its agenda of digital readiness for defence forces, rural population and un-served geographies across northeastern and LWE regions. The rapid spread of smartphones and mobile internet at one hand and rising popularity of social networking and digital content on the other hand is setting the stage for next wave of telecommunication revolution.

It is in this context that your Company's steady strengthening of its business foundation yields a decisive enabler, going forward. The shift from wireless to Optical Fibre is imminent, gradual and mammoth. The spread of fibre would follow with its densification and fibre reaching the doorstep of consumers. We are looking at a period of sustained and accelerated growth in demand for fibre as well as telecom network overhaul and expansion. TRAI's recommendation of 'net zero import' of network equipment makes your Company a strong contender to seize this 'Make in India' opportunity. Intensification of our Research & Development efforts towards innovative, yet fully indigenous WiFi network solutions has fructified. You will be happy to note that the solution shall be ready for deployment by the end of 2018. This would enable us to participate in the government's initiative of deploying 1.25 million WiFi access points across 2,50,000 Gram Panchayats.

Infusion of modern technology in railway telecom and signaling offers dual advantages of passenger safety and track optimization. With over 60,000 route kilometers of legacy systems on the block for revamp, your Company's experience and learnings from the three ongoing projects in dedicated freight corridors would add to our qualification. Building upon its initial success in Ludhiana and Jaipur, our smart city division has tasted a bigger success in Rajasthan in the year gone by. Our foray in defence equipment manufacturing is steadily shaping up, with one of our bids reaching the equipment trial stage and many others awaiting evaluation and results.

From total revenue of ₹ 261 crore in FY12 to gross EBITDA of ₹281 crore in FY18, your Company has scripted a remarkable turnaround. The strength of our balance sheet with steadily strengthening cash flows and credit ratings are powering our growth oriented CAPEX and OPEX needs. In order to insulate us from supply constraint of optical fibre, we are foraying into its manufacturing with 6.4 million fibre kilometer (mfkm) pa capacity as a first step of backward integration. The move is also going to enhance our profit margins. We are also raising our OFC manufacturing capacity from 8 mfkm pa to 15 mfkm pa by adding a Greenfield plant of 7 mfkm pa capacity at Hyderabad. Construction work for both these plants is in full swing with orders for key machinery and equipment already placed. With a combined CAPEX of ₹ 300 crore, both these facilities shall commence commercial production in FY20.

Our turnkey network division continues to implement and win new marquee projects across the country. The current outstanding order book of the division is exceeding ₹ 8,250 crore. With rising capabilities and stature, the division is also contemplating to venture into overseas markets in the near future.

You would be happy to note that our revenues grew by 52% to ₹ 3,070 crore, EBIDTA grew by more than 40% to ₹ 281 crore and Net Profit stood at ₹155 crore during FY18. We succeeded to reduce our total debt by ₹70 crore. The EPS, at ₹1.25 per share, grew by 24% over the previous year.

The most vital asset of our Company is its people capital. The human ingenuity and pursuit of excellence has led to quite a few product innovations during the year. We are investing significant attention and resources in raising the skill, motivation and productivity quotient of our talent pool.

The compassion, urgency and scale towards extending a helping hand to the needy and opportunity deprived sections of our society reached its best during FY18. Environmental sustainability and community sustenance is prerequisite to business sustainability and your Company would continue to increase its efforts to address its responsibility towards them.

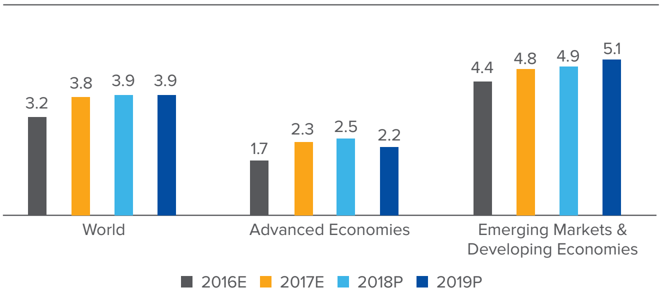
I place my sincere appreciation to the members of the Board and our leadership teams for their incisive contributions in making HFCL a rising force in the telecom and adjacent spaces. I extend special acknowledgement to the stellar efforts and contributions of HFCLites and thanks to our valued customers and partners. To the shareholders and the financial community, your trust and confidence in HFCL, gives me immense confidence in successfully steering this promising Company of yours to greater heights, always.

Let us all work towards a fabulous HFCL.

With best regards,
Mahendra Nahata
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

World GDP Growth (%)



Source: IMF's World Economic Outlook April 2018

ECONOMIC OVERVIEW

Global Economy

The global economy seems to be leaving the legacy of financial crisis behind. Increased economic activity helped the global GDP growth to reach 3.8%, its highest since 2011, according to the International Monetary Fund (IMF). About half of the world's countries are experiencing an increase in GDP growth rate. This broad-based recovery shall lead to even faster growth in the near term. With financial conditions remaining supportive, global growth is estimated to further improve to 3.9% in both 2018 and 2019. For 2018, the IMF predicts Emerging Markets and Developing Economies (EMDEs) and Advanced Economies (AEs) to grow at 4.9% and 2.5% respectively.

Indian Economic Overview

On the back of structural reforms, robust fundamentals and steady consumptions, Indian economy continues to be a bright spot. The transformational Goods and Services Tax (GST) was rolled out on July 1, 2017. The long-festering Twin Balance Sheet problem has been effectively addressed through demonitisation, sending the major stressed companies for resolution under the new Indian Bankruptcy Code and providing significant recapitalisation package to strengthen the public sector banks. These measures, dissipating effects of earlier policy actions and the export uplift from the global recovery helped Indian, economy to accelerate in the second half of FY18, taking the real GDP growth to 6.7%. The growth was helped by favourable trends across inflation, fiscal consolidation, current account deficit, rupee-dollar exchange rate, foreign exchange reserves and foreign investment inflows.

As per IMF's World Economic Outlook April 2018, Indian GDP growth is expected to accelerate to 7.4% in 2018 and 7.8% in 2019. This strong growth and the size of opportunity that Indian market offers, shall sustain investor confidence and would surpass China's projected growth rate. Increased infrastructural spending, forecast of a normal monsoon, sustained consumption growth and a stable global outlook shall further support India's GDP growth.

INDUSTRY OVERVIEW

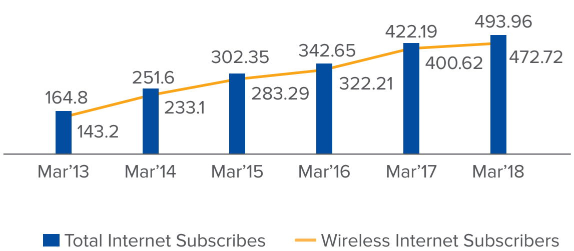
Telecom

Recording a steady growth in the telecommunication sector over the last 15 years, India had led the telecom revolution from the front. The growth has primarily been driven by affordable tariffs and device eco-system, expanding 4G coverage, evolving consumption patterns of subscribers and a conducive regulatory environment with key reforms viz., spectrum management, Bharat Net program and umbrella scheme like 'Digital India'.

The entry of Reliance Jio has altered the face of the industry like never before by changing the very basis of competition. Data is fast becoming the focal point of competition for an industry that derived over 75% of its revenue from voice. Voice services have become practically free while data prices have dropped from an average of ₹226 per GB in 2015 to lower than ₹19 per GB in 2017. Such a drastic reduction in data prices has not only brought the internet within the reach of larger proportion of the Indian population but has also allowed newer segments of society to use and experience it for the first time. The monthly data usage per smartphone in India is expected to increase from 4 GB in 2017 to 18 GB by 2023.

The Indian telecom industry, which is predominantly wireless now is the second largest in the world with a 1.2 billion subscriber base. It has grown at a CAGR of ~20% between 2007-2018. The number of Internet subscribers in the country grew at a CAGR of 41.62%, with the number reaching 494 million in March, 2018 from 8.6 million in 2006. This number is expected to double by 2021 to 829 million. Overall IP traffic is expected to grow 4-fold at a CAGR of 30% by 2021.

Internet Subscribers (million)



Source: TRAI

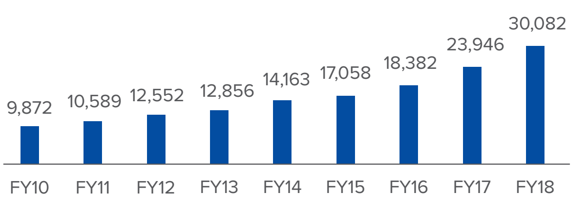
By 2020, the mobile industry is expected to reach around US$ 217 billion. India's smartphone market grew by 14% year-on-year to a total of 124 million shipments in 2017. India is the world's second largest smartphone market and is expected to have almost 1 billion unique mobile subscribers by 2020. The Indian mobile economy is growing rapidly and will contribute substantially to India's GDP.

It is estimated that Indian telecom companies will be investing US$ 20 billion over the next two years for expansion of network and operations. The government has fast-tracked reforms and

continues to be proactive. A new National Telecom Policy 2018 shall come into effect very soon. The policy has envisaged attracting investments worth US$ 100 billion in the sector by 2022, providing an opportunity for the Government, private sector and public to come together to provide a fresh impetus to the ICT sector.

The Government of India is working to digitally connect the rural and remote regions in the country and has decided a new affordable tariff structure with the principle of more you use, less you pay. FDI limit in the telecom sector has been eased to 100 percent from the earlier 74 percent. FDI of up to 100 percent is also allowed for infrastructure providers offering dark fibre, electronic mail and voice mail.

Cumulative FDI inflows into telecommunication (US$ million)



Mobile Value Added Services (MVAS) industry has grown at a CAGR of 29% to US$ 15 billion in 2017, this is due to increase in internet revenues and subscriptions which will further drive demand for MVAS. Telecom equipment market is anticipated to reach US$ 30 billion by 2020 from US$ 20 billion in FY16.

Optical Fibre Cable (OFC) continues to be the backbone of the increasingly digital world. OFC is the fastest, most efficient and maximum bandwidth accommodating carriageway available for today's high-speed telecom networks. With decreasing prices of smart phones, more and more people are using them, resulting into increased data demand which is pushing the need for higher bandwidth and faster networks which can be achieved only through optical fibre networks and therefore leads to also higher demand of optic fibre cables. OFC Networks provide constant, stable and fast connectivity and can carry much more data. From education and health to disaster management; from financial inclusion to e-commerce; from public safety and security to entertainment, Optical Fibre Network will help in transforming the country into digitally empowered society.

Optical Fibre Networks have played a crucial role in development of mobile technologies starting from 3G, 4G and now 5G. 5G, the next evolution, is set to open up lots of new use cases for mobile data, thereby opening many new business opportunities. These include the potential to launch brand new products and services like Autonomous vehicles, Augmented / Virtual Reality, Media on Demand which weren't possible before, moving into new markets and increasing productivity. With 5G rollout fast approaching, new 'deep fibre' infrastructure will be required, which will benefit optical fibre and cable manufacturers along with turnkey solution providers. Advent of Internet of Things (IoT) and Machine-to-Machine (M2M) communication are expected to generate even higher demand for internet bandwidth in the coming years.

India has over 450 million internet subscribers. Broadband penetration of just about 25% is way below the prevalent 65–80% penetration in the developed countries. The gap offers sizeable headroom for the growth of broadband segment.

The Government is committed to extending the reach of telecom network to the remote and rural villages, and bridging the digital divide with support from all stakeholders. It is implementing the flagship 'Bharat Net' project in two phases to link each of the 2,50,000 Gram Panchayats of India through optical fibre network. This is the largest rural connectivity project of its kind in the world, and is the first pillar of Digital India Program. It will facilitate the delivery of various e-Services and applications including e-health, e-education, e-governance and e-commerce in the future. Recently, the Government also announced a subsidy of ₹3,600 crore to private telecom players to set-up WiFi in rural areas as part of the second phase of BharatNet Project. The Government of India also plans to auction the 5G spectrum in bands like 3,300 MHz and 3,400 MHz.

With 70% of the population staying in rural areas, the rural market would be a key growth driver in the coming years. The sector shall continue to benefit from strong policy support, rising income and young population. FDIs shall continue to flow with further M&A activities. Internet economy is expected to touch ₹10 trillion (US$ 155 billion) by 2018, contributing around 5% to the country's GDP. The emergence of an affluent middle class is triggering demand for the mobile and internet segments. A young, growing population is aiding this trend (especially demand for smart phones). Around 900 million Indians don't yet have a smartphone and are still offline. Languages on smart phones can unlock further growth.

Railways

Indian Railways is one of the largest rail networks in the world. It covers more than 1,15,000 route kms. To meet the demands of an ever growing and upwardly mobile urban and intra-city travelling population, there is a need for safe, secure and speedy surface transport. Railways, both mainline and urban Metros, are expanding in India like never before to fulfill this need. However, Indian railway systems date back to over a hundred years and have witnessed railway accidents, infrastructure collapse, delayed trains etc. Objectives of Speed and Scale have to go hand in hand. Signaling and Telecom Systems are integral parts of Railways which ensure these objectives. These systems are complex and have evolved over time from mechanical to electronic systems which however need an overhaul and upgradation. This opportunity in the railway segment is huge.

New rail lines also ought to deploy next generation telecom and signaling systems – across passenger and freight transport, cross country lines as well as intra-city metro/mono rail. Additionally, thousands of kilometers of legacy rail lines need a mammoth overhaul in their telecom and signaling system to strengthen speed and safety across Indian railway network.

Indian Railways has recognized this need to renew legacy infrastructure as well as construction of new inter and intra-city passenger and freight rail lines (including metro/mono rail systems) that will deploy next generation telecom and signaling systems. The Government is therefore, undertaking several initiatives to upgrade its aged railway infrastructure and enhance its quality of service. Indian Railways would spend up to USD 12 billion over the next six years to overhaul the signaling system on its entire rail network and promote 'Make in India'. The modernized automation of the signaling system aims to enhance safety and speed up train movement in a congested network. Replacement of the existing signaling network with a state-of-the-art system, proliferation of electronic interlocking systems, introduction of the European Train Control System Level-2 and mobile train radio communication systems are a part of the upgradation agenda of the Railways, which has drawn up a detailed plan to change the system over the next five years.

Defence

The Defence industry has witnessed a powerful influx of progressive reforms. Policy initiatives have been adopted to ensure indigenous manufacturing, efficacious procurement, ease of business and lower entry barriers. Much of India's defence procurement budget is spent on imports. If the private sector can capture a part of what is imported, it would present a huge opportunity for the domestic defence suppliers.

The sector presents vast opportunities for indigenous manufacturers. The five-fold increase in the defence budget of India over the past two decades has been remarkable. In the Budget 2018-19, an amount of over ₹2,95,511 crore has been allocated for Defence – a growth of 7.81% over previous year. Of this, more than ₹99,563 crore have been set aside for Capital expenditure including modernization related expenditure.

The Government is making all efforts to promote this sector for indigenous manufacturing. FDI cap has been raised from 26% to 49% under the automatic route and beyond 49% through Government approval route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The Government has also shifted gears to steer its indigenous defence industry into exports.

The greatest progress can be found in the private sector in its journey from 2001 till date. Large defence projects are witnessing increasing private sector involvement. The private sector is also far more inclined to introduce new technology and products, take quicker decisions, better appreciate customer satisfaction and more importantly give due diligence to labour management and leadership development. The Indian private sector has also come a long way from being a mere supplier of parts, components and raw materials to the public sector defence production units to become a force to reckon with. Various global defence companies have increased their investments into India. There have been various joint-venture announcements in the sector in the last two years. Major A&D companies such as Airbus, Boeing, Lockheed Martin and Safran already have a footprint in the Indian market, with some of them planning further investments.

Smart & Safe Cities

In line with the ambitious plan of developing 100 smart cities, 99 cities have already been selected at an outlay of ₹2.04 lakh crore. These cities have started implementing various projects like smart roads, solar roof and intelligent transport system. Projects worth ₹2,350 crore have been completed and work on projects worth ₹20,850 crore is under progress. Information and communication technology sector stands to gain the most from this opportunity as smart cities endeavor to develop solutions that bring in efficiencies, reduce costs and improve quality of life.

Connectivity technology shall play a role in building better communities, digitally empower citizens

and transform them socially. WiFi technology-led transport solutions are a great way to improve mobility and optimise the use of city public transport in many ways. Parking apps can also provide a way by helping minimise time spent searching for available parking lots. The cloud, the digital economy, Big Data, mobile, and social media are just some of the available technologies to enable government administrators to optimize their citizen-centric services, thus enabling more seamless and easy access to Government and civic services. WiFi is enabling hospitals to advance their digital services while helping medical professionals to manage their time better.

Telecom backbone forms an essential part of Smart Cities which not only provides communication among citizens but automatic response systems to what the citizens need. OFC Connectivity, being the most efficient way of networking, shall lead in providing smart solutions to the cities in all areas including e-governance and services, all kinds of devices and other eco-systems. These networks are required to make cities intelligent in terms of WiFi, Traffic, Surveillance, Data, Disaster Response Management and Command Control Centre. The project therefore, presents immense potential for telecom infra developers as there will be opportunities to develop and/or redevelop communication infra which is integrated and provides smart solutions.

Under the Digital India initiative, the Government of India is looking at WiFi technology as the primary force to connect the unconnected population to the Internet. Proliferation of WiFi services across the country is believed to play a critical role in enabling access to Internet to the farthest corner of the country and provide a ubiquitous connectivity.

A global research report mentioned that the Public WiFi in India has the ability to capture 40 million new connected users by 2019, resulting in at least USD 20 billion being added to the country's GDP. DoT along with state-owned Bharat Sanchar Nigam Ltd. has been pushing the deployment of Public WiFi hotspots across the country thereby helping in the cause of connecting the unconnected.

COMPANY'S PERFORMANCE REVIEW

OFC Manufacturing

Optical Fibre Cables demand grew so rapidly in the past two years, that it surpassed globally available fibre and preform manufacturing capacity, resulting in acute shortage of optical fibre. Sensing this opportunity and in view of future market potential, we decided to go for backward integration and started Greenfield project in Hyderabad, Telangana to manufacture 6.4 Million Fibre Km (mfkm) pa. The initiative is a vital part of our three-pronged strategy i.e. steady expansion of installed capacity, intense development and roll out of next generation value-added OFC and backward integration. Steady evolution of our product mix with rising contribution from value-added special OFC, geographic diversification of market and increasing contribution from exports are integral part of this strategy. We have targeted May 2019 for completion of this Greenfield project. We are also setting up a Greenfield optical fibre cable manufacturing plant in Hyderabad to sustain our leadership position in the OFC market. With this additional facility, HFCL (along with its subsidiary's plant at Chennai) will have an OFC manufacturing capacity of 22 mfkm pa which will enable us to diversify our customer base and explore new markets.

During FY18, our Goa plant developed new compact designs for micro optical fibre cables

with lesser diameters and new dry-dry optical fibre cables. These new variants are extremely popular in FTTx networks. All dry gel free cables support the green cause and restrict the use of petroleum gel altogether, thus helping us to avoid crude-based products in manufacturing. Many product certifications were received including CPR (Construction Products Regulations) for different product variants. The CPR Certification demands stringent product performance in the event of fire and is mandatory now for supplies to European countries. Chennai plant of our subsidiary, HTL Limited got several product & process approvals including TL-9000 certification. HTL Limited also implemented SAP ERP system in order to have better monitoring & control on manufacturing activities. New machines were added for manufacturing of Steel Wire Armored Cables which is popular in many European countries. Also, various alterations and renovations were carried out in the overall infrastructure to enhance efficiency and productivity of the manufacturing plant at Chennai in our subsidiary HTL Limited. Our consistent efforts to have better control on value chain culminated in addition of FRP and GFR manufacturing facilities at the Chennai premises of our subsidiary, HTL Limited. This will enable us to have better control on supply chain.

We are focused on developing innovative solutions for various applications and have developed and marketed our products in more than 50 countries worldwide. We are expanding our reach to various developing countries in the world and contributing to their digitisation plan. In FY18, Company secured a 3-year contract from Nokia for supply of optical fibre cables for Digital Poland Project funded by EU. Likewise, Company is also trying to offer its OFC solutions to many other countries, which are in the process of digitalisation through optical fibre connectivity. In the domestic market, Company, as a preferred vendor, has been supplying Optical Fibre Cables to Reliance Jio, a major telecom operator. Optical Fibre Networks are playing an important role in digital revolution and we can foresee exciting times ahead when the next generation networks will be able to process and transmit huge amount of data generated by new products and services e.g. 5G, M2M, IOT, AI, AR / VR, e-education and healthcare etc.

We maintained our India market share and also grew our exports by 12.50% to close FY18 with consolidated OFC revenues of ₹980 crore. We are determined to grow and maintain our leadership position in the OFC Market.

Telecom Networks & Turnkey Solutions

As a part of our journey to continuously contribute towards building futuristic telecom networks for the nation, we have now completed the execution of extension order of deploying another 48 GSM network sites further deep into LWE areas spread across 6 states. This marks another key achievement with timely successful delivery enabling mobile connectivity in these affected areas. The existing network of 500 plus sites commissioned under this project last year continue to be under our Operation and Maintenance services and offer uninterrupted connectivity in these strategic locations.

Our commitment towards a Digital India further got underlined upon successful completion of execution of BSNL's WiFi network turnkey project worth ₹128.64 crore that entailed setting up of over 3,150 WiFi hotspots and rolling out of WiFi services across 16 states in Northern and Eastern parts of India. Execution of another order worth ₹60 crore of providing WiFi services in Gram Panchayats of 6,000 Access Points of Rajasthan State Government is under progress.

Last year, we were awarded two BSNL projects of Hybrid and IP Microwave worth ₹180 crore thereby helping in upgradation and IPfication of BSNL backhaul network enabling them to offer 4G services. We have already successfully completed shipment of over 7,350 microwave radios across India and additional 2,000 microwave radios are under deployment. Based on our project performance, we are expecting repeat business from BSNL.

During the year under review, against the Advance Purchase Order worth ₹1,245 crore approx (including AMC of ₹298 crore), the Company has received a Purchase Order worth ₹935 crore approx from BSNL for DWDM equipment to be installed on pan India basis for the Defence Forces under Network for Spectrum Program (NFS). NFS project entailing building of a dense wavelength division multiplexing based transmission network for Armed Forces kicked off this year and execution is now underway.

The other NFS Purchase order for implementing GIS based Optical Fibre Network Management System (GOFNMS) worth ₹2,004 crore approx has also been received during the current financial year and the execution is expected to start soon. This Purchase Order is part of a turnkey project and the balance Purchase Order for Operation and Maintenance services for ₹734 crore approx will be issued separately by BSNL.

As part of our upcoming projects, we have already received an Advance Purchase Order from BSNL worth ₹579 crore for establishing a green-energy based GSM network as part of USOF program of connecting unconnected villages of Karbi Anglong and Dima Hasao districts of Assam. The network will include 924 BTS sites and cater to 1,313 villages. The Project has to be rolled out in 18 months' timeframe.

We also have an Advance Purchase Order from BSNL as part of NFS network worth ₹558 crore for implementing high capacity wireless backbone links in strategic locations for Indian Armed Forces spread across India with focus on Northern and Eastern borders and hilly terrains of Jammu & Kashmir. This turnkey project is aimed at delivering broadband connectivity in hilly terrains of Jammu & Kashmir and North Eastern (NE) States, which are not yet covered by the fibre network.

The Company is playing a significant role in rolling out a Pan India 4G infrastructure for Reliance Jio. Your Company is the exclusive Telecom Solution Provider for Reliance Jio in North India covering Jammu & Kashmir, Himachal Pradesh, Haryana, Punjab, Uttar Pradesh, Delhi and Rajasthan.

Bharat Net Project earlier known as NOFN (National Optical Fibre Network) forms one of the Key Pillars of Digital India Program. It is a project of national importance which envisages to connect & provide broadband connectivity to 2,50,000 Gram Panchayats in the country using an optimal mix of underground fibre, fibre over power lines, radio and satellite media which will also involve laying of OFC over electricity poles latest by March 2019. This requires a highly scalable network infrastructure accessible on a non-discriminatory basis, to provide on demand, affordable broadband connectivity of 2 Mbps to 20 Mbps for all households and on demand capacity to all institutions, to realise the vision of Digital India.

During the current financial year, we have received Purchase Orders worth ₹305 crore and ₹278 crore aggregating to ₹583 crore from Bharat Broadband Network Limited for creating Optical Fibre Cable GPON Network and Radio Network in the State of Punjab under Bharat Net Phase-II project of the Government of India.

As a part of public WiFi hotspot program, BBNL has recently come out with an open tender inviting private operators and ISPs to build public WiFi across 2.5 lakh Gram Panchayats (GPs) across the country. Under this tender, there is an expected deployment of about 1.25 million WiFi Access Points across these GPs. These deployments shall offer to the rural population WiFi services that are affordable, scalable and ubiquitously available that shall facilitate the spread of Internet access in rural areas.

At HFCL, we have always been committed to help India achieve its mission of achieving a truly Digital India and connecting the entire population with affordable services.

Having realised the importance of WiFi technology early on, we started investing in research and development of complete WiFi network solution for last one-and-a-half years. Under this initiative, we have successfully developed the complete network solution that is based on latest and upcoming international standards, the commercial production of which is likely to be commenced by end of 2018. While the entire portfolio of products is designed to be world-class and ready to compete with global brands, yet these have been fully designed, developed and manufactured in India with full IPR ownership residing with our Company in India. The complete WiFi network solutions are extremely power efficient and fully compliant to PMA guidelines of Government of India.

Our focus is to target and address this huge WiFi demand using our own products and solutions and offer most affordable yet world-class WiFi services to the entire population of India.

Besides these initiatives and wins, we are bidding actively in the tenders being floated under BharatNet Phase II, meant to give shape to the dream of Digital India. We are also exploring possibilities of Turnkey implementation business outside India.

Railway Telecom & Signaling

We are rising to the occasion in deploying our telecom products as well as network development capabilities towards modernisation of railway signaling and information management framework. We are also exploring meaningful collaboration and co-development opportunities with Indian as well as foreign players to further enhance our value proposition in the railway sector. The Railway business vertical established a little over two years ago, has secured three significant orders with a combined contract value of ₹291 crore. The first order of ₹113 crore was obtained from Alstom Systems India Pvt. Ltd. for setting up a turnkey telecommunication system including OFC network of 343 km length in Phase 1 of the Eastern Dedicated Freight Corridor (EDFC) of the Dedicated Freight Corridor Corporation of India Ltd. (DFCCIL). The second order of ₹95 crore value was from Larsen & Toubro Ltd. for Phase 2 of the Western Dedicated Freight Corridor (WDFC). The third order of ₹83 crore was from China Railway Signal & Communication Co., Ltd for Phase 2 of EDFC. Typically, these contracts involve Design, Manufacture, Supply, FAT, Installation, Testing & Commissioning, Training and DLP at site of the Telecommunication System comprising of various sub-systems viz. OFC, SDH, Data Networking, Dispatch Telephone, EPABX, Master Clock System and Power Supply. To expand the business further, we have submitted bids for turnkey telecommunication solutions through a leading Indian EPC company for construction of metro-rail telecommunication networks overseas.

Defence

Our Defence Business vertical has carried out deep analysis of the short term and long term requirements of our security forces and identified

specific areas of opportunities suitable for us, based on our strength to realise our vision. In our endeavor to provide state-of–the-art equipment to our defence forces, the defence vertical has identified and executed technical co-operation agreements with OEMs who are world leaders in specified fields. Having considered all the pros and cons, we have planned to venture in the manufacture of equipment in three major disciplines i.e. Opto-electronics, Electronic Fuses and Unmanned Aerial Vehicles (UAVs).

We have successfully submitted the RFPs for electronic fuses (the first of its kind in India for approximately US$1 billion with a 10-year supply clause) and some weapon sights for the Indian Army / Paramilitary Forces. Additionally, we have successfully cleared the Technical evaluation for the Mini UAVs Tender for the Indian Army and the Equipment Trial stage will commence soon. We are also actively pursuing the Perimeter security of Air Bases and the Border Management and Surveillance System due for implementation by the Indian Government.

Smart & Safe Cities

Our Smart City business vertical has achieved the order booking of ₹108 crore in FY18. Company has received Letter of Intent from RajComp Info Services Ltd (RISL) for supply, Installation and Commissioning of edge networking equipment under surveillance and Incident response project in the state of Rajasthan. Acquiring the RISL Contract has further strengthened our eligibility in evolving a diverse mix of product, network integration and support services towards making our cities Safe & Smart with effective traffic management system for enhanced connectivity and clutter-free mobility. We have equipped ourselves for greater and much diverse business opportunities that will help us to increase the revenue share from Smart City Opportunities across India in next 2-4 years.

We are focusing on making CCTV Surveillance, Traffic Enforcement and Adaptive Traffic Management System, City Command and Control Centers including Data Centers, ICT Infrastructure as its core strength in order to shape Smart Cities that comprise Smart Elements of ICT across hardware, software, data and analytics. An equal focus is also being allotted towards building a strong foothold in the System Integration space.

The Government has announced allocation of ₹6,169 crore in the budget for the current financial year which is a hike of 54.22% compared to previous

year's allocation. This provides a huge market opportunity in the segments addressable by the Company.

We are addressing opportunities in the areas of providing pan-city solutions in smart city projects by leveraging our past experience in City Surveillance projects and large telecom projects. As per Project implementation status stated in Smart Cities Mission Edition on June 2018, DPR for the projects worth ₹4,200 crore was approved and RFP for the approved projects will be issued by respective SPVs in current FY19.

We have re-evolved our business strategy to select the projects and participate in bids where we can offer innovative solutions through our value-added products and service offerings to suit the requirements of pan-city smart components and integrating them with Command and Control Centre.

We plan to increase revenue from smart city vertical by targeting the 39 cities selected in Round 3 and Round 4 of winning proposals by Smart Cities Mission in last financial year. Total project cost estimated for the 39 cities is ₹12,600 crore towards cost of pan-city solutions.

FINANCIAL OVERVIEW

Revenue from Operations

The net sales during FY18 stood at ₹3,070.08 crore as compared to ₹2,015.95 crore in FY17. The net sales increased by 52% year on year. The net revenue from the Turnkey Contracts & Services in FY18 increased to ₹2,363.58 crore from ₹1,482.66 crore in the previous year. The net sales from Telecom Products rose to ₹720.59 crore from ₹584.14 crore in the previous year.

Operating expenses

The total operating expenses for the FY18 increased to ₹2,825.00 crore from ₹1,850.86 crore in FY17.

EBITDA

During FY18, EBITDA stood at ₹280.83 crore as against ₹199.36 crore in FY17.

Net Profit

Net Profit in FY18 stood at ₹155.03 crore as against ₹123.72 crore recorded in FY17. Followed by full tax regime from FY18, Net Profit margin for the year under review was 5.05% from 6.14% in FY17. The earnings per share for FY18 stood at ₹1.25 per share as against ₹1.01 in the previous year.

Net worth

The net worth of Company has increased during the year under review to ₹1,216 crore from ₹1,043.52 crore in the previous year.

Gross debt

The total debt in FY18 has decreased from ₹494 crore in FY17 to ₹424 crore. The Company also successfully exited from the Corporate Debt Restructuring mechanism.

Capital structure

The paid up equity share capital of the Company stood at ₹123.94 crore.The Company has redeemed 20,12,500 Cumulative Redeemable Preference Shares (CRPS) of ₹100/- each aggregating to ₹20.13 crore at par as per the terms of CRPS. Post redemption the total paid-up share capital of the Company stood at ₹184.31 crore.

Order book

The Company has a robust order book of ₹8,700 crore approx including Advance Purchase Orders (APOs) worth ₹2,750 crore as on 31st July, 2018. This order book is more than 2.5 times of FY18 revenue. Out of the APOs of ₹2,750 crore, Company has already received Purchase Order of ₹583 crore in August, 2018.

RISK MANAGEMENT

In an ever changing and evolving operating environment of today's highly globalized and competitive world, enterprise risk management attracts significant management attention at HFCL. A Risk Management Committee of Directors has also been constituted by us to monitor the risks. While our business risks are similar to those of our peers in varied business domains, we are well placed and continuously monitor the internal and external environment and take concrete measures to mitigate the risks. While there are no major risks that will hamper our performance, we stay prepared to tackle some operating risks that might pose business challenges, as and when they surface.

Economic Risk: The economic risks such as the slowdown in the economy or industry may have an impact on the fundamentals of our Company.

Mitigation: Our Company has expanded its business domain beyond telecom operators to defence, railways and smart city segments. This expansion coupled with the healthy balance sheet shields us from slowdown in a particular sector.

Competition Risk: Our Company has many competitors, which will be competing for the potential business opportunities available to us. This might decrease the chances of winning orders.

Mitigation: We stand out as a total solution provider with proven track record among our customers. We have successfully implemented turnkey projects which help in getting repeat as well as new projects from the same and new customers.

Risk of Delay in completion of Order: There might be delay in completion of orders due to various reasons resulting into imposition of penalties on our Company.

Mitigation: We have strong operational policies with a talented pool of professionals, who are capable of delivering the projects in scheduled/ extended time period.

Foreign Exchange Risk: We deal in imports and exports of raw materials and goods, which are susceptible to currency fluctuations leading to forex losses.

Mitigation: We have professional consultants who monitor the currency fluctuations and help us to take measures like forward contracts and hedging activities to mitigate risk.

Technology Risk: There is continuous up-gradation in the technology which may lead to some of our technology becoming obsolete.

Mitigation: We deal with a lot of innovation and make relentless efforts to upgrade the technology to stay ahead in the market.

Government policy Risk: We deal in several Government projects and any change in policies might impact the business adversely.

Mitigation: The incumbent Government's pro-reform policies are in favour of the industry which promotes ease of doing business.

INTERNAL CONTROL SYSTEMS

We have a sound internal control system to ensure that all assets are protected against loss from any un-authorised use. All transactions are recorded and reported correctly. Our internal control system is further supplemented by the internal audit carried out by M/s Anil & Anil, Chartered Accountants.

Comprehensive policies, guidelines and procedures are laid down for all business processes. The internal control system has been designed to ensure that financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets. The Audit Committee monitors the internal audit system on regular intervals and directs necessary steps to further improve the Internal Control System.

CORPORATE SOCIAL RESPONSIBILITY

We feel that giving back to the community is among the most important and valuable things. Our Company is continuously involved in social welfare activities as part of our well-defined CSR roadmap. The existing list of activities includes medical relief

Scholarship cheques being handed over to students of the IIT, Madras through preventive healthcare, advance healthcare, promoting new age digital learning solutions, supporting underprivileged meritorious students, supporting mentally and physically disabled elderly persons and facilitating effective natural disaster management. We undertake CSR activities through our registered society, HFCL Social Services Society, which was registered in the year 1996.

CSR Initiatives

Potable Healthcare Delivery

We began our structured CSR journey in June 2016 by launching preventive health programme in Solan. At present we are running five Mobile Medicare Vans in different locations at Solan - Himachal Pradesh, Goa, Sardarshahar in Churu district of Rajasthan, Ghazipur - Uttar Pradesh and Hyderabad - Telangana. Our implementation partners for the aforementioned Projects are HelpAge India and Wockhardt Foundation, which are leading NGOs in India in the field of Preventive Health Care. Around 500 individuals of underprivileged community get benefited every day by our preventive health care services. Our facilities are stationed at different locations as per pre-chartered weekly schedule to assist maximum number of patients. The Mobile Medicare Vans consist of professional teams including MBBS Doctor, Lab Technician, Pharmacist and Driver. In addition to this, one SPO, who is a qualified MSW, is also appointed to manage the project and mobilize the community to reach to the maximum beneficiaries. Under these projects, facilities such as Diagnostics, Medicines, Physiotherapy, Blood/Urine tests etc. are provided free of cost. Counseling for patients, family members and caretakers, community awareness campaigns on the rights of elderly to optimize the benefits etc. are also organized from time to time.

Since the inception of the Mobile Medicare Vans services, we have played a pivotal role in the lives of more than 1 lakh marginalized beneficiaries by providing them with quality medical treatments.

Advance Medical Relief

We are providing financial support to Shrimad Rajchandra Sarvamangal Trust, Valsad, Gujarat for corrective surgeries and post OT physiotherapy treatment of the highest quality, free of cost for handicapped, destitute, poor and needy children.

We have also provided funds to Acharya Tulsi Diagnostic Center, Delhi to procure advance medical equipment in order to provide free of cost diagnostic facilities to the underprivileged community.

Digital Learning:

We have adopted Government Girls Inter College, Ghaziabad, Uttar Pradesh and Government Girls Higher Secondary School, Sardarshahar in Churu District of Rajasthan with project implementation partner Extramarks Education Foundation to provide quality education through a new age digital learning solutions. At present around 5,000 students are benefitting from our CSR initiative. We have also identified four more government schools in and around Ghazipur District, Uttar Pradesh to provide same kind of facilities. Ever since we have adopted

New age digital learning solutions deployed at Government Girls Inter College, Ghaziabad, Uttar Pradesh

Fifth Mobile Medicare Van being launched by Shri K. T. Rama Rao, Minister for IT, Industries, MA&UD, NRI Affairs, Telangana the above schools, we have seen a rise in the performance of the students of the respective schools. It is very heartwarming to see a board topper from one of the adopted schools.

We have also provided grant to ISCKON for the distribution of value education books among 12,09,138 students of Kendriya Vidyalaya.

Old Age Home:
We have constructed additional accommodation facilities at Guru Vishram Vridh Ashram Lathira, J P Nagar, Garhmukteshwar, Uttar Pradesh which is a social venture of Saint Hardyal Educational and Orphan Welfare Society (SHEOWS) to provide shelter for more than 100 abandoned Senior Citizens so that they may live their life with dignity and get the required love and care.

Higher Education Grant:
We have sponsored a scholarship for five economically disadvantaged students of the Indian Institute of Technology, Madras for their entire four years of studies.

Other CSR initiatives:
In addition to all above featured CSR initiatives, we are also doing many philanthropic activities i.e. financially supporting small NGOs those who are doing excellent work in their respective fields and creating positive impact on the society with their dedicated and honest efforts. We are also contributing to Natural Disaster Management for supporting displaced people from time to time.

HUMAN RESOURCE DEVELOPMENT

In an ever-evolving world of today, we are cognizant about the fact that our human capital is the most vital and critical differentiator for the growth and sustainable stakeholder value creation. We are committed to bring in agility in the workforce by hiring new and capable talent from the market and also accentuate on rolling out program for developing and retaining the talent. Employees are continuously given opportunities to update and develop their technical and leadership skills towards enhanced Individual performance and increased organizational capability. They are provided a platform for superior performance by giving regular and constructive feedback. Our recognition culture ensures that employees stay motivated and are encouraged towards co-creating a rewarding and engaging culture.

During FY18, the Company has made significant progress on its journey of transformational change. Few of the notable accomplishments have been:

- Creation of Organisational /Functional head scorecards for driving a performance driven culture.
- Introduction of variable pay in the form of PLI at levels from L1-L5.
- Induction of building budding talent pipeline through second batch of Graduate Engineer Trainee (GET) and Management Trainee (MT) SPARK Program.
- Development of the top talent by putting them through prestigious leadership programs with IIMs.
- Employee delight was created through enhanced on-boarding experience for the new joinees' by taking them through structured induction process.
- Resource mapping and re-mapping across business units and departments to make sure 100% manpower engagement.

Special focus was given to:

- Propagating health and awareness campaign and health check-up program across the corporate office and plants.
- Performance awards and management interaction through town-hall practices continue to be integral part of Management and employee interaction forum.
- Zero tolerance towards sexual harassment and Non-discrimination against disability.
- Motivational programs and on-job-training, sports and cultural activities at our plants and sites.
- Promoting flexi-working & introduction of five days a week at corporate office, thereby inculcating the culture of enhanced work-life balance.

In addition, the Company's vision for the current year is:

- Complete digitisation of HR processes through roll-out of "The HUB", for online PMS, LMS and recruitment modules.
- Development programs (Roll-out of Assessment centre) for identified top 50 talent.
- Bringing in HR best practices for employee development like OJT, employee referrals, competency mapping etc.
- Leadership workshop for Business Excellence of the telecom team.
- Defining the Compensation Philosophy for attracting and retaining talent.
- Rolling out of employee engagement survey for getting direct voice of employees.

The Company employed a total of 1,335 employees including 110 female employees on its rolls as on March 31, 2018.

BUSINESS OUTLOOK

We are operating in the high growth business areas of Telecom, Defence, Railways, Smart Cities etc. which will spend about ₹30,000 billion in the near future. With high-speed internet connectivity and seamless data flow becoming a necessity, demand for optical fibre networks is set to spiral upwards. Three key factors that will continue to drive this demand are ever-increasing data demand, Government's growing digitalisation thrust and operators, preparation for 5G service launch. From an end user perspective, 4G offers high-speed data access, almost 10 times higher than 3G. However, only 20 percent of sites in India are fibrised, a number that needs to go upto 80-85 percent by 2022 to support 5G and its enabling technologies such as M2M, IoT, Artificial Intelligence, Augmented / Virtual Reality, etc.

Fibre networks are important for establishment of Defence and other government-related communication networks. Various next-generation technologies such as Long-Term Evolution (LTE) and Fibre to the X (FTTX), which requires seamless connectivity for continuous operation, are expected to drive the optical fibre cables market in India. Internet-driven applications like HDTV, video on demand, etc. have also seen growing demand in the country, which will further accelerate the optical fibre cable market development in India. OFC manufacturing has contributed consolidated revenue of more than ₹980 crore during FY18 as against revenue of ₹700 crore during FY17 showing 40% growth over previous year. With strong order book, proposed capacity expansion during FY19, the trend is likely to continue.

The Government's BharatNet Phase II will see another 4,00,000 km of OFC being installed. The Government is also establishing robust fibre communication networks for defence. The Smart Cities Mission will also generate significant opportunities for the industry as OFC is fundamental to enabling services such as WiFi, video surveillance and security, smart lighting, smart parking and smart traffic management. Going forward, we shall garner business with a mix of telecom players, ISPs, cable TV operators and Bharat Broadband Network Limited, along with Government utilities such as Indian Railways, oil and gas companies, and power transmission and distribution firms.

Telecom operators will spend for expansion and strengthening of the networks, upgrading broadband infrastructure and strengthening the core network. Capex for FY19 is estimated to be around ₹500 billion. Operators are investing in virtualised networks as part of their 4G rollout which shall help commercial launch of 5G by 2020. Pan-India dedicated OFC network by the Government for Indian Armed Forces at a planned outlay of more than ₹246 billion under Network for Spectrum (NFS) project is in progress. During the current FY19, the Company has received orders of ₹2,004 crore for GSM based Optic Fibre Network Management System (GOFNMS) for Defence Communication services. In addition, Purchase Order worth ₹558 crore (including O&M of ₹74 crore) for NFS Microwave Project is expected to be released by Q2 of current FY and the implementation of which will start in current FY from Q3 onwards. The Government has pegged outlay of ₹300 billion for the second phase of BharatNet Project which links 1,50,000 Gram Panchayats through optical fibre-based broadband network. The Company has already received Purchase Orders worth ₹583 crore under BharatNet Phase–II Project of Government of India for Survey, Planning, Supply, Installation, end to end Integration, Testing and Commissioning of Optical Fibre Cable (OFC) GPON network and Radio Network, Operation and Maintenance for a period of six years and facilitating services provisioning of the created network in the State of Punjab. The Government is also fast-tracking its Smart City mission with SPVs getting formed in most of cities. Project cost of 99 cities is budgeted at ₹2,040 billion. Our Company is focusing on various initiatives so that it is able to participate in upcoming opportunities with more value added products and services.

The Government is serious about upgrading and modernizing the railways in terms of safety and security which calls for huge investment in telecom signaling area as well. An outlay of USD 12 billion is planned for revamping the signaling systems. This alone presents a big opportunity for us to participate and garner good amount of business. Proven track record of having already bagged a few such orders through companies like Alstom, L&T, China Railway shall play positive in favour of our Company. Railways have a huge budget for other areas of our operations and we are evaluating those opportunities as well.

As India gears up to spend USD 130 billion on military modernization in the next 5 years, achieving self-reliance in the defence production is a key target for the Government of India. The focus on indigenous manufacturing has opened up the defence industry for private sector participation and is paving the way for foreign original equipment manufacturers to enter into strategic partnerships with Indian companies. Our Company has taken defence sector as a new business segment. We have planned to manufacture electro Optical devices – complete range of night vision devices, mini unmanned aerial vehicles (UAVs) and electronic fuses for the Indian Defence Forces. We are also actively pursuing the Perimeter security of Air Bases and the Border Management and Surveillance System due for implementation by the Government of India.

Therefore, we stand firm to gain from the above opportunities and shall be able to continue our growth trajectory in future.

Directors' Report

To the Members,

The Directors have pleasure in presenting the 31st Annual Report and Audited Accounts for the financial year ended 31st March, 2018.

FINANCIAL RESULTS

(₹in crore)

Particulars	Standalone		Consolidated	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Revenue from Operations (Net)	3070.08	2015.95	3230.56	2131.41
Other Income	19.47	18.57	26.43	21.41
Total Income	**3089.55**	2034.52	**3256.99**	2152.82
Operating Expenses	2676.00	1681.38	2799.91	1778.41
Other Expenditure	130.95	153.78	148.04	166.06
Depreciation and amortization	16.26	15.70	23.22	21.75
Exceptional Items	1.79	-	1.79	-
Total Expenses	**2825.00**	1850.86	**2972.96**	1966.22
Profit before finance cost and tax	264.55	183.66	284.03	186.6
Finance cost*	60.91	59.94	63.63	62.39
Profit before Tax (PBT)	203.64	123.72	220.4	124.21
Tax Expense net of MAT credit entitlement	48.61	-	48.70	0.50
Profit after Tax	**155.03**	**123.72**	**171.70**	**123.71**
Attributable to :				
Shareholders of the Company	-	-	167.87	122.93
Non-controlling interests	-	-	3.83	0.78
Opening balance of retained earnings	629.52	513.17	549.74	434.18
Adjustment with other equity	-	-	-	-
Amount available for appropriation	**784.55**	636.89	**717.61**	557.11
Appropriations				
Debenture redemption reserve	1.06	7.37	1.06	7.37
Capital Redemption Reserve	20.12	-	20.12	-
Closing Balance of retained earnings	**763.37**	629.52	**696.43**	549.74

*Dividend of ₹5.23 crore (excluding tax) on preference shares is part of Finance cost.

INDIAN ACCOUNTING STANDARDS (IND AS)

Your Company's, its subsidiaries and joint venture financial statements for the year ended 31st March, 2018 are the financial statements prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendments Rules, 2016 as applicable.

DIVIDEND

During the year under review, the Board of Directors at its meeting held on 7th November, 2017 has declared and paid first Interim Dividend of ₹3.25 per share on 80,50,000, 6.50% Cumulative Redeemable Preference Shares (CRPS) of ₹100/- each for the financial year ended 31st March, 2018. The Board of Directors at its meeting held on 15th March, 2018 also declared and paid second Interim Dividend of ₹3.25 per share on above CRPS for the financial year ended 31st March, 2018. The Company has made the payment of ₹5.23 crore towards Interim Dividends (excluding tax) on CRPS for the financial year 2017-18.

The Board of Directors at its meeting held on 3rd May, 2018 has recommended a dividend of ₹0.06 (paisa six) i.e. 6% per equity share of ₹1/- each aggregating to ₹7.44 crore (excluding tax) for the financial year ended 31st March, 2018 subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) of the Company.

The dividend payout is in accordance with the Company's Dividend Distribution Policy. The Policy has been uploaded on the Company's website and can be accessed through the following links: http://www.hfcl.com/wp-content/uploads/2017/05/Dividend_Distribution_Policy.pdf.

TRANSFER TO RESERVES

The Company has not transferred any amount to the General Reserve for the financial year ended 31st March, 2018.

CHANGES IN CAPITAL STRUCTURE

As on 31st March, 2018, the paid up capital of the Company stood at ₹184,31,27,194/- comprising of 1,23,93,77,194 equity shares of

₹1/- each amounting to ₹123,93,77,194/- and 60,37,500, 6.50% Cumulative Redeemable Preference Shares (CRPS) of ₹100/- each amounting to ₹60,37,50,000/- aggregating to ₹184,31,27,194/-. During the year, the Company has redeemed 20,12,500, 6.50% CRPS of ₹100/- each aggregating to ₹20,12,50,000 at par as per the terms of CRPS.

During the year under review, the Company has issued and allotted 4,50,00,000 Warrants convertible into equity shares on preferential basis at a price of ₹16/- per warrant to Promoters/Promoter Group of the companies and Non Promoter persons/entity. The Warrant holders have already paid 25% of the issue price and balance 75% of the issue price shall be paid at the time of exercising of Warrants. The Warrants shall be exercised within a period of 18 months form the date of their allotment i.e. 30th October, 2017 in one or more tranches.

The Company has 4,50,00,000 warrants outstanding as on 31st March, 2018. The Warrants are to be converted into equivalent equity shares within 18 months from the date of allotment i.e. 30th October, 2017 upon exercise.

MANAGEMENT DISCUSSION & ANALYSIS (MDA)

Management Discussion & 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 this Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

As per Regulation 33 of the Listing Regulations and applicable provisions of the Companies Act, 2013 read with the rules issued thereunder, the Consolidated Financial Statements of your Company for the financial year 2017-18 have been prepared in compliance with the applicable Accounting Standards and on the basis of Audited Financial Statements of the Company, its subsidiaries and Un-audited Financial Statements of joint venture. The Audited Consolidated Financial Statements together with the Auditors' report form part of this Annual Report.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

M/s HTL Limited, M/s Moneta Finance Private Limited, M/s Polixel Security Systems Private Limited and M/s HFCL Advance Systems Private Limited continue to be the subsidiaries of your Company. DragonWave HFCL India Pvt. Ltd. continues to be a Joint Venture company of your Company and DragonWave Inc., Canada now known as Dragonwave - X Canada Inc., a subsidiary of Transform - X Inc.

A separate statement containing the salient features of financial statements of all subsidiaries of your Company as on 31st March, 2018 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 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 and joint venture company 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/2017/05/Policy-on-Material-Subsidiaries.pdf.

FIXED DEPOSITS

During the financial year 2017-18, 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 also available on the website of the Company.

DIRECTORS & KEY MANAGERIAL PERSONNEL (KMPs)

APPOINTMENTS/RE-APPOINTMENTS

Dr. Ranjeet Mal Kastia, Non-Executive Director is liable to retire by rotation at this ensuing AGM 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 are being given in the Notice convening the 31st AGM of your Company. Your Directors recommend his re-appointment as a Non-Executive Director of your Company.

The Board of Directors on recommendation of the Nomination, Remuneration and Compensation Committee has re-appointed Shri Mahendra Nahata as the Managing Director of the Company for a period of 3 (three) years with effect from 1st October, 2018 subject to approval of shareholders, as his current term of office is up to 30th September, 2018.

During the financial year 2017-18, the Board of Directors appointed Shri Ranjeet Anandkumar Soni as a Nominee Director of IDBI Bank Limited w.e.f. 7th November, 2017 in place of Shri Rajiv Sharma. Shri Ranjeet Anandkumar Soni is proposed to be appointed as a Non-Executive Director, liable to retire by rotation at the ensuing AGM.

Further the Board of Directors appointed Shri Surendra Singh Sirohi and Shri Ved Kumar Jain as Additional/Non-Executive Independent Directors for a period of 3 (three) years w.e.f. 27th August, 2018 subject to the approval of shareholders at the ensuing AGM. Your directors recommend their appointments as an Independent Director.

Shri Mahendra Pratap Shukla and Smt. Bela Banerjee shall complete their second term as an Independent Director and will cease to be Independent Director of the Company with the conclusion of ensuing AGM to be held on 29th September, 2018.

However, the Board of Directors of the Company on the recommendation of Nomination, Remuneration and Compensation Committee at their meeting held on 27th August, 2018 has appointed Shri Mahendra Pratap Shukla as a Non-Executive Director designated as Non-Executive Chairman of the Company w.e.f. 29th September, 2018 . Your directors feel confident that your Company will be immensely benefited by his continuing association with the Board.

COMPLIANCE WITH SECRETARIAL STANDARDS

Your Directors confirm that the Secretarial Standards issued by the Institute of Company Secretaries of India, as applicable to the Company have been complied with.

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/2017/04/HFCL-Familiarisation-Prog.-Idependent-Director.pdf.

ANNUAL EVALUATION OF BOARD PERFORMANCE

Pursuant to the provisions of the Companies Act, 2013 read with the Rules issued thereunder, Regulation 17(10) of the Listing Regulations and the circular issued by SEBI on 5th January, 2017 with respect to Guidance Note on Board Evaluation, the evaluation of the annual performance of the Directors/Board/Committees was carried out for the financial year 2017-18.

The details of the evaluation process are set out 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 V R Jain, CFO and Shri Manoj Baid, Vice-President (Corporate) & Company Secretary continue to be 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. The intervening gap between two meetings of the Board is within the stipulated time frame prescribed in the Companies Act, 2013 and Listing Regulations.

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 a declaration from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the provisions of the Companies Act, 2013 read with the Schedule and Rules issued thereunder as well as Regulation 16(1)(b) of the 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, 2018, 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, 2018 and of the profits of the Company for the financial year ended 31st March, 2018;

(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

S. Bhandari & Co., Chartered Accountants (Firm registration number 000560C) ('SBC') and Oswal Sunil & Company, Chartered Accountants (Firm registration number 016520N) ('Oswal') were appointed as Statutory Auditors for a period of five years for auditing the accounts of the Company from the financial year 2017-18 to 2021-2022 at the Annual General Meeting held on 25th September, 2017. They have confirmed that they are not disqualified from continuing as Auditors of the Company.

The Auditor's observations in the Standalone and Consolidated Auditors' Report are self-explanatory and do not call for any further comments. The Statutory Auditors in the Annexure to the Standalone Auditors' Report have 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.

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 for the financial year 2017-18. 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 2017-18, the 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 hereunder:

(In ₹)

Sr. No.	Names of the Related Party & nature of relationship	Nature of transactions	Cost of acquisition	Amount of consideration
1	HTL Limited (subsidiary under Section 2(87) of the Companies Act, 2013)	High Sea Sale of Plant & Machineries	2,26,54,800/-	2,37,87,540/-

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

During the financial year 2017-18, there were no transactions with related parties which qualify as material transactions under the Listing Regulations.

The details of the related party transactions as required under Ind AS – 24 are set out in Note - 51 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/wp-content/uploads/2017/05/POLICY-ON-RELATED-PARTY-TRANSACTIONS.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 outstanding as at 31st March, 2018 are as follows:

(₹ in crore)

Particulars	Amount
Loans given	31.25
Guarantees given	35.66
Investments made	66.18

Loans, Guarantees and Investments made during the financial year 2017-18:

(₹ in crore)

Name of the entity	Relation	Amount	Particulars of Loans, Guarantees and Investments	Purpose for which the Loans, Guarantees and Investments are proposed to be utilized
Owens-Corning (India) Private Limited	Supplier	3.00	Guarantee	Corporate Guarantee given to M/s Owens-Corning (India) Private Limited on behalf of HTL Limited, a subsidiary of the Company, for the supply of material i.e. glass roving for manufacturing FRP Rods.

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 2017-18 are set out in "**Annexure–D**" of this Report in the format prescribed under 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 in the year 1996.

BUSINESS RESPONSIBILITY REPORT

As stipulated under the Listing Regulations, the 2nd Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective is attached as "**Annexure E**".

CREDIT RATING

Due to significant improvements in the key rating drivers of the Company, CARE Ratings Limited (formerly known as Credit Analysis & Research Limited) ("CARE") on its review has upgraded the Credit Ratings of the Company to A Minus; Stable (Single A Minus ; Outlook : Stable) from BBB+ ; Negative (Triple B Plus; Outlook: Negative).

EMPLOYEES' LONG TERM INCENTIVE PLAN

With the objective to promote entrepreneurial behaviour among employees of the Company, motivate them with incentives and reward their performance with ownership in proportion to the contribution made by them as well as align the interest of the employees with that of the Company, Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan – 2017 ("HFCL Plan 2017") was approved by the Board of Directors of the Company on 26th August, 2017 which was further approved by the members of the Company on 25th September, 2017.

The HFCL Plan 2017 comprises of the following three subset:

1. Employee Stock Option Plan (ESOP) under which Options would be granted
2. Restricted Stock Units Plan (RSUP) under which Units would be granted
3. Employee Stock Purchase Scheme (ESPS) under which shares would be issued

   The In–Principle Approval, for Employee Stock Options ("Options"), Restricted Stock Units ("RSUs") and shares under Employee Stock Purchase Scheme (ESPS) in terms of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 was obtained from National Stock Exchange of India Limited ("NSE") on 15th June, 2018. The BSE Limited ("BSE") has also granted in-principle approval for Options & RSUs on 21st June, 2018 followed by their in–principle approval dated 28th June, 2018 for shares to be issued under ESPS.

   The maximum number of equity shares that may be issued under the HFCL Plan 2017 shall not exceed 2,50,00,000 (Two Crore Fifty Lakh) equity shares of the Company. The maximum number of Options that may be issued pursuant to aforesaid subset is 1,00,00,000 (One Crore) convertible into equal number of equity shares of ₹1/- each of the Company. Similarly, the maximum number of RSUs that may be issued pursuant to the aforesaid subset is 1,00,00,000 (One Crore) convertible into equal number of equity shares of ₹1/- each of the Company. The maximum no. of equity shares reserved under ESPS is 50,00,000 equity shares of ₹1/- each.

   During the financial year ended 31st March, 2018, Company has not granted any Stock Options/RSU/ shares under ESPS in terms of the HFCL Plan 2017.

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 the 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/2017/05/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 a Company Secretary in practice 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(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is set out herewith as **"Annexure–F"** 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

a) Your Company has not issued equity shares with differential rights as to dividend, voting or otherwise;

b) Managing Director of the Company does not receive any remuneration or commission from any of its subsidiaries;

c) No fraud has been reported by the Auditors to the Audit Committee or the Board of the Directors of the Company; and

d) 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. Your Directors further state that the Company has complied with the provisions relating to the constitution of Internal Complaint Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

e) During the year under review, your Company has maintained cost records as prescribed under Section 148(1) of the Companies Act, 2013

CAUTIONARY STATEMENT

Statement in the Management Discussions & 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, Govt. of Telangana, IDBI Bank Limited, State Bank of India, Oriental Bank of Commerce, Punjab National Bank, Bank of Baroda, Union Bank of India, United Bank of India, Yes Bank Limited 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
DIN: 00052977

Place: New Delhi
Date: 27th August, 2018

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 2017-18 is as follows:

(in ₹)

Sl. No.	Name of Director	Total Remuneration	Ratio of remuneration of Director to the Median remuneration
1.	Shri M P Shukla	9,45,000*	1.40
2.	Shri Mahendra Nahata	7,04,05,000	104.08
3.	Shri Arvind Kharabanda	9,45,000*	1.40
4.	Dr. R M Kastia	8,05,000*	1.19
5.	Shri Rajiv Sharma (Up to 6th November, 2017)	70,000*	0.10
6.	Shri Ranjeet Anandkumar Soni** (w.e.f. 7th November, 2017)	1,75,000*	0.26
7.	Smt. Bela Banerjee	5,25,000*	0.78

* Represents to sitting fee. In case of Nominee Directors, the sitting fee is paid to nominating institution.

** Appointed as Nominee Director of IDBI Bank Limited in place of Shri Rajiv Sharma w.e.f. 7th November, 2017.

Notes:

1. The information provided above is on standalone basis.

2. Remuneration to Directors includes sitting fees paid to Non-executive Directors.

3. Median remuneration of the Company for all its employees is ₹6,76,424/- for the financial year 2017-18.

B. Details of percentage increase in the remuneration of each Director, CFO and Company Secretary in the financial year 2017-18 are as follows:

(in ₹)

Sl. No.	Name	Category	Remuneration		Increase (%)
			2017-18	2016-17	
1.	Shri M P Shukla	Independent Director	9,45,000*	5,75,000*	NA
2.	Shri Mahendra Nahata	Managing Director	7,04,05,000	4,70,43,000	49.66%
3.	Shri Arvind Kharabanda	Non-Executive Director	9,45,000*	15,46,164**	NA
4.	Dr. R M Kastia	Non-Executive Director	8,05,000*	3,75,000*	NA
5.	Shri Rajiv Sharma	Non-Executive Director	70,000*	25,000*	NA
6	Shri Ranjeet Anandkumar Soni	Non-Executive Director	1,75,000*	NA	NA
7.	Smt. Bela Banerjee	Independent Director	5,25,000*	3,75,000*	NA
8.	Shri V R Jain	CFO	1,29,59,100	1,12,20,000	15.50%
9.	Shri Manoj Baid	Vice President (Corporate) & Company Secretary	42,16,800	40,16,082	5.00%

* Represents to sitting fee.

**Includes sitting fees of ₹4,75,000/- paid to him as Non-Executive Director w.e.f. 1st June, 2016 in financial year 2016-17.

Note : 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 2017-18:

(in ₹)

Particulars	2017-18	2016-17	Increase (%)
Median remuneration of all employees per annum	6,76,424	6,41,054	5.52%

D. Number of permanent employees on the rolls of the Company as on March 31, 2018:1335

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	2017-18	2016-17	Increase (%)
Average salary of all employees (other than key managerial personnel)	10,06,213	9,40,886	6.94%
Average Salary of Managing Director & Director (Finance)*	7,04,05,000	2,40,57,082	192.66%
Average Salary of CFO and Company Secretary	85,87,950	7,618,041	12.73%

* Shri Arvind Kharabanda was Director (Finance) up to 31.05.2016.

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:

1. Names of the top ten employees of the Company in terms of remuneration drawn and the names of employees who were employed throughout the financial year 2017-18 and were paid remuneration not less than ₹1,02,00,000/- and employees who were employed for a part of financial year 2017-18 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	6,80,00,000	Contractual	MD	B.Com (Hons.) 35 years	01.10.1992	59	Himachal Telematics Ltd. Vice Chairman
2.	Shri Ashwani Gupta	2,50,11,756	Permanent	ED	B.Tech, MBA 37 years	18.05.2015	60	Crompton Greaves Ltd. President
3.	Shri V.R.Jain	1,41,50,290	Permanent	CFO	CA, CS 31 years	15.07.2011	54	Teracom Ltd. CFO
4.	Shri Harshwardhan Pagay	1,09,37,604	Permanent	President	B.E., MBA 23 years	22.10.2012	47	Teracom Ltd. CEO
5.	Shri Jitendra Singh Choudhary	1,00,75,943	Permanent	President	B.E. 23 years	01.04.2017	45	DragonWave HFCL India Pvt Ltd. CEO
6.	Shri Gurdial Singh Khandpur	99,58,442	Permanent	Chief Project Officer	B.E. 25 years	01.01.2016	47	Digivive Services Pvt. Ltd. President
7.	Shri S.K.Garg	93,61,445	Permanent	Senior President	B.E., M.Tech 44 years	01.10.2015	67	Infotel Business Solution Ltd. Chief Project Officer
8.	Shri Vibhas Joshi	74,98,342	Contractual	President	B.Tech, MBA 38 years	01.10.2016	60	Moser Baer India Ltd. Head – SCM
9.	Shri Sushil K Wadhwa	71,06,409	Permanent	Sr. VP	CS,ICMA 36 years	21.07.2011	58	Aircel Ltd. Head Commercial
10.	Shri Hemant Sachetee	70,40,154	Permanent	VP	CA 21 years	25.07.2011	47	Enso Ltd. Vice President

2. Names of the top ten employees of the Company in terms of remuneration drawn and the names of employees who were employed for a part of the financial year 2017-18 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 Y.S. Choudhary	1,54,91,985	Contractual	CEO	B.E., M.E. 49 years	01.06.2009	75	Exicom Tele-Systems Ltd. MD

Notes:

(i) The remuneration shown above comprises salary, allowances, perquisites, performance linked incentive/ Ex-gratia, medical, Company's contribution to provident fund and all other reimbursements, if any.

(ii) None of the employees is related to any director of the Company.

(iii) None of above employee draws remuneration more than the remuneration drawn by Managing 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, 2018

[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

To,
The Members
Himachal Futuristic Communications Limited
CIN : L64200HP1987PLC007466
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 financial year ended 31st March, 2018. 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, 2018 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, 2018 according to the provisions of :–

(i) The Companies Act, 2013 ("the Act") and 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 - **the provisions of the Overseas Direct Investment, and External Commercial Borrowings are not applicable to the Company during the Financial Year 2017-2018;**

(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, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(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 2017-2018) ;**

(f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client **(Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the Financial Year 2017-2018);**

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Financial Year 2017-2018);** and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during the Financial Year 2017-2018) ;**

(vi) Employees Provident Fund and Miscellaneous Provisions Act, 1952;
(vii) Employees State Insurance Act, 1948;
(viii) Factories Act, 1948;
(ix) Indian Contract Act, 1872;
(x) Minimum Wages Act, 1948;
(xi) Payment of Bonus Act, 1965;
(xii) Payment of Gratuity Act, 1972;
(xiii) Payment of Wages Act, 1936;
(xiv) Industrial Disputes Act, 1947;
(xv) Maternity Benefit Act, 1961;
(xvi) Contract Labour (Regulation and Abolition) Act, 1970;
(xvii) Apprentices Act, 1961;
(xviii) 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;

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 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, Independent Directors and a woman Director. 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 compliance 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.

CS BALDEV SINGH KASHTWAL
Place : Delhi **PRACTISING COMPANY SECRETARY**
Dated : May 3, 2018 **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.

"Annexure-A"

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

I report that:-

(a) Maintenance of secretarial records is the responsibility of the management of the Company and to ensure that the systems are adequate and operate effectively. 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, happening of events, etc. wherever required.

(e) The compliance of the provisions of the corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on a random test basis.

(f) 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
Place : Delhi **PRACTISING COMPANY SECRETARY**
Dated : May 3, 2018 **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, 2018
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	Company having Share Capital - Indian Non-Government Company
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*	23.36%
2	Turnkey Contracts and services	42202	76.64%
	* 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/ WTD/Manager	As per Attachment J
VII	PENALTIES/PUNISHMENTS/COMPOUNDING OF OFFENCES:	As per Attachment K

ATTACHMENT - A

III PARTICULARS OF HOLDING, SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

Sl. No.	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	Polixel Security Systems Private Limited D-7, Dhawandeep Appartment 6, Jantar Mantar Road New Delhi–110001	U93000DL2010PTC199073	Subsidiary	100	2(87)
2	HFCL Advance Systems Private Limited 8, Electronics Complex, Chambaghat Solan, Himachal Pradesh–173213	U29253HP2015PTC000880	Subsidiary	100	–do–
3	Moneta Finance Private Limited 8, Electronics Complex, Chambaghat Solan, Himachal Pradesh–173213	U65921HP1995PTC017088	Subsidiary	100	–do–
4	HTL Limited G.S.T. Road, Guindy, Chennai–600032	U93090TN1960PLC004355	Subsidiary	74	–do–
5	DragonWave HFCL India Pvt. Ltd. 8, Commercial Complex, Masjid Moth Greater Kailash-II, New Delhi–110048	U64200DL2010PTC211117	Joint Venture	49.90	2(6)

Attachment - B

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 01.04.2017)				No. of Shares held at the end of the year (As on 31.03.2018)				% 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	555397	0	555397	0.045	-0.01
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	474126801	0	474126801	38.255	-0.66
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**	**474682198**	**0**	**474682198**	**38.300**	**-0.67**
(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 (A)= (A)(1)+(A)(2)	**482923114**	**1100**	**482924214**	**38.965**	**474682198**	**0**	**474682198**	**38.300**	**-0.67**
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	1159771	3830	1163601	0.094	1152791	3830	1156621	0.093	0.00
b) Banks/FIs	85475902	1100	85477002	6.897	30307138	1100	30308238	2.446	-4.45
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) FIIs	3120649	5620	3126269	0.252	1305200	5620	1310820	0.106	-0.15
h) Foreign Venture Capital Funds	0	0	0	0.000	0	0	0	0.000	0.00
i) Others (specify)									
i) Foreign Banks	1705	3600	5305	0.000	1705	3600	5305	0.000	0.00
ii) Foreign Portfolio Investors	41102600	0	41102600	3.316	77794526	0	77794526	6.277	2.96
SUB TOTAL: (B)(1)	**131381627**	**14150**	**131395777**	**10.602**	**111082360**	**14150**	**111096510**	**8.964**	**-1.64**
(2) Non Institutions									
a) Bodies Corporates	262609494	31070	262640564	21.191	259435869	32170	259468039	20.935	-0.26
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹1 lakh	268512314	364987	268877301	21.695	302184706	363975	276248659	22.289	0.594
ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakh	85886263	0	85886263	6.930	75880578	0	102180600	8.245	1.315
c) Others									
Trusts	103144	0	103144	0.008	77644	0	77644	0.006	0.00
Overseas Corporate Bodies	37250	1000	38250	0.003	37250	1000	38250	0.003	0.00
Foreign Nationals	8000	0	8000	0.001	1000	0	1000	0.000	0.00
Clearing Members	1871690	0	1871690	0.151	6502082	0	6502082	0.525	0.37
NRIs	5507331	124660	5631991	0.454	8958932	123280	9082212	0.733	0.28
SUB TOTAL: (B)(2)	**624535486**	**521717**	**625057203**	**50.433**	**653078061**	**520425**	**653598486**	**52.736**	**2.30**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**755917113**	**535867**	**756452980**	**61.035**	**764160421**	**534575**	**764694996**	**61.700**	**0.67**
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)	**1238840227**	**536967**	**1239377194**	**100.000**	**1238842619**	**534575**	**1239377194**	**100.000**	**0.00**

Attachment - C

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 01.04.2017)			Shareholding at the end of the year (As on 31.03.2018)			% 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	51.00	23,83,90,000	19.24	51	0.00
2	NextWave Communications Pvt. Ltd.	21,23,65,000	17.13	56.38	21,23,65,000	17.13	56.38	0.00
3	Fitcore Tech-Solutions Pvt. Ltd.	2,24,00,000	1.81	0.00	2,24,00,000	1.81	0	0.00
4	Apex Enterprises (India) Ltd.*	58,71,195	0.47	6.81	0	0	0	-0.47
5	Kalyan Vyapaar Pvt. Ltd.*	10,98,174	0.09	0.00	0	0	0	-0.09
6	Vinsan Brothers Pvt. Ltd.	6,71,600	0.06	0.00	6,71,600	0.06	0	0.00
7	Burlington Finance Ltd.*	6,64,200	0.05	98.77	0	0	0	-0.05
8	Anant Nahata	4,70,000	0.04	51.00	4,70,000	0.04	51.00	0.00
9	Yashodham Merchants Pvt. Ltd. *	3,50,000	0.03	0.00	0	0.00	0.0	-0.03
10	Shankar Sales Promotion Pvt. Ltd.	3,00,201	0.02	0.00	3,00,201	0.02	0.0	0.00
11	Amrit Sales Promotion Pvt. Ltd.*	1,72,700	0.01	0.00	0	0.00	0.0	-0.01
12	Babulal Nahata*	82,407	0.01	0.00	0	0.00	0.0	-0.01
13	Mahendra Nahata	73,477	0.01	0.00	73,477	0.01	0.0	0.00
14	Manik Lal Nahata (Since deceased)	11,920	0.00	0.00	11,920	0.00	0.0	0.00
15	Vaibhav Credit & Portfolio Pvt. Ltd.*	2,800	0.00	0.00	0	0.00	0.0	0.00
16	Anil Kumar Nahata*	540	0.00	0.00	0	0.00	0.0	0.00
	Total	**48,29,24,214**	**38.97**	**50.24**	**47,46,82,198**	**38.31**	**50.89**	**-0.66**

BSE Limited (''BSE'') vide its letter no. LIST/COMP/ VK/04/2017-18 dated 3rd April, 2017 & LIST/COMP/VK/31/2017-18 dated 20th April, 2017 & National Stock Exchange of India Limited ("NSE") vide its letter no. NSE/LIST/01057 dated 6th April, 2017 have approved Company's application for re-classification of above promoter shareholders as public shareholders under the provisions of Regulations 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, hence these shareholders are no longer part of promoters.

Attachment - D

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

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

Particulars	Shareholding at the beginning of the Year (As on 01.04.2017)		Cumulative Shareholding during the year (01.04.2017 to 31.03.2018)	
	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 Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
Apex Enterprises India Ltd*	58,71,195	0.47	0.00	
Kalyan Vyapaar Pvt Ltd*	10,98,174	0.09	0.00	
Burlington Finance Ltd*	6,64,200	0.05	0.00	
Yashodham Merchants Pvt Ltd*	3,50,000	0.03	0.00	
Amrit Sales Promotion Pvt Ltd*	1,72,700	0.01	0.00	
Babulal Nahata*	82,407	0.01	0.00	
Vaibhav Credit & Portfolio Pvt Ltd*	2,800	0.00	0.00	
Anil Kumar Nahata*	540	0.00 (0.67)	0.00	
At the end of the year (as on 31st March, 2018)	47,46,82,198	38.30	47,46,82,198	38.30

* BSE Limited (''BSE'') vide its letter no. LIST/COMP/ VK/04/2017-18 dated 3rd April, 2017 & LIST/COMP/VK/31/2017-18 dated 20th April, 2017 & National Stock Exchange of India Limited ("NSE") vide its letter no. NSE/LIST/01057 dated 6th April, 2017 have approved

Company's application for re-classification of above promoter shareholders as public shareholders under the provisions of Regulations 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, hence these shareholders are no longer part of promoters and accordingly there is a decrease of 82,42,016 equity shares in the promoters shareholding during the year under review.

Attachment - E

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 01.04.2017)		*Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding at the end of the year (As on 31.03.2018)	
		No. of Shares	% of the total shares of the Company			No. of Shares	% of total shares of the Company
1	IDBI BANK LTD.	79337501	6.40	-54296872	Sale	25040629	2.02
2	RELIANCE INDUSTRIAL INVESTMENTS AND HOLDINGS	48532764	3.92	0	NA	48532764	3.92
3	MKJ ENTERPRISES LIMITED	28385461	2.29	4023000	Purchase	32408461	2.61
4	INFOTEL TELECOM INFRASTRUCTURE PRIVATE LIMITE	11068876	0.89	0	NA	11068876	0.89
5	JAIKARNI HOLDINGS PRIVATE LIMITED	10604236	0.86	-2604236	Sale	8000000	0.65
6	DIMENSIONAL EMERGING MARKET VALUE FUND	9091420	0.73	-1657286	Sale	7434134	0.60
7	SHAREKHAN FINANCIAL SERVICES PVT. LTD.	8902650	0.72	-7215511	Sale	1687139	0.14
8	VISHANJI SHAMJI DEDHIA	8180000	0.66	405000	Purchase	8585000	0.69
9	EMERGING MARKETS CORE EQUITY PORTFOLIO	7678781	0.62	61671	Purchase	7740452	0.62
10	WISDOMTREE INDIA INVESTMENT PORTFOLIO, INC.	6650016	0.54	-1404518	Sale	5245498	0.42
11	ICICI BANK LIMITED	4124435	0.33	-482933	Sale	3641502	0.29
12	MV SCIF MAURITIUS	5608710	0.45	995951	Purchase	6604661	0.53
13	GMO EMERGING DOMESTIC OPPERTUNITIES FUND, AS	0	0.00	20814127	Purchase	20814127	1.68
14	MARYADA BARTER PVT. LTD.	3074511	0.25	-870000	Sale	2204511	0.18
15	GLOBE CAPITAL MARKET LIMITED	2104825	0.17	251661	Purchase	2356486	0.19

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

Attachment - F

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

(e) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name	Shareholding: No. of Shares at the beginning (01.04.2017) / at the end of the year (31.03.2018)	Shareholding: % of the total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01.04.2017 to 31.03.2018): No. of Shares	Cumulative Shareholding during the year (01.04.2017 to 31.03.2018): % of total shares of the Company
A	**DIRECTORS**							
1	Shri M P Shukla Non-Executive Independent Chairman	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00
2	Shri Mahendra Nahata Managing Director	73477	0.01	1-Apr-17	0	Nil movement during the year		
		73477	0.01	31-Mar-18			73477	0.01
3	Shri Arvind Kharabanda Non-Executive Director	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00
4	Dr. R M Kastia Non-Executive Director	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00
5	Smt. Bela Banerjee Non-Executive Independent Director	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00
6	Shri Rajiv Sharma Nominee Director IDBI Bank Ltd (up to 06.11.2017)	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	6-Nov-17			0	0.00
7	Shri Ranjeet Anandkumar Soni Nominee Director IDBI Bank Ltd (w.e.f. 07.11.2017)	0	0.00	7-Nov-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00
B	**Key Managerial Personnel (KMP)**							
1	Shri V R Jain CFO	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00
2	Shri Manoj Baid Vice President (Corporate) & Company Secretary	0	0.00	1-Apr-17	0	Nil movement during the year		
		0	0.00	31-Mar-18			0	0.00

Attachment - G

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
Indebtness at the beginning of the financial year (As at 01.04.2017)				
i) Principal Amount	443.33	50.65	-	493.98
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.62	0.46	-	1.08
Total (i+ii+iii)	443.95	51.11	-	495.06
Change in Indebtedness during the financial year				
Additions	4.86	21.52	-	26.38
Reduction	95.84	1.72	-	97.56
Net Change	(90.98)	19.80	-	(71.18)
Indebtedness at the end of the financial year (As at 31.03.2018)				
i) Principal Amount	352.97	70.91	-	423.88
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	0.66	-	0.66
Total (i+ii+iii)	**352.97**	**71.57**	**-**	**424.54**

Attachment – H

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	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax. 1961	5,63,15,333	5,63,15,333
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	57,09,267	57,09,267
	(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)	**6,20,24,600**	**6,20,24,600**
	Ceiling as per the Act	₹10,52,04,325(being 5% of the profits of the Company calculated as per Section 198 of the Companies Act, 2013)	

Attachment - I

(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 Arvind Kharabanda Director**	**Shri Rajiv Sharma**	**Shri Ranjeet Anandkumar Soni**	
1	Independent Directors							
	(a) Fee for attending board/ committee meetings	9,45,000	5,25,000	-	-	-	-	14,70,000
	(b) Commission	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-
	Total (1)	9,45,000	5,25,000	-	-	-	-	14,70,000
2	Other Non Executive Directors							
	(a) Fee for attending board committee meetings			8,05,000	9,45,000	70,000	1,75,000	19,95,000
	(b) Commission							
	(c) Others, please specify.							
	Total (2)			8,05,000	9,45,000	70,000	1,75,000	19,95,000
	Total (B)=(1+2)	**9,45,000**	**5,25,000**	**8,05,000**	**9,45,000**	**70,000**	**1,75,000**	**34,65,000**
	Overall Ceiling as per the Act.	₹2,10,40,865/- (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/Whole-time Director/Manager

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Shri V R Jain CFO	**Shri Manoj Baid Vice- President (Corporate) & Company Secretary**	
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	1,33,58,338	35,53,920	1,69,12,258
	(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	**1,33,97,938**	**35,86,320**	**1,69,84,258**

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)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

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 focusing:

(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 centre 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/wp-content/uploads/2016/01/CSR-Policy.pdf.**

2. The composition of the CSR Committee:

The composition of the CSR Committee as on 31st March, 2018 is as under:

Name of the Member	Status
Shri Mahendra Nahata Managing Director	Chairman
Shri M P Shukla Chairman	Member
Shri Rajiv Sharma Nominee Director (IDBI Bank Ltd.) (up to 06.11.2017)	Member
Shri Ranjeet Anandkumar Soni Nominee Director (IDBI Bank Ltd.) (w.e.f. 07.11.2017)	Member

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

3. Average Net Profit of the Company for last three financial years: ₹173.59 crore

4. Prescribed CSR Expenditure: ₹3.47 crore

1. Details of CSR spent for the financial year:

a) Total amount to be spent for the financial year: ₹3.47 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 during the year under review	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	49,82,900	89,88,800	HelpAge India (Implementing Agency)
2	Basic Health Care	-do-	Goa	97,47,401	29,11,276	71,05,282	HelpAge India (Implementing Agency)
3	Basic Health Care	-do-	Sardarshahar, Churu - Rajasthan	1,05,62,771	35,00,248	65,93,841	HelpAge India (Implementing Agency)

(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 during the year under review	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
4	Basic Health Care	-do-	Ghazipur, Uttar Pradesh	1,05,52,000	27,16,000	27,16,000	Wockhardt Foundation (Implementing Agency)
5	Basic Health Care	-do-	Hyderabad, Telangana	1,00,42,000	20,10,000	20,10,000	Wockhardt Foundation (Implementing Agency)
6	Specialized Health Care for underprivileged community	Promoting Health Care	Valsad, Gujarat	20,00,000	20,00,000	20,00,000	Shrimad Rajchandra Sarvamangal Trust (Implementing Agency)
7	Specialized Health Care for underprivileged community	Promoting Health Care	New Delhi	10,00,000	10,00,000	10,00,000	TEYUP Samaj-Acharya Tulsi Diagnostic Center (Implementing Agency)
8	Old Age Home	Old Age Care	Gharhmukteshwar Uttar Pradesh	75,00,000	75,00,000	75,00,000	Saint Hardyal Educational and Orphans Welfare Society (SHEOWS) (Implementing Agency)
9	Education	Higher Education	Chennai, Tamil Nadu	60,00,000	60,00,000	60,00,000	IIT – Madras (Implementing Agency)
10	Education	Quality education through new age digital learning solution	Sardarshahar, Churu - Rajasthan	22,55,600	21,65,600	21,65,600	Extramarks Education Foundation (Implementing Agency)
11	Education	Equal education for underprivileged children	PAN India	46,00,000	46,00,000	46,00,000	Capalik Foundation, Samarpan, M.S. Welfare Society, Lok Bharti Education Society Sardarshahar Parishad, Manushi Sangathan (Implementing Agencies)

(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 during the year under review	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
12	Education	Promoting Moral Education among school children	PAN India	52,00,000	52,00,000	52,00,000	International Society for Krishna Consciousness (Implementing Agency)
		Total		**8,22,08,968**	**4,45,86,024**	**5,58,79,523**	

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, ₹2.75 crore approx. (Rupees Two Crore Seventy Five Lakh Only) being part CSR expenditure has been given to HSSS during the financial year ended 31st March, 2018. The HSSS has engaged implementing agencies who have good background of doing CSR activities.

The Company has also spent ₹72 lakh (Rupees Seventy Two Lakh Only) directly on various CSR activities during the financial year ended 31st March, 2018.

Apart from the above expenditure, during the year under review Company has also spent ₹52 lakh approx. (Rupees Fifty Two Lakh Only) towards the administrative overheads to build CSR capacities of the personnel of the Company. The Company has incurred ₹ 3.99 crore approx. (Rupees Three crore Ninety Nine Lakh Only) towards CSR expenditure during the financial year ended 31st March, 2018 which is more than 2% of average net profits of the Company made in last three financial years. During the year under review, HSSS and Company has spent ₹4.46 crore on the various ongoing CSR Projects as stated above.

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 had 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" (SMMU) will address the problems of inaccessibility, 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 crore approx. (Rupees One crore Twenty Seven Lakh Only) under this Project effective from 28th March, 2016 to 27th March, 2019. The Company has already spent ₹89.89 lakh under this project till 31st March, 2018.

The HSSS had also signed another Memorandum of Understanding with HelpAge India to provide basic health care facility under the programme called "Mobile Medicare Unit" (MMU) 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 lakh approx. (Rupees Ninety Seven Lakh Only) which will be spent effective from 28th March, 2016 to 27th March, 2019.The Company has already spent ₹71.05 lakh under this Project till 31st March, 2018.

The HSSS has also signed Memorandum of Understanding with HelpAge India to provide basic health care facility under the programme called "Mobile Medicare Unit" (MMU) to our rural vulnerable community with special focus on the elderly people of Sardarshahar in Churu district of Rajasthan. The total project cost is ₹1.06 crore approx. (Rupees One Crore Six Lakh Only) which will be spent from 9th September, 2016 to 8th September, 2019. The Company has already spent ₹65.94 lakh under this Project till 31st March, 2018.

The HSSS has also signed Memorandum of Understanding with Wockhardt Foundation to provide basic health care facility under the programme called "Mobile Medicare Clinic" (MMC) to our rural vulnerable community of Ghazipur, Uttar Pradesh. The total project cost is ₹1.06 crore approx. (Rupees One Crore Six Lakh Only) which will be spent from 12th September, 2017 to 22nd October, 2020. The Company has already spent ₹27.16 lakh under this Project till 31st March, 2018.

The HSSS has also signed Memorandum of Understanding with Wockhardt Foundation to provide basic health care facility under the programme called "Mobile Medicare Clinic" (MMC) to our rural vulnerable community of Ranga Reddy district in Telangana where Company is setting up Optical Fibre Manufacturing Facility. The total project cost is ₹1.00 crore approx. (Rupees One Crore Only) which will be spent from 2nd February, 2018 to 11th March, 2021. The Company has already spent ₹20.10 lakh under this Project till 31st March, 2018.

Free of cost services such as consultations, medicines, physiotherapy, blood/ urine tests, counseling for patients, elders, family members and caretakers, community awareness on the rights of elderly community, linkage with Govt. schemes/ programmes to optimize the benefits were provided through aforesaid SMMU, MMU(s) and MMC(s).

Performance at a glance of above SMMU, MMU(s), MMC(s) during the financial year 2017-18

Particulars	Total Beneficiaries treated	Total Physiotherapy conducted	Total Lab Test conducted	Average Beneficiaries per day
SMMU - Solan - Himachal Pradesh	22242	4049	4450	92
MMU - Goa	20279	-	4022	84
MMU - Sardarshahar, Churu - Rajasthan	24503	-	7102	102
MMC - Ghazipur - UP (w.e.f. 21st October, 2017)	13474	-	679	134
MMC - Hyderabad (w.e.f. 12th March, 2018)	1335	-	77	133
Total	**81833**	**4049**	**16330**	

The HSSS has also joined hands with Shrimad Rajchandra Sarvamangal Trust, Dharampur, Valsad, Gujarat to provide specialized medical treatments by way of corrective surgery and post OT physiotherapy treatment of high quality for handicapped children of underprivileged community for a period of one year from 28th March, 2018 to 27th March, 2019. The total project cost of ₹20 lakh has already been funded by HSSS. We have also provided funds to Acharya Tulsi Diagnostic Center, Delhi to procure advance medical equipment in order to provide free of cost diagnostic facilities to under privileged community.

The HSSS has joined hands with Saint Hardyal Educational and Orphan Welfare Society (SHEOWS) and constructed one floor for women's wing of their Old Age home situated at Gharhmukteshwar, Uttar Pradesh. The total project cost of ₹75 lakh (Rupees Seventy Five Lakh Only) has already been spent. This will help around 100 abandoned women Senior Citizens to live with dignity and required love and care. The aforesaid project will be monitored by the HSSS for a period of three years w.e.f. 21st September, 2017 to 20th September, 2020.

The Company has sponsored a scholarship for economically disadvantaged students of the Indian Institute of Technology, Madras. The HSSS has contributed ₹60 lakh (Rupees Sixty Lakh Only) for the four year B. Tech Programme of students of IIT, Madras under this Project.

To provide the quality education to the children of underprivileged community, the HSSS has joined hands with ExtraMarks Education Foundation and adopted Government Girls Higher Secondary School, Sardarshahar in Churu district of Rajasthan to provide quality education through new age digital learning solution on 2nd November, 2017. Total project cost for this project is ₹22.66 lakh approx. (Rupees Twenty Two Lakh Sixty Six Thousand only). The HSSS will monitor the above project for a period of three years w.e.f. 2nd November, 2017 to 1st November, 2020.

The Company has joined hands with International Society for Krishna Consciousness and provided grant of ₹52 lakh (Rupees Fifty Two Lakh Only) to distribute value education books among 12,09,138 students of Kendriya Vidyalaya situated across India.

The HSSS/Company has also joined hands with several other NGOs i.e. Capalik Foundation, Samarpan, M.S. Welfare Socity, Lok Bharti Education Society, Sardarshahar Parishad, Manushi Sangathan etc. to support underprivileged community and facilitate them to provide equal education to the children of weaker society. The HSSS/Company has already spent ₹46 lakh (Rupees Forty Six Lakh Only) on the above 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

Business Responsibility Report

As a responsible corporate citizen, Himachal Futuristic Communications Limited (HFCL) presents its Business Responsibility Report (BRR), in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs), as released by the Ministry of Corporate Affairs in July 2011. The report has been prepared in accordance with Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Over the last three decades, we have manufactured high technology telecom products and implemented several telecom networks in the field of Wireless Transmission & Access, Optical Transport & Access, Satellite Network, CDMA / GSM Networks, WiFi Networks, Surveillance Networks etc. Since its inception, the Company has implemented over 25,000+ 2G/3G cell sites infrastructure and rolled out over 100,000 km of optical fibre cable networks for telecommunication, railways, oil & gas companies and high security networks for defence forces and internal security establishments.

The Company is presenting its second Business Responsibility Report forming part of its Annual Report 2017-18 hereunder:

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

S. No	Particulars	Remarks
1.	Corporate Identity Number (CIN) of the Company	L64200HP1987PLC007466
2.	Name of the Company	Himachal Futuristic Communications Limited
3.	Registered Address	8, Electronics Complex, Chambaghat, Solan – 173 213, Himachal Pradesh Tel: +91-1792-230644
4.	Website	www.hfcl.com
5.	E-mail id	secretarial@hfcl.com
6.	Financial year reported	2017-18
7.	Sector(s) that the Company is engaged in (industrial activity code wise): [Source: National Industrial Classification Code (NIC)]	Optical Fibre Cable-27310* Turnkey Contracts and services-42202
8.	List three key products/services that the Company manufactures/ provides (as in balance sheet)	The Company is into the manufacturing of telecom products and providing telecom turnkey contracts & services.
9.	Total no. of locations where business activity is undertaken by the Company	**National locations:** Plants located at Solan (Himachal Pradesh) and Salcete (Goa), Turnkey contracts and services are provided on Pan India basis. **International locations:** Nil
10.	Markets served by the Company	Local √ / State √ / National √ / International √

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid up equity share capital	₹123.94 crore
2.	Total turnover	₹3070.08 crore
3.	Total profit after tax	₹155.03 crore
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of Profit after tax (%)	2.57%
5.	List of activities in which expenditure in 4 above has been incurred	i. Running Specialized Mobile Medicare Unit (SMMU) Solan, Himachal Pradesh ii. Running Mobile Medicare Unit (MMU) Goa and Sardarshahar in Churu district of Rajasthan iii. Running Mobile Medicare Clinic (MMC) in Ghazipur, Uttar Pradesh and Hyderabad, Telangana iv. Providing quality education through new age digital learning solutions in Ghaziabad and Sardarshahar in Churu district of Rajasthan. v. Providing specialized healthcare in Valsad, Gujarat and New Delhi vi. Created infrastructure for an Old Age Home in Garhmukteshwar, Uttar Pradesh vii. Sponsoring higher education at IIT, Madras viii. Promoting equal education for underprivileged children etc.

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

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?

The Company has four subsidiaries viz. HTL Limited, Moneta Finance Private Limited, HFCL Advance Systems Private Limited and Polixel Security Systems Private Limited.

2. Do the Subsidiary Company/Companies participate in the Business Responsibility (BR) initiatives of the parent company? If yes, then indicate the number of such subsidiary companies:

Subsidiary companies are not directly involved in the Company's BR initiatives.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%,More than 60%]:

Other entities are not directly involved with the Business Responsibility initiatives of the Company.

SECTION D: BUSINESS RESPONSIBILITY INFORMATION

1) Details of Director(s) responsible for BR

a). Details of Director responsible for implementation of BR policy(ies):

S. No.	Particulars	Details
1.	DIN number	00052977
2.	Name	Shri M P Shukla
3.	Designation	Chairman

b). Details of BR head

S. No.	Particulars	Details
1.	DIN number (if applicable)	-
2.	Name	Shri Manoj Baid
3.	Designation	Vice President (Corporate) & Company Secretary
4.	Telephone Number	011-30882624
5.	E-mail id	secretarial@hfcl.com

2) Principle-wise (as per NVGs) BR Policy / policies

The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs (MCA) have identified nine areas of Business Responsibility which have been coined in the form of nine business principles. These principles (P1 to P9) are as under:

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
P3	Businesses should promote the well-being of all employees.
P4	Businesses should respect the interests of and be responsive towards all the stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
P5	Businesses should respect and promote human rights.
P6	Businesses should respect, protect and make efforts to restore the environment.
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
P8	Businesses should support inclusive growth and equitable development.
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

a) Details of compliance (Reply in Y / N):

S. No.	Questions	Ethics, Transparency and Accountability	Product responsibility	Wellbeing of Employees	Stakeholders' Engagement	Human Rights	Environment	Public Policy	Inclusive Growth	Customer Relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies on the BR principles?	Y	Y	Y	Y	N	Y	N	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	N	Y	Y	N	Y	N	Y	Y
3	Does the policy confirm to any national/ international standards? If yes, specify?	Y	Y	Y	Y	N	Y	N	Y	Y
4	Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?	Y	N	N	Y	N	N	N	Y	N

S. No.	Questions	Ethics, Transparency and Accountability	Product responsibility	Wellbeing of Employees	Stakeholders' Engagement	Human Rights	Environment	Public Policy	Inclusive Growth	Customer Relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
5	Does the company have a specified Committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	N	Y	N	Y	Y
6	Indicate the link for the policy to be viewed online?	Code of Conduct (i)	Internal	Internal	CSR Policy (ii)	N	Internal	N	CSR Policy (ii)	Internal
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	The Business Responsibility Policy has been communicated to all key internal stakeholders of the Company.								
8	Does the company have in-house structure to implement the policy/policies.	The Committee of Board of Directors is responsible for implementation of the BRR Policy at macro level. At micro level the business heads are responsible for its implementation.								
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/policies?	The Company has a vigil mechanism policy which provides redressal mechanism for different stakeholders. The existing Business Reponsibility policy also contains grievance redressal mechanism.								
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

(i) a. http://www.hfcl.com/wp-content/uploads/2016/02/Code-of-business-conducts-Ethics_Directors.pdf

b. http://www.hfcl.com/wp-content/uploads/2017/05/Code-of-Business-Conduct-and-Ethics-Senior-Management-Personnel.pdf

(ii) http://www.hfcl.com/wp-content/uploads/2016/01/CSR-Policy.pdf

Note:

Elements of all above referred 9 (nine) national voluntary guideline principal are enshrined in our Business Responsibility Policy. Business Responsibility Policy is available online for both internal and external stakeholders and has been approved by the Board of Directors of the Company.

b) If answer to question at Sr. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

S. No.	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principle(s).									
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles.									
3	The Company does not have financial or manpower resources available for the task.									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year.									
6	Any other reason (please specify).					*		*		

* Suitable Decision for policies will be taken at an appropriate time.

3) Governance related to BR

a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assesses the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.

The Board/Committee would review the BR performance at least annually.

b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes the Business Responsibility Report ("BRR") is published annually as part of the Annual Report. The First BRR was published in 2016-17.

The BRR for both the years alongwith Business Responsibility Policy of the Company can be accessed at http://www.hfcl.com/archive#corporate-covernance-arc.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

HFCL's practices highest standard of ethics, transparency and accountability in its business conduct. Its code of conduct mandates that every directors and senior management shall conduct himself with utmost professionalism, honesty and integrity, while conforming to high moral and ethical standards.

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

Anti-bribery and Anti-corruption policy applies to all individuals worldwide working for all affiliates and subsidiaries of HFCL at all level and grades.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has a Grievance Redressal mechanism for receiving complaints from different stakeholders, viz. shareholders, customers, employees, vendors, etc. There are dedicated resources to respond to the complaints within a stipulated time. During the year under review, the Company did not receive any complaints relating to ethics, bribery and corruption from any stakeholders.

Principle2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Safety and sustainability guides HFCL across all its business operations. The Company endeavours to minimize the consumption of natural resources and energy in its offices, manufacturing units, transportation of raw material and finished goods and Engineering, Procurement and Construction (EPC) of telecom networks on behalf of its customers. Optimising copier paper by using the both sides of it, usage of recyclable cardboard or wooden boxes for packaging, route optimisation and sharing of vehicles for staff and product transportation, laying of underground OFC cables without removing any tree, etc. depict Company's ethos and sensitivity towards safer and sustainable delivery of its products and services.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

HFCL manufactures Optical Fibre Cables (OFC) with various type of designs and always take care of environmental concerns, while designing cables by selecting raw material which meets compliance obligations.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product:

i) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

a. All the raw materials which are used to manufacture optical fibre cables are RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) compliance. HFCL also got CPR compliance (DCA & ECA Class) for its popular product families and is further working to achieve higher classes of CPR Compliance.

b. Reduction in diameter of Optical Fibre Cables (Micro Cables) by approx. 10% which has resulted in reduction in various raw materials for manufacturing of Optical fibre Micro cables and helped in conservation of resources.

c. New designs manufactured where use of Jelly, which is a petroleum product is eliminated and instead dry water blocking tape is introduced and used. These dry tube/ dry core designs helps in reduction in use of petroleum products.

d. Water which is used in manufacturing process is continuously recycled with effective effluent recycling process and hence there is reduction in fresh water consumption.

e. During manufacturing process, noise level reduction is taken care of by providing enclosure to all machines which produces noise.

f. HFCL always looking at ways to reduce scrap generation. The Company has several internal projects which targets reduction in waste generation during cable manufacturing. At product purchase end, the Company is using recyclable filling gel drums, plastic spools and steel drums to reduce scrap generation.

g. Rubber wood used in packaging of finished product and it does not create any hazardous impact to environment as it is a biodegradable material.

h. HFCL also has certificate of compliance to Underwriters Laboratory, USA in accordance with its safety standards for some of its Optical fibre cables.

ii) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

We have used Solar Power at all the 567 BTS sites in LWE project thereby avoiding the use of Diesel Generators which are normally used as backup power supply for the BTS and

Microwave radios. In fact in our case, almost all the sites are running using Solar power.

Each site needs approx 350 watts of power. Assuming a 12 hour consumption of this power per day, we are saving about 126 KWHr energy per month per site.

3. **Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

The key focus of the Company's supply chain management remains on identifying and associating with established vendors with a proven track record of product and/or service delivery over a longer period of time. Most of the raw materials are sourced through long-term contracts with reputed suppliers.

4. **Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding the place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

While the Company sources most of its input material and services from the organized sector, it endeavours to deploy localized sourcing whenever possible. In its EPC business, it sources construction material like cement, sand, aggregate, bricks, paint, brush etc. from vendors operating in vicinity of each project site. While professional and skilled manpower of the project management team comprises of permanent employees of the Company and/or its contract vendors, the Company tries to source semi-skilled and unskilled manpower from local community and impart necessary skills.

5. **Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

Packing cardboards	>10%
Waste wooden & plastic pallets	>10%
Empty metal barrels & plastic containers	>10%
Polythene bags	>10%
Plastic bobbins	>10%
Waste cable pieces	>10%

Principle 3: Businesses should promote the well-being of all employees.

The Company considers its Human Capital as one of the most valuable assets. The Company ensures strict adherence to safety policies by all its employees. The Company celebrates safety/ environment week to make the employees aware of safety and environmental norms. In order to achieve a healthy, happy and productive employee pool, the Company extends Pre-Employment & Annual Health Check-ups, Occupational and Skill Enhancement Training, Maternity/ Paternity benefits, Insurance (Health, Accident, Life) , subsidized food, transport facility for late working and night shift working etc.

The Company fosters a spirit of higher camaraderie and higher performance levels through a host of initiatives including celebration of birthdays, bestowing of rewards & recognitions, etc.

1. **Please indicate the total number of employees.**

As on March 31, 2018, the Company employed 1,335 people on its rolls.

2. **Please indicate the total number of employees hired on temporary/contractual/casual basis.**

A total of 46 employees were hired on temporary/contractual/ casual basis.

3. **Please indicate the number of permanent women employees.**

As on March 31, 2018, the Company had 127 permanent women employees.

4. **Please indicate the number of permanent employees with disabilities.**

The Company has no permanent employees with disabilities.

5. **Do you have an employee association that is recognized by the management?**

The Company has one employee association.

6. **What percentage of your permanent employees are members of the recognised employee associations?**

Out of the total 1,335 workforce, about 6.97% of the total employees are members of recognized employee association.

7. **Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending as on the end of the financial year.**

The Company received no complaints pertaining to child labour, forced labour, involuntary labour, sexual harassment, discriminatory employment during the FY18. There are no such pending cases as on March 31, 2018.

8. **What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**

Safety and skill enhancement training is provided to all permanent employees, contractual/ temporary/ casual employees.

Principle 4: Businesses should respect the interests of, and be responsive towards all the stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

In its pursuit of sustainable development of its business and also telecom network of India and the other international geographies of its interest, HFCL recognizes and respects the interest of all its stakeholders - employees, customers, telecom using consumers, shareholders, lenders, vendors, governments, regulators, and community at large. No discriminatory treatment is given to any of the stakeholders. Various social initiatives viz providing medical facilities to the marginalized older person and their communities living around Solan, Goa, Sardarshahar, Ghazipur and Hyderabad have been taken under Company's CSR activities under the preventive healthcare programs. The Company's other CSR activities include advance healthcare, new age digital learning solutions, supporting under privileged meritorious students, supporting mentally and physically challenged elderly persons.

1. **Has the Company mapped its internal and external stakeholders? Yes/No.**

   Yes.

2. **Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?**

   Out of its diverse stakeholders, the Company has identified the community surrounding its business operations as the disadvantaged, vulnerable and marginalized stakeholders.

3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof in maximum 50 words.**

   The Company has identified the target communities and community-specific empowerment programs, devised an implementation plan, aligned with the implementation partners and has rolled out some community benefit programs with a impact assessment mechanism in place. The details of Company's Community Development Initiatives are provided in the CSR section as an **Annexure 'D'** to the Directors' Report.

Principle 5: Businesses should respect and promote human rights.

The Company respects and promotes human rights.

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?**

   Clause 5.1 of the Business Responsibility Policy deals with the provision relating to the promotion of human rights. The Company recognized and respects human rights of all relevant stakeholders and groups.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   The Company received no stakeholder complaints in the year gone by relating to human rights violation.

Principle 6: Businesses should respect, protect and make efforts to restore the environment.

The Company conducts its business operations in highly environment sensitive manner with a sharper focus on conservation and restoration of environment.

1. **Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/ Contractors /NGOs/others?**

   The said policy is also extended down the line and applicable to our contractors and suppliers.

2. **Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming etc.? Yes/No. If yes, please give hyperlink for web page etc.**

   Yes. A safe and healthy working environment is the Company's top priority. The Company shall continuously seek to improve environmental performance by adopting cleaner production methods, promoting use of energy efficient and environmental friendly technologies.

3. **Does the Company identify and assess potential environmental risks? Yes/No**

   Yes. The Company's Environmental Management System is ISO 14001 certified. Environmental impacts are studied for all various activities. All the raw materials used to manufacture optical fibre cables are RoHS complaint. As a part of E-Waste recycling, HFCL always dispose E-waste by safely handing over to approved E-waste Vendors. Optical Fibre Cable is laid by using Horizontal drilling method thus avoiding damage to the trees and shrubs. The earth is restored wherever pits are dug.

4. **Does the Company have any project on Clean Development Mechanism? If so, provide details thereof, in maximum 50 words. Also, if yes, whether any environmental compliance report is filed?**

   No

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

   The Goa plant has taken many initiatives towards energy conservation including installation of power efficient LED mid-bay fitting, optimising natural light through efficient roof sky lighting and rain water harvesting. HFCL's OFC turnkey division has deployed Solar Power in setting up GSM network for BSNL. The Company use VOC free material in PCB assembly instead of alcohol based material. The Goa Plant has also setup a Sewage treatment plant (STP) of capacity 30 KL per day to recycle all its domestic waste water. The treated water is used for gardening purpose thus saving water. At Goa plant all street lighting has been replaced with high efficiency LED street lights thus reducing power consumption. The Goa plant has also installed high efficiency compressed air suction devices on sheathing lines to reduce consumption of compressed air and noise.

6. **Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB (Central Pollution Control Board)/SPCB (State Pollution Control Board) for the financial year being reported?**

   Yes.

7. **Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

   The Company has not received any show cause/ legal notices in relation to emission/pollution regulators for the financial year 2017-18.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

The Company practices utmost responsibility in policy advocacy.

1. **Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with.**

   Yes. The Company is a member of several key Indian industry associations namely, The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Federation of Indian Chamber of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), Telecom Equipment Manufacturers Association of India (TEMA), Goa Chamber of Commerce and Industry & Verna Industrial Association.

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No. If yes, specify the broad areas (Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others, etc.)**

   The Company actively participates in discussions pertaining to issues/policies related to Telecom and IT.

Principle 8: Businesses should support inclusive growth and equitable development.

The Company strongly believes in an even and fair distribution of created economic value towards homogenizing socio-economic development in an inclusive and equitable manner.

1. **Does the Company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8? If yes provide the details thereof.**

   The Company is following a well-defined CSR roadmap and undertakes CSR activities through its registered society i.e. HFCL Social Services Society, which was established by the Company in 1996. The Company intends to make preventive healthcare, medical relief, sanitation & potable water, hunger & malnutrition eradication, rural development and quality education as the key areas of CSR intervention. The detailed CSR initiatives of the Company have been presented in the Annual Report on the CSR activities which is marked as "**Annexure - D**" to the Directors' Report.

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/ any other organisation?**

   The Company undertakes its CSR initiatives through its registered society i.e. HFCL Social Services Society ("HSSS") established by the Company in the year 1996. HFCL and HSSS have joined hands with the many NGOs to undertake the CSR Projects of HFCL. Some of the NGOs/implementing agencies with whom HFCL and HSSS have joined hands are HelpAge India, Wockhardt Foundation, Extramarks Education Foundation, Saint Hardyal Educational and Orphan Welfare Society (SHEOWS), TEYUP Samaj Acharya Tulsi Diagnostic Centre, Shrimad Rajchandra Sarvamangal Trust etc.

3. **Have you done any impact assessment of your initiative?**

   HFCL has put in place a monitoring mechanism for its various CSR activities. HelpAge India/ Wockhardt Foundation has recruited a Social Protection Officer with each of the five SMMU/MMUs to mobilise greater participation of the targeted communities. In digital learning initiative, the Company monitors the development through frequent interactions with the principal and also surprise visits of schools. The HFCL/HSSS has been doing regular field visits and obtains progress reports from the implementing agencies on frequent intervals. The HFCL/HSSS also regularly interacts with the beneficiaries and other stakeholders.

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

   Necessary particulars in connection with contribution towards CSR activities are provided in the "Report on CSR activities" forming part of this Annual Report, hence not repeated for the sake of brevity.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

   The effectiveness of CSR Projects of the Company are regularly reviewed and monitored.

   Based on experience and on-the-ground learning from CSR programmes, we plan to devise specific ways for enhancing participation and adoption towards the target communities.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Cognizant of the powerful role that telecommunication plays in unlocking the latent socio-economic potential of any society, HFCL serve all its customers with best in class products and/or services with complete transparency, dependability and responsibility.

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

   The Company does not have any customer complaints or consumer cases pending as at March 31, 2018.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information).**

   The Company's products are not meant for direct consumption by the retail consumers. The Company does not display product information over and above those mandated.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on the end of financial year. If so, provide details thereof, in about 50 words or so.**

   There is no case filed/pending against the Company regarding unfair trade practices, irresponsible advertising or anti-competitive behavior as on March 31, 2018.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

   No. The Company's business is of B2B nature and hence does not entail any retail consumer interface. However, the Company seeks structured feedback from its customers from time to time.

Annexure (F) to Directors' Report

Information required under 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): ₹8.16 crore

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹in crore)

Particulars	Financial Year Ended 31.03.2018	Financial Year Ended 31.03.2017
Foreign exchange earned in terms of actual inflows	100.20	48.91
Foreign exchange outgo in terms of actual outflows	171.59	133.97

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.

A report on compliance with the implementation of Regulation 34(3) read with Chapter IV and Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "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"

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 the Listing Regulations as well as the Companies Act, 2013. As on 31st March, 2018, 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, 3 (three) Non-Executive Directors including 1 (one) Nominee Director of IDBI Bank Limited, a Lender and 1 (one) Promoter Managing Director as on 31st March, 2018. The Chairman of the Board is a Non- Executive Independent Director. He will cease to be an Independent Director of the Company at ensuing Annual General Meeting (AGM) of the Company. He is proposed to be appointed as a Non-Executive Director designated as Non-Executive Chairman at the ensuing AGM.

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 ended 31st March, 2018, 8 (Eight) Board Meetings were held on 10.05.2017, 29.06.2017, 10.08.2017, 26.08.2017, 07.11.2017, 22.01.2018, 09.02.2018 and 15.03.2018. The Last AGM was held on 25th September, 2017.

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

Name of the Director	Director Identification No.	Category	No. of other present Directorships held in public companies	No. of Board Meetings		Attended last AGM (25.09.2017)	Shareholdings in the Company
				Held	Attended		
Shri Mahendra Pratap Shukla	00052977	NEID	1	8	8	Yes	Nil
Shri Mahendra Nahata	00052898	PD [MD]	3	8	7	No	73477
Shri Arvind Kharabanda	00052270	NED	-	8	8	Yes	Nil
Dr. Ranjeet Mal Kastia	00053059	NED	3	8	8	No	Nil
Shri Rajiv Sharma* (IDBI Bank Ltd.- Nominee)	01342224	NED	-	4	2	No	Nil
Shri Ranjeet Anandkumar Soni** (IDBI Bank Ltd.- Nominee)	07977478	NED	-	4	4	N.A.	Nil
Smt. Bela Banerjee	07047271	NEID	3	8	7	Yes	Nil

* ceased to be a Director w.e.f. 7th November, 2017.

** Appointed as Nominee Director of IDBI Bank Limited in place of Shri Rajiv Sharma w.e.f. 7th November, 2017.

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

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 Mahendra Pratap Shukla	1. HTL Ltd.	Himachal Futuristic Communications Ltd.	Audit	Chairman
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Chairman
			Himachal Futuristic Communications Ltd.	Nomination, Remuneration and Compensation	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.**	Nil	Nil	Nil
3.	Shri Arvind Kharabanda	Nil	Himachal Futuristic Communications Ltd.	Audit	Member
			Himachal Futuristic Communications Ltd.	Stakeholders Relationship	Member
4.	Dr. Ranjeet Mal 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 and Compensation	Member
			HTL Ltd.	Audit	Member
5.	Shri Rajiv Sharma (up to 6th November, 2017)	NIL	NIL	NIL	NIL
6.	Shri Ranjeet Anandkumar Soni (w.e.f. 7th November, 2017)	Nil	Nil	Nil	Nil
7.	Smt. Bela Banerjee	1. Media Matrix Worldwide Ltd. 2. Adhunik Power & Natural Resources Ltd. 3. The Braithwaite Burn and Jessop Constructions Co. Ltd.	Himachal Futuristic Communications Ltd.	Nomination, Remuneration and Compensation	Chairperson
			Himachal Futuristic Communications Ltd.	Audit	Member
			Media Matrix Worldwide Ltd.	Nomination & Remuneration	Chairperson
			Adhunik Power & Natural Resources Ltd.	Audit	Member
			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

Listing Regulations mandate the Board of listed companies to monitor and review the Board Evaluation framework. Section 134(3) of the Companies Act, 2013 read with the Rule 8 of the Companies (Accounts) Rules, 2014 issued thereunder further provides that a formal annual evaluation needs to be made by the Board of its own performance and that of its Committees and individual Directors. The Schedule IV of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 17(10) of the Listing Regulations states that the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.

After taking into consideration the Guidance Note on Performance Evaluation of Board dated 5th January, 2017 published by SEBI, a questionnaire was prepared to evaluate the performance of the Board, Committees of the Board and individual performance of each Director including the Chairman of the Company.

The Questionnaire for evaluation of performance of the Directors were prepared based on various aspects which amongst other parameters included the level of participation of the Directors, understanding of the roles and responsibilities of Directors, understanding of the business and competitive environment in which the Company operates, understanding of the strategic issues and challenges for the Company, protecting the legitimate interest of the Company, shareholders and employees, implementation of best corporate governance practice etc.

The parameters for performance evaluation of Board includes composition of the Board, process of appointment to the Board of directors, common understanding that the different Board members have understanding of the roles and responsibilities of the Board, timeliness for circulating the board papers, content and the quality of information provided to the Board, attention to the Company's long term strategic issues, evaluating strategic risks, overseeing and guiding major plans of action, acquisitions, divestment.

Some of the performance indicators for the Committees include understanding of the terms of reference, effectiveness of the discussions at the Committee meetings, information provided to the Committee to discharge its duties and performance of the Committee vis-à-vis its responsibilities, composition of the Committee with the appropriate mix of experience, knowledge and skills.

Pursuant to Regulation 17(10) of the 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 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.

Basis the feedback received on questionnaire from all the Directors, the performance evaluation of the Board as a whole, Committees of the Company, Chairperson of the Company and individual directors was found satisfactory.

2.7 Independent Directors

Your Company had at its 29th Annual General Meeting (AGM) held on 29th September, 2016 has appointed Shri Mahendra Pratap Shukla and Smt. Bela Banerjee as Independent Directors to hold office for second term of 2 (two) consecutive years for a term up to the conclusion of 31st 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). Accordingly Shri Mahendra Pratap Shukla and Smt. Bela Banerjee cease to be Independent Director of the Company with the conclusion of 31st Annual General Meeting to be held on 29th September, 2018.

The Board of Directors of the Company at their meeting held on 27th August, 2018 has appointed Shri Surendra Singh Sirohi and Shri Ved Kumar Jain as Independent Director of the Company for a consecutive period of three years w.e.f. 27th August, 2018 to 26th August, 2021 subject to the approval of shareholders in the ensuing AGM.

Independent Directors have submitted a declaration that they meet the criteria of Independence as per the provisions of the 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 (seven) listed companies. The Company has issued the formal letter of appointment to the Independent Directors in the manner provided under the Companies Act, 2013 and Listing Regulations.

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 personnel's. All Independent Directors strive to be present at such meetings. Independent Directors at their meeting interact and discuss matters including review of the performance of the Non-Independent Directors and the Board as a whole, review of the performance of the Chairman of the Company taking into account views of Executive/Non-Executive Directors and assessing the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During the financial year ended 31st March, 2018, 1 (one) meeting of Independent Directors was held on 30th March, 2018.

2.9 Familiarisation Programme for Independent Directors

Regulation 25(7) of the Listing Regulations mandates the Company to familiarise 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/ Senior Managerial Personnel conduct programmes/ presentations periodically to familiarise the Independent Directors with the strategy, business and operations of the Company.

Such programmes/presentations 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 Familiarisation 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/2017/04/HFCL-Familiarisation-Prog.-Idependent-Director.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 and Compensation 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 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 provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the 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 following are the members and their attendance at the Committee Meetings held during the financial year ended 31st March, 2018:-

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	4	4
Shri Arvind Kharabanda	Member	4	4
Smt. Bela Banerjee	Member	4	4

During the financial year ended 31st March, 2018, the Audit Committee met 4 (Four) times on 10.05.2017, 10.08.2017, 07.11.2017 and 09.02.2018.

3.2 Nomination, Remuneration and Compensation Committee

The Board of Directors of the Company has constituted a Nomination, Remuneration and Compensation 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 including their remuneration.
- 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.
- Administer, implement and superintend the Employees' Long Term Incentive Plan.
- 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, 2018.

Name of Director	Status	No. of Meetings	
		Held	Attended
Smt. Bela Banerjee	Chairperson	3	3
Shri M P Shukla	Member	3	3
Dr. R M Kastia	Member	3	3

During the financial year ended 31st March, 2018, the Nomination, Remuneration and Compensation Committee met 3 (three) times on 10.05.2017, 26.08.2017 and 09.02.2018.

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/ Whole-time Director:

The Company has adopted a Remuneration Policy for Directors, Key Managerial Personnel and other Employees, regulated by the Nomination, Remuneration and Compensation 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 is paid on the scale determined by the Nomination, Remuneration and Compensation Committee /Board of Directors within limits approved by the shareholders at the General Meeting.

The details of remuneration paid to the Executive and Non-Executive Directors during the financial year 2017-18 are given below :-

(in ₹)

Name of Director	Salary	Allowances	Perks etc.	Contribution to PF	Sitting Fee	Total
Category A - Executive Directors						
Shri Mahendra Nahata Managing Director	5,00,00,000	98,26,529	21,73,471	60,00,000		6,80,00,000
Category B – Nominee Director (Non-Executive Directors)						
Shri Rajiv Sharma* Non-Executive Director (IDBI Nominee)	-	-	-	-	70,000	70,000
Shri Ranjeet Anandkumar Soni** Non-Executive Director (IDBI Nominee)	-	-	-	-	1,75,000	1,75,000
Category C – Non-Executive Independent Directors/ Non-Executive Directors						
Shri M P Shukla Non-Executive Independent Director-Chairman	-	-	-	-	9,45,000	9,45,000
Smt. Bela Banerjee Non-Executive Independent Director	-	-	-	-	5,25,000	5,25,000
Dr. R M Kastia Non-Executive Director	-	-	-	-	8,05,000	8,05,000
Shri Arvind Kharabanda Non-Executive Director	-	-	-	-	9,45,000	9,45,000

* Ceased to be a director w.e.f 7th November, 2017

** Appointed as Nominee Director of IDBI Bank Limited in place of Shri Rajiv Sharma w.e.f. 7th November, 2017

The non-executive directors were paid sitting fee of ₹35,000/- for every Board / Committee meeting attended by them. In case of Nominee Directors, sitting fee is paid to nominating institution.

Details of fixed components and performance linked incentives along with the performance criteria

The details of fixed components are mentioned aforesaid in the table and there is no performance linked incentive along with the performance criteria for Managing Director as on 31st March, 2018.

Service contracts, notice period, severance fees

The appointment of the Managing Director is governed by resolutions passed by the Shareholders of the Company, which covers the terms and conditions of such appointment, read with the service rules of the Company. A separate service contract is not entered into by the Company with the Managing Director. 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. No severance fee is payable to any Director.

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

The Company has already received in-principle approval from National Stock Exchange Limited (NSE) and BSE Limited

(BSE) vide their letter dated 15th June, 2018 and 21st June, 2018 respectively for the listing upto a maximum of 2 Crore equity shares to be issued under HFCL Employees Long Term Incentive Plan -2017 ("HFCL Plan – 2017"). Pursuant to aforesaid approval Company can issue upto 1 Crore options under Employee Stock Option Plan (ESOP) and 1 Crore units under Restricted Stock Units (RSU's) Plan. The Company has also received in-principle approval from NSE and BSE vide their letter dated 15th June, 2018 and 28th June, 2018 respectively for listing upto a maximum of 50 Lakh equity shares to be issued under Employee Stock Purchase Scheme. During the financial year ended 31st March, 2018, no stock options/units/ shares were allotted under the HFCL Plan – 2017.

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, Remuneration and Compensation 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 ₹35,000/- for attending each Board and its committee meetings. Remuneration of KMPs and senior management personnel is decided by the Nomination, Remuneration and Compensation Committee/Managing Director. The remuneration to other employees is fixed as per principles outlined above and prevailing HR Policies of the Company.

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.

The Nomination, Remuneration and Compensation Committee also administers, implements and superintend the HFCL Long Term Incentive Plan-2017 through HFCL Employee Trust.

3.4 Stakeholders Relationship Committee

The composition of the Stakeholders 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, 2018, the Committee consists of one Non-Executive Independent Director, two Non-Executive Directors 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 etc. 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, 2018, the Stakeholders Relationship Committee met 7 (Seven) times on 31.07.2017, 30.10.2017, 04.12.2017, 08.01.2018, 24.01.2018, 07.03.2018 and 28.03.2018. The followings are the members and their attendance at the Committee Meetings:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri M P Shukla	Chairman	7	6
Dr. R M Kastia	Member	7	7
Shri Arvind Kharabanda	Member	7	7

Details of the Shareholders' complaints:

Number of Shareholders' complaints received during the financial year 2017-18	47
Number of complaints not resolved to the satisfaction of shareholders as on 31st March, 2018	NIL
No. of pending complaints as at 31st March, 2018	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 2017-18 except in cases which are constrained by disputes and legal impediments. There were no investor grievances remaining unattended/pending as at 31st March, 2018.

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/ dematerialisation 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, 2018:

Name of Director	Status	No. of Meetings	
		Held	Attended
Shri Mahendra Nahata, Managing Director	Chairman	1	1
Shri M P Shukla Non-Executive Independent Director	Member	1	1
Shri Ranjeet Anandkumar Soni Nominee Director - IDBI Bank Ltd. (w.e.f. 07.11.2017)	Member	1	1
Shri Rajiv Sharma Nominee Director - IDBI Bank Ltd. (up to 06.11.2017)	Member	0	0

During the financial year ended 31st March, 2018, 1 (One) meeting of the Corporate Social Responsibility Committee was held on 30.03.2018.

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 the 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.
- Reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes.
- Performing such other functions as may be necessary for the performance of its oversight function.

Though Regulation 21 of the 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 has voluntarily constituted the Risk Management Committee of Directors of the Company for effective risk management.

The following are the members of the Risk Management Committee.

Name of Director	Status
Shri Mahendra Nahata	Chairman
Shri M P Shukla	Member
Shri Arvind Kharabanda	Member

4. General Body Meetings

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

Year	AGM	Location	Date	Time
2016-2017	AGM	Mushroom Centre, Solan	25-09-2017	11:00 A.M.
2015-2016	AGM	Mushroom Centre, Solan	29-09-2016	11:00 A.M.
2014-2015	AGM	Mushroom Centre, Solan	30-09-2015	10:00 A.M.

No EGM was held in last three years.

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

Year	AGM	Subject matter of Special Resolutions	Date	Time
2016-17	AGM	• To increase the remuneration of Shri Mahendra Nahata (DIN:00052898), the Managing Director of the Company	25-09-2017	11:00 A.M.
		• To consider and approve HFCL Employees' Long Term Incentive Plan-2017 and its implementation through trust		
		• To consider and approve extending benefits of HFCL Employees' Long Term Incentive Plan-2017 to the employees of subsidiary companies		
		• To consider and approve authorization to HFCL Employees Trust to subscribe, acquire, hold, transfer shares under the HFCL Employees' Long Term Incentive Plan-2017		
		• To consider and approve granting loans to HFCL Employees Trust for subscription of HFCL shares under HFCL Employees' Long Term Incentive Plan-2017		
		• To Issue Convertible Warrants on preferential basis		
2015-2016	AGM	• To re-appoint Shri Mahendra Pratap Shukla (DIN:00052977) as an Independent Director	29-09-2016	11:00 A.M.
		• To re-appoint Smt. Bela Banerjee (DIN:07047271) as an Independent Director		
		• To consider and approve re-classification of Promoters of the Company		
		• 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		
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.

Postal Ballot

No special resolution was put through postal ballot during the financial year 2017-18.

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

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 generally published in Financial Express, Jansatta and Divya Himachal.

Website, where displayed

The financial results and the official news releases are also placed on the Company's website www.hfcl.com in the 'Investors' 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. The information required to be disclosed under Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are disseminated at the website of the Company.

Presentations made to institutional investors or to the analysts

Information which are already in public domain are shared with the institutional investors/financial analyst from time to time. No unpublished price sensitive information is discussed in meeting/presentation with the institutional investors/ financial analyst.

6. General Shareholders' Information

6.1 Date, time and venue of Annual General Meeting

29th September, 2018 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan - 173213 (H.P.)

6.2 Financial Year

1st April, 2017 to 31st March,2018

6.3 Dividend Payment Date

The Board of Director of your Company has recommended a dividend of ₹0.06 (paisa six) i.e. 6% per equity share of ₹1/- each for the financial year 2017-18. Dividend, if declared, in the AGM, will be paid within the statutory time limits i.e. 30 days from the date of AGM.

6.4 Date of Book Closure

24th September, 2018 to 29th September, 2018 (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 2018-2019.

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, 2017	16.95	12.80	9367.15	9075.15
May, 2017	16.05	12.80	9649.60	9269.90
June, 2017	13.60	11.85	9709.30	9448.75
July, 2017	19.15	11.95	10114.85	9543.55
August, 2017	19.20	14.50	10137.85	9685.55
September, 2017	35.95	18.05	10178.95	9687.55
October, 2017	31.40	22.95	10384.50	9831.05
November, 2017	32.00	26.30	10490.45	10094.00
December, 2017	32.15	25.65	10552.40	10033.35
January, 2018	36.65	28.60	11171.55	10404.65
February, 2018	32.25	23.35	11117.35	10276.30
March, 2018	30.70	24.65	10525.50	9951.90

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

Share 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 a required.

The Total Number of equity shares transferred/transposed in physical forms during the financial year 2017-18

Number of Transfer	4
Number of shares	680

6.17 Distribution of Equity Shareholdings as on 31st March, 2018

No. of Equity Share held (₹)	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Upto 5000	231389	95.615	138741048	11.194
5001 - 10000	5309	2.194	41078995	3.315
10001-20000	2336	0.965	34879836	2.814
20001-30000	920	0.380	23113639	1.865
30001-40000	327	0.135	11652179	0.940
40001-50000	325	0.134	15408580	1.243
50001-100000	563	0.233	42276433	3.411
100001 & above	582	0.240	925724402	74.693
Clearing Member	251	0.104	6502082	0.525
Total	**242002**	**100.000**	**1239377194**	**100.000**

6.18 Categories of Equity Shareholding as on 31st March, 2018

Sl. No.	Category	Shares	%
A	**Promoters Holding**		
1	Indian Promoters	474682198	38.30006
2	Foreign Promoters	-	-
	Sub Total (A)	**474682198**	**38.30006**
B	**Public Shareholding**		
1	**Institutional Investors**		
a)	Mutual Funds/UTI	1156621	0.09332
b)	Venture Capital Funds	-	-
c)	Alternate Investment Funds	-	-
d)	Foreign Venture Capital Investors	-	-
e)	Foreign Portfolio Investors	77794526	6.27691
f)	Financial Institutions and Banks	30308238	2.44544
g)	Insurance Companies	521000	0.04204
h)	Provident Funds/Pension Funds	-	-
i)	Any Others(specify)		
	i) Foreign Institutional Investors	1310820	0.10577
	ii) Foreign Banks	5305	0.00043
	Sub Total (B1)	**111096510**	**8.96391**
2	**Central Government/State Government(s)/President of India**		
	Sub Total (B2)	**0**	**0**
3	**Non Institutional Investors**		
a)	Indian Public	378429259	30.53382
b)	NBFCs Registered with RBI	-	-
c)	Employee Trusts	-	-
d)	Overseas Depositories (holding DRs)	-	-
e)	Any Other		
i)	Bodies Corporates	259468039	20.93536
ii)	OCBs	38250	0.00309
iii)	NRIs	9082212	0.73280
iv)	Foreign Nationals	1000	0.00008
v)	Trusts	77644	0.00626
vi)	Clearing Members	6502082	0.52462
	Sub Total (B3)	**653598486**	**52.73603**
	Total Public Shareholding (B = B1+B2+B3)	**764694996**	**61.69994**
C	**Non Promoter-Non Public Shareholders**		
1	Custodian /DR Holder – Name of DR Holders	-	-
2	Employee Benefit Trustee (Under SEBI (Share based Employee Benefits) Regulations, 2014)	-	-
	Total Non-Promoter- Non Public Shareholders (C=C1+C2)	**-**	**-**
	Grand Total (A+B+C)	**1239377194**	**100.0000**

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, 2018, 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

The Company has issued 4,50,00,000 warrants on preferential basis at a price of ₹16/- per warrants. The Warrants holders have already paid 25% of the issue price and balance 75% of the issue price shall be paid at the time of exercising of Warrants. The Company has 4,50,00,000 warrants outstanding as on 31st March, 2018. The Warrants are to be converted within 18 months from the date of allotment i.e. 30th October, 2017.

6.21 Commodity price risk or foreign risk and hedging activities

During the financial year 2017-18, 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. 58 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

6.24 Debenture Trustee

IDBI Trusteeship Services Limited
Reg. office: Asian Building, Ground Floor
17, R. Kamani Marg, Ballard Estate
Mumbai, Maharashtra – 400 001
Tel.: 022 4080 7000
Fax: 022 6631 1776
Email: itsl@idbitrustee.com/ response@idbitrustee.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. 51 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/2017/05/POLICY-ON-RELATED-PARTY-TRANSACTIONS.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 the 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 Auditors: The Internal Auditors 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/2017/05/Policy-on-Material-Subsidiaries.pdf.

7.6 Dividend Distribution Policy

The Board of Directors has adopted dividend distribution policy under Regulation 43A of the Listing Regulations. The Policy has been uploaded on the Company's website and can be accessed through the following links: http://www.hfcl.com/wp-content/uploads/2017/05/Dividend_Distribution_Policy.pdf.

7.7 Disclosure of Compliance of Regulations 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46

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

7.8 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.

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

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

7.10 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.

7.11 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 as on 31st March, 2018.

7.12 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, 2018.

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.

7.13 Secretarial Certificates

(i) Pursuant to Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certificates on half- yearly basis, have been issued by a Company Secretary in-Practice certifying that all certificates have been issued within time prescribed under the Listing Regulations for 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.

7.14 CEO & CFO certification

The Managing Director 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.

7.15 Financial Calendar (tentative and subject to change) 2018-2019

Financial Reporting for the first quarter ending **30th June, 2018: On or before first week of August, 2018**

Financial Reporting for the second quarter and half year ending **30th September, 2018: On or before second week of November, 2018**

Financial Reporting for the third quarter ending **31st December, 2018: On or before second week of February, 2019**

Audited Accounts for the year ending **31st March, 2019: On or before last week of May, 2019**

Annual General Meeting for the year ending **31st March, 2019: On or before September, 2019**

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, 2018 pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Place: New Delhi
Date : 3rd May, 2018

(Mahendra Nahata)
Managing Director

Certificate on Corporate Governance

To The Members
HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED
Solan (H.P.)

I have examined the compliance of conditions of Corporate Governance by M/s Himachal Futuristic Communications Limited **("the Company")**, for the year ended on 31st March, 2018, as stipulated under Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) and Para C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("Listing Regulations")**.

The compliance of conditions of corporate governance is the responsibility of the management of the Company. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated under Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) and Para C, D and E of Schedule V of the Listing Regulations.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place : **New Delhi**
Dated : **August 8, 2018**

Independent Auditor's Report

To the Members of
Himachal Futuristic Communications Limited

1. Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Indian Accounting Standards (Ind AS) financial statements of **Himachal Futuristic Communications Limited** ('the Company'), which comprise the balance sheet as at 31 March 2018, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Standalone Ind AS 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 standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

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 standalone Ind AS 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 standalone Ind AS 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 thereunder.

We conducted our audit of the Standalone Ind AS financial statement 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 standalone Ind AS financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the state of affairs of the Company as at 31 March, 2018, and its profits including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

5. Other Matter

The comparative financial statements of the Company for the year ended March 31,2017 were audited by predecessor auditor. The report of the predecessor auditor on comparative financial statements for the year ended 31st March, 2017 dated 10th May, 2017 expressed an unqualified opinion. Our opinion is not modified in respect of this matter.

6. 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.

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, the statement of profit and loss including other comprehensive income, the statement of cash flows and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rule issued thereunder;

(e) on the basis of the written representations received from the directors as on 31 March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2018 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";

(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 standalone Ind AS financial statements – Refer Note 44 to the standalone Ind AS 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.

(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 S Bhandari & Co.	**For Oswal Sunil & Company**
Chartered Accountants	Chartered Accountants
Firm Registration No. 000560C	Firm Registration No. 016520N
(P. D. Baid)	**(Sunil Bhansali)**
Partner	Partner
Membership No: 072625	Membership No: 054645

Place: New Delhi
Date: May 3rd, 2018

Annexure 'A' to The Independent Auditor's Report

(Referred to in "Paragraph-A" under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Himachal Futuristic Communications Limited of even date)

1. In respect of the company's fixed assets, we report that:

   (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 movable 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	28,29,496/-	21,28,833/-	Refer Note No.3
Telangana Land (Freehold)	6,24,20,300/-	6,24,20,300/-	Refer Note No.3

2. As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, having regard to the nature and location of stocks, the frequency of physical verification is reasonable.

3. In respect of the loans, secured or unsecured, granted by the Company to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013:

   (a) During the year the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

   (b) In respect of opening balances the schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations.

   (c) There is no overdue amount remaining outstanding as at the balance sheet date.

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, within 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. According to the information and explanations given to us, in respect of statutory dues:

   (a) According to the 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, GST and other material statutory dues, though there have been a slight delay in a few cases.

   (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Value Added Tax, Goods and Service Tax, Customs Duty, Excise Duty, Cess, GST and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

   (c) 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 dues	Amount in ₹	Period to which the amount relates	Forum where dispute is pending	Remarks
Value Added Tax Act	Sales Tax	2,37,42,719/-	1997-1998 & 1998-1999	Hon'ble High Court of Punjab & Haryana.	₹50,00,000/- Paid for Stay
Delhi Value Added Tax Act	VAT	2,10,76,837/-	2009-2010 & 2010-2011	Addl. Commissioner, Department of Trade & Taxes, New Delhi	₹16,00,000/- Paid for Stay
Central Excise Act	Excise Duty	1,72,247/-	2006-2007	Office of Deputy Commissioner of Central Excise, Shimla	Nil
Custom Tariff Act	Custom Duty	1,97,54,154/-	2001-2002 & 2003-2004	Supreme Court, New Delhi	Liability of ₹1,97,54,154/- already paid by Company under Protest
Central Excise Tariff Act	Excise Duty	82,17,348/-	2005-2006	Central, Excise and Service Tax Appellate Tribunal, Mumbai	Provision already made amounting to ₹47,25,005/-

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. 55.

9. Based on our examinations of the records and information and explanations given to us, the company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year.

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 made preferential allotment of 4.50 crore convertible warrants during the year. The requirement of Section 42 of Companies Act, 2013 have been complied with and the amount raised has been used for the purpose for which it was raised.

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 and hence the provision of clause 3(xv) are not applicable to the Company.

16. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence the provision of clause 3(xvi) are not applicable to the Company.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No. 000560C

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No. 016520N

(P. D. Baid)
Partner
Membership No: 072625

(Sunil Bhansali)
Partner
Membership No: 054645

Place: New Delhi
Date: May 3rd, 2018

Annexure - B to the Independent Auditor's Report of Even Date on the Standalone IND AS Financial Statements of Himachal Futuristic Communications Limited as on 31st March, 2018.

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, 2018 in conjunction with our audit of the Standalone Ind AS 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone Ind AS 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, 2018, 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 S Bhandari & Co.	**For Oswal Sunil & Company**
Chartered Accountants	Chartered Accountants
Firm Registration No. 000560C	Firm Registration No. 016520N
(P. D. Baid)	**(Sunil Bhansali)**
Partner	Partner
Membership No: 072625	Membership No: 054645

Place: New Delhi
Date: May 3rd, 2018

Balance Sheet as at March 31, 2018

(₹ in Crore)

Particulars	Note No(s)	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	107.44	106.77
(b) Capital work-in-progress	4	1.36	1.39
(c) Intangible assets (other than Goodwill)	5	3.03	4.14
(d) Intangible assets under development	6	8.17	-
(e) Investment in subsidiaries, associates/ joint ventures	7	18.58	18.64
(f) Financial Assets			
(i) Investments	8	44.04	44.44
(ii) Others	9	104.09	91.52
(g) Deferred tax assets (net)	10	118.67	122.36
(h) Other non-current assets	11	1.89	0.10
Total Non Current Assets		**407.27**	**389.36**
Current Assets			
(a) Inventories	12	178.69	217.59
(b) Financial Assets			
(i) Investments	13	3.56	1.75
(ii) Trade receivables	14	1,234.13	1,147.16
(iii) Cash and cash equivalents	15	49.20	2.41
(iv) Bank balances other than (iii) above	16	59.22	77.47
(v) Loans	17	6.75	14.45
(vi) Others	18	448.42	266.79
(c) Current Tax Assets (Net)	19	95.14	57.36
(d) Other current assets	20	63.44	52.58
Total Current Assets		**2,138.55**	**1,837.56**
Total Assets		**2,545.82**	**2,226.92**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	21	123.94	123.94
(b) Other Equity		1,092.05	919.58
Total Equity		**1,215.99**	**1,043.52**
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	22	111.33	237.64
(ii) Other financial liabilities	23	0.39	0.58
(b) Provisions	24	20.53	16.39
Total Non-current Liabilities		**132.25**	**254.61**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	186.18	165.29
(ii) Trade payables	26		
- total outstanding dues of micro enterprises and small enterprises		8.72	10.53
- total outstanding dues to other than micro enterprises and small enterprises		507.04	381.91
(iii) Other financial liabilities	27	432.01	347.39
(b) Other current liabilities	28	61.12	21.48
(c) Provisions	29	2.51	2.19
Total Current Liabilities		**1,197.58**	**928.79**
Total Liabilities		**1,329.83**	**1,183.40**
Total Equity and Liabilities		**2,545.82**	**2,226.92**

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

Statement of Profit and Loss for the year ended March 31, 2018

(₹ in Crore)

	Particulars	Note No(s)	For the year ended March 31, 2018	For the year ended March 31, 2017
I.	**INCOME**			
	Revenue from operations	30	3,084.17	2,066.80
	Other Income	31	19.47	18.57
	Total Revenue (I)		**3,103.64**	**2,085.37**
II.	**EXPENSE**			
	Cost of Material Consumed	32	459.89	381.72
	Other Direct Cost	33	1,241.89	977.89
	Purchases of stock-in trade		786.49	150.74
	Change in inventories of finished goods, work-in progress and stock-in trade	34	40.45	39.29
	Excise Duty		14.09	50.85
	Employee benefits expense	35	147.28	131.74
	Finance Costs	36	60.91	59.94
	Depreciation & amortization expenses	3 , 5	16.26	15.70
	Other Expenses	37	130.95	153.78
	Total Expenses (II)		**2,898.21**	**1,961.65**
III	**Profit / (loss) before exceptional items and income tax (I-II)**		**205.43**	**123.72**
IV	Exceptional item	38	1.79	-
V	**Profit / (Loss) before tax (III - IV)**		**203.64**	**123.72**
VI	**Tax expenses**			
	- Current tax (including earlier year taxation)		45.26	25.05
	- Deferred Tax		3.35	(25.05)
VII	**Profit/(loss) for the year (V-VI)**		**155.03**	**123.72**
VIII	**Other comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Re-measurements of defined benefit plans		0.64	1.20
	(ii) Income tax on above item		(0.22)	-
	(iii) Gain/(Loss) on Equity Instruments designated through OCI		(0.98)	0.67
	Total Other comprehensive income for the year		**(0.56)**	**1.87**
IX	**Total comprehensive income for the year (VII + VIII)**		**154.47**	**125.59**
	Earnings per share from continuing and total operations attributable to the equity holders of the Company	39		
	- Basic		**₹1.25**	**₹1.01**
	- Diluted		**₹1.24**	**₹1.01**

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

Statement of Cash Flow for the year ended March 31, 2018

(₹ in Crore)

	Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
I.	**Cash flow from Operating Activities :**			
	Net Profit before taxes and Exceptional items		**205.43**	**123.72**
	Adjustments for :			
	Depreciation and Amortization expenses	16.26		15.70
	Gain on disposal of property, plant and equipment	(0.04)		(2.54)
	Gain on sale of investments	-		(0.16)
	Changes in fair value of financial assets at fair value through profit or loss	-		(0.12)
	Dividend and interest income classified as investing cash flows	(5.39)		(19.33)
	Finance costs	60.91		58.47
			71.74	**52.02**
	Change in operating assets and liabilities :			
	(Increase)/decrease in Trade and other receivables	(86.97)		(28.52)
	(Increase)/decrease in Inventories	38.89		42.28
	Increase/(decrease) in Trade payables	123.31		(53.36)
	(Increase)/decrease in other financial assets	(163.79)		(59.22)
	(Increase)/decrease in other non-current assets	(6.66)		9.22
	(Increase)/decrease in other current assets	(10.86)		(10.24)
	Increase/(decrease) in provisions	(0.01)		(1.91)
	Increase in employee benefit obligations	5.11		6.57
	Increase/(decrease) in other current liabilities	89.69		87.64
			(11.29)	**(7.54)**
	Cash generated from operations		**265.88**	**168.19**
	Income taxes paid/refund (net)		(83.03)	(30.56)
	Net cash inflow from /(used in) operating activities		**182.85**	**137.64**
II	**Cash flow from Investing activities**			
	Payment for acquisition of subsidiary, net of cash acquired		-	(13.37)
	Payments for property, plant and equipment		(16.19)	(19.29)
	Payments for Product development costs		(8.35)	(2.66)
	Loans to related parties/others		-	(17.50)
	Proceeds from sale of investments/adjustment		(1.79)	0.30
	Proceeds from sale of property, plant and equipment		0.15	5.23
	Dividends received		0.02	6.30
	Interest received		10.83	3.15
	Net Cash flow from / (used in) investing activities		**(15.33)**	**(37.84)**

(₹ in Crore)

	Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
III	**Cash flow from Financing Activities**			
	Proceeds from issues of Warrants		18.00	-
	Proceeds from borrowings		26.85	60.57
	Repayment of borrowings		(96.94)	(87.94)
			(52.09)	**(27.37)**
	Interest paid		(68.64)	(65.29)
	Recompense paid		-	(10.58)
	Net Cash flow from/ (used in) financing activities		**(120.73)**	**(103.24)**
IV	**Net increase/(decrease) in cash & cash equivalents (I + II + III)**		**46.79**	**(3.44)**
V	**Cash and cash equivalents at the beginning of the financial year**		2.41	5.85
VI	**Cash and cash equivalents at end of the year**		**49.20**	**2.41**
Notes:				
1	The Statement of Cash flow has been prepared under the indirect method as set-out in the Ind AS - 7 "Statement of Cash Flow" as specified in the Companies (Indian Accounting Standards) Rules, 2015			
2	Figures in bracket indicate cash outflow.			
3	Cash and cash equivalents (refer note 15)			
	Cash on hand		0.14	0.08
	Cheques in hand		-	-
	Balances with Scheduled banks in			
	Current accounts		17.34	2.33
	Fixed Deposits with Bank		31.72	-
	Balances per statement of cash flows		**49.20**	**2.41**

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**	For **Oswal Sunil & Company**	**M P Shukla**	**Mahendra Nahata**	**Arvind Kharabanda**
Chartered Accountants	Chartered Accountants	Chairman	Managing Director	Director
Firm Reg. No. 000560C	Firm Reg. No.: 016520N			
P. D. Baid	**Sunil Bhansali**		**V. R. Jain**	**Manoj Baid**
Partner	Partner		Chief Financial Officer	Vice-President (Corporate) & Company Secretary
M.No. 072625	M.No.: 054645			

New Delhi, 3rd May, 2018

Statement of Changes in Equity for the year ended March 31, 2018

Equity Share Capital ₹ In Crore

Particulars	Amount
Balance as at April 1, 2016	**123.94**
Changes in equity share capital	-
Balance as at March 31, 2017	**123.94**
Changes in equity share capital	-
Balance as at March 31, 2018	**123.94**

Other equity ₹ In Crore

Particulars	Reserves and Surplus **					Items of Other Comprehensive Income			
	Money received against Convertible Warrants *	Securities Premium Reserve	Capital Redemption Reserve	Other Reserves (Debenture Redemption Reserve)	Retained Earnings	Debt instrument through other comprehensive income	Changes in fair value of FVOCI equity instruments	Re-measurement of defined benefit plans - Other Comprehensive Income	Total
Balance as at April 1, 2016	**-**	**400.12**	**-**	**-**	**557.51**	**(46.91)**	**(123.40)**	**6.67**	**793.99**
Changes in accounting policy or previous years adjustments	-	-	-	-	(44.34)	44.34	-	-	-
Restated balance as at April 1, 2016	**-**	**400.12**	**-**	**-**	**513.17**	**(2.57)**	**(123.40)**	**6.67**	**793.99**
Total Comprehensive Income for the year	-	-	-	-	123.72	-	0.67	1.20	125.59
Dividends	-	-	-	-		-	-	-	-
Transfer to retained earnings	-	-	-	-		-	-	-	-
Transfer to Debenture Redemption Reserve	-	-		7.37	(7.37)	-	-	-	-
Balance as at March 31, 2017	**-**	**400.12**	**-**	**7.37**	**629.52**	**(2.57)**	**(122.73)**	**7.87**	**919.58**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-
Warrant subscription price equivalent to 25% of the issue price*	18.00	-	-	-	-	-	-	-	18.00
Total Comprehensive Income for the year	-	-	-	-	155.03	-	(0.98)	0.42	154.47
Dividends	-	-	-	-	-	-	-	-	-
Transfer to Capital Redemption Reserve	-	-	20.12	-	(20.12)	-	-	-	-
Transfer to Debenture Redemption Reserve	-	-	-	1.06	(1.06)	-	-	-	-
Balance as at March 31, 2018	**18.00**	**400.12**	**20.12**	**8.43**	**763.37**	**(2.57)**	**(123.71)**	**8.29**	**1092.05**

* During the year, Company has issued 4,50,00,000 Convertible Warrants on preferential basis with a right to Warrant Holders to apply for and get allotted one equity share of face value of Re. 1/- (Rupee One Only) each per Warrant, within a period of 18 (Eighteen) months from the date of allotment of Warrants i.e. October 30, 2017, at a price of ₹16/- each (Rupees Sixteen Only).

** Refer note no. 21(b)

The accompanying notes form an integral part of the standalone financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

M P Shukla
Chairman

Mahendra Nahata
Managing Director

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Director

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

1. Corporate information

Himachal Futuristic Communications Limited ('HFCL' or 'the Company') is a public limited company domiciled and incorporated in India having its registered office at 8, Electronics Complex , Chambaghat, Solan, Himachal Pradesh-173213. The Company's shares are listed and traded on Stock Exchanges in India. Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment and Optic Fiber Cable (OFC).

The financial statements have been approved by the Board of Directors of the Company at its meeting held on May 03, 2018.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time

2.1.2. Historical Cost Convention

The Standalone Financial Statements have been prepared on the historical cost basis except for the followings:

- certain financial assets and liabilities and contingent consideration that is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans plan assets measured at fair value; and

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Company to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

2.2. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.3. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

(a) Expected to be realised or intended to be sold or consumed in normal operating cycle

(b) Held primarily for the purpose of trading, or

(c) Expected to be realised within twelve months after the reporting period other than for (a) above, or

(d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

(a) It is expected to be settled in normal operating cycle

(b) It is held primarily for the purpose of trading

(c) It is due to be settled within twelve months after the reporting period other than for (a) above, or

(d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

2.4. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company categorizes assets and liabilities measured at fair value into one of three levels as follows:

- **Level 1 - Quoted (unadjusted)**

  This hierarchy includes financial instruments measured using quoted prices.

- **Level 2**

  Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

  Level 2 inputs include the following:

  (a) quoted prices for similar assets or liabilities in active markets.

  (b) quoted prices for identical or similar assets or liabilities in markets that are not active.

  (c) inputs other than quoted prices that are observable for the asset or liability.

  (d) Market – corroborated inputs.

- **Level 3**

  They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

2.5. Investments in subsidiaries, associates and joint ventures

The Company records the investments in subsidiaries, associates and joint ventures at cost.

When the Company issues financial guarantees on behalf of subsidiaries, initially it measures the financial guarantees at their fair values and subsequently measures at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

The Company records the initial fair value of financial guarantee as deemed investment with a corresponding liability recorded as deferred revenue. Such deemed investment is added to the carrying amount of investment in subsidiaries.

Deferred revenue is recognized in the Statement of Profit and Loss over the remaining period of financial guarantee issued.

2.6. Non-current assets held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2.7. Property Plant and Equipment

Property, Plant and Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

PPE are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It include professional fees and borrowing costs for qualifying assets.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the statement of profit and loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use.

Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

Asset Class	Useful Life
Freehold Buildings	Office Building : 60 years Factory Building : 30 years
Leasehold Improvements	Over the period of lease
Plant & Machinery	7.5- 15 years
Furniture & Fixtures	10 years
Electrical Installations	10 years
Computers	3 – 6 years
Office Equipments	5 years
Vehicles	8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the company will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

2.8. Intangible Assets

(i) Intangible assets

- **Recognition of intangible assets**

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria as below, are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Company initially recognizes development expenses as intangible assets when The Company can demonstrate that:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

It is amortized over the period of expected future benefit. Amortization expense is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

(c) Computer software

Purchase of computer software used for the purpose of operations is capitalized. However, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Statement of Profit and Loss.

- **De-recognition of intangible assets**

  An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the Statement of Profit and Loss when the asset is de-recognized.

(ii) Intangible assets under development

All costs incurred in development, are initially capitalized as Intangible assets under development - till the time these are either transferred to Intangible Assets on completion or expensed as Software Development cost (including allocated depreciation) as and when determined of no further use.

2.9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.9.1. Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that The Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, The Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, The Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments are measured at fair value. Equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. This amount is not recycled from OCI to P & L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

De-recognition

A financial asset is de-recognized only when

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of Impairment loss on the following financial assets and credit risk exposure:

(a) Financial assets that are debt instruments, and are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance

(b) Financial assets that are debt instruments and are measured as at FVTOCI

(c) Lease receivables under Ind AS 17

(d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

(e) Loan commitments which are not measured as at FVTPL

(f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L).

2.9.2. Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortized cost unless at initial recognition, they are classified as fair value through profit and loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the statement of profit and loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process.

Financial guarantee contracts

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortisation.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

2.10. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

2.11. Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Weighted Average Cost Method.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Contract Work in Progress : It is valued at cost
- Loose Tools (Consumable) : It is valued at cost after write-off at 27.82% p.a.

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

2.12. Revenue recognition

- **Sale of Goods and Rendering of Service**

  Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

  Revenue in respect of turnkey projects and services is recognized on completed contract method provided following conditions are satisfied:

- when the right to receive such income is established as per the terms of the contract.
- significant risks and rewards of ownership of the goods & services are transferred to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue is reported net of indirect taxes and adjustments made towards deduction and price variation wherever applicable. Escalation and other claims, which are not ascertainable/ acknowledged by customers are not taken into account. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

- **Interest income**

  For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR).

- **Dividends**

  Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

- **Rental income**

  Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the statement of profit and loss.

- **Insurance Claims**

  Insurance claims are accounted for as and when admitted by the concerned authority.

2.13. Excise and custom 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.

2.14. Leases

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases.

2.15. Foreign currency transactions

The functional currency of the Company is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

2.16. Employee Benefits

Short term employee benefits:-

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Long - Term employee benefits

Compensated expenses which are not expected to occur within twelve months after the end of period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

Post - employment obligations

(i) Defined contribution plans

Provident Fund and employees' state insurance schemes

All employees of the 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) Defined benefit plans

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 Indian Accounting Standard 19 (revised), "Employee Benefits " The Company makes periodic 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.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

Leave Encashment

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

(iii) Actuarial gains and losses are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above),are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Financial Statements represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

Termination benefits

Termination benefits are recognized as an expense in the period in which they are incurred.

2.17. Borrowing Costs

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

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

2.19. Cash Flow Statement

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Company are segregated.

2.20. GST/Cenvat Credit

The GST/CENVAT credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST/CENVAT credit is shown under the head "Other Current Assets".

2.21. Earnings per share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.22. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Standalone Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Dividend distribution tax paid on the dividends is recognized consistently with the presentation of the transaction that creates the income tax consequence.

3 Property, Plant and Equipment

₹ In Crore

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipments	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance as at April 1, 2016	**264.18**	**35.35**	**25.64**	**14.37**	**7.43**	**5.25**	**16.79**	**13.47**	**2.40**	**0.82**	**385.70**
Additions	16.24	-	0.04	0.07	0.88	0.33	0.72	1.12	-	-	19.40
Disposals / Adjustments	35.67	-	-	-	-	-	0.64	0.19	-	-	36.50
Balance as at March 31, 2017	**244.75**	**35.35**	**25.68**	**14.44**	**8.31**	**5.58**	**16.87**	**14.40**	**2.40**	**0.82**	**368.60**
Additions	3.69	-	1.42	0.68	0.40	0.09	2.45	0.71	6.24	0.06	15.74
Disposals / Adjustments	-	-	-	-	0.90	0.20	2.17	1.47	-	-	4.74
Balance as at March 31, 2018	**248.44**	**35.35**	**27.10**	**15.12**	**7.81**	**5.47**	**17.15**	**13.64**	**8.64**	**0.88**	**379.60**
Accumulated depreciation and impairment											
Balance as at April 1, 2016	**229.41**	**6.71**	**5.79**	**9.29**	**4.93**	**4.70**	**14.34**	**5.83**	**-**	**0.18**	**281.18**
Depreciation for the year	6.47	0.70	0.79	1.39	0.69	0.29	1.38	2.73	-	0.01	14.45
Disposals / Adjustments	33.00	-	-	-	-	-	0.62	0.18	-	-	33.80
Balance as at March 31, 2017	**202.88**	**7.41**	**6.58**	**10.68**	**5.62**	**4.99**	**15.10**	**8.38**	**-**	**0.19**	**261.83**
Depreciation for the year	7.96	0.70	0.80	1.09	0.78	0.28	1.31	2.03	-	0.01	14.96
Disposals / Adjustments	-	-	-	-	0.90	0.20	2.14	1.39	-	-	4.63
Balance as at March 31, 2018	**210.84**	**8.11**	**7.38**	**11.77**	**5.50**	**5.07**	**14.27**	**9.02**	**-**	**0.20**	**272.16**
Net Carrying Value											
Balance as at April 1, 2016	34.77	28.64	19.85	5.08	2.50	0.55	2.45	7.64	2.40	0.64	104.52
Balance as at March 31, 2017	41.87	27.94	19.10	3.76	2.69	0.59	1.77	6.02	2.40	0.63	106.77
Balance as at March 31, 2018	**37.60**	**27.24**	**19.72**	**3.35**	**2.31**	**0.40**	**2.88**	**4.62**	**8.64**	**0.68**	**107.44**

Note:

1. Gross block and Net block of fixed assets are net of provision for impairment in respect of Plant & Machinery ₹113.81 crore (Previous year ₹113.81 crore), Electrical Installation ₹ 0.12 crore (Previous year ₹ 0.12 crore) and Office Equipment's ₹ 1.24 crore (Previous year ₹ 1.24 crore)
2. One of the Lease hold Land situated at Solan (H.P.) is pending for title transfer in the name of the Company.
3. Refer note no. 22 and 25 for details of assets pledged.
4. Land Situated at Telangana for optical fiber manufacturing facility will be registered in name of the Company on commencement of commercial production.

4 Capital work-in-progress

₹ In Crore

Particulars	Buildings	Plant & Machinery	Electrical Installation
Balance as at April 1, 2016	**0.12**	**-**	**-**
Additions	0.84	15.52	0.47
Disposals / Adjustments	0.04	15.52	-
Balance as at March 31, 2017	**0.92**	**-**	**0.47**
Additions	1.86	0.42	0.19
Disposals / Adjustments	1.42	0.42	0.66
Balance as at March 31, 2018	**1.36**	**-**	**-**

5 Intangible Assets (other than goodwill)

₹ In Crore

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2016	**5.86**
Additions	3.21
Disposals / Adjustments	-
Balance as at March 31, 2017	**9.07**
Additions	0.18
Disposals / Adjustments	-
Balance as at March 31, 2018	**9.25**
Accumulated depreciation and impairment	
Balance as at April 1, 2016	**3.67**
Depreciation for the year	1.26
Disposals / Adjustments	-
Balance as at March 31, 2017	**4.93**
Depreciation for the year	1.29
Disposals / Adjustments	-
Balance as at March 31, 2018	**6.22**
Net Carrying Value	
Balance as at April 1, 2016	2.19
Balance as at March 31, 2017	4.14
Balance as at March 31, 2018	**3.03**

6 Intangible assets under development

₹ In Crore

Particulars	Product Development
Balance as at April 1, 2016	**0.55**
Additions	1.17
Disposals / Adjustments	1.72
Balance as at March 31, 2017	**-**
Additions	8.17
Disposals / Adjustments	-
Balance as at March 31, 2018	**8.17**

7 Investment in subsidiaries, associates / joint ventures

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unquoted Investments (At Cost)		
Investment in Equity Instruments		
(i) Subsidiaries	15.09	15.15
(ii) Joint Ventures	3.49	3.49
Total	**18.58**	**18.64**

7.1 Investment in subsidiaries

₹ In Crore

Particulars	Face value per share	As at March 31, 2018		As at March 31, 2017	
		No. of Shares	Amount	No. of Shares	Amount
Investment in Equity Instruments - Equity Shares					
HTL Ltd.*	100	1,110,000	0.68	1,110,000	0.74
Polixel Security Systems Pvt. Ltd.	10	180,856	12.05	180,856	12.05
Moneta Finance Pvt. Ltd.	10	1,020,000	2.35	1,020,000	2.35
HFCL Advance Systems Pvt. Ltd.	10	10,000	0.01	10,000	0.01
Total investments carrying value			**15.09**		**15.15**
Aggregate carrying value of unquoted investments			**15.09**		**15.15**
Aggregate amount of impairment in value of investments			-		-

* Includes receivable towards Financial Guaranties

7.2 Investments in joint ventures

₹ In Crore

Particulars	Face value per share	As at March 31, 2018		As at March 31, 2017	
		No. of Shares	Amount	No. of Shares	Amount
Investment in Equity Instruments - Equity Shares					
DragonWave HFCL India Pvt. Ltd.	10	3,493,000	3.49	3,493,000	3.49
Total aggregate unquoted investments			**3.49**		**3.49**
Aggregate carrying value of unquoted investments			**3.49**		**3.49**
Aggregate amount of impairment in value of investments			-		-

7.3 Additional details of subsidiaries and joint venture entity

Name of Entity	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Company	
			As at March 31, 2018	As at March 31, 2017
Subsidiaries				
HTL Limited	Manufacturing of Optical Fiber Cable	India	74.00%	74.00%
Polixel Security Systems Pvt. Ltd.	EPC Business in Security and Surveillance	India	100.00%	100.00%
Moneta Finance Pvt. Ltd.	NBFC	India	100.00%	100.00%
HFCL Advance Systems Pvt. Ltd.	Manufacturing of Defence/ Telecommunication Equipment	India	100.00%	100.00%
Joint Ventures				
DragonWave HFCL India Pvt. Ltd.	Radio Communication Systems	India	49.90%	49.90%

8 Non-Current Financial Assets - Investments

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	44.01	44.41
(ii) Investments in Debts instruments	0.03	0.03
Total	**44.04**	**44.44**

8.1 Detail of Non Current Financial Assets - Other Investments

₹ In Crore

Particulars	Face value per share/ Debenture	As at March 31, 2018		As at March 31, 2017	
		No. of Shares/ Debentures/ Units	Amount	No. of Shares/ Debentures/ Units	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments - Equity Shares					
Exicom Tele-Systems Ltd.	10	630,223	9.15	630,223	9.13
Microwave Communications Ltd. (MCL) *	10	12,187,440	-	12,187,440	-
AB Corp Ltd. #	10	13,250,000	34.79	13,250,000	35.22
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.07	4,000	0.06
HFCL Bezeq Telecom Ltd.	10	100	-	100	-
			44.01		**44.41**
(ii) Investment in Debt Instruments - ZCOCBs					
Senior Consulting Pvt Ltd.	1000	26,000	0.03	26,000	0.03
			0.03		**0.03**
Total Investment FVTOCI			**44.04**		**44.44**
Aggregate carrying value of unquoted investments			**44.04**		**44.44**

* 1,21,87,440 (Previous year:1,21,87,440) Shares held in Microwave Communications Ltd. are pledged with IDBI Bank as a security for the Term Loan given by IDBI to MCL. Accordingly, the Company is currently not able to exercise significant influence.

65,00,000 (Previous year: 65,00,000) Share are pledged as security for the Term Loan given by Oriental Bank of Commerce (OBC) to the Company. Such shares are held by OBC in their own name, hence the Company is currently not able to exercise significant influence.

9 Non-Current Financial Assets - Others

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, Considered Good		
Fixed Deposits with Bank (maturity more than 12 months)*	7.19	2.51
Loans to related parties (refer note no.45)	24.50	16.80
Advances to related parties (refer note no. 45)	72.00	72.00
Financial guarantee Fees receivable (refer note no. 44C)	0.40	0.21
Total	**104.09**	**91.52**

* Above fixed deposit held as margin money/securities with banks.

10 Deferred tax assets (net)

Deferred income tax reflect the net tax effects of temporary difference between the carrying amount of assets and liabilities for the financial reporting purposes and the amounts used for income tax purposes. Significant component of the Company's net deferred income tax are as follows:-

₹ In Crore

Particulars	Defined benefit obligation	Unabsorbed depreciation for tax purpose	MAT credit entitlement	Provisions & others	Total
As at 1 April, 2016	**-**	**-**	**97.31**	**-**	**97.31**
(Changed)/Credited:					
- to Statement of profit and loss	-	-	25.05	-	25.05
- to other comprehensive income	-	-	-	-	-
As at 31 March, 2017	**-**	**-**	**122.36**	**-**	**122.36**
(Changed)/Credited:					
- to Statement of profit and loss	7.81	2.08	(14.34)	20.06	15.61
- to other comprehensive income	0.22	-	-	-	0.22
- to current tax liability	-	-	(19.52)	-	(19.52)
As at 31 March, 2018	**8.03**	**2.08**	**88.50**	**20.06**	**118.67**

11 Other Non-Current Assets

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, Considered Good		
Capital Advances	1.89	0.10
Total	**1.89**	**0.10**

12 Inventories (at cost or net realisable value whichever is lower)

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Inventories (As Certified and valued by the management)		
Raw Materials	22.27	21.60
Raw Materials in transit	5.80	3.08
	28.07	**24.68**
Work-in-progress	104.12	151.54
Finished goods	11.09	10.67
Stock-in-trade securities	-	2.39
Stock-in-trade	32.69	26.14
Stores and Spares	1.83	1.02
Loose tools	0.27	0.41
Others (Packing Material)	0.62	0.74
Total	**178.69**	**217.59**

Notes:

(i) Work in progress includes contract work in progress of ₹ 100.52 crore (Previous year: ₹153.63 crore)

(ii) Inventories are net-off ₹ 33.76 crore (Previous year: ₹33.76 crore) on account of provision for slow moving/ non moving items.

13 Current Financial Assets - Investments

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Quoted Investments		
(i) Investments in Mutual Funds	0.02	0.02
(ii) Investments in Equity Instruments -other	3.54	1.73
Total	**3.56**	**1.75**

13.1 Detail of Current Financial Assets - Investments

₹ In Crore

Particulars	Face Value	As at March 31, 2018		As at March 31, 2017	
		No. of Shares/ Units	Amount	No. of Shares/ Units	Amount
Financial assets carried at fair value through Statement of Profit or Loss					
(i) Investments in mutual funds - Quoted Investment					
Principal Cash Management fund - Dividend reinvestment plan	1000	223	0.02	213	0.02
Total Investment FVTPL			**0.02**		**0.02**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Sumedha Fiscal Services Ltd.	10	18,200	0.08	18,200	0.03
Valiant Communications Ltd.	10	8,700	0.05	8,700	0.08
Magma Fincorp Ltd	2	152,830	2.35	152,830	1.62
Media Matrix Worldwide Ltd.	1	4,750	-	-	-
Sahara One Media and Entertainment Ltd.	10	250,950	1.06	-	-
Manvens Biotech Ltd.	10	17,000	-	-	-
Optimates Textile Industries Ltd.	10	1,302,500	-	-	-
Rashel Agrotech Ltd.	10	478,500	-	-	-
Total Investment FVTOCI			**3.54**		**1.73**
Total Current Financial Investments (Market Value)			**3.56**		**1.75**

14 Current Financial Assets - Trade Receivables

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good	1,234.13	1,147.16
Total	**1,234.13**	**1,147.16**

14.1 The credit period towards trade receivables generally ranges between down to achievement of specified milestones (execution based) and average project execution cycle is around 6 to 24 months. General payment terms include process time with the respective customers ranging between 30 to 60 days from the date of invoices / achievement of specified milestones.

14.2 In determining the allowance for trade receivables the Company has used practical expedients based on financial condition of the customers, ageing of the customer receivables and over-dues, availability of collaterals and historical experience of collections from customers. The concentration of risk with respect to trade receivables is reasonably low as most of the customers are Government and large Corporate organisations though there may be normal delays in collections.

15 Current Financial Assets - Cash & cash equivalents

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Cash & Cash Equivalents		
Balance with banks;	17.34	2.33
Cash on hands;	0.14	0.08
Fixed Deposits with Bank (maturity less than 3 months)*	31.72	-
Total	**49.20**	**2.41**

* Above fixed deposit held as margin money/securities with banks.

16 Current Financial Assets - Other Bank Balances

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Fixed Deposits with Bank (Maturity less than 12 months)*	59.22	77.47
Total	**59.22**	**77.47**

* Above fixed deposit held as margin money/securities with banks.

17 Current Financial Assets - Loans

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Loans to related parties	-	7.70
Other Loans	6.75	6.75
Total	**6.75**	**14.45**

18 Current Financial Assets -Other Assets

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Advances other than capital advances		
- Security Deposits	3.50	6.38
- Advance to related parties - Subsidiaries	8.59	9.07
- Other advances	406.71	223.58
Interest Receivables	29.62	27.76
Total	**448.42**	**266.79**

19 Current Tax Assets (Net)

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Advance Income Tax / TDS (net of provisions)	95.14	57.36
Total	**95.14**	**57.36**

20 Other Current Assets

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Balance with Indirect Tax Authorities	23.20	27.37
Commercial taxes receivables	28.36	17.97
Prepaid Expenses	11.88	7.24
Total	**63.44**	**52.58**

21 A. Share Capital

(i) Authorised Share Capital

₹ In Crore

	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2016	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2017	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2018	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**

(ii) Shares issued, subscribed and fully paid-up

₹ In Crore

	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount#
As at April 1, 2016	**1,239,377,194**	**123.94**	**8,050,000**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 2017	**1,239,377,194**	**123.94**	**8,050,000**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeem during the year	-	-	2,012,500	-
As at March 31, 2018	**1,239,377,194**	**123.94**	**6,037,500**	**-**

The liability component is reflected under the head Financial Liabilities (refer note no. 22)

(iii) Shareholders holding more than 5 percent of Equity Shares

₹ In Crore

	As at March 31, 2018		As at March 31, 2017	
	No. of share held	% of Holding	No. of share held	% of Holding
MN Ventures (P) Ltd.	238,390,000	19.23%	238,390,000	19.23%
Nextwave Communications (P) Ltd.	212,365,000	17.13%	212,365,000	17.13%
IDBI Bank Ltd.	25,041,729	2.02%	79,338,601	6.40%

(iv) Terms/right attached to Equity/Preference Shares -

The Company has issued equity share of Re.1/- each and preference share of ₹ 100/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up capital of the Company held by them. Preference shareholders shall have voting right in proportion to the shares of the paid up capital provided if the dividend due on such capital or any part of such dividend has remained unpaid. 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.

21. B. Other Equity

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Retained Earnings	763.36	629.52
(ii) Components of Other Comprehensive Income		
Debt instrument through other comprehensive income	(2.57)	(2.57)
Changes in fair value of FVOCI equity instruments	(123.71)	(122.73)
Re-measurement of defined benefit plans	8.29	7.87
(iii) Other Reserves		
Securities Premium *	400.12	400.12
Debenture Redemption Reserve**	8.43	7.37
Capital Redemption Reserve***	20.13	-
(iv) Money received against Convertible Warrants ****	18.00	-
Total	**1,092.05**	**919.58**

* Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.

** The Company had issued redeemable non-convertible debentures and created Debenture Redemption Reserve (DRR) out of the profits of the Company in terms of the Companies (Share capital and Debenture) Rules, 2014 (as amended). The Company is required to maintain a DRR of 25% of the value of debentures issued, either by a public issue or on a private placement basis. The amounts credited to the DRR may not be utilised by the Company except to redeem debentures.

*** Capital Redemption reserve is created to the extent of Preference Share Capital redeemed (₹ 20.12 crore i.e. 25% of 80,50,000 CRPSs of ₹ 100/- each)

**** During the year, Company has issued 4,50,00,000 Convertible Warrants on preferential basis with a right to Warrant Holders to apply for and get allotted one equity share of face value of Re. 1/- (Rupee One Only) each for each Warrant, within a period of 18 (Eighteen) months from the date of allotment of Warrants i.e. October 30, 2017, at a price of ₹ 16/- each (Rupees Sixteen Only).

(i) Retained Earnings

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Opening Balance	629.52	513.17
Add: Net profit for the period	155.03	123.72
Add/Less: adjustments for-		
Transfer into Debenture redemption reserve	(1.06)	(7.37)
Transfer into Capital redemption reserve	(20.12)	-
Closing Balance	**763.37**	**629.52**

(ii) Components of Other Comprehensive Income

₹ In Crore

Particulars	Debt instrument through other comprehensive income	Changes in fair value of FVOCI equity instruments	Re-measurement of defined benefit plans - Other Comprehensive Income
As at April 1, 2016	**(2.57)**	**(123.40)**	**6.68**
Increase during the year	-	0.67	1.19
As at March 31, 2017	**(2.57)**	**(122.73)**	**7.87**
Increase during the year	-	(0.98)	0.42
As at March 31, 2018	**(2.57)**	**(123.71)**	**8.29**

(iii) Other Reserves

₹ In Crore

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve
As at April 1, 2016	**400.12**	**-**	**-**
Increase during the year	-	7.37	-
As at March 31, 2017	**400.12**	**7.37**	**-**
Increase during the year	-	1.06	20.12
As at March 31, 2018	**400.12**	**8.43**	**20.12**

22 Non-Current Financial Liabilities - Borrowings

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured		
Preference Shares	60.38	80.50
Secured		
Borrowings		
Non- Convertible Debentures	33.73	29.50
Term Loans from Banks	140.21	214.69
Vehicle Loans		
(i) from Banks	3.23	3.67
(ii) from others	0.16	0.33
	237.71	**328.69**
Less : Current maturities of long term debt - Term Loans	(65.21)	(70.24)
Less : Current maturities of long term debt - Vehicle Loans	(0.79)	(0.69)
Less : Preference Shares redeemable in next 12 months	(60.38)	(20.12)
Total	**111.33**	**237.64**

(a) 60,37,500 (Previous Year: 80,50,000) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each aggregating to ₹ 60.38 crore (Previous Year: ₹ 80.50 crore) are redeemable at the rate of 25% and 75% of the face value in the financial years ending 31st March 2018 and 31st March, 2019, respectively. CRPS 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.

(b) During the year Company has allotted 423,000 (Previous Year: 29,49,750) 10.30% secured unlisted Non- Convertible Redeemable Debenture (NCDs) of ₹ 100/- each aggregating ₹ 4.23 crore (Previous Year : ₹ 29.50 crore) by way of conversion of outstanding right of recompense amount payable by the Company. NCDs are secured by way of first pari-passu charge on movable & immovable fixed assets of Company with existing term loans and are redeemable at face value in installment in the ratio of 33.33%, 33.33% and 33.34% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021(FY 2021-22) respectively.

(c) Term Loan of ₹ 103.32 crore (Previous year ₹ 131.64 crore) and Funded Interest Term Loan of ₹ 6.31 crore (Previous year ₹ 17.61 crore) from one of the bank are secured by pari-passu first charge on all the Fixed Assets, both present and future, by way of equitable mortgage and first charge on the entire sales proceeds of the contracts covered under the aforesaid loan to be credited to the Escrow/designated account. Further, loan is secured by way of pari passu second charge on the Current Assets of the Company.

(d) Term Loan of ₹ 4.67 crore (Previous year ₹ 9.34 crore), Working Capital Term Loan of ₹ 3.64 crore (Previous year ₹ 7.28 crore) and Funded Interest Term Loan of ₹ 10.34 crore (Previous year ₹ 20.70 crore) from a bank are secured by way of pledge of shares and also secured on pari- passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on Fixed Assets pertaining to the Company.

(e) Working Capital Term Loans of ₹ 5.01 crore (Previous year ₹ 14.26 crore) and Funded Interest Term Loans of ₹ 6.93 crore (Previous year ₹ 13.85 crore) from banks 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 Fixed Assets of the Company.

(f) Part of above Term Loans, Working Capital Term Loans and Funded Interest Term Loans from Banks amounting to ₹ 52.71 crore (Previous year ₹ 110.46 crore) are secured by pledge of equity shares up to 51% (241548750 equity shares) of new co-opted promoters and also personally guaranteed by Managing Director of the Company. Such loans are further secured by way of Corporate Guarantee of M/s MN Ventures Private Limited.

(g) Other Vehicle Loans of ₹ 3.39 crore (Previous Year ₹ 4 crore) from banks and others are secured by way of hypothecation of respective assets.

(h) Term and other Loans - Repayment schedule and rate of interest -

₹ In Crore

Particulars	Term Loan	Term Loan	Funded Interest Term Loan	Vehicle Loan
Rate of Interest	10.75%	10%	10%	8.90% to 10.30%
Repayment Due				
FY 2018-19	12.50	29.14	23.57	0.79
FY 2019-20	25.00	-	-	0.77
FY 2020-21	25.00	-	-	0.77
FY 2021-22	25.00	-	-	0.84
FY 2022-23	-	-	-	0.22

23 Non-Current Financial Liabilities - Other Liabilities

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Financial guarantee Obligations (refer note no. 44C)	0.39	0.58
Total	**0.39**	**0.58**

24 Non-Current Liabilities - Provisions

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Provisions for Employee Benefits (refer note no. 42)	20.53	16.39
Total	**20.53**	**16.39**

25 Current Financial Liabilities - Borrowings

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	115.27	114.64
Unsecured	-	
(i) from banks - Vendors bills discounting	6.25	7.97
(ii) from other parties - Inter Corporate Deposit**	53.75	34.50
(iii) buyers credit	10.91	8.18
Total	**186.18**	**165.29**

* Working Capital Loans from banks aggregating to ₹ 115.27 crore (Previous year: ₹ 114.64 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

** Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 12% to 16%.

26 Current Financial Liabilities - Trade Payables

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Trade Payables		
Due to Micro and Small Enterprises (refer note no. 43)	8.72	10.53
Others	507.04	381.91
Total	**515.76**	**392.44**

27 Other Financial Liabilities

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Retention Money*	198.24	148.63
Other Financial Liabilities		
Current maturities of long-term debts;	66.00	70.93
Preference Shares (refer note no. 22)	60.38	20.12
Interest accrued	0.66	1.07
Creditors for Capital Goods	1.58	2.06
Expenses Payables	97.82	95.50
Other Employees related liabilities	7.33	6.46
Dividend on Preference Share	-	2.62
Total	**432.01**	**347.39**

* retention money are due on completion of erection/ contracts/ final acceptance by the Company.

28 Other Current Liabilities

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Statutory Liabilities payable	61.12	21.48
Total	**61.12**	**21.48**

29 Current Liabilities - Provisions

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Provisions for Employee Benefits (refer note no. 42)	2.45	2.12
Provisions - Others	0.06	0.07
Total	**2.51**	**2.19**

30 Revenue from operations

₹ In Crore

Particulars	For the year ended March 31, 2018 *	For the year ended March 31, 2017
Sale and Services		
- Manufacturing and trading activities	717.06	583.43
- Turnkey project related activities	2,363.58	1,482.66
Other Operating Revenues		
- Export Incentives	3.53	0.71
Total	**3,084.17**	**2,066.80**

* Revenue for corresponding year ended March, 31, 2017 and up to June 30, 2017 is reported inclusive of Excise duty. The Government of India has implemented Goods and Services tax (GST) from July 01, 2017 replacing Excise Duty, Service Tax and various other indirect taxes. As per Ind AS 18, the revenue for the period July 01, 2017 to March 31, 2018 is reported net of GST and is not comparable with corresponding period.

31 Other Income

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Other non-operating income		
Interest Income	14.16	5.08
Dividend Income	0.02	6.30
Financial Guarantee Income	0.32	0.57
Exchange Fluctuation Income (Net)	3.65	0.42
Others	1.32	6.20
Total	**19.47**	**18.57**

32 Cost of Material Consumed

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Opening Balance	21.60	27.60
Add : Purchases during the year	460.56	375.72
	482.16	403.32
Less: Closing Stock	22.27	21.60
Total	**459.89**	**381.72**

33 Other Direct Cost

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Project and labour service charges	1,222.37	961.42
Consumption of Packing Material	15.44	12.57
Consumption of stores and spares parts	3.97	3.74
Loose Tools written off	0.11	0.16
Total	**1,241.89**	**977.89**

34 Change in inventories of finished goods, work-in progress and stock-in trade

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Closing Stock		
Finished Goods	11.09	10.67
Stock in Trade- Goods	32.69	26.14
Stock in Trade- Securities	-	2.39
Works in process	104.12	151.54
	147.90	**190.74**
Opening Stock		
Finished Goods	10.67	1.32
Stock in Trade- Goods	26.14	3.13
Stock in Trade- Securities *	-	2.24
Works in process	151.54	223.34
	188.35	**230.03**
Total	**40.45**	**39.29**

* Securities held as Stock in Trade is reclassified as Current Investments.

35 Employee Benefits Expenses

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, bonus and allowances	134.19	119.84
Contribution to Provident and other funds	6.87	6.10
Staff welfare expenses	6.22	5.80
Total	**147.28**	**131.74**

36 Finance Costs

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Bank Loan Interest	39.29	38.44
Other Interest (net)	0.24	4.12
Bank Charges	15.08	10.68
Dividend on redeemable preference shares	6.30	6.30
Financial Guarantee Impairment	-	0.40
	60.91	**59.94**

37 Finance Costs

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Rent	8.68	8.23
Rates and Taxes	5.70	0.55
Auditors' Remuneration		
- Audit Fees	0.72	0.65
- In Other Capacity	0.28	0.20
- Out of pocket expenses	0.07	0.01
Legal and Professional Charges	37.00	35.33
Communication Expenses	2.28	3.55
Travelling and Conveyance Expenses	25.77	29.08
Power and Fuel & Water Charges	7.25	6.06
Repairs and Maintenance	5.79	1.61
Insurance Expenses	3.68	4.43
Selling and Distribution Expenses	15.42	14.19
Bad debts, Loans and Advances, other balances written off (net)	(12.36)	2.61
Directors Sitting Fees	0.36	0.21
Liquidated Damages on Sales	9.08	28.59
Corporate Social Responsibility Expenses (refer note no 53)	3.99	3.66
Miscellaneous Expenditure	17.24	14.82
Total	**130.95**	**153.78**

38 Exceptional Items

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Guarantee Obligation Payout (refer note no. 46)	1.79	-
Total	**1.79**	**-**

39 Earnings per Share (EPS) - In accordance with the Indian Accounting Standard (Ind AS-33)

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Basic & Diluted Earnings per share		
Total Comprehensive income for the year	154.47	125.59
Profit attributable to ordinary shareholders (A)	154.47	125.59
Weighted average number of ordinary shares (B)	1,239,377,194	1,239,377,194
(used as denominator for calculating basic EPS)		
Potential equity shares	4,715,753	-
Weighted average number of ordinary shares (C)	1,244,092,947	1,239,377,194
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	Re.1	Re.1
Earnings per share - Basic (A/B)	₹ 1.25	₹ 1.01
Earnings per share - Diluted (A/C)	₹ 1.24	₹ 1.01

40 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of property, plant and equipment and Intangible Assets

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2. Recoverability of intangible asset and intangible assets under development

Capitalization of cost in intangible assets under development is based on management's judgement that technological and economic feasibility is confirmed and asset under development will generate economic benefits in future. Based on evaluations carried out, the management has determined that there are no factors which indicates that these assets have suffered any impairment loss.

3. Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in Note 42.

4. Contingencies

On an ongoing basis, Company reviews pending cases, claims by third parties and other contingencies and obligations. Obligations relating to Project Executions is largely depends upon performance of services by respective contractors. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the financial statements. Contingencies the likelihood of which is remote are not disclosed in the financial statements. Gain contingencies are not recognized until the contingency has been resolved and amounts are received or receivable.

5. Fair Value of Unquoted equity investments:

Fair value is derived on the basis of income approach, in this approach the discounted cash flow method is used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

41 Business Combination

During the previous year Company had acquired 88.47% (1,60,000 shares) on 09-08-2016 and 6.00% (10,856 shares) on 31-03-2017, of the equity share capital of M/s Polixel Security Systems Pvt Ltd., a company engaged in safe & smart city business. The Company's total holding along with the existing shares held increased to 100%. The business acquisition was conducted by entering into share purchase agreements for Cash consideration of ₹ 11 crore and 0.75 crore respectively.

42 During the year, Company has recognized the following amounts in the financial statements as per Ind AS - 19 "Employees Benefits" as specified in the Companies (Indian Accounting Standards) Rules, 2015:

(a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged to Statement of Profit and Loss for the year as under :

₹ In Crore

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Employer's Contribution to Provident Fund	6.26	5.83

(b) Defined Benefit Plan

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

₹ In Crore

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Actuarial assumptions				
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	6.75%	6.75%	7.50%	6.75%
Rate of increase in Compensation levels	6.75%	6.75%	7.50%	6.75%
Rate of Return on plan assets	6.76%	8.04%	N.A.	N.A.
Average remaining working lives of employees (Years)	17.75	18.00	16.27	17.17

Table showing changes in present value of obligations				
Present value of obligation as at the beginning of the year	11.44	9.57	8.52	6.83
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	0.77	0.77	0.64	0.50
Past service cost (Vested Benefit)	0.47	Nil	1.50	Nil
Current Service Cost	2.13	1.85	2.53	2.50
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(0.52)	(0.40)	(2.33)	(0.93)
Actuarial (gain)/ loss on obligations	0.03	(0.35)	(0.68)	(0.38)
Present value of obligation as at the end of the period	14.32	11.44	10.18	8.52

₹ In Crore

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Table showing changes in the fair value of plan assets				
Fair value of plan assets at beginning of the year	1.45	1.28	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Actual return of plan assets	0.10	0.10	N.A.	N.A.
Employer contribution	Nil	Nil	Nil	Nil
Benefits paid	Nil	(0.40)	Nil	Nil
Actuarial gain/ (loss) on obligations	-	0.47	Nil	Nil
Charges deducted	-	-	Nil	Nil
Fair value of plan assets at year end	1.55	1.45	Nil	Nil
Table showing actuarial gain /loss - plan assets				
Actual return of plan assets	-	0.47	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	0.10	0.57	Nil	Nil
Other Comprehensive Income				
Actuarial (gain) / loss for the year - Obligation	0.03	(0.35)	(0.68)	(0.38)
Actuarial (gain) / loss for the year - Plan assets	-	(0.47)	Nil	Nil
Total (gain) / loss for the year	0.03	(0.82)	(0.68)	(0.38)
Actuarial (gain) / loss recognized in the year	0.03	(0.82)	(0.68)	(0.38)
Unrecognized actuarial (gains) / losses at the end of the year	Nil	Nil	Nil	Nil
The amounts to be recognized in Balance Sheet				
Present value of obligation as at the end of the year	14.34	11.44	10.18	8.52
Fair value of plan assets as at the end of the year	1.55	1.45	Nil	Nil
Funded Status	(12.79)	(9.99)	(10.18)	(8.52)
Unrecognized actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognized in Balance Sheet	(12.79)	(9.99)	(10.18)	(8.52)
Expenses recognized in Statement of Profit and Loss				
Current service cost	2.13	1.85	4.03	2.50
Past service cost (Vested Benefit)	0.47	Nil	Nil	Nil
Interest Cost	0.77	0.77	0.64	0.50
Actual return on plan assets	(0.10)	(0.10)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Expenses recognized in the Statement of Profit and Loss	3.27	2.52	4.67	3.00

₹ In Crore

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Sensitivity analysis of the defined benefit obligation				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	14.34	11.44	10.19	3.90
Impact due to increase of 0.5%	(0.84)	(0.71)	(0.07)	(0.02)
Impact due to decrease of 0.5%	0.77	0.65	0.07	0.02
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	14.34	11.44	10.19	3.90
Impact due to increase of 0.5%	0.79	0.67	(0.07)	(0.02)
Impact due to decrease of 0.5%	(0.86)	(0.73)	0.07	0.02

Sensitivities due to mortality & withdrawals are insignificant & hence ignored.

Maturity profile of defined benefit obligation				
March 2018 to March 2019	1.19	0.79	1.26	1.27
March 2019 to March 2020	0.30	0.21	0.15	0.11
March 2020 to March 2021	0.35	0.23	0.09	0.13
March 2021 to March 2022	0.22	0.36	0.13	0.15
March 2022 to March 2023	0.60	0.18	0.27	0.09
March 2023 to March 2024	0.80	0.45	0.25	0.27
March 2024 onwards	11.55	9.79	8.17	6.61

Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	1.55	1.45	Nil	Nil

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

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

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Principal amount due	8.72	10.53
Interest due on above	0.06	0.14
Interest paid during the period beyond the appointed day	Nil	Nil
Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
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. 26 ‘ 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.

44 Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Unexpired Letters of Credit (margin money paid ₹ 29.09 crore; Previous year ₹ 32.95 crore)	79.60	102.17
(ii) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits of ₹ 68.79 crore; Previous year ₹ 39.32 crore)	333.04	201.40
(iii) Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 2.64 crore shown as advance)	6.82	7.15

Notes:

(i) 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.

(ii) 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.

(iii) As at 31st March, 2018 the Company have outstanding term derivative contracts refer note no. 58.

(b) Capital Commitments

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	97.50	0.10

(c) Financial Guarantees

₹ In Crore

Issued in favour of	Issued to	Amount of guarantee	Purpose	Carrying amount as per Ind AS 109 March 31, 2018	Carrying amount as per Ind AS 109 March 31, 2017
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	Ad-hoc L/C	0.17	0.17
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	Working Capital	-	-
Exicom Tele-systems Ltd	Punjab National Bank	6.50	Working Capital	0.03	0.03
HTL Ltd.	Corning Finolex Optical Fiber P Ltd.	12.50	Working Capital	0.14	0.25
HTL Ltd.	Owens- Corning India P Ltd.	3.00	Working Capital	0.04	0.12

45 HTL Ltd., one of the Subsidiary of the Company, has proposed right issue of equity shares for ₹ 120.00 Crore to its existing shareholders i.e. GOI (26%) and the Company (74%).The Subsidiary company is in the process of obtaining in principle concurrence from GOI for the proposed right issue of shares. Pending such formal concurrence, loan and advances given by the Company have been shown under Non-Current Financial Assets.

46 The Company had made payment of ₹ 1.79 crore to the lenders of associate company towards Guarantee Obligation and considering non-recoverability, the amount has been charged to Statement of Profit and Loss as exceptional items.

47 In the opinion of the Board, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated.

48 Lease payments under non-cancellable operating leases have been recognized as an expense in the Statement of Profit and 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, 2018	For the Year Ended March 31, 2017
Not later than one year	1.09	1.24
Later than one year but not later than five years	0.68	1.77
More than five years	-	-

49 During the year, the Company has paid interim dividends aggregating to ₹ 6.50 per Cumulative Redeemable Preference Share (CRPS) of par value of ₹ 100/ each for the year 2017-18.

50 Investment In Joint Venture entities:

(a) The disclosures relating to the Joint Venture Companies viz. DragonWave HFCL India Pvt. Ltd. (hereinafter referred to as JV) is as follows:

₹ In Crore

	Investment in Share		Ownership interest (in percentage)	
	2017-18	2016-17	2017-18	2016-17
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 Inc, Canada formally known as DragonWave-X Canada Inc., a subsidiary of Transform -X Inc.

(c) The aggregate amount of interests in the JV as at 31st March, 2018 is as follows:

₹ In Crore

Particular	Year	Assets	Liability	Income	Expenses	Capital, other Commitment & contingencies
DragonWave HFCL India Pvt. Ltd.	2017-18	13.90	2.71	10.56	6.72	-
	2016-17	13.46	4.89	24.66	19.86	-

51 As required by Ind AS - 24 "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.
	Polixel Security Systems Pvt. Ltd. (w.e.f. 09.08.2016)
(b) Joint Venture:	DragonWave HFCL India Pvt. Ltd.
(c) Key management personnel :	Mr. Mahendra Nahata (Managing Director)
	Mr. Vijay Raj Jain (Chief Financial Officer)
	Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)
(d) Post Employment Benefit Plans	HFCL Employees Group Gratuity Trust
(e) Enterprises owned or Significantly influenced by key management personnel or their relatives.	MN Ventures Private Limited
	Nextwave Communication Private Limited.

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, 2018 are as under:

₹ In Crore

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Purchases/receiving of Goods & services		
HTL Ltd.	42.92	27.59
Polixel Security Systems Pvt. Ltd.	2.14	2.98
Sales/rendering of Goods and Materials		
HTL Ltd.	88.74	57.89
Polixel Security Systems Pvt. Ltd.	0.58	0.03
Fixed Assets		
HTL Ltd. (purchase)	-	0.05
HTL Ltd. (Sales)	2.38	5.19
Income - Rent /Other expenses		
HFCL Advance Systems Pvt. Ltd.	0.01	-
Polixel Security Systems Pvt. Ltd.	-	0.55
Income - Interest on loan given		
HTL Ltd.	3.19	3.08
Expenses - Rent /Other expenses		
HTL Ltd.	0.04	0.05
Contribution towards Warrant		
MN Ventures Private Limited	3.00	-
Nextwave Communication Private Limited.	3.00	-
Advances		
Polixel Security Systems Pvt. Ltd.	-	10.50
Loan Given		
HTL Ltd.	-	13.50
Closing Balances of Loans & Advances and Receivables		
HTL Ltd.	179.13	148.58
Moneta Finance (P) Ltd.	-	-
Polixel Security Systems Pvt. Ltd.	8.58	9.06
HFCL Advance Systems Pvt. Ltd.	0.01	0.01
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	0.10	-
Guarantees and collaterals		
HTL Ltd.	15.50	18.50
Remuneration of Key Management Personnel's		
Mr. Mahendra Nahata (Managing Director)	6.80	4.56
Mr. Vijay Raj Jain (Chief Financial Officer)	1.42	1.05
Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)	0.38	0.34

52 Segment Reporting

The Company publishes the Standalone financial statements of the Company along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

53 Corporate social responsibility expenses:

₹ In Crore

		For the Year ended March 31, 2018	For the Year ended March 31, 2017
Gross amount to be spent by the Company during the year		3.47	3.66
Amount spent during the year:			
Contribution on acquisition of assets	-		
On other purposes	3.99	3.99	3.66
Balance to be spent		-	-

54 Interest charges on loans is net of Interest income from loans and advances amounting to ₹ 11.87 crore (Previous year ₹ 3.71 crore).

55 (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 had 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 recommended the recompense amount of ₹ 148.47 crore on term loans and working capital loans. The said recompense amount was approved by CDR-EG vide its order CDR(PMG) No.740/2015-16 dated March 22, 2016. The Company has accordingly made provision of the said recompense amount in the financial year 2015-16. The Board of Directors in their meeting held on 10th May, 2016 has approved the recompense amount so that the Company can exit from CDR mechanism.

(d) Accordingly, Company has paid the recompense amount to the CDR lenders as per exit terms and CDR-EG has been given its approval for successful exit of the Company from CDR mechanism vide letter No. CDR(DAP) No.218/2017-18 dated 01.09.2017

56 Details of business advances outstanding from Subsidiary for the year ended 31st March, 2018 - Disclosure required under Regulation 34(3) SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

₹ In Crore

Subsidiary Company	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2018	March 31, 2017	2017-18	2016-17
HTL Ltd	72.00	72.00	72.00	72.00
Moneta Finance (P) Ltd.	-	-	-	1.44
Polixel Security Systems Pvt. Ltd	8.58	9.06	8.58	9.06
HFCL Advance Systems Pvt. Ltd.	0.01	0.01	0.01	0.01

57 Financial Instruments and risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The management has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

57.1 Financial Instruments by category

₹ In Crore

Particulars	As at March 31, 2018			As at March 31, 2017		
	FVTPL	FVTOCI	Amortized Cost	FVTPL	FVTOCI	Amortized Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	44.01	-	-	44.41	-
ii) Structured entity						
a) Sumedha Fiscal Services Ltd.	-	0.08	-	-	0.03	-
b) Valiant Communications Ltd.	-	0.05	-	-	0.08	-
c) Magma Fincorp Ltd	-	2.35	-	-	1.62	-
(d) Media Matrix Worldwide Ltd.	-	-	-	-	-	-
(e) Sahara One Media and Entertainment Ltd.	-	1.06	-	-	-	-
B) Mutual funds	0.02	-	-	0.02	-	-
C) Debentures & Bonds	-	-	0.03	-	-	0.03
D) Bank deposits	-	-	7.19	-	-	2.51
II) Trade receivables	-	-	1,234.13	-	-	1,147.16
III) Cash and Cash equivalents	-	-	49.20	-	-	2.41
IV) Other Bank balances			59.22			77.47
V) Security deposit for utilities and premises	-	-	3.50	-	-	6.38
VI) Other receivables	-	-	548.57	-	-	363.87
Total financial assets	**0.02**	**47.55**	**1,901.84**	**0.02**	**46.14**	**1,599.83**
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	375.60	-	-	449.58
B) From Others	-	-	53.91	-	-	34.83
C) Preference Shares	-	-	60.38	-	-	80.50
II) Obligations under Finance Lease	-	-	-	-	-	-
III) Deposits	-	-	198.24	-	-	148.63
IV) Trade payables	-	-	515.76	-	-	392.44
V) Other liabilities	-	-	41.78	-	-	37.36
Total Financial liabilities	**-**	**-**	**1,245.67**	**-**	**-**	**1,143.34**

1. **Fair Value measurement**

Fair Value Hierarchy and valuation technique used to determine fair value :

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1 , Level 2 and Level 3 inputs.

1(a) Financial Assets measured at Fair Value recurring fair Value measurements as at 31st March, 2018

₹ In Crore

Particulars	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	13	0.02	-	-
FVTOCI				
Structured entity				
(a) Sumedha Fiscal Services Ltd.	13	0.08	-	-
(b) Valiant Communications Ltd.	13	0.05	-	-
(c) Magma Fincorp Ltd	13	2.35	-	-
(d) Media Matrix Worldwide Ltd.	13	-	-	-
(e) Sahara One Media and Entertainment Ltd.	13	1.06	-	-
(f) Exicom Tele-Systems Ltd.	8	-	-	9.15
(g) AB Corp Ltd	8	-	-	34.79
(h) Midas Communication Technologies Pvt. Ltd.	8	-	-	-
(i) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.07
Total Financial Assets		**3.56**	**-**	**44.01**

1(b) Financial Assets measured at Fair Value recurring fair Value measurements as at 31st March, 2017

₹ In Crore

Particulars	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	13	0.02	-	-
FVTOCI				
Structured entity				
(a) Sumedha Fiscal Services Ltd.	13	0.03	-	-
(b) Valiant Communications Ltd.	13	0.08	-	-
(c) Magma Fincorp Ltd	13	1.62	-	-
(d) Exicom Tele-Systems Ltd.	8			9.13
(e) AB Corp Ltd	8			35.22
(f) Midas Communication Technologies Pvt. Ltd.	8			-
(g) The Greater Bombay Co-Op Bank Ltd.	8			0.06
Total Financial Assets		**1.75**	**-**	**44.41**

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of the changes to these assumptions.

57.2 Management of Liquidity Risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

₹ In Crore

Particulars	Notes Nos.	Carrying amount	Less than 12 months	More than 12 months	Total
As at March 31, 2018					
Trade payables	26	515.76	515.76	-	**515.76**
Deposits (Retention Money)	27	198.24	198.24	-	**198.24**
Other liabilities	22,23,25,27	531.67	419.95	111.72	**531.67**
As at March 31, 2017					
Trade payables	26	392.44	392.44	-	**392.44**
Deposits (Retention Money)	27	148.63	148.63	-	**148.63**
Other liabilities	22,23,25,27	602.27	364.05	238.22	**602.27**

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2018 and 31 March 2017.

Potential Impact of Risk	Management Policy	Sensitivity to Risk
Price Risk		
Exposure in Equity		
The Company is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Company diversifies its portfolio in accordance with the limits set by the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher / lower: Other comprehensive income for the year ended 31st March 2018 would increase / decrease by ₹ 4.40 crore (for the year ended 31st March 2017: increase / decrease by ₹ 4.44 crore) as a result of the change in fair value of equity investment measured at FVTOCI.
Interest Rate Risk		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Company diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Company has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional ₹ 0.07 Cr loss for year ended March 31st, 2018 (₹ 0.20 Cr loss for year ended March 31st 2017).

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Company established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Company periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables.

None of the Company's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Company's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Company's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholder value.The following table provides detail of the debt and equity at the end of the reporting period :

₹ In Crore

Particulars	As at March 31, 2018	As at March 31, 2017
Debt	297.51	402.93
Less : Cash and Cash equivalents (Note 15)	(49.20)	(2.41)
Net Debt	248.31	400.52
Total Equity	1,215.99	1,043.52
Net Debt to Equity Ratio	0.20	0.38

58 Foreign Currency Exposure

a) The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

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.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

i) Details of outstanding Hedging Contracts relating to Foreign LCs

₹ In Crore

Particulars	**As at March 31, 2018**		**As at March 31, 2017**	
	Amount in foreign Currency	**Equivalent in ₹**	**Amount in foreign Currency**	**Equivalent in ₹**
USD/INR	3,657,763	24.22	-	-

ii) Foreign Currency exposure

₹ In Crore

Particulars		**As at March 31, 2018**		**As at March 31, 2017**	
		Amount in foreign Currency	**Equivalent in ₹**	**Amount in foreign Currency**	**Equivalent in ₹**
Trade payable	USD/INR	5,342,101	35.38	5,905,254	32.29
	EUR/INR	6,163	0.06	18,749	0.13
Advances from Customer	USD/INR	29,825	0.19	79,256	0.51
Advances to Vendors	USD/INR	5,039	0.03	-	-
	EUR/INR	39,764	0.32	-	-
Trade receivable	USD/INR	5,273,775	33.82	6,156,540	39.31
	EUR/INR	190,260	1.51	1,328,676	9.04
	GBP/INR	86,728	0.79	5,213	0.04

Foreign currency sensitivity analysis

The following details are demonstrate the Company's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

₹ In Crore

	For the Year Ended March 31, 2018		**For the Year Ended March 31, 2017**	
Impact on profit or loss for the year	**INR strengthens by 5%**	**INR weakening by 5%**	**INR strengthens by 5%**	**INR weakening by 5%**
USD Impact	(0.03)	0.03	0.05	(0.05)
EURO Impact	0.10	(0.10)	0.45	(0.45)
GBP Impact	0.04	(0.04)	-	-

59 Tax Reconciliation

₹ In Crore

Particulars	**For the Year Ended March 31, 2018**	**For the Year Ended March 31, 2017**
Net Profit as per Statement of Profit and Loss (before tax)	203.64	123.72
Current Tax rate @ 34.608%	**70.48**	**42.82**
Adjustment:		
MAT Adjustment	(19.52)	(15.57)
Depreciation & other adjustment	(7.93)	(2.08)
Dividend and Tax thereon	2.18	2.00
The amount of expenditure relatable income u/s 10	0.06	0.07
The amount of income u/s 10 - dividend	(0.01)	(2.18)
Tax Provision as per Books	**45.26**	**25.06**

60 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after April 1, 2018:

(i) Ind AS 115 Revenue from Contracts with Customers

(ii) Ind AS 21 The effect of changes in Foreign Exchange rates

The Company is evaluating the impact of these amendments on its financial statements.

61 The Board has recommended a dividend of 6 % per equity share for the financial year ended 31st March, 2018 subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) of the Company or other authorities wherever required. The dividend for the financial year ended 31st March, 2018, if any, declared at the ensuing AGM, will be paid to the Shareholders within 30 days from the date of declaration.

62 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

As per our report of even date attached

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

P. D. Baid
Partner
M.No. 072625

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

Sunil Bhansali
Partner
M.No.: 054645

For and on behalf of the Board

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

Independent Auditor's Report

To the Members of

Himachal Futuristic Communications Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **Himachal Futuristic Communications Limited** (hereinafter referred to as the " Parent ") and its subsidiaries (the Parent Company and its subsidiaries together referred to as the "Group") and its jointly controlled entity, comprising the Consolidated Balance Sheet as at 31st March, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated statement of Cash Flows and the consolidated statement of changes in equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS 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 including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued there under. The respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its jointly controlled entity 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 standalone 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 Ind AS financial statements by the Directors of the Parent Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting 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 consolidated Ind AS 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 Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS 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 Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of subsidiaries and management certified separate financial statement of jointly controlled entity, as referred to in the Other Matters paragraph below, the aforesaid consolidated Ind AS 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 jointly controlled entity as at 31st March, 2018, and its consolidated profit, consolidated total comprehensive income, consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matter

In the case of the Subsidiary, HTL Ltd., as mentioned in note 54 to consolidated Ind AS financial statements, the Auditor of the Subsidiary Company has drawn attention that:

(i) The Subsidiary Company has accumulated losses of ₹ 100.18 crore as at 31st March, 2018, resulting in negative net worth of ₹ 85.18 crore. Based on this factor, auditor of the subsidiary company has raised doubt whether the Subsidiary Company will be able to continue as a going concern. The Subsidiary Company has set up a plant to manufacture optical fibre cables and Fiber-to-home cables and is in the process of infusion of funds. During the year, the Subsidiary Company has achieved Turnover of ₹ 282.33 crore as compared to previous year's ₹ 201.44 crore. In view of the above, the Financial Statements have been prepared on a going concern basis. The report of auditor of the subsidiary company is not qualified in respect of this matter.

(ii) ₹ 347 lacs is receivable from Department of Telecommunications (DoT) by the Subsidiary Company due to pre-closure of ETP project and that DoT vide letter No. U-37012-3/97-FAC dated 02.12.2003 has conveyed the decision of the competent authorities to adjust the said amount against the interest portion of the outstanding loan of Government of India (GOI). Pending the reworking and reconciliation of total interest payable and in view of the management provisions already made being adequate, no further provision of interest has been made by the Subsidiary Company on GOI loan during the year. The report of auditor of the Subsidiary Company is not qualified in respect of this matter.

Other Matters

(a) We didn't audit the financial statements of two Subsidiaries whose financial statements reflect total assets (net) of ₹ 26.11 crore as at 31st March 2018, total revenues of ₹ 141.24 crore and Net Cash outflows amounting to ₹ 2.73 crore for the year ended on that date, as considered in the Consolidated Ind AS financial statements which have not been audited by us. These financial statements have been audited by the other auditors whose reports have been furnished to us by the management and our opinion on the consolidated Ind AS Financial Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the Act, in so far as its relates to the aforesaid subsidiaries is based solely on the report of the other auditors.

(b) Financial statements of two subsidiaries which reflect total assets (net) of ₹ 17.20 crore as at 31st March 2018, total revenues of ₹ 19.25 crore and net cash outflows amounting to ₹ 0.34 crore for the year then ended, as considered in the Consolidated Ind AS Financial, have been audited by one of joint auditors of the parent company and our opinion on the consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of section 143 of the Act, in so far as its relates to the aforesaid subsidiaries is based solely on the reports of such joint auditor.

(c) The consolidated Ind AS financial statements also includes the Group share of net profits of ₹ 1.40 crore for the year ended 31st March, 2018 in respect of a jointly controlled entity whose financial statements /information are unaudited. This financial statement / information have been furnished to us by the management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this jointly controlled entity, is based solely on such unaudited financial statement / information. In our opinion and according to the information and explanations given to us by the management, this financial statement / information is not material to the Group.

(d) The consolidated Ind AS financial statements of the Group and its jointly controlled entity also includes the comparative financial statement / information for the year ended 31st March, 2017 which were audited by other auditor (predecessor auditor) and have been relied upon by us. The report of the predecessor auditor on comparative financial statements for the year ended 31st March, 2017 dated 10th May, 2017 expressed a qualified opinion. Our opinion is not modified in respect of this matter.

Our opinion on the consolidated Ind AS Financial Statements above, 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 financial statements / information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, and on the consideration of the report of other auditors on separate financial statements and the other financial information of subsidiaries and management certified financial statement/ information of jointly controlled entity, as referred to in the Other Matters paragraph above, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS Financial Statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and the reports of other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flows and consolidated statement of changes in equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued there under.

(e) On the basis of the written representations received from the directors of the Parent Company as on 31st March, 2018 taken on record by the Board of Directors of the Parent Company, the report of the statutory auditors of its subsidiary companies and management certification for jointly controlled entity, none of the directors of the Group companies and jointly controlled entity is disqualified as on 31st March, 2018 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 Group and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A', to be read with Other Matters paragraph above.

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

(i) The Consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the group;

(ii) Provision has been made in consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Group does not have any derivative contracts;

(iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group and its jointly controlled entity.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No. 000560C

(P. D. Baid)
Partner
Membership No: 072625

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No. 016520N

(Sunil Bhansali)
Partner
Membership No: 054645

Place: New Delhi
Date: 3rd May, 2018

Annexure - A to the Independent Auditors' Report

(Referred to in paragraph "f" under 'Report on the Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated Ind AS Financial Statements of the Company as of and for the year ended 31st March, 2018, we have audited the internal financial controls over financial reporting of **Himachal Futuristic Communications Limited** (herein after referred as the "Parent") and its subsidiary Companies (herein after referred as the "Group") as of that date.

Management's Responsibility for Internal Financial Controls

The Respective Board of Directors of the Parent Company and its subsidiary companies are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial 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 the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls 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 judgement, 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 of the subsidiary companies in term of their reports referred to in other matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

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 that, 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 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; and (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 to be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph below, the Group have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, based on the internal control over financial reporting criteria established by the respective companies of the

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

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to four subsidiary companies is based solely on the corresponding report of the auditors of such companies.

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one jointly controlled entity, which is company incorporated in India, whose financial statements/information are unaudited and our opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Group is not affected as these financial statements/information is not material to the Group.

Our opinion is not modified in respect of the above matters.

For S Bhandari & Co.
Chartered Accountants
Firm Registration No. 000560C

(P. D. Baid)
Partner
Membership No: 072625

For Oswal Sunil & Company
Chartered Accountants
Firm Registration No. 016520N

(Sunil Bhansali)
Partner
Membership No: 054645

Place: New Delhi
Date: 3rd May, 2018

Conoslidated Balance Sheet as at March 31, 2018

(₹ in Crore)

Particulars	Note No(s)	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	165.74	158.20
(b) Capital work-in-progress	4	1.68	1.68
(c) Goodwill		25.85	25.85
(d) Other Intangible assets	5	4.36	4.28
(e) Intangible assets under development	6	8.17	-
(f) Investment accounted for using equity method	7	5.59	4.19
(g) Financial Assets			
(i) Investments	8	46.06	44.52
(ii) Trade Receivables		0.65	-
(iii) Others	9	13.27	7.41
(h) Deferred tax assets (net)	10	118.74	122.56
(i) Other non-current assets	11	2.20	0.95
Total Non-current Assets		**392.31**	**369.64**
Current Assets			
(a) Inventories	12	213.56	245.36
(b) Financial Assets			
(i) Investments	13	3.60	1.75
(ii) Trade Receivables	14	1233.41	1,179.37
(iii) Cash & cash equivalents	15	66.57	5.91
(iv) Bank balances other than (iii) above	16	65.51	91.56
(v) Loans	17	6.75	6.75
(vi) Others	18	441.09	263.41
(c) Current Tax Assets (net)	19	96.41	59.18
(d) Other current assets	20	69.19	52.48
Total Current Assets		**2196.09**	**1,905.77**
Total Assets		**2588.40**	**2,275.41**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	21	123.94	123.94
(b) Other Equity	21	1027.24	840.15
Equity attributable to owners of the Company		**1151.18**	**964.09**
Non-controlling interest		5.37	1.54
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	22	141.26	267.57
(ii) Other financial liabilities	23	0.39	0.21
(b) Provisions	24	23.06	18.55
Total Non-current Liabilities		**164.71**	**286.33**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	200.43	180.12
(ii) Trade Payables	26		
- total outstanding dues of micro enterprises and small enterprises		7.67	10.53
- total outstanding dues to other than micro enterprises and small enterprises		554.97	446.64
(iii) Other financial liabilities	27	437.84	350.53
(b) Other current liabilities	28	63.57	33.08
(c) Provisions	29	2.66	2.55
Total current liabilities		**1267.14**	**1,023.45**
Total Liabilities		**1431.85**	**1,309.78**
Total Equity and Liabilities		**2588.40**	**2,275.41**

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

Conoslidated Statement of Profit and Loss for the year ended March 31, 2018

(₹ in Crore)

	Particulars	Note No(s)	For the year ended March 31, 2018	For the year ended March 31, 2017
I.	**INCOME**			
	Revenue from operations	30	3251.71	2202.92
	Other Income	31	26.43	21.41
	Total Income (I)		**3278.14**	**2224.33**
II.	**EXPENSES**			
	Cost of Materials Consumed	32	554.75	439.92
	Other Direct costs	33	1241.86	979.23
	Purchases of stock-in trade		796.16	161.51
	Change in inventories of finished goods, work-in progress and stock-in trade	34	40.41	39.32
	Excise Duty		21.15	71.51
	Employee benefits expense	35	168.13	152.49
	Finance Costs	36	63.63	62.39
	Depreciation and amortisation expense		23.22	21.75
	Other Expenses	37	148.04	166.06
	Total Expenses (II)		**3057.35**	**2094.18**
III	**Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)**		**220.79**	**130.15**
IV	Share of profit/ (loss) of a joint venture		1.40	(5.94)
V	**Profit / (loss) before exceptional items and income tax (III+IV)**		**222.19**	**124.21**
VI	Exceptional item	38	1.79	-
VII	**Profit / (Loss) before tax (V - VI)**		**220.40**	**124.21**
VIII	**Tax expense**			
	- Current tax		45.57	25.65
	- Deferred Tax		3.13	(25.15)
IX	**Profit/(loss) for the year (VII-VIII)**		**171.70**	**123.71**
X	**Other Comprehensive Income**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurement of defined benefit plans		0.49	1.13
	(ii) Income Tax on above item		(0.22)	-
	(iii) Equity Instruments measured at fair value through OCI		(0.99)	0.67
	Items that will be reclassified to profit or loss			
	(i) Debt instruments through OCI		1.94	-
	The effective portion of gains and loss on hedging instruments in a cash flow hedge;		**1.22**	**1.80**
XI	**Total comprehensive income for the year (IX+X)**		**172.92**	**125.51**
XII	**Profit attributable to:**			
	Owners of the Parent		167.87	122.93
	Non-controlling interest		3.83	0.78
XIII	**Total comprehensive income for the year attributable to:**			
	Owners of the Parent		169.15	124.77
	Non-controlling interest		3.77	0.74
	Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the year			
	- Basic	39	**₹ 1.39**	**₹ 1.00**
	- Diluted	39	**₹ 1.38**	**₹ 1.00**

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

Consolidated Statement of Cash Flow for the year ended March 31, 2018

(₹ in Crore)

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
I.	**Cash Flow From Operating Activities**		
	Net Profit before Taxes and Exceptional Income	222.19	124.21
	Adjustments for		
	Depreciation and Amortization expenses	23.22	21.75
	Gain on disposal of property, plant and equipment	1.37	(3.00)
	Gain on sale of investments	-	(0.16)
	Share of profit of joint ventures	(1.40)	5.94
	Dividend and interest income classified as investing cash flows	(12.76)	(12.31)
	Finance costs	63.63	62.39
	Change in operating assets and liabilities		
	(Increase)/Decrease in trade receivables	(54.04)	(66.72)
	(Increase)/Decrease in inventories	31.80	30.83
	Increase/(decrease) in trade payables	105.47	(47.23)
	(Increase)/Decrease in other financial assets	(153.94)	(54.11)
	(Increase)/decrease in other non-current assets	(7.30)	31.62
	(Increase)/decrease in other current assets	(16.71)	(9.33)
	Increase/(decrease) in provisions	0.62	5.13
	Increase in other current liabilities	87.75	103.54
	Cash generated from/(used in) operations	**289.90**	**192.55**
	Income taxes paid (net)	(82.81)	(56.48)
	Net cash inflow from/(used in) operating activities	**207.09**	**136.07**
II	**Cash flows from investing activities**		
	Payments for property, plant and equipment	(30.01)	(32.64)
	Payments for purchase of investments	(0.60)	(5.30)
	Payments for product development costs	(9.57)	(2.82)
	Loans to employees /others	-	(4.00)
	Proceeds from sale of investments/adjustments	(1.79)	0.30
	Proceeds from sale of property, plant and equipment	(1.26)	9.68
	Dividends received	0.02	6.30
	Interest received	13.19	3.45
	Net cash inflow from /(used in) investing activities	**(30.02)**	**(25.03)**

Consolidated Statement of Cash Flow for the year ended March 31, 2018

(₹ in Crore)

	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
III	**Cash flows from financing activities**		
	Proceeds from issues of Warrants	18.00	-
	Proceeds from borrowings	66.52	117.61
	Repayment of borrowings	(137.19)	(143.20)
	Interest paid	(63.74)	(78.03)
	Recompense paid	-	(10.58)
	Net cash inflow from/(used in) financing activities	**(116.41)**	**(114.20)**
IV	**Net increase /(decrease) in cash and cash equivalents (I+II+III)**	**60.66**	**(3.16)**
V	Cash and cash equivalents at the beginning of the financial year	5.91	9.07
VI	**Cash and cash equivalents at end of the year**	**66.57**	**5.91**

Notes:

1. The Statement of Cash flow has been prepared under the indirect method as set-out in the Ind AS - 7 "Statement of Cash Flow" as specified in the Companies (Indian Accounting Standards) Rules, 2015

2. Figures in bracket indicate cash outflow.

3. Cash and cash equivalents (refer note 15)

Cash on hand	0.16	0.11
Balances with Scheduled banks in		
Current accounts	28.64	3.80
Fixed Deposits with Bank	37.77	2.00
Balances per statement of cash flows	**66.57**	**5.91**
The accompanying notes form an integral part of the consolidated financial statements		

As per our report of even date attached

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

P. D. Baid
Partner
M.No. 072625

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, 3rd May, 2018

For and on behalf of the Board

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

Consolidated Statement of Changes in Equity
for the year ended March 31, 2018

A. Equity Share Capital

(₹ in Crore)

Particulars	Amount
As at April 1, 2016	123.94
Changes in equity share capital	-
As at March 31, 2017	123.94
Changes in equity share capital	-
As at March 31, 2018	123.94

B. Other equity

Particulars	Money received against Convertible Warrants *	Reserves and Surplus**				Items of Other Comprehensive Incomes			Total Equity attributable Owners of the Company	Non-Controlling Interest	Total Equity
		Securities Premium Reserve	Capital Redemption Reserve	Other Reserves (Debenture Redemption Reserve)	Retained Earnings	Debt instruments through Other Comprehensive Income	Changes in fair value of FVOCI equity instruments	Re-measurement of defined benefit plans - Other Comprehensive Income			
Balance as at April 1, 2016	**-**	**400.12**	**-**	**-**	**478.52**	**(46.92)**	**(123.40)**	**7.10**	**715.42**	**0.76**	**716.18**
Changes in accounting policy or previous years adjustments	-	-	-	-	(44.34)	44.34	-	-	-	-	-
Restated balance as at April 1, 2016	**-**	**400.12**	**-**	**-**	**434.18**	**(2.58)**	**(123.40)**	**7.10**	**715.42**	**0.76**	**716.18**
Total Comprehensive Income for the year	-	-	-	-	122.93	-	0.67	1.13	124.73	0.78	125.51
Transfer to Debenture Redemption Reserve	-	-	-	7.37	(7.37)	-	-	-	-		
Balance as at March 31, 2017	**-**	**400.12**	**-**	**7.37**	**549.74**	**(2.58)**	**(122.73)**	**8.23**	**840.15**	**1.54**	**841.69**
Warrant subscription price equivalent to 25% of the issue price*	18.00	-	-	-	-	-	-	-	18.00	-	18.00
Total Comprehensive Income for the year	-	-	-	-	167.87	1.94	(0.99)	0.27	169.09	3.83	172.92
Transfer to retained earnings	-	-	20.12	-	(20.12)	-	-	-	-		-
Transfer to Debenture Redemption Reserve	-	-		1.06	(1.06)	-	-	-	-		-
Balance as at March 31, 2018	**18.00**	**400.12**	**20.12**	**8.43**	**696.43**	**(0.64)**	**(123.72)**	**8.50**	**1,027.24**	**5.37**	**1,032.61**

* During the year, Holding Company has issued 4,50,00,000 Convertible Warrants on preferential basis with a right to Warrant Holders to apply for and get allotted one equity share of face value of Re. 1/- (Rupee One Only) each per Warrant, within a period of 18 (Eighteen) months from the date of allotment of Warrants i.e. October 30, 2017, at a price of ₹ 16/- each (Rupees Sixteen Only).

** Refer not no. 21(b)

The accompanying notes form an integral part of the consolidated financial statements

As per our report of even date attached

For and on behalf of the Board

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

New Delhi, 3rd May, 2018

Notes forming part of Financial Statements
for the year ended March 31, 2018

1. Corporate information

Himachal Futuristic Communications Limited ('HFCL' or 'the Holding Company') is a public limited company domiciled and incorporated in India having its registered office at 8, Electronics Complex, Chambaghat, Solan, Himachal Pradesh-173213. The Company's shares are listed and traded on Stock Exchanges in India. Established in 1987, HFCL is a diverse telecom infrastructure enabler with active interest spanning telecom infrastructure development, system integration, and manufacture and supply of high-end telecom equipment and Optic Fiber Cable (OFC).

The financial statements have been approved by the Board of Directors of the Company at its meeting held on May 03, 2018.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time

2.1.2. Historical Cost Convention

The Standalone Financial Statements have been prepared on the historical cost basis except for the followings:

- certain financial assets and liabilities and contingent consideration that is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans plan assets measured at fair value; and

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Statements are presented in Indian Rupees except where otherwise stated.

2.1.3. Use of estimates and judgements

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

2.2. Basis of Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

ii. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognized at cost.

iii. Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. HFCL has only joint venture with DragonWave Inc., Canada now known as DragonWave-X Canada Inc. a subsidiary of Transform X Inc.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated balance sheet.

iv. Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognise the group share of the post-acquisition profits or losses of the investee in profit and loss, and the group share of other comprehensive income of the investee in other comprehensive income.

When the group share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Holding Company and its associates and joint ventures are eliminated to the extent of the group interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described below.

v. Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.4. Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

(a) Expected to be realised or intended to be sold or consumed in normal operating cycle

(b) Held primarily for the purpose of trading, or

(c) Expected to be realised within twelve months after the reporting period other than for (a) above, or

(d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

(a) It is expected to be settled in normal operating cycle

(b) It is held primarily for the purpose of trading

(c) It is due to be settled within twelve months after the reporting period other than for (a) above, or

(d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

2.5. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Group categorizes assets and liabilities measured at fair value into one of three levels as follows:

- **Level 1 — Quoted (unadjusted)**

  This hierarchy includes financial instruments measured using quoted prices.

- **Level 2**

  Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

  Level 2 inputs include the following:

  (a) quoted prices for similar assets or liabilities in active markets.

  (b) quoted prices for identical or similar assets or liabilities in markets that are not active.

  (c) inputs other than quoted prices that are observable for the asset or liability.

  (d) Market – corroborated inputs.

- **Level 3**

  They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Group assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

2.6. Investments in subsidiaries, associates and joint ventures

The Group records the investments in subsidiaries, associates and joint ventures at cost.

When the Group issues financial guarantees on behalf of subsidiaries, initially it measures the financial guarantees at their fair values and subsequently measures at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

The Group records the initial fair value of financial guarantee as deemed investment with a corresponding liability recorded as deferred revenue. Such deemed investment is added to the carrying amount of investment in subsidiaries.

Deferred revenue is recognized in the Statement of Profit and Loss over the remaining period of financial guarantee issued.

2.7. Non-current assets held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2.8. Property, Plant and Equipment

Property, Plant and Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

PPE are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It include professional fees and borrowing costs for qualifying assets.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the statement of profit and loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use.

Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

Asset Class	Useful Life
Freehold Buildings	Office Building : 60 years
	Factory Building : 30 years
Leasehold Improvements	Over the period of lease
Plant & Machinery	7.5 - 15 years
Furniture & Fixtures	10 years
Electrical Installations	10 years
Computers	3 – 6 years
Office Equipments	5 years
Vehicles	8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the Group will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

2.9. Intangible Assets

(i) Intangible assets

- **Recognition of intangible assets**

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria as below, are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Group initially recognizes development expenses as intangible assets when The Group can demonstrate that:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

It is amortized over the period of expected future benefit. Amortization expense is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

(c) Computer software

Purchase of computer software used for the purpose of operations is capitalized. However, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Statement of Profit and Loss.

- **De-recognition of intangible assets**

  An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the Statement of Profit and Loss when the asset is de-recognized.

(ii) Intangible assets under development

All costs incurred in development, are initially capitalized as Intangible assets under development - till the time these are either transferred to Intangible Assets on completion or expensed as Software Development cost (including allocated depreciation) as and when determined of no further use.

2.10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

2.10.1. Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that The Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, The Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, The Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments are measured at fair value. Equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. This amount is not recycled from OCI to P & L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

De-recognition

A financial asset is de-recognized only when

- The Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognized if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Impairment of financial assets

In accordance with Ind AS 109, the Group applies Expected Credit Loss (ECL) model for measurement and recognition of Impairment loss on the following financial assets and credit risk exposure:

(a) Financial assets that are debt instruments, and are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance

(b) Financial assets that are debt instruments and are measured as at FVTOCI

(c) Lease receivables under Ind AS 17

(d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

(e) Loan commitments which are not measured as at FVTPL

(f) Financial guarantee contracts which are not measured as at FVTPL

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L).

2.10.2. Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortized cost unless at initial recognition, they are classified as fair value through profit and loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the statement of profit and loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process.

Financial guarantee contracts

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortisation.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

2.11. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

2.12. Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Weighted Average Cost Method.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Weighted Average Cost Method.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Contract Work in Progress : It is valued at cost
- Loose Tools (Consumable) : It is valued at cost after write-off at 27.82% p.a.

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

2.13. Revenue recognition

- **Sale of Goods and Rendering of Service**

  Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

  Revenue in respect of turnkey projects and services is recognized on completed contract method provided following conditions are satisfied:

- when the right to receive such income is established as per the terms of the contract.
- significant risks and rewards of ownership of the goods & services are transferred to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue is reported net of indirect taxes and adjustments made towards deduction and price variation wherever applicable. Escalation and other claims, which are not ascertainable/acknowledged by customers are not taken into account. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

- **Interest income**

  For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR).

- **Dividends**

  Revenue is recognized when the Group right to receive the payment is established, which is generally when shareholders approve the dividend.

- **Rental income**

  Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the statement of profit and loss.

- **Insurance Claims**

  Insurance claims are accounted for as and when admitted by the concerned authority.

2.14. Excise and custom 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.

2.15. Leases

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases.

2.16. Foreign currency transactions

The functional currency of the Group is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Group functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

2.17. Employee Benefits

Short term employee benefits:-

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Long-Term employee benefits

Compensated expenses which are not expected to occur within twelve months after the end of period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

Post-employment obligations

(i) Defined contribution plans

Provident Fund and employees' state insurance schemes

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

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

(ii) Defined benefit plans

Gratuity

The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits "The Group makes periodic contributions to the HDFC Standard Life Insurance 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.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

Leave Encashment

The Group has provided for the liability at period end on account of un-availed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

(iii) Actuarial gains and losses are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above),are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Financial Statements represents the actual deficit or surplus in the Group defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

Termination benefits

Termination benefits are recognized as an expense in the period in which they are incurred.

2.18. Borrowing Costs

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

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

2.20. Cash Flow Statement

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Group are segregated.

2.21. GST/Cenvat Credit

The GST/CENVAT credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST/CENVAT credit is shown under the head "Other Current Assets".

2.22. Earnings per share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.23. Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Standalone Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Dividend distribution tax paid on the dividends is recognized consistently with the presentation of the transaction that creates the income tax consequence.

3. Property, Plant and Equipment

(₹ in Crore)

Particulars	Plant and Machinery	Building (Freehold)	Building (Leasehold)	Electrical Installations	Furniture and Fixtures	Office Equipments	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance as at April 1, 2016	**304.65**	**47.88**	**25.64**	**14.37**	**7.43**	**5.37**	**17.20**	**14.12**	**2.43**	**0.82**	**439.91**
Acquisition of Subsidiary	0.03	-	-	-	0.03	-	0.23	-	-	-	0.29
Additions	25.36	1.82	0.04	0.07	0.88	0.36	1.09	1.13	0.03	-	30.78
Disposals / Adjustments	39.63	-	-	-	-	-	0.66	0.42	-	0.01	40.72
Balance as at March 31, 2017	**290.41**	**49.70**	**25.68**	**14.44**	**8.34**	**5.73**	**17.86**	**14.83**	**2.46**	**0.81**	**430.26**
Additions	11.64	5.29	1.42	0.68	0.41	0.22	2.63	0.95	6.24	0.06	29.54
Disposals / Adjustments	-	-	-	-	0.90	0.20	2.18	1.47	-	-	4.75
As at March 31, 2018	**302.05**	**54.99**	**27.10**	**15.12**	**7.85**	**5.75**	**18.31**	**14.31**	**8.70**	**0.87**	**455.05**
Accumulated depreciation and impairment											
Balance as at April 1, 2016	**230.25**	**9.97**	**5.79**	**9.29**	**4.93**	**4.71**	**14.37**	**6.13**	**-**	**0.18**	**285.62**
Depreciation for the year	11.19	1.26	0.79	1.39	0.69	0.36	1.85	2.93	-	0.01	20.47
Disposals / Adjustments	33.01	-	-	-	-	-	0.64	0.38	-		34.03
Balance As at March 31, 2017	**208.43**	**11.23**	**6.58**	**10.68**	**5.62**	**5.07**	**15.58**	**8.68**	**-**	**0.19**	**272.06**
Depreciation for the year	13.57	1.40	0.80	1.09	0.79	0.36	1.69	2.18	-	0.01	21.89
Disposals / Adjustments	-	-	-	-	0.90	0.20	2.15	1.39	-	-	4.64
As at March 31, 2018	**222.00**	**12.63**	**7.38**	**11.77**	**5.51**	**5.23**	**15.12**	**9.47**	**-**	**0.20**	**289.31**
Net Carrying Value											
Balance as at April 1, 2016	74.40	37.91	19.85	5.08	2.50	0.66	2.83	7.99	2.43	0.64	154.29
Balance as at March 31, 2017	81.98	38.47	19.10	3.76	2.72	0.66	2.28	6.15	2.46	0.62	158.20
Balance as at March 31, 2018	**80.05**	**42.36**	**19.72**	**3.35**	**2.34**	**0.52**	**3.19**	**4.84**	**8.70**	**0.67**	**165.74**

Notes:

1. Gross block and Net block of fixed assets are net of provision for impairment in respect of Plant & Machinery ₹ 113.81 crore (Previous year ₹ 113.81 crore), Electrical Installation ₹ 0.12 crore (Previous year ₹ 0.12 crore) and Office Equipment's ₹ 1.24 crore (Previous year ₹ 1.24 crore).
2. One of the Lease hold land situated at Solan (H.P.) is pending for title transfer in the name of the Holding Company.
3. Refer note no. 22 and 25 for details of assets pledged.
4. Land Situated at Telangana for optical fiber manufacturing facility will be registered in name of the Holding Company on commencement of commercial production.

4. Capital works-in-progress

(₹ in Crore)

Particulars	Buildings	Plant & Machinery	Electrical Installation
Balance as at April 1, 2016	**0.11**	**-**	**-**
Additions	1.14	15.52	0.47
Disposals / Adjustments	0.04	15.52	-
Balance as at March 31, 2017	**1.21**	**-**	**0.47**
Additions	1.89	0.42	0.19
Disposals / Adjustments	1.42	0.42	0.66
Balance as at March 31, 2018	**1.68**	**-**	**-**

5. Intangible Assets (Other than Goodwill)

(₹ in Crore)

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2016	**5.86**
Additions	3.37
Disposals / Adjustments	-
Balance as at March 31, 2017	**9.23**
Additions	1.41
Disposals / Adjustments	-
Balance as at March 31, 2018	**10.64**
Accumulated depreciation and impairment	
Balance as at April 1, 2016	**3.67**
Depreciation for the year	1.28
Disposals / Adjustments	-
Balance as at March 31, 2017	**4.95**
Depreciation for the year	1.33
Disposals / Adjustments	-
Balance as at March 31, 2018	**6.28**
Net Carrying Value	
Balance as at April 1, 2016	2.19
Balance as at March 31, 2017	4.28
Balance as at March 31, 2018	**4.36**

6. Intangible assets under development

₹ in Crore)

Particulars	Product Development
Balance as at April 1, 2016	**0.55**
Additions	-
Disposals / Adjustments	0.55
Balance as at March 31, 2017	**-**
Additions	8.17
Disposals / Adjustments	-
Balance as at March 31, 2018	**8.17**

7. Investment accounted for using equity method

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2018 No. of Shares	As at March 31, 2018 Amount	As at March 31, 2017 No. of Shares	As at March 31, 2017 Amount
Unquoted Investments (At Cost)					
Investment in Equity Instruments - Equity Shares					
DragonWave HFCL India Pvt. Ltd.	10	3,493,000	3.49	3,493,000	3.49
Add : Share of Profit/Loss			2.10		0.70
Total aggregate unquoted investments			**5.59**		**4.19**
Aggregate carrying value of unquoted investments			5.59		4.19
Aggregate amount of impairment in value of investments			-		-

7.1 Additional details of Joint Venture Entity

Particulars	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Company As at March 31, 2018	Proportion of ownership interest/ voting rights held by the Company As at March 31, 2017
Dragon Wave HFCL India Pvt. Ltd.	Radio Communication Systems	India	49.90%	49.90%

8. Non-Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	44.18	44.49
(ii) Investments in Debt instruments	1.88	0.03
Total	**46.06**	**44.52**

8.1 Detail of Non Current Financial Assets - Other Investments

(₹ in Crore)

Particulars	Face value per share/ Debenture	As at March 31, 2018 No. of Shares/ Debentures/ Units	As at March 31, 2018 Amount	As at March 31, 2017 No. of Shares/ Debentures/ Units	As at March 31, 2017 Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments- Equity Shares					
Exicom Tele-Systems Ltd.	10	630,223	9.15	630,223	9.13
Microwave Communications Ltd. (MCL)*	10	12,187,440	-	12,187,440	-
AB Corp Ltd.#	10	13,250,000	34.79	13,250,000	35.22
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.07	4,000	0.06
India Card Technologies Pvt.Ltd.	10	19,900	0.02	19,900	-
Shankar Sales Promotion Pvt.Ltd.	10	2,000	0.15	2,000	0.08
Total Investment in Equity Instruments measured at FVTOCI			**44.18**		**44.49**
(ii) Investment in Debt Instruments			-		
Senior Consulting Pvt Ltd. (ZCOCBs)	1000	26,000	0.03	26,000	0.03
Atul Properties Pvt. Ltd. (OFCDs)	100	185,000	1.85	185,000	-
Total Investment in Debt Instruments measured at FVTOCI			**1.88**		**0.03**
Aggregate Carrying value of unquoted investments			**46.06**		**44.52**

* 1,21,87,440 (Previous year:1,21,87,440) Shares held in Microwave Communications Ltd. are pledged with IDBI Bank as a security for the Term Loan given by IDBI to MCL. Accordingly, the Group is currently not able to exercise significant influence.

65,00,000 (Previous year: 65,00,000) Share are pledged as security for the Term Loan given by Oriental Bank of Commerce (OBC) to the Group. Such shares are held by OBC in their own name, hence the Group is currently not able to exercise significant influence.

9. Non-Current Financial Assets - Others

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, Considered Doubtful		
Other Loans	0.21	0.21
	0.21	0.21
Less : Provision for doubtful loans	(0.21)	(0.10)
	0.00	**0.11**
Unsecured, Considered Good		
Fixed Deposits with Bank (maturity more than 12 months)*	12.86	7.09
Financial guarantee Fees recievable	0.41	0.21
Total	**13.27**	**7.41**

* Above fixed deposit held as margin money/securities with banks.

10. Deferred tax assets (net)

Deferred income tax reflect the net tax effects of temporary difference between the carrying amount of assets and liabilities for the financial reporting purposes and the amounts used for income tax purposes. Significant component of the Group's net deferred income tax are as follows:-

(₹ in Crore)

Particulars	Defined benefit obligation	Unabsorbed depreciation for tax purpose	MAT credit entitlement	Provisions & others	Total
As at 1 April, 2016	**-**	**-**	**97.30**	**-**	**97.30**
(Changed)/Credited:					
- to Statement of profit and loss	0.11	(0.04)	25.19	-	25.26
- to other comprehensive income	-	-	-	-	-
As at 31 March, 2017	**0.11**	**(0.04)**	**122.49**	**-**	**122.56**
(Changed)/Credited:					
- to Statement of profit and loss	7.80	2.09	(14.47)	20.06	15.48
- to other comprehensive income	0.22	-	-	-	0.22
- to current tax liability	-	-	(19.52)	-	(19.52)
As at 31 March, 2018	**8.13**	**2.05**	**88.50**	**20.06**	**118.74**

11. Other Non-Current Assets

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, Considered Good		
Capital Advances	2.20	0.95
Total	**2.20**	**0.95**

12. Inventories (at cost or net realisable value whichever is lower)

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Inventories (As Certified and valued by the management)		
Raw Material	47.22	39.13
Raw Materials in transit	5.81	3.08
	53.03	**42.21**
Work-in-progress	109.47	153.00
Finished goods	13.54	16.42
Stock-in-trade securities	-	2.39
Stock-in-trade Goods	34.66	28.66
Stores and spares	1.97	1.53
Loose tools;	0.27	0.41
Others (Packing Material)	0.62	0.74
Total	**213.56**	**245.36**

Notes:

(i) Work in progress includes contract work in progress of ₹ 100.52 crore (Previous year: ₹ 153.63 crore)

(ii) Inventories are net-off ₹ 33.76 crore (Previous year: ₹ 33.76 crore) on account of provision for slow moving/ non moving items.

13. Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Quoted Investments		
(i) Investments in Mutual Funds	0.02	0.02
(ii) Investments in Equity Instruments -other	3.58	1.73
Total	**3.60**	**1.75**

13.1 Detail of Current Financial Assets - Investments

(₹ in Crore)

Particulars	Face Value	As at March 31, 2018		As at March 31, 2017	
		No. of Shares/ Units	Amount	No. of Shares/ Units	Amount
Financial assets carried at fair value through Statement of Profit or Loss					
(i) Investments in mutual funds - Quoted Investment					
Principal Cash Management fund - Dividend reinvestment plan	1000	223	0.02	213	0.02
Total Investment FVTPL			**0.02**		**0.02**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Sumedha Fiscal Services Ltd.	10	18,200	0.08	18,200	0.03
Valiant Communications Ltd.	10	8,700	0.05	8,700	0.08
Magma Fincorp Ltd	2	152,830	2.35	152,830	1.62
Media Matrix Worldwide Ltd.	1	4,750	-	-	-
Sahara One Media and Entertainment Ltd.	10	250,950	1.06	-	-
Manvens Biotech Ltd.	10	17,000	-	-	-
Optimates Textile Industries Ltd.	10	1,302,500	-	-	-
Rashel Agrotech Ltd.	10	478,500	-	-	-
(iii) Investment in equity instruments - Unquoted Equity Shares					
NSL Wind Power Company (Phoolwadi) Private Limited	10	44,195	0.04	-	-
Total Investment FVTOCI			**3.58**		**1.73**
Total Current Financial Investments			**3.60**		**1.75**

14. Current Financial Assets - Trade Receivables

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good	1,233.41	1,179.37
Total	**1,233.41**	**1,179.37**

14.1 The credit period towards trade receivables generally ranges between down to achievement of specified milestones (execution based) and average project execution cycle is around 6 to 24 months. General payment terms include process time with the respective customers ranging between 30 to 60 days from the date of invoices / achievement of specified milestones .

14.2 In determining the allowance for trade receivables the Group has used practical expedients based on financial condition of the customers, ageing of the customer receivables and over-dues, availability of collaterals and historical experience of collections from customers. The concentration of risk with respect to trade receivables is reasonably low as most of the customers are Government and large Corporate organisations though there may be normal delays in collections.

15. Current Financial Assets - Cash & cash equivalents

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Balance with banks	28.64	3.80
Cash on hands	0.16	0.11
Fixed Deposits with Bank (maturity less than 3 months)*	37.77	2.00
Total	**66.57**	**5.91**

* Above fixed deposit held as margin money/securities with banks.

16. Current Financial Assets - Other Bank Balances

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Fixed Deposits with Bank (Maturity less than 12 months)*	65.51	91.56
Total	**65.51**	**91.56**

* Above fixed deposit held as margin money/securities with banks.

17. Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Other Loans	6.75	6.75
Total	**6.75**	**6.75**

18. Current Financial Assets -Other Assets

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Advances other than capital advances		
- Security Deposits	4.56	6.96
- Other advances	411.63	231.09
Interest Receivables	24.90	25.36
Total	**441.09**	**263.41**

19. Current Tax Assets (net)

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Advance Income Tax / TDS (net of provisions)	96.41	59.18
Total	**96.41**	**59.18**

20. Other Current Assets

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Balance with Indirect Tax Authorities	27.14	30.43
Commercial Taxes Receivable	28.36	11.42
Fixed Assets Held for Sale	-	1.40
Prepaid Expenses	12.11	7.47
Other Receivables	1.58	1.76
Total	**69.19**	**52.48**

21. A. Share Capital

(₹ in Crore)

(i) Authorised Share Capital

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2016	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2017	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2018	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**

(ii) Shares issued, subscribed and fully paid-up

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount #
As at April 1, 2016	**1,239,377,194**	**123.94**	**8,050,000**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 2017	**1,239,377,194**	**123.94**	**8,050,000**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeem during the year	-	-	2,012,500	-
As at March 31, 2018	**1,239,377,194**	**123.94**	**6,037,500**	**-**

The liability component is reflected under the head Financial Liabilities (refer note no. 22)

(iii) Shareholders holding more than 5 percent of Equity Shares

Name of Shareholder	As at March 31, 2018		As at March 31, 2017	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures (P) Ltd	238,390,000	19.23%	238,390,000	19.23%
Nextwave Communications (P) Ltd	212,365,000	17.13%	212,365,000	17.13%
IDBI Bank Ltd	25,041,729	2.02%	79,338,601	6.40%

(iv) Terms/right attached to Equity/Preference Shares -

The Holding company has issued equity share of Re.1/- each and preference share of ₹ 100/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up capital of the Company held by them. Preference shareholders shall have voting right in proportion to the shares of the paid up capital provided if the dividend due on such capital or any part of such dividend has remained unpaid. 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.

21. B. Other Equity

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Retained Earnings	696.43	549.74
(ii) Components of Other Comprehensive Income		
Debt instrument through other comprehensive income	(0.64)	(2.58)
Changes in fair value of FVOCI equity instruments	(123.72)	(122.73)
Re-measurement of defined benefit plans	8.50	8.23
(iii) Other Reserves		
Securities Premium *	400.12	400.12
Debenture Redemption Reserve**	8.43	7.37
Capital Redemption Reserve***	20.12	0.00
(iv) Money received against Convertible Warrants ******	18.00	0.00
Total	**1,027.24**	**840.15**

* Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.

** The Holding Company had issued redeemable non-convertible debentures and created Debenture Redemption Reserve (DRR) out of the profits of the Company in terms of the Companies (Share capital and Debenture) Rules, 2014 (as amended). The Holding Company is required to maintain a DRR of 25% of the value of debentures issued, either by a public issue or on a private placement basis. The amounts credited to the DRR may not be utilised by the Holding Company except to redeem debentures.

*** Capital Redemption reserve is created to the extent of Preference Share Capital redeemed (₹ 20.12 crore i.e. 25% of 80,50,000 CRPSs of ₹ 100/- each)

**** During the year, Holding Company has issued 4,50,00,000 Convertible Warrants on preferential basis with a right to Warrant Holders to apply for and get allotted one equity share of face value of Re. 1/- (Rupee One Only) each for each Warrant, within a period of 18 (Eighteen) months from the date of allotment of Warrants i.e. October 30, 2017, at a price of ₹ 16/- each (Rupees Sixteen Only).

(i) Retained Earnings

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Opening Balance	549.74	434.18
Add: Net profit for the period	171.70	123.71
Add/Less: adjsutments for-		
Transfer into Debenture redemption reserve	(1.06)	(7.37)
Transfer into Capital redemption reserve	(20.12)	0.00
Non-Controlling Interest	(3.83)	(0.78)
Closing Balance	**696.43**	**549.74**

(ii) **Components of Other Comprehensive Income**

(₹ in Crore)

Particulars	Debt instrument through other comprehensive income	Changes in fair value of FVOCI equity instruments	Re-measurement of defined benefit plans
As at April 1, 2016	**(2.58)**	**(123.40)**	**7.10**
Increase during the year	-	0.67	1.13
As at March 31, 2017	**(2.58)**	**(122.73)**	**8.23**
Increase during the year	1.94	(0.99)	0.27
As at March 31, 2018	**(0.64)**	**(123.72)**	**8.50**

(iii) **Other Reserves**

(₹ in Crore)

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve
As at April 1, 2016	**400.12**	**-**	**-**
Increase during the year	-	7.37	-
As at March 31, 2017	**400.12**	**7.37**	**-**
Increase during the year	-	1.06	20.12
Acquisition of Subsidiary	-	-	-
As at March 31, 2018	**400.12**	**8.43**	**20.12**

22. Non-Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured		
Preference Shares	60.38	80.50
Borrowings		
(a) Term Loans from other parties	6.24	6.24
(b) Interest on Loan from other parties	23.69	23.69
	90.31	**110.43**
Secured		
Borrowings		
(a) Non-Convertible Debentures	33.73	29.50
(b) Term Loans from Banks	140.21	214.69
(c) Vehicle Loans		
(i) from Banks	3.23	3.67
(ii) from others	0.16	0.33
	177.33	**248.19**
Less : Current maturities of long term debt - Term Loans	(65.21)	(70.24)
Less : Current maturities of long term debt - Vehicle Loans	(0.79)	(0.69)
Less : Preference Shares redeemable in next 12 months	(60.38)	(20.12)
Total	**141.26**	**267.57**

(a) 60,37,500 (Previous Year: 80,50,000) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- each aggregating to ₹ 60.38 crore (Previous Year: ₹ 80.50 crore) are redeemable at the rate of 25% and 75% of the face value in the financial years ending 31st March 2018 and 31st March, 2019, respectively. CRPS 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.

(b) During the year Holding Company has allotted 423,000 (Previous Year: 29,49,750) 10.30% secured unlisted Non- Convertible Redeemable Debenture (NCDs) of ₹ 100/- each aggregating ₹ 4.23 crore (Previous Year : ₹ 29.50 crore) by way of conversion of outstanding right of recompense amount payable by the Holding Company. NCDs are secured by way of first pari-passu charge on movable & immovable fixed assets of Holding Company with existing term loans and are redeemable at face value in installment in the ratio of 33.33%, 33.33% and 33.34% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021 (FY 2021-22) respectively.

(c) Term Loan of ₹ 103.32 crore (Previous year ₹ 131.64 crore) and Funded Interest Term Loan of ₹ 6.31 crore (Previous year ₹ 17.61 crore) from one of the bank are secured by pari-passu first charge on all the Fixed Assets, both present and future, by way of equitable mortgage and first charge on the entire sales proceeds of the contracts covered under the aforesaid loan to be credited to the Escrow/designated account. Further, loan is secured by way of pari passu second charge on the Current Assets of the Holding Company.

(d) Term Loan of ₹ 4.67 crore (Previous year ₹ 9.34 crore), Working Capital Term Loan of ₹ 3.64 crore (Previous year ₹ 7.28 crore) and Funded Interest Term Loan of ₹ 10.34 crore (Previous year ₹ 20.70 crore) from a bank are secured by way of pledge of shares and also secured on pari- passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on Fixed Assets pertaining to the Holding Company.

(e) Working Capital Term Loans of ₹ 5.01 crore (Previous year ₹ 14.26 crore) and Funded Interest Term Loans of ₹ 6.93 crore (Previous year ₹ 13.85 crore) from banks 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 Fixed Assets of the Holding Company.

(f) Part of above Term Loans, Working Capital Term Loans and Funded Interest Term Loans from Banks amounting to ₹ 52.71 crore (Previous year ₹ 110.46 crore) are secured by pledge of equity shares up to 51% (241548750 equity shares) of new co-opted promoters and also personally guaranteed by Managing Director of the Holding Company. Such loans are secured by way of Corporate Guarantee of M/s MN Ventures Private Limited.

(g) Other Vehicle Loans of ₹ 3.39 crore (Previous Year ₹ 4 crore) from banks and others are secured by way of hypothecation of respective assets.

(h) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for ₹ 120 Crore in the ratio of equity shares holding i.e 26% by GOI and 74% by Holding Company. It is also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by Holding Company. The Company is in the process of obtaining formal approval from the aforesaid shareholders. Accordingly, loan outstanding from GOI alongwith interest have been shown under Non-Current Financial Liability instead of Current Financial Liability.

(i) Term and other Loans - Repayment schedule and rate of interest -

(₹ in Crore)

Particulars	Term Loan	Term Loan	Funded Interest Term Loan	Vehicle Loan
Rate of Interest	10.75%	10%	10%	8.90% to 10.30%
Repayment Due				
FY 2018-19	12.50	29.14	23.57	0.79
FY 2019-20	25.00	-	-	0.77
FY 2020-21	25.00	-	-	0.77
FY 2021-22	25.00	-	-	0.84
FY 2022-23	-	-	-	0.22

23. Non-Current Financial Liabilities - Other Liabilities

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial guarantee Obligations (refer note no. 44(c))	0.39	0.21
Total	**0.39**	**0.21**

24. Non-Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Provisions for Employee Benefits (refer note no. 42)	23.06	18.55
Total	**23.06**	**18.55**

25. Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Borrowings - Loans repayable on demands		
Secured		
from banks - Working Capital *	117.52	116.96
Unsecured		
(i) from banks - Vendors bills discounting	6.25	7.98
(ii) from other parties - Inter Corporate Deposit**	65.75	47.00
(iii) buyers credit	10.91	8.18
Total	**200.43**	**180.12**

* Working Capital Loans obtained by Holding Company from banks aggregating to ₹ 115.27 crore (Previous year: ₹ 114.64 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 Holding Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 Shares) of promoters and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

Further loan of ₹ 2.24 crore (Previous year: ₹ 1.38 crore) is secured against hypothecation of Inventory cum Book Debts and all current assets of the Polixel Security Systems Pvt Ltd. This loan is secured against corporate guarantee and pledge of shares by other Body Corporate. Also, Loan of ₹ Nil (Previous Year ₹ 0.95 crore) obtained by HTL Ltd. is secured against Term Deposits.

** Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 12% to 16%.

26. Current Financial Liabilities - Trade Payables

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Due to Micro & Small Enterprises (refer note no. 43)	7.67	10.53
Others	554.97	446.64
Total	**562.64**	**457.17**

27. Other Financial Liabilities

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Retention Money*	198.23	148.51
Other Financial Liabilities		
Current maturities of long-term debts	66.00	70.93
Preference Shares (refer note no. 22)	60.38	20.12
Interest accrued	1.49	1.60
Creditors for Capital Goods	1.58	2.06
Expenses Payables	102.83	97.68
Other Employees related liabilities	7.33	7.01
Dividend on Preference Shares	-	2.62
Total	**437.84**	**350.53**

* retention money are due on completion of erection/contracts/final acceptance by the Group.

28. Other Current Liabilities

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Advance from Customers	0.45	8.90
Statutory Liabilities	63.12	24.18
Total	**63.57**	**33.08**

29. Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Provisions for Employee Benefits	2.60	2.48
Provisions - Others	0.06	0.07
Total	**2.66**	**2.55**

30. Revenue from operations

(₹ in Crore)

Particulars	For the year ended March 31, 2018*	For the year ended March 31, 2017
Sale and Services		
- Manufacturing and trading activities	875.40	705.49
- Turnkey project related activities	2,372.79	1,496.72
Other Operating Revenues		
- Export Incentives	3.52	0.71
Total	**3,251.71**	**2,202.92**

* Revenue for corresponding year ended March, 31, 2017 and up to June 30, 2017 is reported inclusive of Excise duty. The Government of India has implemented Goods and Services tax (GST) from July 01, 2017 replacing Excise Duty, Service Tax and various other indirect taxes. As per Ind AS 18, the revenue for the period July 01, 2017 to March 31, 2018 is reported net of GST and is not comparable with corresponding period.

31. Other Income

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Other non-operating income		
Interest Income	12.74	6.01
Dividend Income	0.02	6.30
Excess provision written back	8.15	0.11
Profit on sales of Assets	(1.37)	3.00
Insurance Claim Received	0.01	1.21
Scrap Sales	1.94	2.24
Rent Received	0.27	0.49
Foreign Exchange Fluctuation (Net)	4.05	0.93
Miscellaneous Income	0.61	0.72
Financial guarantee premium	0.01	0.40
Total	**26.43**	**21.41**

32. Cost of Material Consumed

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Opening Stock	39.13	36.62
Add : Purchases during the year	562.84	442.43
	601.97	479.05
Less: Closing Stock	47.22	39.13
Total	**554.75**	**439.92**

33. Other Direct Costs

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Project and labour service charges	1,221.45	962.09
Consumption of Packing Material	15.44	12.57
Consumption of stores and spares parts	4.86	4.41
Loose Tools written off	0.11	0.16
Total	**1,241.86**	**979.23**

34. Change in inventories of finished goods, work-in progress and stock-in trade

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Closing Stock		
Finished Goods	13.54	16.42
Stock in Trade- Goods	34.66	28.66
Stock in Trade- Securities	-	2.39
Works in process	109.47	153.00
	157.67	**200.47**
Opening Stock		
Finished Goods	16.42	6.64
Stock in Trade- Goods	28.66	3.15
Stock in Trade- Securities *	-	2.25
Works in process	153.00	227.75
	198.08	**239.79**
Total	**40.41**	**39.32**

* Securities held as Stock in Trade is reclassified as Current Investments

35. Employee benefits expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, bonus and allowances	152.35	138.67
Contribution to Provident and other funds	7.68	6.90
Staff welfare expenses	8.10	6.92
Total	**168.13**	**152.49**

36. Finance costs

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Bank Loan Interest	39.52	38.53
Other Interest (net)	1.89	6.34
Bank Charges	15.92	11.22
Dividend on redeemable preference shares	6.30	6.30
Total	**63.63**	**62.39**

37. Other expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Rent	8.65	8.17
Rates and Taxes	6.01	1.44
Auditors' Remuneration	1.31	1.09
Legal and Professional Charges	39.86	37.03
Communication Expenses	2.44	3.72
Travelling and Conveyance Expenses	27.07	30.34
Power, Fuel & Water Charges	11.66	9.94
Repairs and Maintenance	6.42	3.26
Insurance Expenses	3.92	4.97
Bad debts, Loans and Advances, other balances written off (net)	(10.50)	2.55
Selling & Distribution Expenses	18.46	14.42
Directors Sitting Fee	0.36	0.21
Liquidated Damages on Sales	9.09	28.59
Printing and stationery	0.10	0.19
Corporate Social Responsibility Expenses (refer note no. 52)	3.99	3.66
Miscellaneous Expenditure	19.20	16.48
Total	**148.04**	**166.06**

38. Exceptional Items

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Guarantee Obligation Payout (refer note no. 46)	1.79	-
Total	**1.79**	**-**

39. Earnings per Share (EPS)- In accordance with the Indian Accounting Standard (Ind AS-33)

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Basic & Diluted Earnings per share		
Profit/Loss for the year	171.70	123.71
Profit attributable to ordinary shareholders (A)	171.70	123.71
Weighted average number of ordinary shares (B)	1,239,377,194	1,239,377,194
(used as denominator for calculating basic EPS)		
Potential equity shares	4,715,753	-
Weighted average number of ordinary shares (C)	1,244,092,947	1,239,377,194
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	Re.1	Re.1
Earnings per share basic (A/B)	₹ 1.39	₹ 1.00
Earnings per share diluted (A/C)	₹ 1.38	₹ 1.00

40 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Useful lives of property, plant and equipment and Intangible Assets

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2. Recoverability of intangible asset and intangible assets under development

Capitalization of cost in intangible assets under development is based on management's judgement that technological and economic feasibility is confirmed and asset under development will generate economic benefits in future. Based on evaluations carried out, the management has determined that there are no factors which indicates that these assets have suffered any impairment loss.

3. Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in Note 2.

4. Contingencies

On an ongoing basis, Group reviews pending cases, claims by third parties and other contingencies and obligations. Obligations relating to Project Executions is largely depends upon performance of services by respective contractors. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the financial statements. Contingencies the likelihood of which is remote are not disclosed in the financial statements. Gain contingencies are not recognized until the contingency has been resolved and amounts are received or receivable.

5. Fair Value of Unquoted equity investments:

Fair value is derived on the basis of income approach, in this approach the discounted cash flow method is used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

41 (a) Information of Subsidiary Companies :

The following is the list of all subsidiary companies along with the proportion of voting power held. Each of them is incorporated in India.

Name of the Subsidiary company	Percentage of Holding
HTL Limited ("HTL")	74%
Polixel Security Systems Private Limited	100%
Moneta Finance (P) Ltd.	100%
HFCL Advance Systems (P) Ltd.	100%

(b) Information of Joint Ventures:

Name of the Joint - Venture Company	Percentage of Holding
DragonWave HFCL India Private Limited	49.90%

(c) Additional Information, as required under Schedule III of the Companies Act, 2013 of enterprises consolidated as Subsidiaries / Associates / Joint Ventures.

(₹ in Crore)

Name of the Enterprises	Net assets i.e total assets minus total liabilities		Share in Profits & Loss	
	As % of Consolidated net assets	Amount	As % of Consolidated Profit/Loss	Amount
Parent				
Himachal Futuristic Communications Limited	104.81	1,212.19	89.15	154.16
Subsidiaries - Indian				
HTL Limited	(5.29)	(61.17)	6.21	10.74
Polixel Security Systems Private Limited	0.43	4.98	0.60	1.04
Moneta Finance Private Limited	0.03	0.36	1.06	1.83
HFCL Advance Systems Private Limited	-	(0.02)	(0.01)	(0.01)
Non- Controlling interest in all subsidiaries	(0.46)	(5.37)	2.18	3.77
Joint Ventures (Investment as per equity method)				
DragonWave HFCL India Private Limited	0.48	5.59	0.81	1.40

42 Employees Benefits

(a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged to Statement of Profit and Loss for the year as under :

(₹ in Crore)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Employer's Contribution to Provident Fund	7.07	6.76

(b) Defined Benefit Plan

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

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Actuarial assumptions				
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	7.50%	6.75%	7.50%	6.75%
Rate of increase in Compensation levels	7.50%	6.75%	7.50%	6.75%
Rate of Return on plan assets	6.76%	8.04%	N.A.	N.A.
Average remaining working lives of employees (Years)	17.42	18.00	17.43	17.17

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Table showing changes in present value of obligations				
Present value of obligation as at the beginning of the year	13.23	11.24	9.40	7.69
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	0.90	0.89	0.69	0.56
Past service cost (Vested Benefit)	0.47	Nil	1.50	Nil
Current Service Cost	2.29	2.02	2.69	2.66
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(0.75)	(0.63)	(2.73)	(1.15)
Actuarial (gain)/ loss on obligations	(0.02)	(0.29)	(0.47)	(0.36)
Present value of obligation as at the end of the period	16.12	13.23	11.08	9.40

Table showing changes in the fair value of plan assets				
Fair value of plan assets at beginning of the year	1.60	1.42	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.10	0.11	N.A.	N.A.
Employer contribution	0.23	Nil	Nil	Nil
Benefits paid	(0.23)	(0.40)	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.15)	0.46	Nil	Nil
Changes deducted	-	-	Nil	Nil
Fair value of plan assets at year end	1.55	1.59	Nil	Nil

Table showing actuarial gain /loss - plan assets				
Actual return of plan assets	(0.15)	0.46	Nil	Nil
Expected return on plan assets	0.10	0.11	Nil	Nil
Excess of actual over estimated return on plan assets	Nil	-	Nil	Nil
Actuarial (gain)/ loss-plan assets	(0.05)	0.60	Nil	Nil

Other Comprehensive Income				
Actuarial (gain) / loss for the period - Obligation	(0.02)	(0.29)	(0.47)	(0.36)
Actuarial (gain) / loss for the period - Plan assets	-	(0.46)	Nil	Nil
Total (gain) / loss for the period	(0.02)	(0.75)	(0.47)	(0.36)
Actuarial (gain) / loss recognized in the period	(0.02)	(0.75)	(0.47)	(0.36)
Unrecognized actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
The amounts to be recognized in Balance Sheet				
Present value of obligation as at the end of the period	16.12	13.23	11.08	9.40
Fair value of plan assets as at the end of the period	1.55	1.60	Nil	Nil
Funded Status	(14.57)	(11.63)	(11.08)	(9.40)
Unrecognized actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognized in Balance Sheet	(14.57)	(11.63)	(11.08)	(9.40)
Expenses recognized in Statement of Profit and Loss				
Current service cost	2.29	2.02	4.19	2.66
Past service cost (Vested Benefit)	0.47	Nil	Nil	Nil
Interest Cost	0.90	0.89	0.69	0.56
Expected return on plan assets	(0.10)	(0.11)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Expenses recognized in the Statement of Profit and Loss	3.56	2.80	4.88	3.23
Sensitivity analysis of the defined benefit obligation				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	16.12	13.23	11.08	9.40
Impact due to increase of 0.5%	(0.98)	(0.89)	(0.11)	(0.10)
Impact due to decrease of 0.5%	0.93	0.76	0.15	0.12
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	16.12	13.23	11.08	9.40
Impact due to increase of 0.5%	0.95	0.70	(0.02)	(0.03)
Impact due to decrease of 0.5%	(1.01)	(0.88)	0.06	0.03
Sensitivities due to mortality & withdrawals are insignificant & hence ignored				
Maturity profile of defined benefit obligation				
March 2018 to March 2019	1.22	0.97	1.26	1.31
March 2019 to March 2020	0.33	0.26	0.17	0.12
March 2020 to March 2021	0.38	0.30	0.10	0.14
March 2021 to March 2022	0.28	0.39	0.18	0.16
March 2022 to March 2023	0.63	0.22	0.29	0.10
March 2023 to March 2024	0.80	0.45	0.25	0.27
March 2024 onwards	12.14	10.25	8.45	6.83
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	1.55	1.60	Nil	Nil

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

43. Disclosure required under Micro and Small Enterprises Development Act, 2006 (the Act) are given as follows :

(₹ in Crore)

Particulars		As at March 31, 2018	As at March 31, 2017
(a)	Principal amount due	7.67	10.53
	Interest due on above	0.06	0.14
(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. 26 ' Trade Payables' regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Group and has been relied upon by the auditors.

44. Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Unexpired Letters of Credit (margin money paid ₹ 33.09 crore; Previous year ₹ 34.06 crore)	82.04	107.69
(ii) Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of ₹ 68.79 crore; Previous year ₹ 42.30 crore)	346.39	215.90
(iii) Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 2.64 crore/- shown as advance)	6.82	7.15
(iv) Impact of pending litigations not acknowledged as debt in financial Statements	3.23	3.23

Notes:

(i) The Group's pending litigations comprise of claims against the Group and proceedings pending with Tax Authorities . The Group has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a material impact on its financial position.

(ii) The Group periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Group has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

(iii) As at 31st March, 2018 the Group did not have any outstanding term derivative contracts.

(b) Capital Commitments

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	97.95	4.45

(c) Financial Guarantees

(₹ in Crore)

Issued in favour of	Issued to	Amount of guarantee	Purpose	Carrying amount as per Ind AS 109 31st Mar 2018	Carrying amount as per Ind AS 109 31st Mar 2017
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	Ad-hoc L/C	0.17	0.17
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	Working Capital	-	-
Exicom Tele-systems Ltd	Punjab National Bank	6.50	Working Capital	0.03	0.03

45 The Board of Directors of the HTL Ltd has proposed a right issue of equity shares for ₹ 120 crore in the ratio of equity shares holding i.e 26% by GOI and 74% by Himachal Futuristic Communications Limited (HFCL), Holding Company. It is also proposed that the right issue be funded by way of conversion of outstanding loan alongwith interest due from GOI and advances/ loans extended by HFCL. The Company is in the process of obtaining formal approval from the aforesaid shareholders. Accordingly, loan outstanding from GOI alongwith interest have been shown under Non-Current Financial Liability instead of Current Financial Liability.

46 The Holding Company had made payment of ₹ 1.79 crore to the lenders of associate company towards Guarantee Obligation and considering non - recoverability, the amount has been charged to Statement of Profit and Loss as exceptional items.

47 In the opinion of the Board, all assets other than fixed assets and non-current investments, have a realisable value in the ordinary course of business which is not significantly differ from the amount at which it is stated.

48 Lease payments under non-cancellable operating leases have been recognized as an expense in the Statement of Profit and 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, 2018	For the Year Ended March 31, 2017
Not later than one year	1.10	1.24
Later than one year but not later than five years	0.68	1.77
More than five years	-	-

49 During the year, the Holding Company has paid interim dividends aggregating to ₹ 6.50 per Cumulative Redeemable Preference Share (CRPS) of par value of ₹ 100/ each for the year 2017-18.

50 As required by Ind AS - 24 "Related Party Disclosures"

(i). Name and description of related parties.-

Relationship	Name of Related Party
(a) Joint Venture:	DragonWave HFCL India Pvt. Ltd.
(b) Key management personnel :	Mr. Mahendra Nahata (Managing Director)
	Mr. Vijay Raj Jain (Chief Financial Officer)
	Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)
	Dr. R.M. Kastia, Whole Time Director
	Mr. G.S. Naidu, COO & Manager
	Mr. N Thangaraj, Chief Finance Officer (upto 04.07.16)
	Mr. C. D. Ponnappa, Chief Finance Officer
	Mr. S Narayanan, Company Secretary
(c) Post Employment Benefit Plans	HFCL Employees Group Gratuity Trust
(d) Enterprises owned or Significantly influenced by key management personnel or their relatives.	M N Ventures Private Limited
	Nextwave Communication Private Limited.

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

(ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at 31st March, 2018 are as under:

(₹ in Crore)

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Contribution towards Warrant		
MN Ventures Private Limited	3.00	-
Nextwave Communication Private Limited.	3.00	-
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	0.10	-
Remuneration of Key Management Personnel's		
Mr. Mahendra Nahata (Managing Director)	6.80	4.56
Mr. Arvind Kharabanda (Executive director upto 31.05.2016)	0.10	0.25
Mr. Vijay Raj Jain (Chief Financial Officer)	1.42	1.05
Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)	0.38	0.34
Dr. R.M.Kastia, Whole Time Director	1.53	1.65
Mr.G.S.Naidu, COO & Manager	0.47	0.45
Mr. N Thangaraj, Chief Finance Officer (upto 04.07.16)	-	0.03
Mr. C. D. Ponnappa, Chief Finance Officer	0.41	0.27
Mr. S Narayanan, Company Secretary	0.17	0.27

51 Segment Reporting

The operating segments have been identified on the basis of nature of products.

(i) Segment revenue includes sales and other income directly identifiable with the segment including inter-segment revenue.

(ii) Expenses that are directly identifiable with the segment are considered for determining the segment result.

(iii) Expenses / Incomes which are not directly allocable to the segments are included under un-allocable expenditure / incomes.

(iv) Segment results include margins on inter-segment sales which are reduced in arriving at the profit before tax of the Group.

(v) Segment assets and liabilities include those directly identifiable with the respective segments. Un-allocable assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.

(vi) Inter – Segment revenue :- Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

(a) Primary segment information

The Group's operations primarily relates to manufacturing of telecom products, executing turnkey contracts and providing services relating thereto. Accordingly segments have been identified in line with Indian Accounting Standard on Segment Reporting 'Ind AS-108'. Telecom products and Turnkey contracts and services are the primary business segments. Details of business segments are as follows:

(₹ in Crore)

Particulars	Business Segments							
	Telecom Products		Turnkey Contracts and Services		Other		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue								
Turnover	868.89	706.19	2,382.82	1,496.72	-	-	3,251.71	2,202.91
Segment Result	83.28	28.47	198.46	160.58	(0.11)	(0.04)	281.63	189.01
Unallocated Finance charges							63.63	62.39
Unallocated expenses							4.07	9.69
Unallocated Income							6.48	7.29
Profit before tax							220.41	124.22
Income tax (net)							48.71	0.50
Profit after tax							171.70	123.71
Other Information								
Segment assets	825.91	720.62	1,287.86	1,126.17	0.37	(1.47)	2,114.14	1,845.32
Unallocated other assets							474.26	430.09
Total assets	825.91	720.62	1,287.86	1,126.17	0.37	(1.47)	2,588.40	2,275.41
Segment liabilities	363.02	284.00	662.09	484.20	0.01	0.01	1,025.12	768.21
Unallocated other liabilities							406.72	541.56
Total liabilities	363.02	284.00	662.09	484.20	0.01	0.01	1,431.84	1,309.77
Depreciation	22.04	20.07	1.17	1.68	-	-	23.21	21.75
Capital Expenditure	30.33	33.51	0.58	0.61	-	-	30.91	34.12
Non-cash expenses other than Deprecation	0.65	6.77	0.40	3.00	-	-	1.05	9.77

(b) Secondary segment information

The Group caters mainly to the needs of Indian market and the export turnover being 3.26% (Previous year 4.03%) of the total turnover of the Company, there are no reportable geographical segments.

52 Corporate social responsibility expenses:

(₹ in Crore)

Particulars		Year Ended March 31, 2018	Year Ended March 31, 2017
Gross amount to be spent by the Group during the year		3.47	3.66
Amount spent during the year:			
Contribution on acquisition of assets	-		
On other purposes	3.99	3.99	3.66
Balance to be spent		-	-

53 (a) Debt of the Holding 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 had approved the Rework Package of the Holding 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 Holding Company. Accordingly, the impact of the rework package had 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 Holding Company.

(c) Further, lenders have the right to claim recompense from the Holding Company on account of various sacrifices & waivers made by them in the CDR Rework Package upon exit by the Holding Company from CDR. The Holding Company's proposal for CDR exit was considered by the Monitoring Institution (MI) of lenders i.e. IDBI Bank Ltd which recommended the recompense amount of ₹ 148.47 crore on term loans and working capital loans. The said recompense amount was approved by CDR-EG vide its order CDR(PMG) No. 740/2015-16 dated March 22, 2016 subject to confirmations by the respective lenders. The Holding Company has accordingly made provision of the said recompense amount in the financial year 2015-16. The Board of Directors in their meeting held on 10th May, 2016 has approved the recompense amount so that the Holding Company can exit from CDR mechanism.

(d) Accordingly, Holding Company has paid the recompense amount to the CDR lenders as per exit terms and CDR-EG has been given its approval for successful exit of the Holding Company from CDR mechanism vide letter No. CDR(DAP) No.218/2017-18 dated 01.09.2017.

54 In respect of subsidiary companies, the following additional notes to accounts are disclosed:-

HTL LIMITED

(i) The Subsidiary has accumulated losses of ₹ 100.18 crore (Previous year ₹ 114.69 crore) as at March 31, 2018, resulting in negative net worth of ₹ 85.18 crore (Previous year ₹ 99.69 crore). The Subsidiary current liabilities exceed its current assets by ₹ 21.95 crore (Previous year ₹ 36.19 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: ₹ 27.16 crore).

The Subsidiary has achieved Sales Turnover of ₹ 282.33 crore as compare to previous year ₹ 201.44 crore. The Management is confident for generating the cash flow from the expanded business. In view of above, the financial statements have been prepared on a going concern basis.

(ii) Loan of ₹ 6.24 crore (Previous year ₹ 6.24 crore) together with interest accrued and due thereon of ₹ 23.69 crore (Previous year ₹ 27.16 crore) is due to Government of India (GOI). In addition to this, the Govt. of India has acceded the request to adjust ₹ 3.47 crore compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note. 54 (iii) (b) below].

(iii) a) Out of the total land in possession of the Subsidiary Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Subsidiary Company in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Subsidiary Company, the Government of Tamil Nadu had required the Subsidiary Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Subsidiary Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in earlier years. In respect of the land measuring 30.99 acres, the name of the Subsidiary Company has been entered in the revenue records of the Government of Tamil Nadu. Other necessary formalities to transfer the land in favour of the Subsidiary Company are in progress.

b) Claims receivable includes ₹ 3.47 crore receivable from BSNL against the compensation approved by Telecom Commission vide letter No. U-37012/3/97-FAC dated 1st May, 2001 for pre-closure of ETP project. Department of Telecommunications (DoT) vide letter No.U-37012-3/97-FAC dated 02.12.2003 has conveyed the decision of the competent authorities to adjust the above said amount against the interest portion of the outstanding Government of India Loan. In reply, the Subsidiary Company 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 reiterated the adjustment of ₹ 3.47 crore compensation receivable by HTL in case of ETP claim against the interest portion of the outstanding loan from Government of India (GOI) . Considering adequate provision having already been made on GOI Loan and pending reworking of the interest after adjustment of EPT compensation of Rs 3.47 crore against the interest portion of outstanding GOI loan in terms of GOI letter dated 2nd December, 2003 and reconciliation of the total interest payable, the Subsidiary Company has not provided for the interest amounting to ₹ 1.50 crore during the year (Previous year ₹ 1.50 crore) (Cumulatively ₹ 3 crore). Further, in the financial statements, Subsidiary company has adjusted the said claim receivable from the interest liability due to GOI. The final adjustment for differential interest (Excess / short), if any, will be done once the reconciliation is agreed upon. [Refer Note 54 (ii) above]

55 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Group's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Group's senior management has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has constituted a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Management of Liquidity Risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Group's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

(₹ in Crore)

Particulars	Notes Nos.	Carrying amount	Less than 12 months	More than 12 months	Total
As at March 31, 2018					
Trade payables	26	562.64	562.64		**562.64**
Deposits (Retention Money)	27	198.23	198.23		**198.23**
Other liabilities	22,23,25,27	581.69	440.04	141.65	**581.69**
As at March 31, 2017					
Trade payables	26	457.17	457.17		**457.17**
Deposits (Retention Money)	27	148.51	148.51		**148.51**
Other liabilities	22,23,25,27	649.92	382.14	267.78	**649.92**

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2018 and 31 March 2017.

Potential Impact of Risk	Management Policy	Sensitivity to Risk
Price Risk		
The group is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.	In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits set by the risk management policies.	The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.
Equity Price Risk is related to the change in market reference price of the investments in equity securities.	The use of any new investment must be approved by the Management.	If the equity prices had been 10% higher / lower: Other comprehensive income for the year ended 31st March 2018 would increase / decrease by ₹ 4.61 crore (for the year ended 31st March 2017: increase / decrease by ₹ 4.45 crore) as a result of the change in fair value of equity investment measured at FVTOCI.
Interest Rate Risk		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Group diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Group has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional ₹ 0.07 Crore loss for year ended March 31st, 2018 (₹ 0.20 Crore loss for year ended March 31st 2017).

Credit Risk

Credit risk is the risk that counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Group established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Group periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables. None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. Counter party credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counter party's potential failure to make payments.

None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period :

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Debt	341.69	447.69
Less : Cash and Cash equivalents (Note 15)	(66.57)	(5.91)
Net Debt	**275.12**	**441.78**
Total Equity	1,151.18	964.09
Net Debt to Total Equity	**0.24**	**0.46**

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 40% and 50%.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018.

56. Financial Instruments by category

(₹ in Crore)

Particulars	As at March 31, 2018			As at March 31, 2017		
	FVTPL	FVTOCI	Amortized Cost	FVTPL	FVTOCI	Amortized Cost
1) Financial Assets						
I) Investments						
(A) Equity Instruments						
(i) Subsidiaries	-	-	-	-	-	-
(ii) Associates & Joint Ventures	-	-	-	-	-	-
(i) Structured entity Equity Instrument	-	44.18	-	-	44.49	-
(ii) Structured entity						
(a) Sumedha Fiscal Services Ltd.	-	0.08	-	-	0.03	-
(b) Valiant Communications Ltd.	-	0.05	-	-	0.08	-
(c) Magma Fincorp Ltd	-	2.35	-	-	1.62	-
(d) Media Matrix Worldwide Ltd.	-	-	-	-	-	-
(e) Sahara One Media and Entertainment Ltd.	-	1.06	-	-	-	-
(f) NSL Wind Power Company (Phoolwadi) Private Limited	-	0.04	-	-	-	-
(B) Mutual funds	0.02	-	-	0.02	-	-
(C) Debentures & Bonds	-	-	1.88	-	-	0.03
(D) Bank deposits	-	-	12.86	-	-	7.09
(II) Trade receivables	-	-	1,233.41	-	-	1,179.37
(III) Cash and Cash equivalents	-	-	66.57	-	-	5.91
(IV) Other Bank balances	-		65.51			91.56
(V) Security deposit for utilities and premises	-	-	4.56	-	-	6.96
(VI) Other receivables	-	-	444.34	-	-	238.05
1) Total financial assets	**0.02**	**47.76**	**1,829.13**	**0.02**	**46.22**	**1,528.97**
2) Financial liabilities						
(I) Borrowings						
(A) From Banks	-	-	311.85	-	-	380.98
(B) From Others	-	-	95.84	-	-	53.57
(C) Preference Shares	-	-	60.38	-	-	80.50
(II) Obligations under Finance Lease	-	-	-	-	-	-
(III) Deposits	-	-	198.23	-	-	148.51
(IV) Trade payables	-	-	562.64	-	-	457.17
(V) Other liabilities	-	-	113.62	-	-	4.43
Total Financial liabilities	**-**	**-**	**1,342.56**	**-**	**-**	**1,125.16**

1. Fair Value measurement

Fair Value Hierarchy and valuation technique used to determine fair value :

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1, Level 2 and Level 3 inputs.

1. (a) Financial Assets measured at Fair Value recurring fair Value measurements as at 31st March, 2018

(₹ in Crore)

Particulars	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	13	0.02	-	-
FVTOCI				
Structured entity				
(a) Sumedha Fiscal Services Ltd.	13	0.08	-	-
(b) Valiant Communications Ltd.	13	0.05	-	-
(c) Magma Fincorp Ltd	13	2.35	-	-
(d) Media Matrix Worldwide Ltd.	13	-	-	-
(e) Sahara One Media and Entertainment Ltd.	13	1.06	-	-
(f) NSL Wind Power Company (Phoolwadi) Private Limited	13	0.04	-	-
(g) Exicom Tele-Systems Ltd.	8	-	-	9.15
(h) AB Corp Ltd	8	-	-	34.79
(i) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.07
(j) India Card Technologies Pvt. Ltd.	8	-	-	0.02
(k) Shankar Sales Promotion Pvt. Ltd.	8	-	-	0.15
(l) Senior Consulting Pvt. Ltd.	8	-	-	0.03
(m) Atul Properties Pvt. Ltd.	8	-	-	1.85
Total Financial Assets		**3.60**	**-**	**46.06**

1. (b) Financial Assets measured at Fair Value recurring fair Value measurements as at 31st March, 2018

(₹ in Crore)

	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	13	0.02	-	-
FVTOCI				
Structured entity				
(a) Sumedha Fiscal Services Ltd.	13	0.03	-	-
(b) Valiant Communications Ltd.	13	0.08	-	-
(c) Magma Fincorp Ltd	13	1.62	-	-
(d) Exicom Tele-Systems Ltd.	8	-	-	9.13
(e) AB Corp Ltd	8	-	-	35.22
(f) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.06
(g) India Card Technologies Pvt.Ltd.	8	-	-	-
(h) Shankar Sales Promotion Pvt. Ltd.	8	-	-	0.08
(i) Senior Consulting Pvt Ltd.	8	-	-	0.03
(j) Atul Properties Pvt. Ltd.	8	-	-	-
Total Financial Assets		**1.75**	**-**	**44.52**

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of the changes to these assumptions.

57 Foreign Currency Exposure

(a) The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations will arise.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

(b) Details of outstanding Hedging Contracts relating to Foreign LCs

(₹ in Crore)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Amount in foreign Currency	Equivalent ₹ In crore	Amount in foreign Currency	Equivalent ₹ In crore
USD/INR	3,657,763	24.22	-	-

(c) Foreign Currency exposure

(₹ in Crore)

Particulars		As at March 31, 2018		As at March 31, 2017	
		Amount in foreign Currency	Equivalent ₹ In crore	Amount in foreign Currency	Equivalent ₹ In crore
Trade payable	USD/INR	5,342,101	35.38	5,905,254	32.29
	EUR/INR	6,963	0.06	18,749	0.13
Advances from Customer	USD/INR	29,825	0.19	79,256	0.51
Advances to Vendors	USD/INR	5,039	0.03	-	-
	EUR/INR	39,764	0.32	-	-
Trade receivable	USD/INR	5,273,775	33.82	6,156,540	39.31
	EUR/INR	190,260	1.51	1,328,676	9.04
	GBP/INR	86,728	0.79	5,213	0.04

(d) Foreign currency sensitivity analysis

The following details are demonstrate the Groups's sensitivity to a 5% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as tabulated above and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans. A positive number below indicates an increase in profit or equity and vice-versa.

(₹ in Crore)

Particulars	For the Year Ended March 31, 2018		For the Year Ended March 31, 2017	
Impact on profit or loss for the year	**INR**	**INR**	**INR**	**INR**
USD Impact	(0.03)	0.03	0.05	(0.05)
EURO Impact	0.10	(0.10)	0.45	(0.45)
GBP Impact	0.04	(0.04)	-	-

58. Tax Reconciliation

(₹ in Crore)

Particular	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Net Profit as per Profit and Loss Account (before tax)	220.40	124.21
Current Tax rate @ 34.608%	**76.28**	**42.99**
Adjustment:		
MAT Adjustment	(19.43)	(15.57)
Income Tax rate adjustment	-	(0.07)
Dividend and Tax thereon	2.18	2.00
Adjustment for Provision/ allowances as per normal Tax	(13.51)	(1.58)
The amount of expenditure relatable income u/s 10	0.06	0.07
The amount of income u/s 10 - dividend	(0.01)	(2.18)
Tax Provision as per Books	**45.57**	**25.65**

59 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Group has not applied as they are effective for annual periods beginning on or after April 1, 2018:

(i) Ind AS 115 Revenue from Contracts with Customers

(ii) Ind AS 21 The effect of changes in Foreign Exchange rates

The Group is evaluating the impact of these amendments on its financial statements.

60 The Board of Holding Company has recommended a dividend of 6% per equity share for the financial year ended 31st March, 2018 subject to the approval of Shareholders at the ensuing Annual General Meeting (AGM) of the Holding Company or other authorities wherever required. The dividend for the financial year ended 31st March, 2018, if any, declared at the ensuing AGM, will be paid to Shareholders within 30 days from the date of declaration.

61 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

As per our report of even date attached

For **S. Bhandari & Co.**
Chartered Accountants
Firm Reg. No. 000560C

For **Oswal Sunil & Company**
Chartered Accountants
Firm Reg. No.: 016520N

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, 3rd May, 2018

For and on behalf of the Board

M P Shukla
Chairman

Mahendra Nahata
Managing Director

Arvind Kharabanda
Director

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) & Company Secretary

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 (in ₹)

Name of the Subsidiary	HTL Ltd.	Moneta Finance Pvt. Ltd.	HFCL Advance Systems Pvt. Ltd.	Polixel Security Systems Pvt. Ltd.
The date since when subsidiary was acquired	16.10.2001	11.07.2006	23.02.2015	09.08.2016
Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	NA	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	NA
Share Capital	15,00,00,000	1,02,00,000	1,00,000	18,08,560
Reserves and Surplus	(100,17,98,349)	1,64,53,724	(2,49,679)	10,22,30,030
Total Assets	183,72,33,946	2,87,81,617	51,984	31,54,08,542
Total liabilities	268,90,32,295	21,27,893	2,01,662	21,13,69,952
Investments	Nil	2,02,17,506	Nil	Nil
Turnover	282,33,25,480	Nil	Nil	21,96,67,279
Profit before taxation	14,71,96,484	(11,11,375)	(1,07,900)	1,08,23,652
Provision for taxation	Nil	Nil	Nil	10,09,943
Profit after taxation	14,71,96,484	(11,11,375)	(1,07,900)	98,13,709
Proposed Dividend	Nil	Nil	Nil	Nil
% of Shareholding	74	100	100	100

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 (in ₹)

Name of Associates/Joint Ventures	DragonWave HFCL India Pvt. Ltd.
Latest audited Balance Sheet Date	31.03.2017
The date on which the Associate or Joint Venture was associated or acquired	10.03.2011
No. of Shares of Associates/Joint Venture held by the Company on the year end	34,93,000
Amount of Investments in Associates/Joint Venture	3,49,30,000
Extent of holding %	49.90
Description of how there is significant influence	Pursuant to Section 2(6) of the Companies Act, 2013
Reason why the associates/joint venture is not consolidated	NA
Networth attributable to Shareholding as per latest audited Balance Sheet	4,27,61,426 as per Balance sheet of 31.03.2017
Profit / (Loss) for the year	4,80,57,458 (2016-17)
i. Considered in Consolidation	Yes
ii. Not Considered in Consolidation	NA

1. **Names of associates or joint ventures which are yet to commence operations : NA**
2. **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 Chairman
Mahendra Nahata Managing Director
Arvind Kharabanda Director

V. R. Jain
Chief Financial Officer

Manoj Baid
Vice-President (Corporate) &
Company Secretary

Date: 3rd May, 2018
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
(Corporate Identity Number: L64200HP1987PLC007466)

NOTICE

Notice is hereby given that the 31st Annual General Meeting (AGM) of the Members of Himachal Futuristic Communications Limited will be held on Saturday, the 29th day of September, 2018 at 11:00 A.M. at the Mushroom Centre, Chambaghat, Solan-173213, 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, 2018, 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, 2018 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, 2018, as per Ind AS and the reports of the Board of Directors and Auditors thereon as laid before this meeting be and are hereby received, considered and adopted."

 b) **"RESOLVED THAT** the audited consolidated financial statements of the Company for the financial year ended 31st March, 2018, as per Ind AS and the reports of Auditors thereon as laid before this meeting be and are hereby received, considered and adopted."

2. a. To confirm dividends paid 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** the first interim dividend of ₹ 3.25 per share and second interim dividend of ₹ 3.25 per share on 6.50% Cumulative Redeemable Preference Shares of face value of ₹ 100/- each for the financial year 2017-18 amounting to ₹ 6.30 crore (inclusive of tax of ₹ 1.07 crore) as declared by the Board of Directors on 7th November, 2017 and 15th March, 2018 respectively and already paid to preference shareholders be and is hereby confirmed and approved."

 b. To declare dividend of Re. 0.06 (Six paisa only) i.e. 6% per equity share for the financial year ended 31st March, 2018 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 a dividend at the rate of Re. 0.06 (Six paisa only) i.e. 6% per equity share of Re. 1 (Rupee One only) each fully paid-up of the Company be and is hereby declared for the financial year ended 31st March, 2018 and the same be paid as recommended by the Board of Directors of the Company, out of the profits of the Company for the financial year ended 31st March, 2018."

SPECIAL BUSINESS:

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 a **Special 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, liable to retire by rotation".

4. To appoint Shri Mahendra Pratap Shukla (DIN: 00052977) as a Non-Executive Director and Chairman 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 the applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri Mahendra Pratap Shukla (DIN: 00052977) be and is hereby appointed as a Non-Executive Director, liable to retire by rotation, designated as Non–Executive Chairman of the Company w.e.f. 29th September, 2018"

5. To re-appoint Shri Mahendra Nahata (DIN: 00052898) as a Managing 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 in accordance with the provisions of Section 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Shri Mahendra Nahata (DIN:00052898) as a Managing Director, of the Company for a period of 3 (three years) with effect from 1st October, 2018 on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Nomination, Remuneration and Compensation Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and/or remuneration as it may deem fit and as may be acceptable to Shri Mahendra Nahata subject to the same not exceeding the limits specified under Schedule V of the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.

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

6. To appoint Shri Ranjeet Anandkumar Soni (DIN: 07977478) as a Nominee Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Shri Ranjeet Anandkumar Soni (DIN: 07977478) who had been appointed as a Nominee Director of IDBI Bank Limited, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

7. To appoint Shri Surendra Singh Sirohi (DIN: 07595264) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri Surendra Singh Sirohi (DIN:07595264), who was appointed as an additional 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 Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 3 (Three) years with effect from 27th August, 2018 up to 26th August, 2021.

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

8. To appoint Shri Ved Kumar Jain (DIN:00485623) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri Ved Kumar Jain (DIN:00485623), who was appointed as an additional 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 Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 3 (Three) years with effect from 27th August, 2018 up to 26th August, 2021.

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

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

By order of the Board

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

Place: New Delhi
Date: 27th August, 2018

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF THE PROXY IS ENCLOSED. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

   A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

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

3. Pursuant to Section 91 of the Companies Act, 2013, and applicable Rules made thereunder, the Register of Members and Share transfer books of the Company will remain closed from 24th September, 2018 to 29th September, 2018 (both days inclusive) for the purposes of Annual General Meeting and Dividend on equity shares.

4. The Dividend, if any declared at the AGM, shall be payable to those Members whose name(s) stand registered:

   a) as Beneficial Owner on book closure i.e. 24th September, 2018 as per the lists to be furnished by National Securities Depositories Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and

   b) as Member in the Register of Members of the Company/ Registrars & Share Transfer Agent after giving effect to valid share transfers in physical form lodged with the Company as at the end of business hours on or before 22nd September, 2018.

   The dividend on equity shares, if declared at the AGM, will be credited / dispatched within a period of 30 days from conclusion of the AGM.

5. Members are requested:

   a) to kindly notify the change of address, if any, to the Company/their Depository Participant.

   b) to bring their attendance slip along with their copy of the Annual Report in the Meeting.

   c) to deposit the duly completed attendance slip at the Meeting.

6. **Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 amended on 8th June, 2018, it has been decided that securities of listed companies can be transferred only in dematerialised form w.e.f. 5th December, 2018. In view of the above and to avail various benefits of dematerialisation, members are advised to dematerialise shares held by them in physical form.**

7. Members holding equity shares in physical form may use the facility of nomination. A Nomination Form will be supplied to them on request

8. Members holding shares in physical mode:

   (a) are required to submit their Permanent Account Number (PAN) and bank account details to the Company / MCS Share Transfer Agents Limited ("MCS") if not registered with the Company/ MCS as mandated by SEBI.

   (b) **are requested to register / update their e-mail address with the Company / MCS for receiving all communications from the Company electronically.**

9. Members holding shares in demat mode:

   (a) are requested to submit their PAN and bank account details to their respective DPs with whom they are maintaining their demat accounts.

   (b) are advised to contact their respective DPs for registering the nomination.

   (c) **are requested to register / update their e-mail address with their respective DPs for receiving all communications from the Company electronically.**

10. Members desiring any information with regard to Annual Accounts/Report are requested to submit their queries addressed to the Company Secretary at least 10 (ten) days in advance of the Meeting so that the information called for can be made available at the Meeting.

11. The requirement to place the matter relating to appointment of Auditors for ratification by members at every Annual General Meeting is done away with vide notification dated 7th May, 2018 issued by the Ministry of Corporate Affairs, New Delhi. Accordingly, no resolution is proposed for ratification of appointment of Auditors, who were appointed in the Annual General Meeting held on 25th September, 2017.

12. 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.

13. 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.

14. 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.

15. 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.

16. Copies of Annual Report for financial year ended 31st March, 2018 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.

17. 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.

18. Information and other instructions relating to remote e-Voting are as under:

    I. 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 2 for 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").

    II. The facility for voting through polling 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 polling paper.

    III. 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.

    IV. The remote e-Voting period commences on **26th September, 2018** (9:00 A.M.) and ends on **28th September, 2018** (5:00 P.M.). 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, 2018**, 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:**

    The procedure to login to e-Voting website consists of two steps as detailed hereunder:

    Step 1 : Log-in to NSDL e-Voting system

    1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/.

    2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

    3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

    4. Your User ID details will be as per details given below :

    a) **For Members who hold shares in demat account with NSDL:** 8 Character DP ID followed by 8 Digit Client ID (For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******).

    b) **For Members who hold shares in demat account with CDSL:** 16 Digit Beneficiary ID (For example if your Beneficiary ID is 12************** then your user ID is 12**************).

    c) **For Members holding shares in Physical Form:** EVEN Number followed by Folio no. registered with the company (For example if Folio no. is 001**** and EVEN is 109377 then user ID is 109377001****).

    5. Your password details are given below:

    a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

    b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c) How to retrieve your 'initial password'?

i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

a) Click on **"Forgot User Details/Password?"**(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b) **"Physical User Reset Password?"** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio no., your PAN, your name and your registered address.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Step 2 : Cast your vote electronically on NSDL e-Voting system.

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

3. Select "EVEN" of the Company i.e. Himachal Futuristic Communications Limited.

4. Now you are ready for e-Voting as the Voting page opens.

5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

6. Upon confirmation, the message "Vote cast successfully" will be displayed.

7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

9. 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

10. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

11. 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 download section of www.evoting.nsdl.com or call on toll free no.: 1800-222- 990 or contact Ms. Pallavi Mhatre, Assistant Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email address: pallavid@nsdl.co.in/evoting@nsdl.co.in or at telephone no. +91 22 24994545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email address: investor@hfcl.com.

12. You can update your mobile number and email Id in the user profile details of the folio which may be used for sending communication(s) regarding NSDL e-Voting system in future.

VI. 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, 2018**.

VII. 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, 2018** may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer at investor@hfcl.com and/or RTA at admin@mcsregistrars.com.

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?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

Note: In case Shareholder are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID). In case Shareholder are holding shares in physical mode, USER-ID is the combination of (Even No.+Folio No.).

VIII. 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 polling paper.

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

X. 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.

XI. 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 two 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.

XII. The Results declared along with 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).

XIII. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of 31st Annual General Meeting i.e. 29th September, 2018.

XIV. Route Map of the venue of 31st Annual General Meeting is enclosed in the Notice of Annual General Meeting.

Details of Directors retiring by rotation and proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards 2 on General Meetings issued by the Institute of Company Secretaries of India.

Name of the Director	Dr. Ranjeet Mal Kastia	Shri Mahendra Pratap Shukla	Shri Mahendra Nahata	Shri Ranjeet Anandkumar Soni	Shri Surendra Singh Sirohi	Shri Ved Kumar Jain
DIN	00053059	00052977	00052898	07977478	07595264	00485623
Date of Birth	10.10.1941	18.06.1932	19.05.1959	21.06.1973	23.07.1955	15.12.1953
Date of first appointment	07.02.1996	14.06.2004	11.05.1987	07.11.2017	27.08.2018	27.08.2018
Experience/Expertise in Specific Functional Areas	Dr. Kastia has to his credit more than 56 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 M P Shukla has to his credit more than 60 years of experience in the field of business planning, implementation and telecommunication services. He is fellow member of the Institution of Electronics & Telecommunications Engineers and is elected as the council member of the governing body of the Institute.	Shri Mahendra Nahata is a Commerce Graduate from Calcutta University and has business experience of over 35 years. Shri Nahata is the promoter and Managing Director of Himachal Futuristic Communications Ltd. Shri Nahata is the visionary behind the Company's R&D, technology partnerships, business development and marketing initiatives.	Shri Ranjeet Anandkumar Soni has more than 18 years of banking experience across three banks at various positions, fields and geographies. Prior to joining IDBI Bank Ltd., he has served Dena Bank for 7 years. During his banking career, he gained experience in Corporate Banking, MSME sector lending and Priority Sector lending, especially in structured products viz Micro Finance Sector, Securitization deals and Interbank Participation certificates and priority sector lending certificates.	Shri Surendra Singh Sirohi has more than 36 years of experience in Indian Telecom Service. He held numerous techno-managerial senior leadership positions in various organizations in Telecom Sector viz. Department of Telecom, Government of India, Mahanagar Telephone Nigam Limited, Telecommunications Consultants India Ltd. (TCIL), Bharat Sanchar Nigam Limited (BSNL).	Shri Ved Kumar Jain has more than four decades of experience on advising corporates on finance and taxation matters. Shri Jain specializes in Direct Taxes and has handled complicated tax matters, appeals and tax planning of big corporates. He had been the President of the Institute of Chartered Accountants of India during 2008-2009.
Qualification(s)	Ph.D., FBIM (London)	B.E. (Electricals)	B.Com (Hons.)	Masters in Mathematics, JAIIB	Bachelor's degree in Electrical Engineering from IIT, Kanpur.	B.Sc., B.A.(Economics), LL.B and CA
Directorship in other Companies	i)HTL Ltd. ii) Moneta Finance Private Ltd. iii) HFCL Advance Systems Private Ltd. iv) Anupriya Fincap Private Ltd. v) Cosmic Associates Private Ltd.	i) HTL Ltd.	i) HTL Ltd. ii) Reliance Jio Infocomm Ltd. iii) DragonWave HFCL India Private Ltd. iv) MN Ventures Private Ltd. v) India Card Technology Private Ltd. vi) HFCL Advance Systems Private Ltd. vii) Krishiv Ventures Private Ltd. viii) Pranatharthi Ventures Private Ltd.	NIL	i) Bharat Electronics Ltd.	i) DLF Ltd. ii) Inventia Healthcare Ltd. iii) Multi Commodity Exchange Clearing Corporation Ltd.

Name of the Director	Dr. Ranjeet Mal Kastia	Shri Mahendra Pratap Shukla	Shri Mahendra Nahata	Shri Ranjeet Anandkumar Soni	Shri Surendra Singh Sirohi	Shri Ved Kumar Jain
Chairmanship/ Membership of Committees (across all public Cos. in Audit, Stakeholders Relationship and Nomination & Remuneration Committees)	**Himachal Futuristic Communications Ltd.** Stakeholders Relationship – Member Nomination, Remuneration and Compensation -Member **HTL Ltd.** Audit-Member	**Himachal Futuristic Communications Ltd.** Audit – Chairman Stakeholders Relationship - Chairman Nomination, Remuneration and Compensation – Member **HTL Limited** Audit – Chairman Nomination & Remuneration – Member	NIL	**Himachal Futuristic Communications Ltd.** Nomination, Remuneration and Compensation - Member	**Himachal Futuristic Communications Ltd.** Audit - Member Nomination Remuneration and Compensation - Member	**DLF Ltd.** Audit – Chairman Stakeholders Relationship - Member Nomination and Remuneration – Member **Multi Commodity Exchange Clearing Corporation Ltd.** Audit – Member **Himachal Futuristic Communications Ltd.** Audit - Member Nomination Remuneration and Compensation - Member
Shareholding in the Company	Nil	Nil	73,477 equity shares	Nil	100 equity shares	Nil
Relationship with other Directors and KMPs of the Company	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
No. of Board Meetings held/ attended	8/8	8/8	8/7	4/4	N.A.	N.A.
Last Remuneration drawn (per annum)	₹ 8,05,000/- as Sitting fee	₹ 9,45,000/- as sitting fee	₹ 6,80,39,600/-	₹ 1,75,000/- as sitting fee paid to IDBI Bank Ltd	N.A.	N.A.

The above information may be treated as part of Statement annexed under Section 102 of the Companies Act, 2013 for item no(s) 3 to 8 of the AGM Notice. The Board of Directors recommends the appointment/ re-appointment of Dr. Ranjeet Mal Kastia as a Non Executive Director, Shri Mahendra Pratap Shukla as a Non-Executive Chairman, Shri Mahendra Nahata as a Managing Director, Shri Ranjeet Anandkumar Soni as a Nominee Director, Shri Surendra Singh Sirohi and Shri Ved Kumar Jain as Independent Directors of the Company.

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. 3

Dr. Ranjeet Mal Kastia (DIN:00053059) was last appointed as a Director whose period of office was liable to determination by retirement by rotation, by the Shareholders in the Annual General Meeting (AGM) of the Company held on 29th September, 2016. Pursuant to the provisions of Section 152 of the Companies Act, 2013 ("the Act"), he retires by rotation at this AGM and being eligible, has offered himself for re-appointment. In terms of Section 102 of the Act, the re-appointment of a rotational director at the Annual General Meeting is an Ordinary Business.

However, in view of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9th May, 2018 ("Amended Listing Regulations") which will come into force with effect from 1st April, 2019, no listed entity can continue the directorship of any person as a non-executive director who has attained the age of 75 (seventy five) years unless a special resolution is passed to that effect.

Accordingly, the re-appointment of Dr. Ranjeet Mal Kastia, aged 77 years, is recommended at this 31st AGM as a Special Business by way of Special Resolution instead of Ordinary Business in compliance of Section 102 of the Act read with the amended Listing Regulations.

Dr. Kastia has to his credit more than 56 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.

A brief profile of Dr. Ranjeet Mal Kastia to be appointed as a Non-Executive Director is given under the heading *"Details of Directors retiring by rotation and proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

The Board upon the recommendation of the Nomination, Remuneration and Compensation Committee, in its Meeting held on 27th August, 2018, has approved the re-appointment of Dr. Ranjeet Mal Kastia (DIN:00053059) aged 77 years as a Director liable to retire by rotation and recommends the same for the approval by the Shareholders of the Company as a Special Resolution.

Dr. Kastia is interested in the resolution as set out at Item No.3 of the Notice which pertains to his re-appointment as a Director. The relatives of Dr. Kastia may be deemed to be interested in this resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/ their relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice.

ITEM NO. 4

The Board of Directors and Shareholders of the Company at its meeting held on 14th June, 2004 and 25th August, 2004 respectively had appointed Shri Mahendra Pratap Shukla as a Director of the Company designated as Non-Executive Chairman. As per the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreements entered into with Stock exchanges, Shri Shukla continued to be an independent Director of the Company from the period 2004 to 2014.

Subsequently, pursuant to the provisions of the Section 149 of the Companies Act, 2013 ("the Act"), coming into effect, he was appointed as an Independent Director w.e.f. 14th August, 2014 to 29th September, 2016 by the shareholders at their meeting held on 30th September, 2014 ("First Term").

As required under Section 149 of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri Shukla was re-appointed as an Independent Director of the Company by the shareholders of the Company at their meeting held on 29th September, 2016 to hold office of Independent Director upto the 31st AGM to be held on 29th September, 2018. ("Second term").

Shri Shukla will complete his present second term as an Independent Director on conclusion of ensuing 31st Annual General Meeting to be held on 29th September, 2018 and will cease to be an Independent Director of the Company.

Shri Mahendra Pratap Shukla aged about 86 years, had been the Chairman cum Managing Director of Telecommunications Consultants India Ltd. (TCIL) and the Chairman cum Managing Director of Mahanagar Telephone Nigam Ltd. (MTNL). He has to his credit more than 60 years of experience in the field of business planning, implementation and telecommunication services.

He is a fellow member of the Institution of Electronics & Telecommunications Engineers 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.

In the Performance Evaluation conducted for the year 2017-18, the performance of Shri Shukla was evaluated satisfactory in the effective and efficient discharge of his roles and responsibilities as an Independent Director and Chairman of the Company. The Board and its various Committees have benefitted from his relevant specialization and expertise and it is desirable to avail his continued services as a Non-Executive Director and Chairman of the Company.

The Board of Directors of the Company on the recommendations of the Nomination, Remuneration and Compensation Committee at their meeting held on 27th August, 2018 has appointed Shri Shukla as a Non-Executive Director designated as Non-Executive Chairman of the Company w.e.f. 29th September, 2018. Your directors feel confident that given his background and experience and contributions made by him during his tenure, your Company will be immensely benefitted by his continuing association with the Board.

Shri Mahendra Pratap Shukla is not dis-qualified from being appointed as a Director in terms of Section 164 of the Act, and has given consent to act as a Director of the Company.

Shri Shukla doesn't hold any equity shares in the Company.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Shri Mahendra Pratap Shukla for the office of Director, to be appointed as such under Section 152 of the Act.

A brief profile of Shri Mahendra Pratap Shukla to be appointed as a Non-Executive Director designated as Non-Executive Chairman of the Company is given under the heading *"Details of Directors retiring by rotation and proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

As per the provisions of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9th May, 2018 which will come into force with effect from 1st April, 2019, no listed entity can continue the directorship of any person as a Non-Executive Director who has attained the age of 75 (seventy five) years unless a special resolution is passed to that effect.

In view of above, the Board upon the recommendation of the Nomination, Remuneration and Compensation Committee, in its Meeting held on 27th August, 2018, has approved the appointment of Shri Shukla aged 86 years as a Non-Executive Director and Chairman of the Company, a director liable to retire by rotation and recommends the same for the approval by the Shareholders of the Company as a Special Resolution.

Shri Shukla is interested in the resolution set out at item no. 4 of the Notice with regard to his appointment. The relatives of Shri Shukla may be deemed to be interested in the aforesaid resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the Directors and Key Managerial Personnel of the Company and their relatives are in anyway concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

ITEM NO. 5

The Board of Directors of the Company (the "Board") at its meeting held on 27th August, 2018 has subject to the approval of members, re-appointed Shri Mahendra Nahata as the Managing Director, for a period of 3 (Three) years from the expiry of his present term which will expire on 30th September, 2018, on the terms and conditions including remuneration as recommended by the Nomination, Remuneration and Compensation Committee and approved by the Board. It is proposed to seek the members approval for re-appointment of and remuneration payable to Shri Mahendra Nahata as Managing Director in terms of the applicable provisions of the Companies Act, 2013 ("the Act"). Broad particulars of the terms of re-appointment of and remuneration payable to Shri Mahendra Nahata are as under:

(a) Salary: ₹ 5.00 crore per annum

(b) Perquisites and Allowances: ₹ 1.20 crore per annum

(c) Remuneration based on net profits:

In addition to salary, perquisites and allowances as set out above, Shri Mahendra Nahata, Managing Director shall be entitled to receive remuneration based on net profits which will be determined by the Board and/or Nomination, Remuneration and Compensation Committee subject to the conditions that such payment shall be within the overall ceiling of the remuneration permissible under the Act.

The perquisites and allowances, as aforesaid, shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/or allowances for utilization of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and family including dependents; medical insurance and such other perquisites and/or allowances. The said perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income Tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof. In the absence of any such rules, perquisites, and allowances shall be evaluated at actual cost.

The Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or taken together are not taxable under the Income Tax law, gratuity payable and encashment of leave shall not be included for the purpose of computation of the overall ceiling of remuneration. The increment in salary and perquisites and allowances as may be determined by the Board and/or the Nomination, Remuneration and Compensation Committee of the Board is not to be included for the purpose of computation of the aforesaid ceiling of remuneration provided that such payments shall be within the overall ceiling of remuneration permissible under the Act.

(d) Reimbursement of Expenses: Reimbursement of expenses incurred for travelling, boarding and lodging including for his spouse and attendant(s) during business trips; provision of cars for use on the Company's business; telephone expenses at residence and club memberships shall be reimbursed and not considered as perquisites.

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

(e) General:

(i) The Managing Director will perform the duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respect and confirm to and comply with all such directions and regulations as may from time to time be given and made by the Board.

(ii) The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.

(iii) The Managing Director shall adhere to the Company's Code of Conduct.

(iv) 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.

Shri Mahendra Nahata is a Commerce Graduate from Calcutta University and has business experience of over 35 years. Shri Nahata is the promoter director of Himachal Futuristic Communications Ltd. Shri Nahata is the visionary behind the Company's R&D, technology partnerships, business development and marketing initiatives. Shri Nahata is one of the Pioneer in the new age telecom sector in India. Shri Nahata's contribution to the telecom sector are commendable and many milestones in the sector have been achieved over the years due to his initiatives and entrepreneurship. In recognition of his wide experience in the industry, he was elected as President of Telecom Equipment Manufacturers Association of India for a period of two years.

In the past, Shri Nahata had been Member of Board of Governors of Indian Institute of Technology, Bombay and Indian Institute of Technology, Madras. He had also been the Member of the Board of Governors of Indian Institute of Information Technology, Allahabad and Member of Council of Scientific & Industrial Research, Government of India.

A brief profile of Shri Mahendra Nahata to be re-appointed as Managing Director is given under the heading *"Details of Directors retiring by rotation and proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

Shri Nahata holds 73,477 equity shares of the Company.

Shri Mahendra Nahata satisfies all the conditions set out in Part I of Schedule V to the Act as also conditions set out under Section 196(3) of the Act for being eligible for his re-appointment. He is not dis-qualified from being re-appointed as a Director in terms of Section 164 of the Act.

DISCLOSURES AS REQUIRED UNDER SCHEDULE V OF THE COMPANIES ACT, 2013 ARE GIVEN HEREUNDER:

I. General information:

(1) Nature of Industry

Himachal Futuristic Communications Limited (HFCL) is a leading telecom infrastructure developer, system integrator and manufacturer of high-end telecom equipment and optical fiber cables (OFC).

(2) Date or expected date of commencement of commercial production

Commercial production already started in October, 1989.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus

Not Applicable.

(4) Financial performance based on given indicators

During the financial year ended 31st March, 2018, Company has made net sales of ₹3070.08 crore as compared to a net sales of ₹2015.95 crore during the financial year ended 31st March, 2017. The Company has earned a net profit of ₹155.03 crore in the financial year ended 31st March, 2018 as against the profit of ₹123.72 crore in the previous financial year ended 31st March, 2017.

(5) Foreign investments or collaborations, if any.

Around 7.81% of the paid-up equity share capital is held by non-residents Indians, Foreign portfolio Investors, Foreign Institutional Investors, OCBs etc. The Company does not have any foreign collaboration as on 31st March, 2018.

II. Information about the appointee:

(1) Background details:

Already given in the foregoing paragraphs

(2) Past remuneration:

FY 2017-18 – ₹ 6,80,00,000/-

FY 2016-17 – ₹ 4,56,00,000/-

FY 2015-16 – ₹ 3,35,20,000/-

(3) Recognition or awards

In recognition of vast experience in the telecom industry, Shri Mahendra Nahata, was elected as the President of Telecom Equipment Manufacturers Association of India for a period of two years. He had been conferred with the "Telecom Man of the Millennium" awarded by Voice & Data Magazine in 2003.

(4) Job profile and his suitability

Shri Mahendra Nahata is the promoter and Managing Director of the Company. He leads the overall strategy and planning, business development and marketing activities of the Company. Shri Nahata has participated in large number of national/international conferences/ seminars on the telecom industry. Shri Nahata's contribution to the telecom sector are commendable and many milestones in the sector have been achieved due to his initiatives and entrepreneurship.

(5) Remuneration proposed

Already mentioned in the foregoing paragraphs.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be respect to the country of his origin)

From Annual revenue of ₹261 crore in financial year 2012, Company has come a long way in recording revenue of ₹3070 crore with a net profit of ₹155 crore in the financial year 2017-18. During these years, Company's revenue and net profit has grown tremendously. Our thrust on turnkey contracts and services helped sustain our growth momentum, while also aiding growth of our telecom product business. Shri Nahata's experience and expertise in the telecom sector has brought the Company at this stage. It is Shri Nahata's sincere efforts that have drove the Company towards the growth path during these years. In view of above, the Nomination, Remuneration and Compensation Committee and Board of Directors at their respective meetings held on 27th August, 2018 has re-appointed Shri Nahata as the Managing Director of the Company. The remuneration payable to Shri Nahata is commensurate with the other organization of the similar type, size and nature in the Telecom Industry.

(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.

Except for the proposed re-appointment and remuneration, Shri Mahendra Nahata does not have any pecuniary relationship with the Company or with any other key managerial personnel.

III. Other information:

(1) Reason of loss or inadequate profits

Presently, the Company has adequate profits to pay the proposed remuneration.

(2) Steps taken or proposed to be taken for improvement

As mentioned above our thrust on turnkey contracts and services helped sustain our growth momentum, while also aiding growth of our telecom product 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. The synergetic 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 sector. 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.

(3) Expected increase in productivity and profits in measurable terms

With the continued efforts of Government of India, the business and consumer confidence are expected to improve further in the coming financial years. The various policy decisions taken would act as growth channel for the Company which would contribute in increased revenue and profits.

IV. Disclosures

The necessary disclosures on re-appointment and remuneration etc. have been made under Corporate Governance Report which forms the part of the Annual Report.

It is, therefore, proposed to seek the members approval for re-appointment and remuneration payable to Shri Mahendra Nahata as Managing Director in terms of the applicable provisions of the Act.

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

Shri Mahendra Nahata is interested in the resolution as set out at Item No. 5 of the Notice. The relatives of Shri Mahendra Nahata may be deemed to be interested in this resolution to the extent of their shareholding interest, if any, in the Company.

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

Your directors commend the Special Resolution set out at Item no. 5 of the Notice for your approval.

ITEM NO. 6

IDBI Bank Limited ("IDBI") vide its letter dated August 3, 2017 has withdrawn the nomination of Shri Rajiv Sharma from the Board of Directors of the Company and in his place has nominated Shri Ranjeet Anandkumar Soni, General Manager as its Nominee Director on the Board of the Company. In view of the above, the Board of Directors of the Company has appointed Shri Ranjeet Anandkumar Soni as Nominee Director of IDBI in place of Shri Rajiv Sharma w.e.f. 7th November, 2017 subject to the approval of the members.

Shri Ranjeet Anandkumar Soni holds masters degree in Mathematics from Sagar University, Madhya Pradesh and also holds JAIIB certification from Indian Institute of Banking and Finance. He is 1999 batch probationary officer and having 18 years of banking experience across three banks at various positions, fields and geographies. He joined IDBI Bank in the year 2007 and presently working as a General Manager in Mid Corporate Banking group at New Delhi. Prior to joining IDBI Bank, he has served Dena Bank for more than seven years. During his banking career, he gained experience in Corporate Banking, MSME Sector lending and Priority Sector lending, especially in structured products viz. Micro Finance Sector, Securitization deals and Interbank Participation Certificates & Priority sector lending certificates.

A brief profile of Shri Ranjeet Anandkumar Soni as Non-Executive Director is given under the heading *"Details of Directors retiring by rotation and proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

The Board recommends the appointment of Shri Soni as a Non-Executive Director (Nominee Director) of the Company as set out in Item No. 6 of the Notice for the approval of Members.

Shri Soni is interested in the resolution as set out at Item No.6 of the Notice which pertains to his appointment as a Director. The relatives of Shri Soni may be deemed to be interested in this resolution to the extent of their shareholding interest, if any, in the Company.

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

ITEM NO. 7

As per the provisions of Section 149 of the Companies Act, 2013 ("the Act") and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations") the Company should have atleast one third of total number of Directors as Independent Directors. The Board of Directors of the Company on the recommendations of the Nomination, Remuneration and Compensation Committee has appointed Shri Surendra Singh Sirohi (DIN:07595264) as an Additional Director in the category of Independent Director w.e.f. 27th August, 2018 pursuant to Section 149 and 161 of the Act. In terms of the Provisions of Section 161(1) of the Act, Shri Surendra Singh Sirohi hold office only upto the date of ensuing AGM of the Company to be held on 29th September, 2018.

The Company has received a declaration from Shri Surendra Singh Sirohi to the effect that he meets the criteria of independence as prescribed both under the sub-section 6 of Section 149 of the Act and under Regulation 25 of the Listing Regulations.

Shri Surendra Singh Sirohi is not dis-qualified from being appointed as Director in terms of Section 164 of the Act, and has given consent to act as Director of the Company.

In the opinion of the Board, Shri Surendra Singh Sirohi fulfills the conditions specified in the Act and the Rules made thereunder and in the Listing Regulations.

Shri Surendra Singh Sirohi is independent of Management.

He holds 100 equity shares in the Company.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Shri Surendra Singh Sirohi for the office of Director, to be appointed as such under Section 149 of the Act.

A copy of the draft letter for his appointment setting out the terms and conditions, is available for inspection by members at the Registered Office of the Company.

Shri Sirohi graduated from IIT, Kanpur with a bachelor's degree in Electrical Engineering. Shri Surendra Singh Sirohi, had been Member (Technology), Telecom Commission and ex-officio Secretary to Government of India in Ministry of Communication & IT.

As Member (Technology) in Telecom Commission, he was instrumental in formulating several regulatory and strategic initiatives and key policies for an inclusive growth of all segments of the Telecom Sector.

During his career spanning 36 years in Indian Telecom Service, he held numerous techno- managerial senior leadership positions in various organizations in Telecom Sector viz. Department of Telecom, Government of India, Mahanagar Telephone Nigam Ltd., Telecommunications Consultants India Ltd. (TCIL), Bharat Sanchar Nigam Limited (BSNL) and made a positive difference by providing dynamic and visionary leadership with pragmatic and strategic approach in his each assignment.

He has rich experience of over 36 years in the field of telecommunication particularly in the area of National Policy, Sectoral-regulations, Planning & Development, Corporate & Business Strategy, Network Planning & Operations, Research & Development, Project Management, Management of Telecom Services Operations etc.

He is widely travelled with varied international exposure and has represented India on global fora on several occasions.

Presently, he serves on the board of Baharat Electronics Limited.

A brief profile of Shri Surendra Singh Sirohi to be appointed as an Independent Director of the Company is given under the heading *"Details of Directors retiring by rotation and proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

It is proposed to appoint Shri Surendra Singh Sirohi as Non-Executive Independent Director for a term of 3 (Three) consecutive years with effect from 27th August, 2018 up to 26th August, 2021 pursuant to Section 149, and other applicable provisions of the Act and the Rules made thereunder. He will not be liable to retire by rotation. Shri Sirohi is interested in the resolution set out at Item No. 7 of the Notice with regard to his appointment.

The relatives of Shri Sirohi may be deemed to be interested in the aforesaid resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above none of the Directors and Key Managerial Personnel of the Company and their relatives are in anyway concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

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

The Board recommends the appointment of Shri Surendra Singh Sirohi as an Independent Director as set out at Item No. 7 for the approval by the shareholders.

ITEM NO. 8

As per the provisions of Section 149 of the Companies Act, 2013 ("the Act") and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("Listing Regulations") the Company should have atleast one third of total number of Directors as Independent Directors. The Board of Directors of the Company on the recommendations of the Nomination, Remuneration and Compensation Committee has appointed Shri Ved Kumar Jain (DIN:00485623) as an Additional Director in the category of Independent Director w.e.f. 27th August, 2018 pursuant to Section 149 and 161 of the Act. In terms of the provisions of Section 161(1) of the Act, Shri Ved Kumar Jain hold office only up to the date of ensuing AGM of the Company.

The Company has received a declaration from Shri Ved Kumar Jain to the effect that he meets the criteria of independence as prescribed both under the sub-section 6 of Section 149 of the Act and under Regulation 25 of the Listing Regulations.

Shri Ved Kumar Jain is not dis-qualified from being appointed as Director in terms of Section 164 of the Act, and has given consent to act as Director of the Company.

In the opinion of the Board, Shri Ved Kumar Jain fulfills the conditions specified in the Act and the Rules made thereunder and the Listing Regulations.

Shri Ved Kumar Jain is independent of Management.

He doesn't hold any equity shares in the Company.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Shri Ved Kumar Jain for the office of Director, to be appointed as such under Section 149 of the Act.

A copy of the draft letter for his appointment setting out the terms and conditions, is available for inspection by members at the Registered Office of the Company.

Shri Ved Kumar Jain is a Triple Bachelor's Degree Holder. He completed his Bachelor of Science from Punjab University in 1973. He did his Bachelors of Arts in Economics in 1979 and completed his Bachelors of Law in 1980. He is a Fellow Member of the Institute of Chartered Accountants of India (ICAI) for more than four decades. He was elected to the Central Council of ICAI for the first time in 2004 and thereafter in 2007. In the year 2007, he was elected by the council as its Vice-President and was further elevated to the post of the President in the year 2008.

He has been on the Board of International Federation of Accountants (IFAC) during 2008-2011, a global organization for the accountancy profession comprising of 167 members and associates in 127 countries.

On corporate forum, he has been Founder Board Member of Indian Institute of Corporate Affairs, set up by Ministry of Corporate Affairs, Government of India.

He has been Chairman of National Council on Direct Taxes of ASSOCHAM 2004-16 and Vice President, ASSOCHAM 2016-17. He has been on the Board of National Aluminum Company Limited (NALCO) 2011-14, PTC India Limited (2010-16), PTC Financial Services Limited (2011-17) and IL&FS Engineering and Construction Company Ltd. (2011-16)

Presently, he is an Independent Director on the Board of DLF Limited and Chairman, Multi Commodity Exchange Clearing Corporation Ltd. He is a life member of Indian Council of Arbitration.

He has more than four decades of experience on advising corporates on finance and taxation matters. Shri Jain specializes in Direct Taxes and has handled complicated tax matters, appeals and tax planning of big corporates.

He is regularly involved in the consultation process of the Ministry of Finance and Ministry of Corporate Affairs and member of various expert committees/panel constituted by the Government of India for fiscal and commercial legislations.

He has authored many books on Direct Taxes and regularly contributes articles in various journals, newspapers and frequently participates in various television programs.

A brief profile of Shri Ved Kumar Jain to be appointed as an Independent Director of the Company is given under the heading *"Details of Directors retiring by rotation and proposed to be appointed and reappointed, pursuant to Regulation 36(3) of Securities and Exchange Board of India" (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards 2 on General Meetings issued by the Institute of Company Secretaries of India"* or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

It is proposed to appoint Shri Ved Kumar Jain as Non-Executive Independent Director for a term of 3 (three) consecutive years with effect from 27th August, 2018 up to 26th August, 2021 pursuant to Section 149, and other applicable provisions of the Act and the Rules made thereunder. He will not be liable to retire by rotation. Shri Jain is interested in the resolution set out at Item No. 8 of the Notice with regard to his appointment.

The relatives of Shri Jain may be deemed to be interested in the aforesaid resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above none of the Directors and Key Managerial Personnel of the Company and their relatives are in anyway concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

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

The Board recommends the appointment of Shri Ved Kumar Jain as an Independent Director as set out in Item No. 8 for the approval by the shareholders.

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

By order of the Board

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

Place: New Delhi
Date: 27th August, 2018

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)

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 --

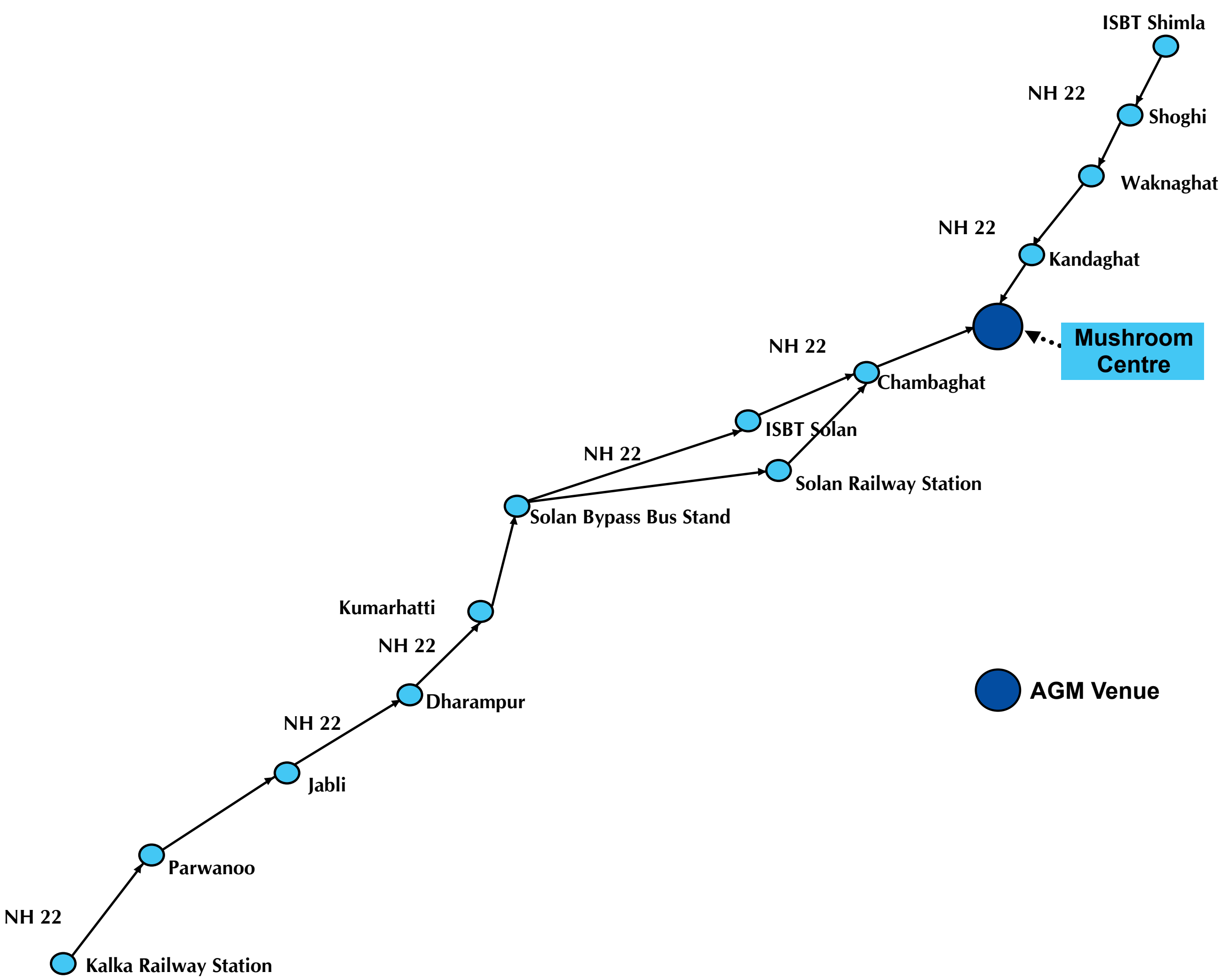
I/We hereby record my/our presence at the 31st Annual General Meeting of the Company, held on Saturday, the 29th day of September, 2018 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan-173213 (H.P.)

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 Solan-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
(Corporate Identity Number: 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 -- .

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 31st Annual General Meeting of the Company, to be held on Saturday, the 29th day of September, 2018 at 11:00 A.M. at Mushroom Centre, Chambaghat, Solan-173213 (H.P.) and at any adjournment thereof in respect of such resolutions as mentioned below:

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

Sl. No.	**Resolutions**	**For**	**Against**
1.	To 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.	a. To confirm payment of Dividends on 6.50% Cumulative Redeemable Preference Shares		
	b. To declare dividend of Re. 0.06 (Six paisa only) i.e. 6% per equity share for the financial year ended 31st March, 2018		
3.	To re-appoint Dr. Ranjeet Mal Kastia (DIN:00053059), who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment as a Director		
4.	To appoint Shri Mahendra Pratap Shukla (DIN: 00052977) as a Non-Executive Director and Chairman of the Company		
5.	To re-appoint Shri Mahendra Nahata (DIN:00052898) as Managing Director of the Company		
6.	To appoint Shri Ranjeet Anandkumar Soni (DIN: 07977478) as a Nominee Director of the Company		
7.	To appoint Shri Surendra Singh Sirohi (DIN: 07595264) as an Independent Director of the Company		
8.	To appoint Shri Ved Kumar Jain (DIN: 00485623) as an Independent Director of the Company		

Signed this ____day of September, 2018

Affix Revenue Stamp

Signature of shareholder

-- -- --

Signature of first Proxy holder Signature of second Proxy holder Signature of third Proxy holder

Notes:

1. This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 (Forty Eight) hours before the commencement of the meeting.

2. A Proxy need not be a member of the Company.

3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

*4. This is only optional. Please put a '✓' in the appropriate column against the resolution indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

5. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.

6. In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.

Notes

Notes

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Mahendra Pratap Shukla
Non-Executive Chairman

Shri Mahendra Nahata
Managing Director

Shri Arvind Kharabanda
Director

Dr. Ranjeet Mal Kastia
Director

Smt. Bela Banerjee
Director

Shri Rajiv Sharma
Director (Nominee - IDBI Bank Ltd.)
(up to 06.11.2017)

Shri Ranjit Anandkumar Soni
Director (Nominee - IDBI Bank Ltd.)
(w.e.f. 07.11.2017)

Shri Surendra Singh Sirohi
Director
(w.e.f. 27.08.2018)

Shri Ved Kumar Jain
Director
(w.e.f. 27.08.2018)

CHIEF FINANCIAL OFFICER

Shri Vijay Raj Jain

VICE-PRESIDENT (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
United Bank of India
Yes Bank Limited

AUDITORS

S. Bhandari & Co.
Chartered Accountants
P-7, Tilak Marg, C- Scheme
Jaipur – 302 005

Oswal Sunil & Company
Chartered Accountants
71, Daryaganj
New Delhi – 110 002

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

CIN
L64200HP1987PLC007466

Website
www.hfcl.com