ACCELERATING
INNOVATION

HFCL LIMITED | ANNUAL REPORT 2019-20

What's Where...

Forward-Looking Statements:

Certain statements in this Annual Report relating to the Company's future growth prospects are forward-looking statements, which involve several 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.

Our Value Proposition

Robust foundations

- Rich legacy of over three decades in enabling telecom revolution in India
- Five state-of-the-art manufacturing facilities
- Diverse offerings of products and solutions across communication, defence, railway and surveillance
- Enviable global clientele from across governments and private sectors

Integrated business model

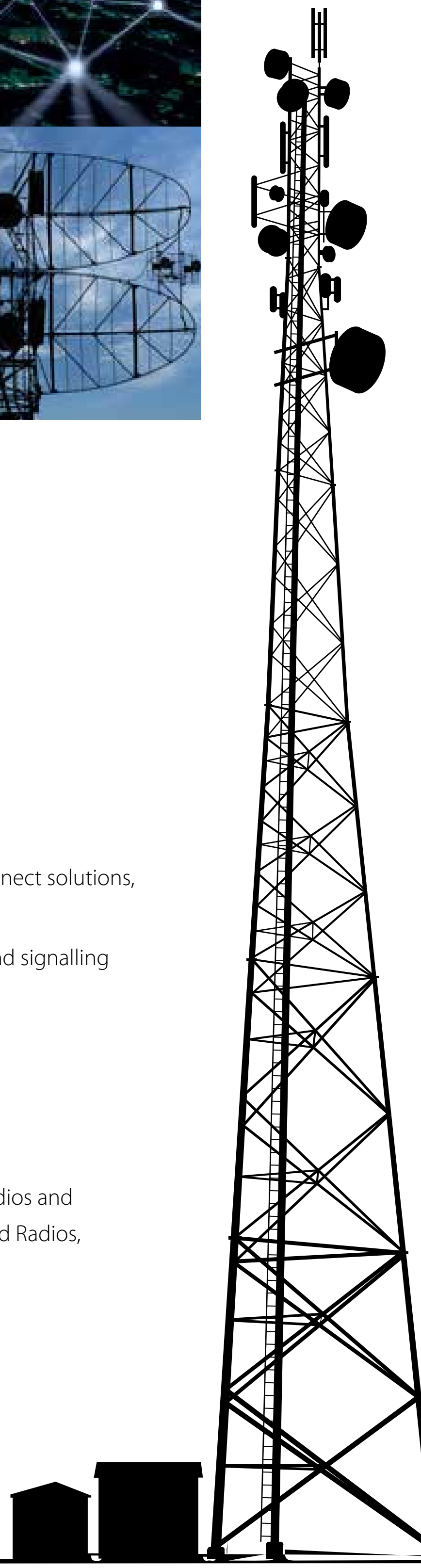
- Wide coverage of telecom value chain – equipment, optical fiber, optical fiber cable, passive interconnect solutions, network project execution on a turnkey basis, operation & maintenance
- A prudent mix of telecom and new business segments including defence, railway communication and signalling and security & surveillance

Focus on hi-tech products and innovation

- A rich haul and pipeline of technological breakthroughs and innovation
- Accelerated investments in revving the innovation engine – proprietary and collaborative
- Focus on hi-tech products such as Wi-Fi Network Products, High Capacity Radio Relay, Microwave Radios and Cloud-Based Management Platform, Switches, Routers, Intelligent Antenna Systems, Software Defined Radios, Ground Surveillance Radars, Electro-Optic Devices and Electronic Fuses

Consistent performance

- Steady growth in income and net profit -7- year CAGR of 27% and 23% respectively
- YoY improvement in FY20 EBITDA and net profit margin of 378 bps and 129 bps respectively
- Order book of ₹ 8,409 crores as on 31st March, 2020
- FY20 debt equity ratio of 0.43, RoCE of 21.50%



Accelerating Innovation

To innovate is human. At HFCL, innovation has always been intrinsic to our being. Be it the design and development of customized microwave radios for Indian defence forces about two decades ago or innovating a range of connectivity equipment and solution for the 5G era, HFCL has always been at the forefront of technological innovations. The fact that a vast majority of those microwave

radios are still in use signifies the robustness of our technology and durability of our solutions. HFCL has been the first domestic player to introduce various indigenously developed products and technologies which brought considerable savings to the Government coffer.

The hyper-connected world has about 4.8 billion mobile phone users today, nearly 3.5 billion of which are smartphone users. While the phase of global, universal human connectivity is being accomplished, what lies next?

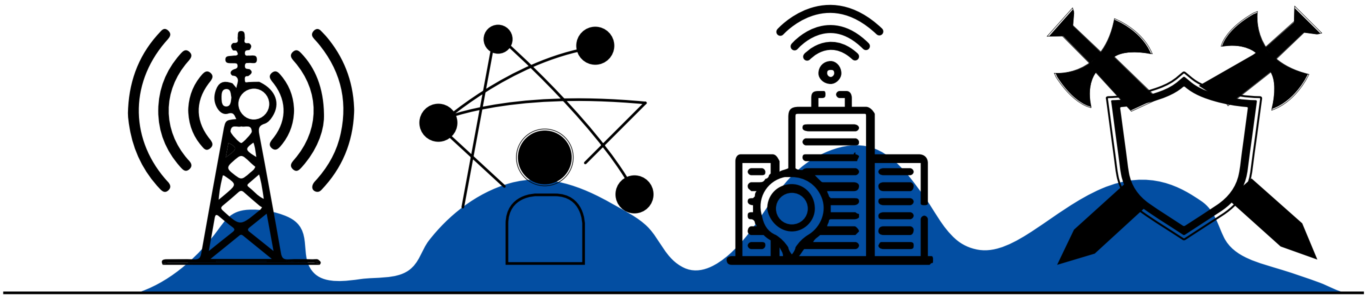
Well, the next set of connectivity consumers are already queuing up. Billions of industrial machines, household gazettes, residential and commercial buildings, and automobile and other transport units – all of them are headed for connected co-existence with already connected personal devices such as mobile phones, PCs, and smart televisions.

Expectations from communication networks are poised to raise manifolds. Not only in terms of the volume of data and speed of access, but also in terms of security of data transmission. The fact that strategic sovereign assets such as energy grids, financial systems, defence framework, public transport, etc. would all get hyper-connected, cyber security would become a paramount consideration, all along.

Cognizant of technology's expectations from HFCL, the pioneering domestic innovator of the Indian telecom revolution, we are intensifying our innovation overdrive with a 360-degree approach across our focused domains. Besides in-house research and development, our multi-dimensional approach to innovation is also blending acquisition or strategic early-stage investments in innovation focused assets towards collaborative exploration of technological advances. The financial year 2019-20 (FY20) witnessed three such investing activities. The innovation hallmarks of the year were the launch of our indigenously developed next-generation WiFi products and solutions under the 'IO' brand and the successful development of our High Capacity Radio Relay.

With a firm belief that technology would be our key differentiator and profitable growth our business driver, we, at HFCL are intensifying our focus on hi-tech products and accelerating innovation.

We are HFCL



We, HFCL Limited (formerly known as Himachal Futuristic Communications Limited) are a leading Technology Enterprise connecting the world with the fully integrated communication network solutions and specialised services. Consistently empowering innovation, we endeavour to develop new technologies and next-generation products which are globally benchmarked and cost effective. Research & Development activities are spearheaded by our two Centres of Excellence (CoEs) at Gurgaon and Bengaluru, further supported by invested R&D Houses and Collaborators from different locations in India and Overseas.

We manufacture Optical Fiber, Optical Fiber Cables (OFC), Passive Interconnect Solutions and high-end Transmission and Access Equipment. Our technologically advanced offerings span the entire value chain, from manufacturing hi-tech communication network products to providing specialized services, which get deployed across Telecom, Defence, Railways, Utilities and Security & Surveillance Networks, both in the Private and Government Sector.

Our integrated manufacturing network of five World Class facilities produces the widest range of new generation communication products in India. We serve an enviable list of customers globally with exports to over 40 countries.

Offering design, equipment, installation, system integration and operation & maintenance services, we are a preferred go-to partner for a wide range of customers. Leveraging our extensive experience in advanced communication networks, we are fast establishing our communication network credentials in emerging sectors such as Railway Communication & Signalling, Defence, and Security & Surveillance.

Listed on BSE and NSE (Scrip code BSE: 500183 & NSE: HFCL), we employ over 1,700 people on our rolls (besides generating several thousand indirect employment) and closed the financial year 2019-20 with a consolidated annual turnover of ₹ 3,839 crores and order book of about 8,409 crores.

Upcoming Optical Fiber Cable Plant, Hyderabad

Our Manufacturing Assets

Optical Fiber Plant, Hyderabad

Optical Fiber Cable Plant, Goa

Optical Fiber Cable Plant, Chennai#

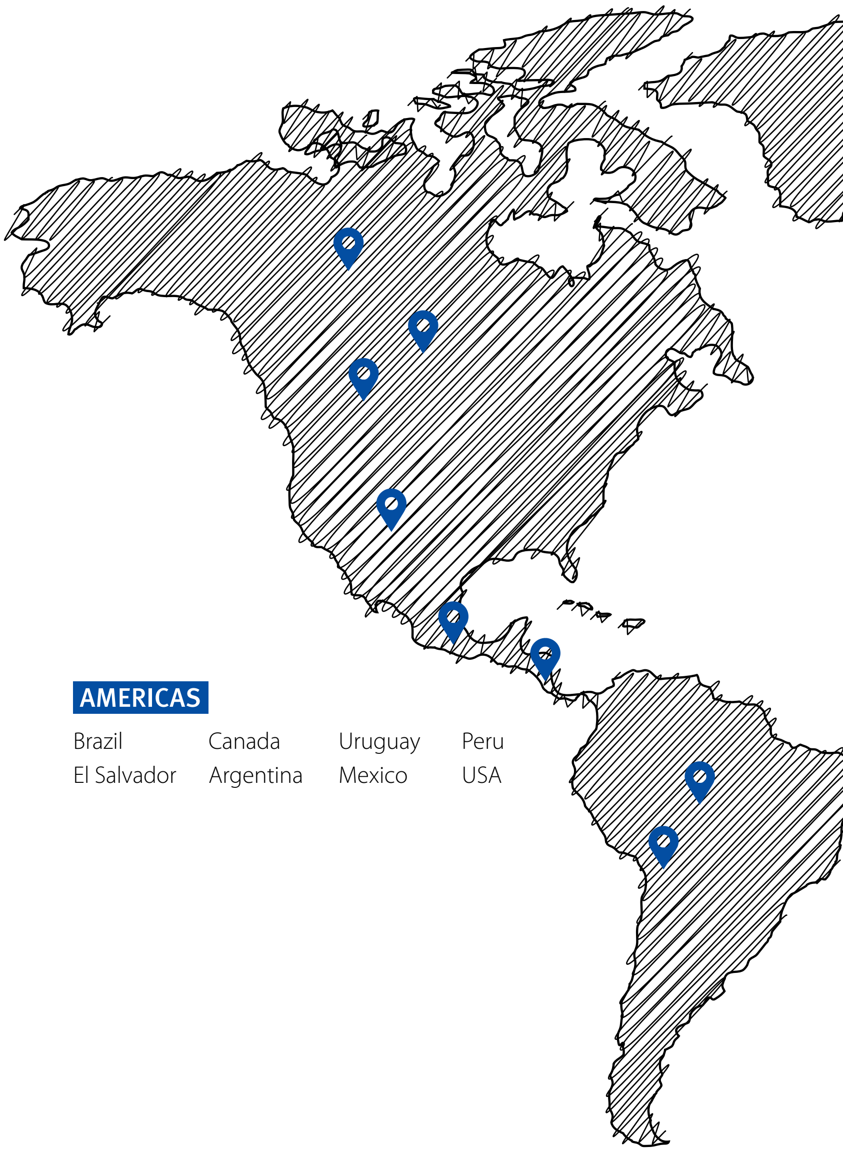
FRP Plant, Hosur#

Telecom Equipment Plant, Solan

 # belongs to Subsidiary Company, HTL Limited

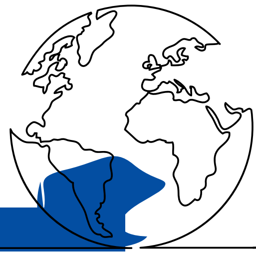
Our Marquee Customers

Our Export Destinations



AMERICAS

Brazil Canada Uruguay Peru
El Salvador Argentina Mexico USA



EUROPE

Albania	Czech Republic	Hungary	Lithuania	UK
Bosnia and Herzegovina	France	Ireland	Macedonia	Switzerland
Cyprus	Turkey	Italy	Poland	Ukraine
	Greece	Spain	Slovakia	Georgia

ASIA PACIFIC

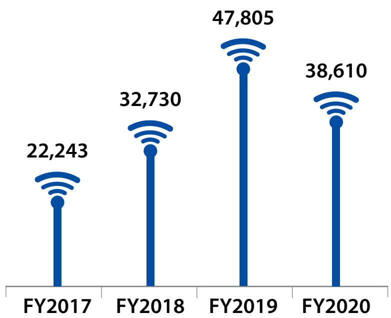
Bangladesh	Australia
Bhutan	Thailand
Nepal	Philippines
Singapore	Malaysia

MIDDLE EAST AND AFRICA

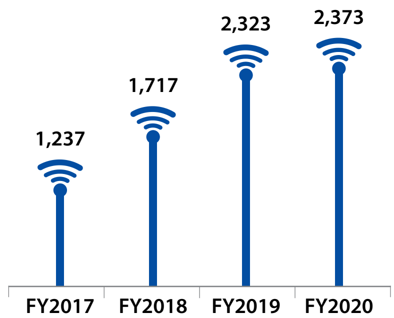
Iran	Egypt	Saudi Arabia	Morocco	Rwanda	Tanzania	Mauritius
Kuwait	UAE	Qatar	Mauritania	Somalia	Uganda	Seychelles
Jordan	Oman	Kenya	Nigeria	South Africa	Zimbabwe	Sierra Leone

Financial Highlights

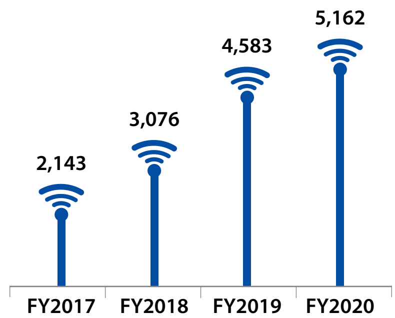
Total Income (₹ Mn)



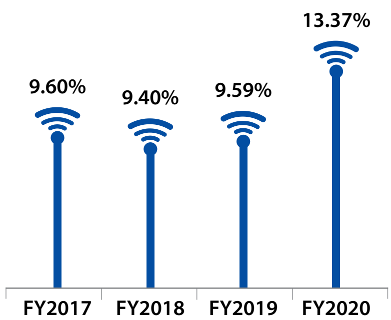
PAT (₹ Mn)



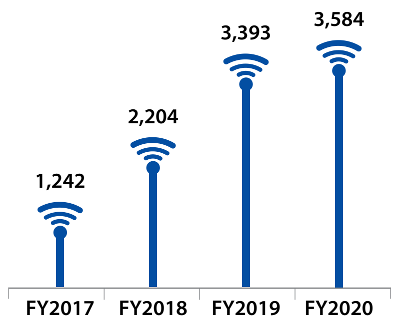
EBITDA (₹ Mn)



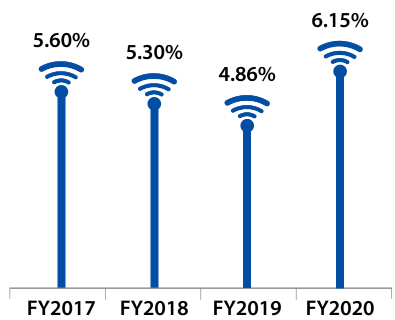
EBITDA Margin (%)



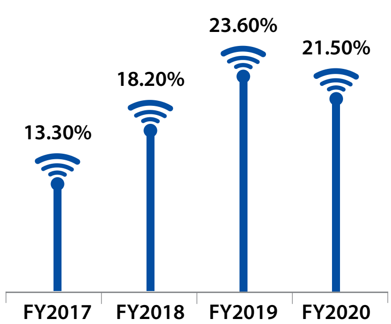
PBT (₹ Mn)



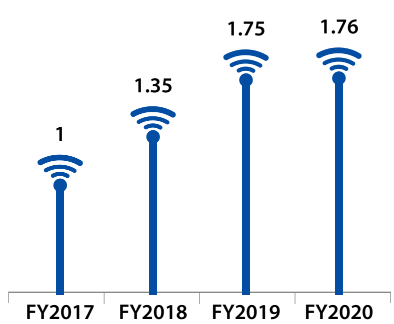
PAT Margin (%)



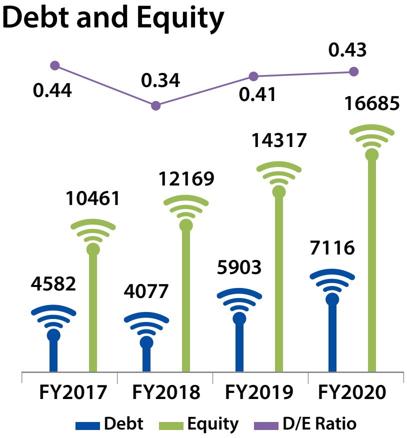
RoCE (%)



EPS (₹) (Diluted)



Debt and Equity



Total Income

₹ **38,610** Mn
- **19.2**% YoY

EBITDA

₹ **5,162** Mn
+ **12.6%** YoY

EBIDTA Margins

13.37%
+ **378** Bps YoY

PAT

₹ **2,373** Mn
+ **2.2**% YoY

PAT Margins

6.15%
+ **129** Bps YoY

Diluted EPS

₹ **1.76**
+ **0.6**% YoY

Letter from the Managing Director

Dear friends,

I take pleasure in presenting our Annual Report 2019-20. I hope this letter finds you and your dear ones in the pink of health and pray for the well-being of you all.

The past five-six months have been a quite testing period for all of us. While the entire country was (and parts of it still is) under lockdown or social restrictions, the vital role of our communication industry in keeping us all connected through mobile, internet and broadband got emphasized.

The current adversity is going to incubate a new world order. The country under its present leadership appears geared up to leverage it towards a larger national objective. The clarion call of Atmanirbhar Bharat, a self-reliant India and Vocal for Local are a true embodiment of dreams and aspirations of 1.3 billion Indians.

The time has come to accelerate innovations that drive mass benefits, outclass our adversaries and pave way for larger export of Indian goods and services, again aimed at a larger global good. For our Company, thankfully, the opportunity is knocking at a time when it is ready to meet with full rehearsals that have been taking place over the last four to five years. Having said that, it is also important to remind us about the sudden brakes and pain that the pandemic is inflicting upon us, in the intermittent phase of our protracted preparations of the past and prolonged accelerated growth in the future. Thankfully, the worst impact of pandemic appears to be well behind us and we have the ability to not only withstand but also excel in this intermittent phase.

Coming to our business strategy and performance in FY20, accelerated innovation and profitable growth were our two overarching themes. Our growth strategy is to produce technology Products and Solutions with competitive capabilities for a diverse and expanded Customer Base which is guided towards creating Shareholders' Value with strong fundamentals for sustained growth. Our product development capabilities are continuously taking us forward as a technology enterprise where we develop products with latest technologies with the futuristic approach which are cost effective and have our IPRs. Our products have worldwide deployment capabilities with major global and Indian Certifications. Our products and technologies are expected to make our margins even better.

I am glad to share with you that we have already developed Wi-Fi Network Products, High Capacity Radio Relay, Microwave Radios and Cloud-Based Management Platform. We are in the process of

developing Switches and Routers and Intelligent Antenna Systems, Software Defined Radios, Ground Surveillance Radar, Electro-Optic Devices, Electronic Fuses, etc. either by ourselves or by collaborative research and development. The initial market response to our Wi-Fi products and solutions have been very positive and our conviction in innovation-led HFCL stands reinforced. Furthering our technological quest with added speed, we inked three investment deals with tech startups in complementing fields. During the year, we acquired a majority stake in Raddef Private Limited ("Raddef"), making it an HFCL subsidiary. We also executed two separate share purchase agreements, one with Nivetti Systems Private Limited ("Nivetti") and another with BigCat Wireless Private Limited ("BigCat"). All three companies possess deep technological and innovation capabilities and we intend to combine our scale and financial strength in their respective pursuits of creating value.

The overall slowdown during the year and COVID-19-induced disruptions in the last quarter of the year impacted our FY20 performance adversely. Our total revenue dropped by 19% to ₹ 3861 crores from ₹ 4781 crores recorded for the previous year. However, our profitability-focused efforts helped to slightly improve our EBITDA and Net Profit to ₹ 516 crores (₹ 459 crores in FY19) and ₹ 237 crores (₹ 232 crores in FY19) respectively. The fact that these improvements were achieved despite a drop in revenue and we boosted our EBITDA and Net Profit margins to 13.37% (378 bps rise over previous year) and 6.15% (129 bps rise over previous year) respectively.

Our order book stands protected with the only adverse impact being elongation in the execution cycle. We closed the year with an order book of ₹ 8,409 crores including the O&M component of ₹ 1,614 crores. Looking ahead, our margin enhancement campaign would get further boosts from optimal operations of our optical fiber plant, increasing realizations of annuity O&M revenues and high-margin next-generation products. In addition, the stricter cost and efficiency regime would further aid our margin improvement goal. Successful launches from our innovation pipeline shall also increase overall revenue and margins from turnkey projects.

The Government of India's (GOI) stated the doctrine of 'vocal for local' and proposal of levying anti-dumping duty on optical fiber cable augurs very well for your Company. Emphasizing the strategic importance of the telecom sector, GOI is considering a slew of other measures to promote domestic players and manufacturing. The broadband connectivity drive covering the furthest villages including the bordering areas would create multiplier demand for a couple of years. The honorable Prime Minister's promise of providing OFC connectivity to the remaining 4.5 lakh villages over the next 1000 days is the indication of the kind of opportunity coming our way. And then there is the mega 5G opportunity that would make telecom infrastructure play to be a dream segment to be in.

The opportunity landscape across all our other verticals namely defence, railways, surveillance, etc. is brimming with prospects. You will be happy to note that your Company spotted these sectors well in time and made the right investments and progress to become ready to participate in the ensuing growth phase with confidence and credentials.

The Government of India's Make in India program particularly for Defence equipment and recent announcement to restrict imports in case of various products open up large opportunities for the Company. Besides Electronic Fuses and Electro-Optic Devices, we are now identifying more products to be developed and manufactured indigenously.

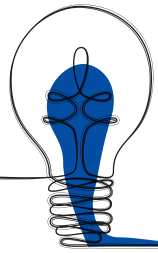
The post COVID-19 world would be ushering us into a new normal which would further accelerate digitalisation. While we are upping the ante on hyper-digital customer offerings, an equally sharper focus is on digitally transforming our working. An extra layer of work safety, hygiene and social distancing is getting ingrained in our working. These progressive changes are going to stay with us even after the scourge of COVID-19 gets eradicated. Safety and well-being of our people is paramount and central to our Company's success.

I conclude with expressing my sincere thanks to you, our dear shareholders, who have stood rock solid behind HFCL with a firm belief in our competence, capabilities and competitiveness. I place on record my heartfelt thanks to an ever growing list of our esteemed customers and sincere appreciation to HFCL employees and partners for their innovative, efficiency-accreting efforts that are reflecting in our improved performance.

The fight with this pandemic is going to be a little longer than what was estimated a few months ago. On a positive note, the recovery is going to be much sharper than estimated and the growth phase is going to be speedier.

Warm regards,

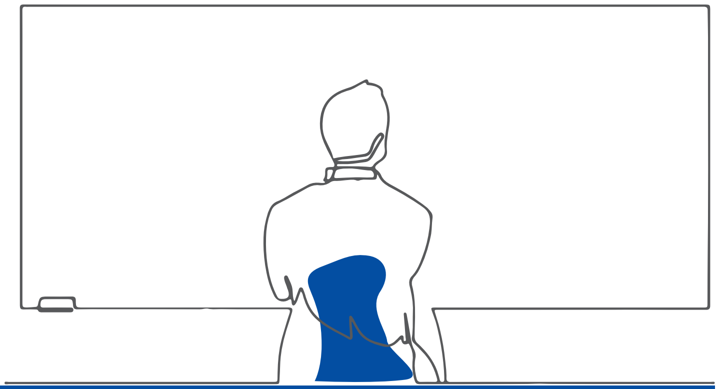
Mahendra Nahata



Innovate for a connected, secure world

As we usher into the 20s, nextgen connectivity and heightened security are going to emerge as the two most important global themes of this new decade. With IoT (Internet of Things), M2M (Machine to Machine), ML (Machine Learning), AI (Artificial Intelligence) being fast realised in the 5G era, privacy and data security concerns would lead to sharpening and thickening of virtual sovereign boundaries, much like the physical geo-political boundaries.

Technological advances would need to carefully blend globalisation with hyper localisation and securitisation in an increasingly protectionist world. The need for country-wide firewalls on data and user privacy would progressively get accentuated through this ensuing decade. In terms of sovereign defence, the cyber world would become the next frontier. Securitisation of dedicated communication networks including Defence and modernisation of equipment with enhancement of capacities would attract disproportionate attention and investments.



A rich heritage and tradition of Innovation

At HFCL, we significantly leveraged the outgoing decade towards building a robust technological foundation and enterprise-wide culture of innovation. We started this decade with the introduction of the fully IP-based Packet Radio, the first Indian Company in the country to achieve this milestone, in collaboration with an overseas technology partner. Deployed in a very significant volume, this innovation powered the telecom network of leading operators. Since then, we shifted gears with a clear focus on developing our products, technologies and IPR. With our foray into niche domains of defence, railway, security and surveillance, by the middle of the decade, our journey of technological advances and IPR creation has witnessed progressive acceleration.

The focus in recent years has shifted to hi-tech products, technological breakthroughs and solutions across our diversified customer segments. New innovative technologies would not only defferentiate us vis-à-vis peers but also enhances our qualification and profitability in competitive bidding for all kind of projects. In addition, a globally benchmarked technological product which is also competitively priced, opens up many overseas opportunities for us.

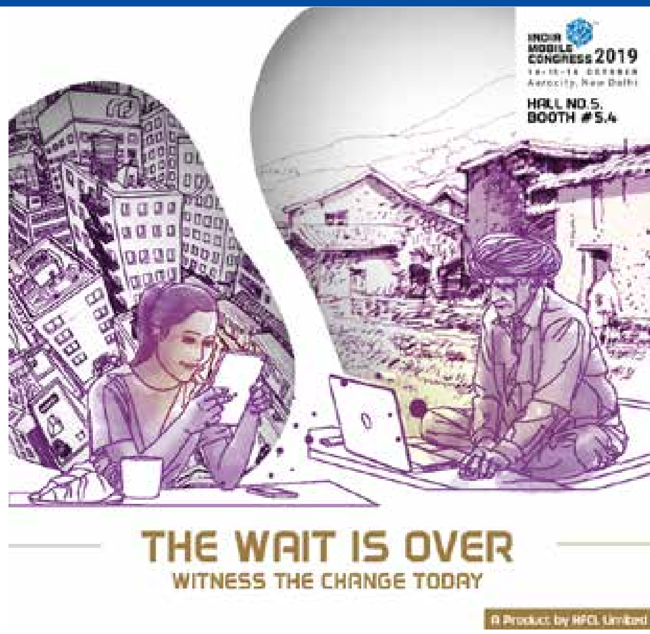
Making innovation as our key pivot of future growth, we identified defence, telecom and surveillance as the three focus domains. In defence, we started with Electronic Fuses, Opto-Electronic Devices, High Capacity Radio Relay and have made much progress since then. In telecom, we are focusing on next-generation high-speed data-heavy products across WiFi, UBR, Router and Switches. In security and surveillance, we are focusing on feature rich next-generation perimeter security system, smart border management system, gate management system, surveillance radar, etc.

Innovation breakthroughs and pipeline

Telecom Products	Optical Fiber Cables		Defence Products
• Wi-Fi Network Products • Microwave Radios • Cloud-Based Management Platform • Routers & Switches* • Intelligent Antenna Systems*	• Micromodule Cable 12F-288F • Steel Armored Micromodule Cable • Ribbon Cable upto 2004F • Higher Fiber Count Ribbon Unitube Cable • Air blown cable ,compatible for extreme low temp. • Higher Fiber Count Micromodule Cable (432-864F)*	• Dry & Lower Diameter Micro modules cables- Upto 96F* • Dry Ribbon Cable Up to 288F* • Spider Web Ribbon Cable (1734F-3456F)* • Mini Drop Cable* • Hybrid Cable* • Tactical Cable (For Defence Application)*	• High Capacity Radio Relay • Software Defined Radios* • Ground Surveillance Radar* • Electro-Optic Devices* • Electronic Fuses*

** under development/testing*

A year of Accelerating Innovation



To amplify our research and development program, we increased the strength of our R&D teams very significantly during the year. Rigorous, result oriented exploration of new technologies, products and solutions were happening simultaneously at multiple locations including Gurugram, Bengaluru, Chennai and overseas.

We invested in and collaborated with many other companies towards accelerated breakthroughs in wireless technologies and also some complex technologies such as Routers & Switches, Software Defined Radios, Ground Surveillance Radars, etc. We are also foraying into some 5G products such as WiFi 6, which require high capacity next-generation compliance propositions. Our range of next-generation routers and switching products would make the 5G infrastructure more robust.

IO opens the world of Infinite Possibilities

The research and development work that we started on WiFi and UBR two years ago reached fruition in FY20 with the market launch of the first batch of advanced WiFi products and solutions in October, 2019. Developed completely in-house with full IPR ownership, the initial response to this Made in India wireless connectivity solution has been very encouraging. These products and solutions power the Next-Generation Wi-Fi for ubiquitous connectivity and which are globally benchmarked for the Indian and Global Wi-Fi and UBR industry.

The initial bouquet of 'IO' offerings include Access Points (AP), Unlicensed Band Radio (UBR), Wireless LAN Controller (WLC), Element Management System (EMS), and Cloud Network Management System (CNMS). The globally benchmarked technology across the entire 'IO' range makes it ideal for the Indian as well as the global markets. Favourably positioned to compete with its global peers, the IO range products are extremely power efficient and fully compliant with the Policy for Preferential Market Access (PMA) of the Government of India.

"IO Networks will take us forward as a Technology Enterprise. We have invested tremendous human intelligence from an R&D standpoint in making IO Networks a brand to reckon with in the Wi-Fi product category space and we are certain, it will bridge the gap that currently exists in the market and create infinite possibilities for our customers. India with its strong focus on Make in India and Digital India, is entering the next phase of growth and with IO Networks, we are placed at a point in time to maximize this potential. IO Networks is our answer to a reliant Wi-Fi technology that will provide intelligent data utilisation and drive last mile connectivity in the Country."

Collaborating to Accelerate

An important pivot of our accelerated innovation campaign is collaborative research and development through strategic investments and/or acquisition of majority/ controlling stakes in innovation-focused companies in our operating domains of next-generation connectivity, surveillance and sovereign defence. Our approach to innovation would be to broad-base and diversify in order to get into the niche areas of telecom technologies at one hand and the hi-tech military products at the other. Collaborative research and development is the mantra. FY20 witnessed the unfolding of our new doctrine of collaborative R&D, that bears the potential of fast forwarding and broad basing our technological offerings across switching and routing, Software Defined Radio, Ground Surveillance Radars and other range of products.

One such collaboration that we are doing is with Nivetti, a new age Indian networking and cyber security company which is rethinking the way network and cyber security systems are to be built. With Nivetti, HFCL shall be able to add next-generation products and solutions in its portfolio for the telecom network and cyber security system space.

Network Operating System (NOS), a critical component of all routing and switching products, is the USP of this collaboration. Indian companies haven't owned a single NOS till date. In our case, we are going to offer to the market an indigenously-developed network operating system with Indian IPR ownership. The solution comes with high security features, is one of its kind, very light and very robust. This is the kind of differentiation in globally benchmarked and competitive technologies that we are inspired with. We are working to make the offering cost competitive.

Another tie-up we have made is with BigCat which is engaged in the development of product and technologies in the wireless communication domain. With this collaboration, HFCL shall be adding next-generation products and solutions in Wireless Communication domain, including 4G (LTE-Advanced), 5G and other advanced communication technologies. These range of products shall be custom developed for tactical communication needs of the armed forces and also the 5G small cell radio requirements.

RADDEF, now a subsidiary company post acquisition of controlling stake, is another example of collaborative innovation. RADDEF designs and develops a wide variety of sub-systems for RF and Microwave systems and components for the applications in defence, aerospace and communication. The purpose of this acquisition is for the addition of RF and Microwave systems, Surveillance Radar, Sensor Systems, etc. to be used in defence, aerospace and commercial market. We are already developing an array of surveillance radars for perimeter security and also some intelligent antenna systems. We are embedding these products with our proprietary VMS (Video Management Software) capabilities with advanced complex analytics to take our customer value proposition to the next level.

Summing up our innovation dashboard in FY20, we furthered our agenda of in-house as well as collaborative development of technologies, products, platforms and solutions with a range of measures, including the above noteworthy collaborations.

Management Discussion and Analysis

Economic Overview

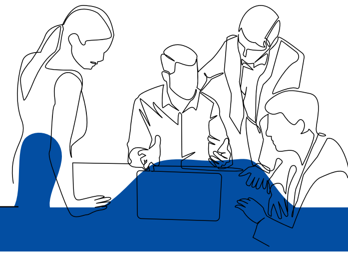
Global Economy: The calendar year (CY) 2019 can be summarized as a year of rebalancing sustained post-WTO globalization with accelerated, aggressive protectionism. The global economic growth recorded its weakest pace since the 2008 global financial crisis. Amid rising protectionism and trade barriers, associated uncertainties weighed on business sentiments and activities. These developments magnified cyclical and structural slowdown already underway in certain economies. A host of country-specific weaknesses across emerging market economies amplified the pressure. The worsening country-specific macroeconomic stress,tighter financial conditions, geopolitical tensions and social interests added to the woes.

The uncertain economic environment affected long-term spending and investments, thus, decelerating global machinery and equipment purchases. Consumer demand for durable goods also weakened, pushing a scale back in industrial production.

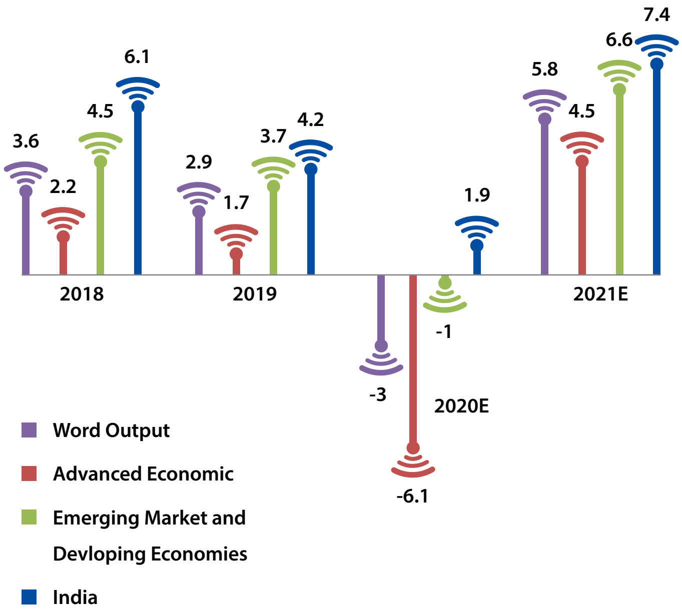
Central banks promptly reacted to the weaker economic growth by announcing several interest rate cuts and the European Central Bank also restarted asset purchases. These steps helped avert a deeper slowdown.

Subsequently, the global economic activities across production, trade, consumption and financing activities including lending and investing decelerated. Commodity prices including oil and metal remained softened. Global GDP growth rate according to International Monetary Fund (IMF's World Economic Outlook, April 2020 issue) moderated by 70 basis points (bps) in 2019 to spiral down to 2.9% (3.6% in 2018). Advanced Economies (AE) recorded a moderation of 50 bps to 1.7% while Emerging Markets and Developing Economies (EMDE) block returned an even sharper moderation of 80 bps to 3.7%.

Indian Economy : The Indian Economy's challenging phase continued in the FY20. The repercussions of the 2016 demonetization, 2017 GST rollout were followed by the 2018 NBFC



Global GDP Growth Trend (%)



*Source: World Economic Outlook, April 2020, IMF; * fiscal year basis*

crisis. Further and the structural weaknesses – liquidity, consumption and investment slowdowns were already sending the growth curve downwards.

The country entered FY20 in an election mode. While electioneering inflicting a policy void for most of the first quarter, the mandate for the majority government at the centre raised hope. Easing of FDI norms, recapitalization and large-scale merger of public sector banks, fast-tracking infrastructure creation and rationalizing of corporate taxes were the key measures and initiatives undertaken by the government towards reviving economic growth. Growth focused easing of policy rates by Reserve Bank of India effectively reduced the repo rates by 200 basis point, effected in 4 tranches during the year. Yet, these steps proved too little and a bit late in the year, as the GDP growth dipped to its 11 year low at 1.9%.

The country also went into nationwide lockdown in the last week of March 2020, which prolonged through the next quarter, further weakening the prospects of growth revival. According to April 2020 estimates of IMF, India's growth rate was forecast to moderate to 1.9% in 2020, the fastest among the top 10 economies.

COVID-19 and economic outlook: The script of a worldwide economic and health rampage was germinating in the form of a life-threatening virus, as early as November/ December 2019. From the city of Wuhan in the Hubei province of China, the hyper-infectious coronavirus spread globally in no time and thus endangering the-human race which, was caught unaware, and unprepared by the COVID-19 pandemic.

Having originated in and devastated Wuhan, the disease spiraled on to wedge an unprecedented health crisis for the world, overwhelming the health infrastructures of developed and emerging economy countries alike. In the face of alarmingly high human to human transmission and no known cure or containment mechanism, nationwide lockdowns for protracted periods running into months soon became the norm. Economic considerations, for once, got relegated to oblivion with the preciousness of human lives as well as the fragility of health infrastructure getting amplified. Tens of millions of people reportedly got infected and more than half a million precious lives got lost.

The fallacy of one world – global trade, open borders, a single supply chain, migrant talent among others got exposed. China, the world's de facto factory was the first one to go out of the bound for productions locally and supplies across the borders. The first quarter of the CY 2020, for most other parts of the world, got impacted by supply constraints. By the time China headed to unlock production, during the second quarter, the virus had inflicted broad-based lockdowns across consumption centres including Asia, Europe, North America and South America. While the fragility of global supply chains and its overdependence on one country was being evaluated from the standpoint of business continuity, the irresponsible role of China in handling the health crisis, was fuelling an anti-china sentiment. The aggressive posturing of the government of the day in suppressing autonomy of Hong Kong and territorial disputes with many of its neighboring countries added fuel to the fire.

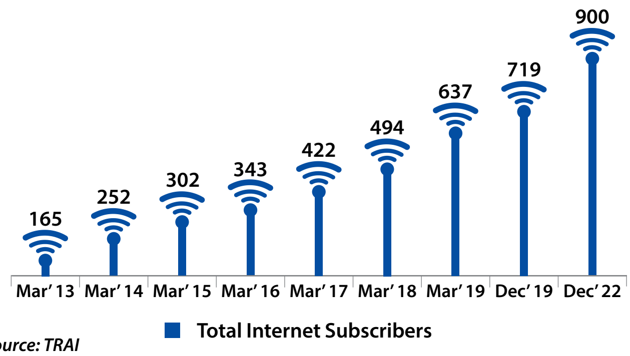
In the backdrop of these difficult events and dynamically evolving geopolitical equations, the global economic growth prospects, unfortunately, kept sliding southwards. IMF predicted a rare contraction in the World Output by a negative -3% for 2020, in its April 2020 edition of World Economic Outlook. The forecast for Developed Economies was much severe at -6.1% whereas Emerging Market and Developing Economies were also predicted to record an output contraction of -1%. A silver lining in the forecast, though, was a sharp global output recovery in 2021 with figures surpassing the 2018 growth where the Global Output, Advanced Economies and EMDE growth is predicted at 5.8%, 4.5% and 6.6% respectively.

Industry Overview

Indian Telecom Sector

The first cellular call was made in India on 31st July, 1995 between Writer's Building in Calcutta (now Kolkata) and Sanchar Bhavan in New Delhi. In the silver Jubilee year of that historic event, India had nearly 1.18 billion telephone subscribers, of which, 1.16 billion were wireless subscribers as on 31st March, 2020. Internet subscribers continue to grow with 719 million subscribers being recorded as of December 2019.

Internet Subscribers (mn)



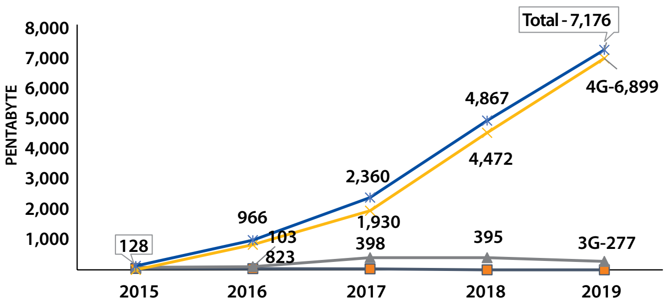
Source: TRAI

The country has over half a billion smartphone users, which means that over 77% of Indian subscribers are accessing wireless broadband (Mobile Internet) through smartphones. Indian users' insatiable appetite for data enhanced the average monthly data usage per user beyond 11 gigabytes (GB) in December 2019. The country clocked the highest data usage per smartphone. The overall data traffic increased in 2019 by a whopping 47%. 4G data constituted 96% of the total data traffic consumed across the country.

2017-19

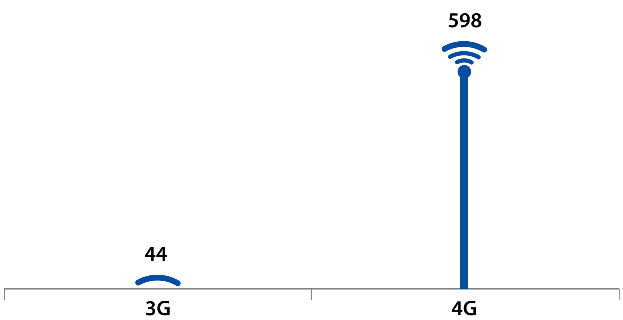
Almost 3x (200% rise) total data usage pm. 4G brings in a complete new Dimension in usage with 96% play load

Data Usage per month [Pentabyte (pb)]



Source - Nokia MBiT

Data subscribers by technology, December 2019 in Million



Source: Nokia MBiT 2020

Consumption patterns have undergone significant changes with the growing internet community where 70% of traffic is used for videos. The demand for high speed internet services keeps growing. It is just not about voice anymore, but the convergence of voice, video and data that demands the high speed and transmission capacity. With more mobile users shifting to their work, business, and commercial activities in the virtual world, digitalisation is expected to be more rapid and efficient.

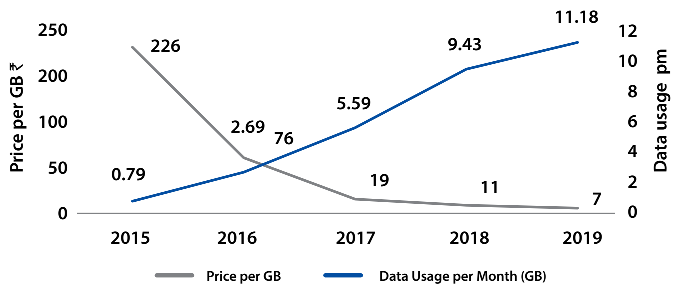
The growth that the Indian telecom industry has scripted in these 25 years is phenomenal. It powered India's entry into the league of trillion dollar economy, way back in 2007. Now that the country aims to become a $5 trillion economy, the emergence of a trillion-dollar digital economy by 2025 would be its biggest enabler.

The second-largest telecommunication market, India is also one of the fastest-growing economies globally. The industry enjoys a powerful set of enablers for sustained growth. These include 1.3 billion+ population, growing internet community, increasing per capita income, exploding smartphone user base and device ecosystem, low broadband user base, hyper affordable data cost, aggressively growing per capita data consumption and more importantly vast untapped rural market, among others.

2017-19

Data usage per subscriber per month doubled from 5.59gb to 11.18gb, while tariff Falls ~65% from ₹ 19/gb to ₹ 7/gb

Per Subs Data Usage GB pm / Price per GB



Source : TRAI / Nokia MBiT

Then there is an equally potent set of growth drivers such as improving ARPU, increasing investments including FDI towards infrastructure, content and service improvements and government push towards Digital India. These get backed up by emerging technologies and platforms such as 5G, IoT, Big Data, Cloud, Artificial Intelligence and Machine Learning among others.

All these factors would continue to drive the growth of the Indian Telecom Industry which is ready to reap dividends of recent consolidation that came on the back of a sustained phase of intense competition and predatory pricing. With enhancing realizations and increasing investor interest in the sector, the industry would be better placed to steadily invest in next-generation networks that would rest on universal fiber densification of towers to the point of end-user.

The digital divide, between urban and rural India, metro and non-metro cities present significant untapped opportunities for the industry. On the top of the government's push to take digital infrastructure to unserved/ underserved rural destinations, the rising penetration of affordable smartphones together with increasing data consumption and monetization opportunities would drive steady investments in rural connectivity. With manufacturing economy gaining pace over the coming years, Industry 4.0 and IoT possibilities around hundreds of industrial centres which are evenly spread across the country and mostly outside the metropolitan regions, crisscrossing of dense fiber network would drive growth, once 5G networks get rolled out. Increasing adoption of digital living, connected cars and consumer devices would accelerate investments in and around the metro and tier I cities.

Against 1.16 billion mobile subscribers and 0.5 billion smartphone users, the country has just 18.42 million wired broadband subscribers. In light of the low access to broadband, the National Digital Communications Policy, 2018 sets an ambitious goal of providing universal broadband connectivity to all by 2022. The stakeholders are gearing up to invest $100 billion with $10 billion coming from Universal Service Obligation Fund, a national reserve to fund rural telecom infrastructure. The country aims to increase fiber footprint by nearly fivefold, from the current 1.75 million km to 7.5 million km by 2022. Fiberizing 60% of telecom towers from the current 30% and connectivity speed of 50 mbps are also aimed to be accomplished by 2022. Tower density is being raised to 1 tower per thousand populaces by 2024, from the current 0.42.

The growth is pegged to nearly 6x (times) in a household with fixed broadband access (50% from the current 8.1%), 2.5x in the number of public Wi-Fi spots (10 million from current 4 million), and more than 5x in the number of connected devices (5 billion from the current 0.87 billion).

Optical Fiber Cable Industry

In India's hyper-growth telecom arena, one area that presents a damp squib is wired broadband. The country contributes just about 19 million to more than 1 billion global wired broadband subscribers. Of these, nearly 10 million access the internet through lower speed co-axial copper cables. India has just 1.3 million FTTH households as against 350 million in China.

When the entire country was forced to home in the wake of COVID-19 induced lockdown, the internet traffic multiplied with millions of office goers logging in and consuming the internet for long hours from homes. With the commencement of online classes some weeks later, the traffic load increased further. The entertainment void with the closure of malls and multiplexes soon translated into connected televisions joining the bandwagon. The country's poor standing on wired internet connections got exposed. With every place of business and every school coming home, the need for wired internet connection got a timely amplification.

Consequently, laying optical fiber cable topped the government's plan under 'Garib Kalyan RojgarYojna', the ambitious job-for-

migrants scheme launched in June 20. Symbolic, though, of the growth headroom that optical fiber cable possesses the country, this was in line with the government's ambitious aim of 'Broadband for All by 2022'. An ideal blend of OFC and wireless technology, with disproportionate attention on the former, is a pre-requisite for universal broadband access by 2022.

The Government is driving fiber rural connectivity growth through BharatNet, the world's largest rural broadband initiative. The program would consume huge volumes of OFC. FTTH penetration of 5% as against 95% in Singapore and 71% in Hong Kong, fiber per capita of just 0.1 km as compared to 0.9 in China and 1.4 in the USA reflects the huge growth potential of OFC industry in India. Between FY18 and FY23, fiber deployment in the country is estimated to grow at a CAGR of 13.29% to 2.8 million cable kilometres from 1.5 million cable kilometres. BharatNet, FTTx, 5G, IoT, M2M, ML, AI etc. are expected to be the major drivers of fiber demand. The expected launch of 5G by FY22 is poised to add a sudden fillip.

The fiber deployment in India is still characterized by significant capacity on the trunk and national long distance (NLD) routes, but there is very little capacity in the access routes. Fiber-to-the-x (FTTx) and Fiber-to-the-home (FTTH) from a minuscule proportion of an already limited fixed broadband access user base. Telecom operators will need to add more fiber to their networks to remain relevant and fully monetize their network investments.

The success of 4G has set up the right foundation for 5G rollout. The immediate next disruption in the telecom sector would be through technology evolution to 5G, which in turn would bring various new applications/technologies like artificial intelligence, quantum computing, virtual reality, etc. The 5G will generate data at unprecedented velocity and in immense volume. This fast data will fuel a wide range of data-driven services and digital business models. It is predicted to create a cumulative economic impact of $1 trillion in India by FY35.

A ubiquitous and all-pervasive 5G infrastructure, a driver of substantial and accelerated Capex, is a prerequisite for 5G-based services and applications. For 5G to deliver speed 100x a 4G network, dense fiberisation is a must. Tower fiberisation must reach 70-80% from the current 30%. With a promise of 10 Gbps speed, less than 1 MS latency and a 90% reduction in network energy utilisation, the 5G will spur the next round of telecom infrastructure investments. Considering the need to support bursting data from video on demand (VoD), Internet of Things (IoT), Artificial Intelligence (AI), Smart Cities and the likes, backhaul becomes a critical 5G concern. With the plan to establish a 5G corridor in New Delhi as part of the trial, the 5G is slated to arrive sooner. It will necessitate the requirement of such deep and intense fiberisation that would create unprecedented demand for cable, to a scale not witnessed in the last decade.

Indian Railway Sector

With a total route length of over 123,000 km being crisscrossed by over 13,000 passenger trains and over 9,000 freight trains to transport about 23 million passengers and 3 million tonnes of freight every day, the Indian Railway is one the world's largest rail network. Operating under single management, the Indian Railway is also one of the largest commercial institutions of the world having annual revenues of over $27 billion, with passenger and freight revenues of over $7 billion and $18 billion respectively. While passenger fares remain subsidized to a large extent, freight revenue contributes nearly two-third of its transport revenue.

The Indian Railway has been aggressively pushing for modernization – track fortification, rapid electrification, doubling of single-track sections, introduction of high-power greener locomotives, light-weighting of rolling stocks, among others. High-speed trains, safety, track modernization, locomotives, modern signalling system and development of heavy haul systems remain the key strategic priority for Indian Railway.

Two dedicated freight corridors (Eastern Corridor of 1,856 km from Ludhiana to Dankuni and Western Corridor of 1,504 kms from Dadri to Jawaharlal Nehru Port) are being developed with a capital investment of ₹ 81,000 crores. Foreign Direct Investment in Railway related components segment crossed the billion-dollar mark with total FDI in FY20 reaching $1.10 billion. Exports of Railway related products too have steadily been growing towards a billion-dollar mark. Indian Railway is fast progressing towards localizing 100% of its input procurement.

Railway received a budgetary allocation of ₹ 70,000 crores and an outlay of capital expenditure of ₹ 1.61 lakh crores in Union Budget 2020. The Budget promised increased investment for passenger

109

private trains to run in FY24

11000 km

single-line tracks to be doubled by 2024

Dedicated freight corridors

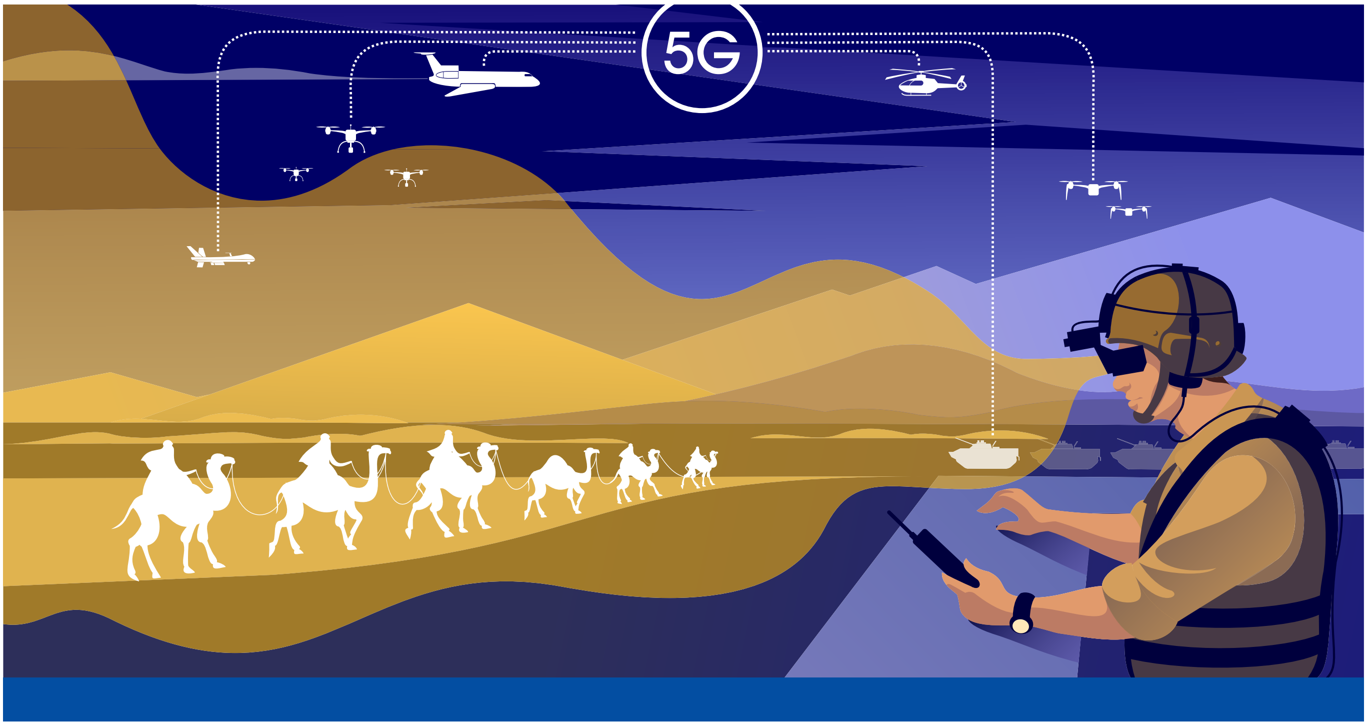
to be operationalized by December 2021/ March 2022

11000 km

high-density network to have trains running at 130 kmph by March 2021

Average speed

of passenger trains to be increased from 55kmph to 65-75kmph



amenities and safety-related works, including track renewals, level crossings and road over/under bridges.

Indian Railway has attempted to modernize its Signalling and Telecom technologies several times, without much success. As a result, its entire rail network operates on a large mix of technologies, mostly antiquated. This continues to constrain Indian Railway's efficiency and safety aspects. Most of the modern rail networks globally have moved to automatic train control and an array of contemporary technologies including ERTMS/ETCS – European Train Management System/ European Train Control System.

India too needs to implement a modern train control system that fortifies safety and enhances line capacity towards higher track utilization. The expanding urban rail network of metro trains create a huge opportunity for advanced communication systems. The demand for Automatic Train Protection System, Long Term Evolution based Mobile Train Radio Communication System, Remote Diagnostic and Predictive Maintenance System, Electronic Interlocking System, and Centralized Traffic Control System or Train Management System are slated to grow. This would be the most ambitious modernization project for a world-class signalling system at ₹ 77,912 crores. Together, all the above factors present immense opportunities in the railway sector for advancement and technology work in the coming years.

Indian Defence Sector

With numerous progressive reforms, the Indian defence is being modernized at a good pace for the past few years. The segment is receiving the much-needed push under the Make in India programme. The concept of import substitution is being gradually accepted by stakeholders. This is an opportune time to embark upon a new phase of self-reliance in the sector by manufacturing technologically advanced equipment within India.

With progressive economic reforms and right policies, the Government has taken several initiatives towards ensuring the adequacy of weapon systems and equipment for our troops, along with ensuring its serviceability and supply of spares. Concurrently, the forces are also carrying out the upgradation of existing equipment to handle the current challenges. These initiatives have opened vast opportunities for the private sector to join the field with assured revenues. Ministry of Defence has commissioned a massive modernisation plan for the forces by gradual induction of the latest equipment for giving a futuristic outlook to the Armed Forces. This drive to introduce state-of-the-art weapon systems has given the private industry a chance to join the niche group of OEMs in the world. This is also reflected in government's 'Defence Procurement Policy' which is regularly updated in consultation with the industry to propel the domestic manufacturing of defence products.

The Government of India has undertaken several cooperation agreements with major global players in arms and ammunition sectors and for the equipment. This would reduce the dependence on defence imports. Simultaneously, India is trying to promote the 'Defence Exports' which provides ample opportunity to the private sector to grow and compete in the world market. India has the potential to become defence electronics manufacturing hub wherein the demand for electronic hardware is expected to rise to USD 400 Billion by FY22. Domestic defence requirements would constitute about 20% of this amount.

Defence production in India is gradually heading towards private sector participation. Between 2015-16 and 2018-19 (April-October), out of the total 188 contracts, 121 contracts have been signed with Indian vendors including DPSUs/PSUs/OFB and private vendors for capital procurement of defence equipment. The equipment to be procured include Helicopters, Naval vessels, radars, ballistic helmets, artillery guns, simulators, missiles, bulletproof jackets, electronic fuses, and ammunition.

The government is looking at achieving a turnover of ₹ 1.7 trillion in military goods and services by FY25 and the strategic partnership model is envisaged to capitalise this opportunity and contribute to Make in India programme. The target also is to achieve an export of ₹ 350 billion (USD 5 billion approximately) in defence goods and services by FY25. As per the acquisition plans of the three-armed forces in the next 10 years, the Country is expected to acquire capital assets worth ₹ 15 trillion.

Smart City, Security & Surveillance Sector

Growing security concerns across the globe including the threat from the terror attacks has tremendously increased the video surveillance market. The infrastructure growth and reforms in education and the financial sector have also contributed to the same. Indian video surveillance market has witnessed tremendous growth in recent years owing to rising security concerns, primarily arising from growing incidents of theft, domestic crime, and acts of terrorism. Further, the growing trend of citywide surveillance is also contributing to the demand for such solutions in India.

In India, the video surveillance market is expected to reach approx $2.4 billion by FY21. The ever-increasing requirement of safety coupled with a boom in safe & smart cities has led to a rise in the security and surveillance market in the Country. The industry is witnessing major growth due to the recent technological developments in the market. Monitoring of city infrastructure and security of critical establishment offers a sea of opportunities in the growing security industry in India.

CCTVs, Video Analytics, biometrics, face recognition, command & control centres are becoming vital components for any city surveillance set up. These allow greater networking of cameras, wider field of vision for monitoring & analysis taking proactive measures.

The scope of perimeter security usage has increased from critical infrastructure and high-security areas to strategic establishments like power plants, oil refineries, critical government institutions etc. Various types of cameras, physical barriers, intrusion detection sensors, access control system and emergency notification system are vital components of any perimeter security solution that get integrated with command & control system for real-time centralized monitoring of any alerts generated due to intrusion at any concerned area. The Perimeter security market in India is expected to reach approx $270 million by FY21.

The state and central government are primary drivers for safe and smart cities. With an outlay of over ₹ 2 lakh crores, 100 cities are selected under Smart City Project by the Union Government to digitally empower the citizens. Connectivity, smart solutions,end-to-end security integration, including smart roads, solar roofs, city surveillance systems, and intelligent transport systems will be bases for the smart and safe city. OFC connectivity being the most efficient way of networking shall lead to providing smart solutions and therefore, immense potential lies for telecom infra developers to develop and/or redevelop the communication infrastructure.

Business Performance Review

Optical Fiber Cable (OFC)

HFCL is a leading manufacturer of Optical Fiber Cables (OFC) in India. Also being a leading player in turnkey OFC projects coupled with its recent foray into manufacturing of Optical Fiber multiply its OFC value proposition. It has supplied OFC to all major telecom service providers in India. It also exports OFC to more than 40 countries. Besides, HFCL is a formidable contributor to the Government of India's flagship BharatNetProgramme.

HFCL has also been an integral part of several projects for private and public service providers in creating OFC Networks across the country. Considering the future OFC demand in the domestic and export market, HFCL continues to scale up and balance its manufacturing capacities and product range. HFCL undertook various line balancing and debottlenecking measures at its Goa plant and Chennai facilities. The unit at Goa upgraded its ribbon OFC manufacturing infrastructure to over 2000 Fiber count cables during the year. The Goa Plant also received ISO 22001 for the Information Technology Service Management system and an ISO 27001 for Information Security Management systems. In its Chennai plant of HTL Limited, a subsidiary company, HFCL expanded its capacity from 7m FKM to 10.5m FKM during the year.

HFCL developed a series of products to further expand product portfolio. A new product line of micro module cables was also developed for cables up to 576F counts. These cables are highly flexible in nature and overcome the major challenges being faced by telecom operators while installation of cables.

HFCL is continuously working on the conservation of resources and in line with that, HFCL achieved a further reduction in cable diameters by using special raw materials and innovative processes in OFC manufacturing. To have an effective utilization of duct space, a lot of miniaturized cables ranging from 1.8 mm to 5 mm diameter are developed which can withstand extreme weather conditions.

Optical Fiber

Adding further strength to its OFC capabilities, HFCL's maiden optical fiber manufacturing unit at Hyderabad started commercial production from 23rd of January, 2020. The initial installed capacity of 6.4 million fiber kilometer (mfkm) is scalable up to 9.60 mfkm. Deploying the latest technology and machinery, the state-of-the-art facility can produce G652 D and other bend insensitive variants like G657 A1 /A2.

The successfull foray into this key raw material serves twin objectives of margin accretion and insulation from sourcing vagaries. HFCL intends to use optical fiber from this plant for captive consumption and for sale in domestic and export markets.

Telecom Networks and Turnkey Solutions

The year FY 20 was of great significance for HFCL's telecom network and turnkey solutions businesses. HFCL received the largest value single order in turnkey solutions business while its intense research and development efforts led to the launch of a next-gen WiFi product during the year and established an R&D Centre for specialized radio frequency (RF) and Microwave Systems, Surveillance Radar, Sensor Systems, Antenna etc. in Bangalore.

The largest single purchase order worth ₹ 2,467 crores was received from BSNL for setting up of the nationwide next-generation communication network for the Indian Armed Forces. With successful completion of the proof of concept stage, project planning and execution activities have commenced on this. An accompanying 10-year operation and maintenance (O&M) component of ₹ 862 crores take the project value to ₹ 3,329 crores.

HFCL had received a purchase order from BSNL as part of the Network for Spectrum (NFS) Microwave project, which entails supply of equipment and services along with a 10-year O&M component. This turnkey project is aimed at delivering broadband connectivity in the hilly terrains of Jammu & Kashmir and North Eastern (NE) States. During FY20, HFCL also executed a part of the order worth ₹143.70 crores.

HFCL successfully commissioned the turnkey solution project for Bharat Broadband Network under BharatNet Phase-II in Punjab and realized revenue of more than ₹ 400 crores during the year. The project, currently under warranty period and to be followed with

maintenance for 6 years, connected 3209 Gram Panchayats which in turn are linked with 36 block headquarters.

A revenue of ₹ 68.13 crores was generated in FY20 from the ongoing O&M contract of 2G GSM BSS network with BSNL's existing core network in 569 sites in Left Wing Extremism affected areas. In addition, O&M revenue of ₹ 24 crores got realized from the Hybrid and IP Microwave Projects for BSNL.

HFCL also launched a range of globally benchmarked, next-generation Wi-Fi Technology products and solutions under the brand name 'IO' during the year. 'IO' platform aims to bring in efficiency and intelligence to mobility with added focus on security and safety. The entire range is fully designed, developed and manufactured in India with full IPR ownership residing with the Company. The IO products include Access Points (AP), Unlicensed Band Radio (UBR), Wireless LAN Controller (WLC), Element Management System (EMS), and Cloud Network Management System (CNMS).

The Access Points, P2P and P2mP backhaul solutions and management system are already being used by Indian Railway for proofing WiFI connectivity inside coaches and at stations. The Company has also provided Wi-Fi connectivity in few gram panchayats under BharatNet project on a trial basis. Some overseas telecom operators, particularly in the ASEAN, Middle East and European markets are also undertaking trials of HFCL's WiFi products. In the process, HFCL has developed in-house capability for field surveys and RF planning which can be extended as an add-on service to customers of 'IO' products.

HFCL has already received several orders worth more than ₹ 50 crores from large TSPs, ISPs and government organizations. 'IO' aims to connect the unconnected throughout the world and it will emerge as a formidable competitor in the industry with a promising future.

Railway Communication & Signalling

HFCL is efficiently blending its portfolio of new-age telecom products and technology solutions towards modernization of the antiquated telecom and signalling systems of Indian Railways. HFCL is also pursuing meaningful collaboration and co-development opportunities with Indian as well as foreign entities towards enhancing its value proposition for the railway sector. The Railway Business Vertical had 6 significant orders with a combined contract value of ₹ 458 crores. During FY 20, HFCL continued to execute the carried forward orders of Eastern and Western Dedicated Freight Corridors, which are expected to become operational by the year 2022.

The work has progressed as planned on HFCL's first two overseas contracts awarded by Larsen & Toubro Limited. Both the contracts involve setting up of turnkey telecommunication systems including OFC networks. Work orders for Dhaka Metro and Mauritius Metro are worth ₹ 185 crores and ₹ 51 crores respectively.

HFCL continues to explore newer opportunities in telecom and signalling networks for mainline and Metro/Urban railways.

Defence

HFCL's focus on high-technology Defence products and solutions include High Capacity Radio Relay, Electronic Fuses, Electro-optic Devices, Ground Surveillance Radars and Software Defined Radios along with a range of high-technology solutions for Border Management and Perimeter Security that also integrate various communication-related equipment. The estimated market size for these products and solutions is approximated ₹ 50,000 crores. Having signed requisite MoUs with technology partners, HFCL has made significant progress in research and development, production of samples and consequent field trials of these products.

HFCL has submitted the RFP for the supply of Electronic Fuses for ammunition (first of its kind in India for approximately $1 billion, with a 10-year supply clause). The bid is at the technical evaluation stage

while efforts towards the development are in the last stages of trials. This will be a major boost towards the indigenization of Defence equipment. Specific RFPs of indigenously developed Electro-optic Devices have also been initiated and trials are being carried out.

HFCL is pursuing one more RFP for the High Capacity Radio Relay equipment which is also in the technical evaluation stage. HFCL's indigenous sample for the same is already developed with a global OEM and domestic partners. HFCL is actively pursuing various Perimeter Security, Border Management and Surveillance System projects due for implementation by the Indian Government. The Company is also developing Ground Surveillance Radars and Software Defined Radios for Defence.

Smart City, Security & Surveillance

HFCL continued with its selective approach in tender participation with a clear focus on projects requiring innovative solutions through value-added products and services. The Company is pursuing newly announced Nirbhaya-funded Safe City projects, surveillance projects, perimeter security-based projects and select smart city projects. The desired ecosystem to address these opportunities through meaningful co-operation/collaboration is being further strengthened to have a winning combination in place.

Having already strengthened the credential and project portfolio, HFCL is well positioned to participate in FY21 opportunity basket of about ₹ 6000+ crores (Approx. $800 million). Some of the bids that HFCL has participated are RailTel VSS (Surveillance solution), NTPC (Perimeter Security solution) and Saharanpur Smart City solution. These are under different stages of technical evaluation.

Having already worked on a dozen+ opportunities has enhanced the skillset and competence level. Diversification of solution mix towards security and surveillance projects will help the Company win and execute bigger opportunities. HFCL's focus remains on CCTV surveillance, perimeter-based surveillance, command & control center solutions, ICT infrastructure, Intelligent Traffic Management Systems. Its end-to-end offerings cover hardware, software, data and analytics. An equal focus is also given towards building a strong foothold in the System Integration space.

Financial Review

Revenue from Operations (Standalone)

The net sales during FY20 stood at ₹ 3,547 crores as compared to ₹ 4,366 crores in FY19. The net sales decreased by 19% year on year. The net revenue from the Turnkey Contracts and Services in FY20 decreased to ₹ 2,994 crores from ₹ 3,380 crores in the previous year. The net sales from Telecom Products decreased to ₹ 553 crores from ₹ 987 crores in the previous year.

Operating Expenses: The total operating expenses for the FY20 stood at ₹ 3,120 crores as against ₹ 4,026 crores in FY19.

EBITDA: During FY20, EBITDA stood at ₹ 448 crores as against ₹ 386 crores in FY19.

Net Profit: Net Profit in FY20 stood at ₹ 204 crores as against ₹ 184 crores recorded in FY19. The net Profit margin for the year under review increased to 5.75% from 4.21% in FY19. The earnings per share for FY20 stood at ₹ 1.59 per share as against ₹ 1.48 in the previous year

Net Worth: The net worth of the Company increased to ₹ 1,645 crores in FY20, up from ₹ 1,444 crores in the previous year.

Gross Debt: The total debt in FY20 was ₹ 610 crores

Key Financial Ratios: As required under Regulation 34(3) read with Part B of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of key financial ratios are mentioned hereunder:

Capital Structure

Authorized Share Capital: As on 31st March 2020, the Authorized Share Capital of the Company stood at ₹ 760 crores (Rupees Seven Hundred Sixty Crores only) divided into 510 crores (Five Hundred Ten Crore) equity shares of face value of ₹ 1/- (Rupee One) each, aggregating to ₹ 510 crores (Rupees Five Hundred Ten Crores only) and 2.50 crore (Two Crore Fifty Lakhs) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- (Rupees Hundred) each, aggregating to ₹ 250 crores (Rupees Two Hundred Fifty Crores only).

Paid-up Share Capital: As on 1st April 2019, the Paid-up Equity Share Capital of your Company stood at ₹ 127.44 crores comprising of 1,27,43,77,194 equity shares of face value of ₹ 1/- each.

Further, during the year under review, the Warrants holders have exercised their right of conversion and pursuant to exercise of conversion of 1,00,00,000 Warrants outstanding as on 31st March, 2019, the Company has allotted equal nos. of 1,00,00,000 equity shares at a price of ₹ 16/- per equity share (including a premium of ₹ 15/- per share), upon receipt of balance 75% money from the Warrant holders against such number of Warrants, on the preferential basis.

Consequent to the above, the revised Paid-up Equity Share Capital of your Company stood at ₹ 128.44 crores comprising of 1,28,43,77,194 equity shares of face value of ₹ 1/- each, as on 31st March 2020.

There are no outstanding Warrants due for conversion, as on the date of this Report.

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

Financial Ratios	FY 19-20	FY 18-19	Reasons for variations more than 25% during FY 19-20
(i) Debtors Turnover	2.22	3.16	Low sales on account of (i) outbreak of COVID-19 & (ii) spill over of revenue of major contracts to next FY. Also, some delays in collections in case of BSNL's direct contracts.
(ii) Inventory Turnover	11.93	19.89	Due to piling up of inventory of raw mat., WIP & FG at the end of the year due to outbreak of COVID-19.
(iii) Interest Coverage Ratio	4.64	4.70	NA
(iv) Current Ratio	1.62	1.61	NA
(v) Debt Equity Ratio	0.37	0.38	NA
(vi) Operating Profit Margin	12.56%	8.75	Due to change in mix of projects executed during the year and cost optimization measures undertaken by the company.
(vii) Net Profit Margin	5.71%	4.17	Due to change in mix of projects executed during the year and cost optimization measures undertaken by the company.
(viii) Return on Shareholder's Equity (Pre Tax)	21.23%	21.86	NA
(ix) Return on Shareholder's Equity (Post Tax)	13.20%	13.84	NA

Order Book

The Company has a healthy consolidated order book of ₹ 8,409 crores as on 31st March 2020 which is equivalent to ~2.2 times FY20 revenue, thereby providing clear visibility of earnings for the coming years. The order book comprises high margin AMC orders of about ₹ 1,613 crores.

Risk Management

An efficient risk management system holds key to a successful business in a dynamically evolving and increasingly globalized world of today. HFCL has a detailed risk management framework in place and its risk management function is overseen by a Risk Management Committee. The Committee reviews the Risk Management Plan and ensures its effectiveness. Major risks identified by the businesses and functions are systematically addressed through mitigating actions. The Risk Management Committee is responsible for the framing of Risk Management Policy, monitoring the Risk Management Plan and Policy, validating its process, reviewing and evaluating the Risk Management Policy and its practices for risk assessment and risk management processes, and performing such other functions as may be necessary. The Audit Committee has additional oversight in the area of financial risks and controls.

HFCL's Risk Management Policy defines the guidelines to define, measure, report, control and mitigate the identified risks, the structure for managing risks inherent in any business operations of the company and address the key strategic / business risks and operational risks. While HFCL's 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 appear to be no major risks that might hamper our Company's performance, it stays 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: HFCL has expanded its business domain beyond telecom operators to defence, railways, and smart city segments. This expansion with healthy order book and the healthy balance sheet shields our Company from any slowdown in a sector.

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

Mitigation: HFCL stands out as a total solution provider with a proven track record among its customers. It has 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 a delay in the completion of orders due to various reasons resulting in the imposition of penalties on our Company.

Mitigation: HFCL has strong operational policies with a talented pool of professionals, who can deliver the projects in scheduled/ extended time.

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

Mitigation: HFCL deploys professional consultants to monitor the currency fluctuations and help it take timely measures like forwarding contracts and hedging activities to mitigate risk.

Technology Risk: There is continuous upgradation in the technology which may lead to some of HFCL's technology becoming obsolete.

Mitigation: HFCL deals with a lot of innovation and makes relentless efforts to upgrade the technology to stay ahead in the market. Our Centre for Excellence in Research along with invested R&D houses and collaborators at different locations in India and abroad are working on development of new age technologies.

Government Policy Risk: HFCL deals with 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. There are no risks which in the opinion of the Board threaten the existence of our Company.

Internal Control Systems

HFCL periodically reviews the internal financial controls in the light of the laid down comprehensive procedures and policies, which are adequate and operate effectively. The periodical review is undertaken with the management, external and internal auditors, to ensure adequacy and efficiency of the internal control system.

The internal control system ensures the protection of all company assets from loss or any unauthorized use. 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 internal control systems are further supplemented by the internal audit carried out by M/s Anil Aggarwal & Co., Chartered Accountants, having their office at 501, Surya Kiran Building, K. G. Marg, Connaught Place, New Delhi – 110001.

Extensive audits are undertaken by the internal auditors throughout the year at all locations and across all functional areas and they submit their reports to the Audit Committee of the Board of Directors. The Audit Committee monitors the internal audit system at regular intervals and directs necessary steps to further improve the Internal Control System.

The policies to ensure uniform accounting treatment are prescribed for the subsidiary companies as well. The accounts of the subsidiaries and the joint venture companies are audited and certified by their respective Statutory Auditors for consolidation.

During the year under review, such controls were assessed and no reportable material weaknesses in the design or operation were observed. Accordingly, the Board is of the opinion that our Company's internal financial controls were adequate and effective during FY20.

Human Resource Development

An engaged, empowered and skilled human capital serves as the most vital differentiator in sustained growth and value creation of any company. Aimed at harnessing and retaining talent, HFCL is increasingly enhancing the agility of its workforce through a slew of training, re-skilling, and leadership development programmes coupled with the steady addition of talent.

Employees are continuously given opportunities to update and develop their technical and leadership skills towards enhanced Individual performance and increased organizational capabilities. They are provided a platform for superior performance by giving regular and constructive feedback. The culture of recognitions and rewards ensures that employees stay motivated and encouraged towards co-creating an engaging work environment.

During FY20, HFCL has made significant progress on its journey of transformational change. Few of the HR accomplishments have been:

- Creation of organizational /functional head scorecards for driving a performance driven culture
- Resource management across business units and departments to ensure optimal utilization of available resources.

- Digitization of employee personal files over SAP Document Management System (SAP-DMS), Employee personal file data storage, security & safety and timely retrieval were some of the key highlights of this system
- Formulating a more robust manpower planning exercise as a part of the AOP
- Employee engagement through regular celebrations of festivals, organising need based team outbound programs and other employee involvement activities.
- Increasing the awareness around sexual harassment and non-discrimination against disability through communication and organisation initiatives.

Capacity Building and Employee Development: To create a focused learning ecosystem, various training interventions were organised across Head Office, Plants & Sites. Technical & functional trainings related to upcoming cellular technologies including 5G, signalling, OFC accessories, Finance for non-finance, Microsoft Projects etc. were conducted for employees to improve their performance & increase the domain knowledge.

Various workshops were conducted on behavioral aspects such as negotiation skills and stress management to enhance the productivity of employees. A focused batch of 30 managers were trained on the interviewing skills to enhance the quality of the recruitment process. In order to cater to the changing learning needs of the younger generation, HFCL tied up with Udemy which is one of the top 5 e-learning platforms in the world to offer self-paced certified e-learning courses. To develop managerial effectiveness leadership workshops (LBE workshop) were organized in plants and the head office. High potential employees were also given exposure to MDPs of various premier institutes and key National Level Telecom conferences. In totality, training across the Organisation crossed 11,000 hours.

Engagement Initiatives: With the zeal to create an engaged and inspired workforce, we continued to organize various employee events like national festival celebrations (Independence Day & Republic Day) and cultural fests (Diwali, Women's Day and Holi). We also encouraged inter-team outbound and made employees feel special on their birthdays to create a cohesive culture and team bonding. This generated a great amount of energy, vibrancy and collaboration across employees and fostered the feeling of **'ONE HFCL'** family.

SPARK Program: SPARK, the flagship HR program of HFCL, was started in 2017 to infuse young minds into our system. As a part of this program, we on-boarded 12 MTs & 13 GETs in FY20 from prestigious management and engineering institutions of the country including JBIMS Mumbai, NMIMS Mumbai, NIT Surat, NIT Goa, NSIT Delhi and Punjab Engineering College Chandigarh.

HFCL employed a total of over 2,200 employees (On Rolls / Off Rolls). It has 1,719 people on its rolls with 147 female employees on March 31, 2020.

Our COVID-19 Response

Considering the COVID-19 outbreak, the health and safety of our employees became our first priority. A slew of measures was taken to safeguard our employees and their family members. A core team, comprising members from the senior management was formed to quickly develop and implement our Business Continuity Plan while also ensuring compliance of various tactical directives from the Government and regulatory authorities.

Health facility on call during COVID-19 pandemic at Solan

Employee health & safety: We introduced social distancing and safety regime with thermal screening, sanitization, staff training with adequate availability of masks, sanitizers, etc. Employees have been mandated to make self-declaration of good health before joining, update their health status daily on AarogyaSetu and Reliance Foundation COVID-19 India tool. Employees with the status of "not safe" on any of these two Apps are denied entry into the premises and are adviced to take health precautions as prescribed by Ministry of Health. Entry to HFCL's premises is strictly linked to prior approval and as per the roster.

Employees are encouraged to maintain adequate personal/ public hygiene and social distancing. Wearing of masks and regular sanitization of hands, belongings and workstations and strict adherence to social distancing norms is being ensured. Employee health is being tracked daily. Access to tele-consultation with doctors is being made available to those reporting COVID-19 symptoms such as sore throat, cough or fever. The wellbeing of outsourced staff is also being ensured. All housekeeping & security staff are provided surgical gloves, face shields and masks to be worn while on duty. Office premises, especially such as washroom, cafeteria, etc. are thoroughly disinfected frequently.

Enabling work from home: HFCL had already invested in the digitization of its employee and customer processes, so it was able to seamlessly make a transition to Work From Home (WFH) mode during the lockdown period. In accordance with social distancing norms, employees were encouraged to WFH as far as possible. Virtual Audio/Video conferencing tools such as MS Teams/Webex/ Jio Meet were enabled on employee laptops to facilitate virtual meetings. Digital learning programmes were offered to employees to help them adapt to the new normal.

Stepped-up communication and engagement: Employee communication and engagement was stepped up to highlight the importance of employee and customer safety. The Managing Director communicated regularly with all employees through e-mail and via video conferencing with select group of employees. Health advisories were sent regularly across all digital platforms. A link to the Government of India's app 'AarogyaSetu' was provided to all employees to encourage them to download and use the same for their health and safety.

Enabling employee policies: Further support has been extended to employees through policies such as additional mobile data reimbursement and Wi-Fi allowance. Additional local conveyance allowance was introduced to encourage employees to use private transport in case they need to visit the office.

Contribution to PM-CARES Fund: HFCL Group's employees contributed their one day's salary amounting to ₹ 21.77 lakhs to the PM-CARES Fund. A total of 652 HFCL employees actively participated in it.

Corporate Social Responsibility

To empower the marginalized and impart an inclusive socio-economic impact in the society, HFCL undertakes various CSR initiatives through its registered society, HFCL Social Services Society (HSSS or the Society). The CSR interventions are centered on two core themes of healthcare and education. HSSS, through its various programmes and initiatives, offers preventive and curative health care including financial support towards critical illnesses, promotes elementary and higher education by way of digital infrastructure and hi-tech e-learning solutions, and undertake initiatives in other domains as deemed proper in line with varied needs and aspirations of adjoining communities . HSSS partners with various non-profit organizations, charitable trust, and educational institutions to implement the CSR Projects/Programs.

Mobile Medicare Units / Clinics: The Society carries out preventive health care initiatives in collaboration with HelpAge India and Wockhardt Foundation across six states. HelpAge India is the implementation partner for Himachal Pradesh (Solan), Goa and Rajasthan (Sardarsahar) while Wockhardt Foundation implements it in Uttar Pradesh (Ghazipur), Telangana (Hyderabad) and Haryana (Sonipat).

A battery of 6 mobile medical units (MMUs) is deployed to take preventive healthcare to over 500 beneficiaries from the underprivileged class every day. Each MMU is accompanied by a professional healthcare team comprising of an MBBS doctor, a lab technician and a pharmacist and is equipped to offer diagnostics, medicines, blood/urine tests, etc., all of which are made available to the beneficiaries free of cost. The implementing agencies mobilize greater participation of the targeted communities with the help of a Special Protection Officer.

Having already run this programme for more than four years, the society commissioned an impact assessment study through Innovative Financial Advisors Pvt. Ltd (Fiinovation), an independent agency during the year. It was heartening to note that the MMUs were found creating a very positive impact in the lives of beneficiaries and hence were meeting their defined objectives, as evidenced in the report of Fiinovation.

Advance Medical Relief: To provide the advance medical care, HSSS started a Dialysis Centre at Jasola, New Delhi on 14th January 2020. Offering dialysis services along with various meditation techniques, the Centre endeavors to provide a holistic treatment to the underprivileged community, one that also opens them up to a whole new way of life with a positive outlook. Bhagwan Mahaveer Relief Foundation and Dr. Hedgewar Memorial Trust collaboratively manage the Centre.

Mobile Medical Clinic, Hyderabad during COVID-19 Pandemic

Inauguration of HFCL Medi Dialysis Centre at New Delhi

Food packets distribution during COVID-19 at Solan

Employee engagement at Orphanage, Delhi

Besides, an advance medical relief program for corrective surgeries is also being run with St. Stephen's Hospital Patients Welfare Society in Delhi under the leadership of renowned polio warrior, Dr. Mathew Varghese.

Smart Class Education: HSSS collaborative Smart Class Education Initiative in partnership with Extra Marks Education Foundation has benefited over 10,000 students from Sardarshahar (Rajasthan), and Ghaziabad and Ghazipur (Uttar Pradesh). The aim is to deliver world-class education through new-age digital learning tools to the students of all classes besides making them digitally equipped at a younger age.

Computer Skill Training: HSSS is imparting computer training to underprivileged youth in Ghazipur (Uttar Pradesh). Being run in association with Hari Prem Society, the programme is making them employable in today's competitive world, which demands higher proficiency in computer skills.

Basic Education and nutrition to the street children: Along with Samarpan Foundation, HSSS delivered basic education and nutritious meals to the street children in Delhi.

Educating children with special needs: HSSS is supporting the educational needs of special children at Balwantray Mehta Vidya Bhawan School, Greater Kailash –II, New Delhi. It has also provided a grant for transportation, Smart Class System and a revamp of Printing Press to the School.

Individual Education & Sports Training Grant: HSSS offers grants for education and sports training to students from the marginalized sections in Telangana.

Safe drinking water project: Safe drinking water is made available to the underprivileged community in Rajasthan and Haryana by way of installing RO and UV enabled water coolers.

Scholarship for Higher Education: A special scholarship has been offered to five IIT Madras students from the economically disadvantaged sections. Under this, their complete fees for the four-year B.Tech Programme have been sponsored. Besides this, the society also offers scholarships to the meritorious students of various schools and colleges from time to time.

Say No to Plastic: Under a special 'Say No to Plastic' project, cotton bags were distributed in New Delhi, Gurgaon, and Goa. A scraped plastic bottle vending machine is also installed in New Delhi under this project.

Old Age Care: To gift a life with dignity, love and requisite care to independent elderly people, HSSS constructed a new accommodation facility at 'Guru VishramVridh Ashram' at Lathira village of Garhmukteshwar in order to provide shelter for over 100 needy senior citizens.

Other Initiatives: During the year, a special disaster relief and rehabilitation initiatives were undertaken during the Fani cyclone with Utkal BipannaSahayata Samiti, Odisha.

Business Outlook

The potential of sustained economic growth over a longer period coupled with the Government's push towards $5 trillion economy, digital India, modern infrastructure and manufacturing push is making a preferred go to destination for global investors and enterprises alike. These factors coupled with the COVID-19 induced realignment of a new world order once again make India the bright spot of the global economy. The sound fundamentals – democratic governance, a burgeoning market, policy reforms, the spirit of ingenuity and entrepreneurship, and a huge pool of affordable labor augur well.

HFCL's sound and sharpening technological credentials coupled with deeper entrenchments in growth segments of telecom, railways, defence and smart city, security and surveillance make it a strong beneficiary of emerging growth opportunities that India presents. On the sound foundations of trust, technology and transparency, HFCL has cultivated deep relationships within telecom, defence, railway and smart city industries/segments.

HFCL's operating universe is buzzing with transformational business opportunities worth trillions of dollars in the coming decade. The Country's thrust on manufacturing indigenization and technological localization shall catapult India to become the new factory to the world. While HFCL is well poised to partake a sizeable portion of the emerging growth opportunities, it is also making aggressive, rapid strides in capability uplift across technology, manufacturing, system integration, talent breeding and cost competitiveness.

HFCL is increasingly pursuing profitable growth, one that is capital light and margin accretive. This further fortifies HFCL's already strong balance sheet. The commissioning of its maiden optical fiber plant shall positively impact its operating profits and margin. Technological breakthroughs such as the recent launch of WiFi 6 product, investments such as RADDEF, BigCat and Nivetti, and a promising pipeline of next-gen telecom products and solutions would increasingly add to HFCL's growth and profitability.

A robust residual order book of ₹ 8,409 crores that includes multi-year O&M (operational and maintenance) component ₹ 1,614 crores serve a sound foundation. The order book is backed by a promising battery of highly competent and competitive bids and RFP/RFQ portfolio.

It is in consideration of these facts and opportunity trends that HFCL's business outlook stands promising and positive over a longer period of foreseeable future.

DIRECTORS' REPORT

Dear Members,

Your Board of Directors has pleasure in presenting the 33rd Annual Report on the business and operations of your Company together with the Audited Financial Statements for the financial year ended 31st March, 2020.

FINANCIAL HIGHLIGHTS

Your Company's financial performance (standalone and consolidated) for the financial year ended 31st March, 2020 is summarized below:

(₹ in Crores)

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Revenue from Operations (Net)	3,547.30	4,366.20	3,838.91	4,737.79
Other Income	20.94	45.79	22.08	42.74
Total Income	**3,568.24**	**4,411.99**	**3,860.99**	**4,780.53**
Operating Expenses	2,961.77	3,859.60	3,158.60	4,137.63
Other Expenditure	158.31	166.20	186.22	184.69
Depreciation and Amortization expenses	30.13	17.52	41.95	26.97
Total Expenses	**3150.21**	**4,043.32**	**3,386.77**	**4,349.29**
Profit before Finance Cost and Tax	**418.03**	**368.67**	**474.22**	**431.24**
Finance Cost	90.10	77.94	114.82	91.86
Share of net profits of joint ventures accounted for using equity method	-	-	(1.05)	(0.09)
Profit before Tax (PBT)	**327.93**	**290.73**	**358.35**	**339.29**
Tax Expense Net of MAT Credit Entitlement	124.10	106.71	121.01	107.03
Profit after Tax (PAT)	**203.83**	**184.02**	**237.34**	**232.26**
Attributable to:				
Shareholders of the Company	-	-	227.25	219.91
Non-Controlling Interests	-	-	10.09	12.35
Opening Balance of Retained Earnings	872.09	763.37	868.55	723.94
Impact on account of Change in Accounting Policy : Adoption of Ind AS-115	(1.13)	(5.97)	(1.13)	(5.97)
Total Comprehensive Income for the year	203.83	184.02	-	-
Transfer to Retained Earnings (out of DRR)	2.81	-	2.81	-
Amount available for appropriation	**1,077.60**	**941.42**	**1,097.48**	**937.88**
Appropriations :				
Debenture Redemption Reserve (DRR)	-	-	-	-
Capital Redemption Reserve (CRR)	-	60.37	-	60.37
Dividend on Equity Shares (Previous Year)	15.48	8.96	15.48	8.96
Closing Balance of Retained Earnings	**1,062.12**	**872.09**	**1,082.00**	**868.55**

During the FY20, total Consolidated Income of your Company is ₹ 3,861 Crores as compared to ₹ 4,781 Crores during the previous year, showing a decline of 19.24%.

Your Company has achieved Consolidated EBIDTA of ₹ 515 Crores in FY20 from ₹ 458 Crores in the previous year, recording a growth of 12.45%. Profitability, i.e., Consolidated PBT has grown by 5.6% to ₹ 358 Crores in FY20 from ₹ 339 Crores during the previous year.

In FY20, your Company has a Consolidated PAT of ₹ 237 Crores from ₹ 232 Crores in the previous year, recording a growth of 2.16%.

Net Worth

The net worth of your Company has increased during the year under review to ₹ 1,668 Crores from ₹ 1,442 Crores in the previous year.

Gross Debt

The consolidated Debt in FY20 stood at ₹ 712 Crores as against ₹ 590 Crores in FY19.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of Section 129 read with Schedule III to the Companies Act, 2013 (hereinafter referred to as **"the Act"**) and the Companies (Accounts) Rules, 2014, Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as **"the Listing Regulations"**) and applicable Indian Accounting Standards, the Audited Consolidated Financial Statements of the Company for the FY20, together with the Auditors' Report form part of this Annual Report.

TRANSFER TO RESERVES

The Board of Directors has decided to retain the entire amount of profits for the FY20, under Retained Earnings and has not transferred any amount to the General Reserves, during the year under review.

DIVIDEND

In wake of Covid-19 pandemic and consequent lockdown in the entire Country, each of the business sectors in the economy has been affected. Therefore, in order to maintain adequate liquidity and cash flow position in the Company, your Board of Directors, has decided to retain the profits in the Company and has not recommended any dividend for the financial year ended 31st March, 2020.

The above decision is in accordance with the Company's Dividend Distribution Policy. The Dividend declared for FY19 was paid to the eligible shareholders within prescribed time period.

Dividend Distribution Policy

As per Regulation 43A of the Listing Regulations, top 500 listed companies based on the market capitalization, shall formulate a Dividend Distribution Policy.

Accordingly, the Policy has been adopted by the Board of Directors of the Company to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders and/ or retaining profits earned by the Company.

The Dividend Distribution Policy is available on the Company's website at http://www.hfcl.com/wp-content/uploads/2017/05/Dividend_Distribution_Policy.pdf and is also provided as **Annexure – A** to this Report.

Investor Education and Protection Fund (IEPF)

In accordance with the applicable provisions of the Companies Act, 2013 read with the Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 (**"IEPF Rules"**), all unclaimed dividends are required to be transferred by the Company to the IEPF, which remain unpaid or unclaimed for a period of seven years, from the date of transfer to Unpaid Dividend Account.

Further, according to IEPF Rules, the shares on which dividend has not been claimed by the shareholders for seven consecutive years or more shall be transferred to the demat account of the Investor Education and Protection Fund Authority (**"IEPF Authority"**).

During the year under review, no amount of the unclaimed/ unpaid dividend and any such share in the Company, was due to be transferred to the IEPF Authority.

The following table provides a list of years for which unclaimed dividends and their corresponding shares would become eligible to be transferred to the IEPF on the dates mentioned below:

Financial Year	Dividend per Share (₹)	Date of declaration	Due date for transfer	Amount (₹) (Unpaid as on March 31, 2020)
2017-18	0.06	September 29, 2018	December 04, 2025	10,39,714.80
2018-19	0.10	September 28, 2019	December 03, 2026	16,48,237.00

Details of unpaid dividend for the financial year 2017-18 and 2018-19 can be accessed from the website of the Company at www.hfcl.com and claim can be made by making request to the Company.

Details of Nodal Officer

The Company has designated Mr. Manoj Baid, Vice-President (Corporate) & Company Secretary of the Company as a Nodal Officer for the purpose of IEPF.

INDIAN ACCOUNTING STANDARDS (IND-AS)

Financial Statements of your Company and its subsidiaries, for the financial year ended 31st March, 2020, are prepared in accordance with Indian Accounting Standards (Ind-AS), as notified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time.

FIXED DEPOSITS

During the FY20, your Company has not accepted any deposit within the meaning of Section 73 and 74 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

SHARE CAPITAL AND CHANGES IN CAPITAL STRUCTURE

Authorized Share Capital

As on 31st March, 2020, the Authorized Share Capital of your Company stood at ₹ 760 Crores (Rupees Seven Hundred Sixty Crores only) divided into 510 Crores (Five Hundred Ten Crores) equity shares of face value of ₹ 1/- (Rupee One) each, aggregating to ₹ 510 Crores (Rupees Five Hundred Ten Crores only) and 2.50 Crores (Two Crore Fifty Lakhs) Cumulative Redeemable Preference Shares (CRPS) of ₹ 100/- (Rupees Hundred) each, aggregating to ₹ 250 Crores (Rupees Two Hundred Fifty Crores only).

Paid-up Share Capital

As on 1st April, 2019, the Paid-up Equity Share Capital of your Company stood at ₹ 127.44 Crores comprising of 1,27,43,77,194 equity shares of face value of ₹ 1/- each.

Further, during the year under review, the Warrants holders have exercised their right of conversion and pursuant to exercise of conversion of 1,00,00,000 Warrants outstanding as on 31st March, 2019, the Company has allotted equal nos. of 1,00,00,000 equity shares at a price of ₹ 16/- per equity share (including a premium of ₹ 15/- per share), upon receipt of balance 75% money from the Warrant holders against such number of Warrants, on preferential basis.

Consequent to the above, the revised Paid-up Equity Share Capital of your Company, stood at ₹ 128.44 Crores comprising of 1,28,43,77,194 equity shares of face value of ₹ 1/- each, as on 31st March, 2020.

There are no outstanding Warrants due for conversion, as on the date of this Report.

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

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) REPORT

The Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of the Listing Regulations, is presented in a separate section, forming part of this Annual Report.

CORPORATE GOVERNANCE

Your Company is committed to benchmark itself with global standards for providing good corporate governance. Your Board constantly endeavors to take the business forward in such a way that it maximizes long term value for the stakeholders. The Company has put in place an effective corporate governance system which ensures that the provisions of Listing Regulations are duly complied with.

A detailed report on the Corporate Governance pursuant to the requirements of the Listing Regulations forms part of this Annual Report.

A Certificate from the Secretarial Auditor of the Company, confirming compliance of conditions of corporate governance as stipulated in Listing Regulations, is provided in the Report on Corporate Governance which forms part to the Corporate Governance Report.

BUSINESS RESPONSIBILITY REPORT

As stipulated under Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report, describing the initiatives taken by the Company from environmental, social and governance perspective forms part of this Annual Report.

EMPLOYEES' LONG TERM INCENTIVE PLAN

In terms of the SEBI (Share Based Employee Benefits) Regulations, 2014 (**"SEBI Regulations"**), as amended from time to time and 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 your Company on 26th August, 2017, which was further approved by the members of the Company, in their 30th Annual General Meeting held on 25th September, 2017.

The HFCL Plan 2017 comprises of the following three subsets:

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

During the financial year ended 31st March, 2020, your Company has not granted any ESOs and RSUs in terms of the HFCL Plan 2017.

Applicable disclosures as stipulated under the SEBI Regulations with regard to the HFCL Plan 2017, are provided as **Annexure– B** to this Report.

Your Company has received a Certificate from M/s Oswal Sunil & Company, Statutory Auditors (Firm Registration No. 016520N) that the HFCL Plan, 2017 for grant of stock options has been implemented in accordance with the SEBI Regulations and the resolution passed by the members in their 30th Annual General Meeting held on 25th September, 2017.

The said Certificate would be placed at the ensuing Annual General Meeting for inspection by the members.

The Nomination, Remuneration and Compensation Committee of the Board of Directors, inter-alia, administers and monitors, the HFCL Plan, 2017 of your Company.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

As on 31st March, 2020, your Company had six subsidiaries viz.

1. HTL Limited,
2. Polixel Security Systems Private Limited,
3. Moneta Finance Private Limited,
4. HFCL Advance Systems Private Limited,
5. Raddef Private Limited, and
6. DragonWave HFCL India Private Limited (DHIPL).

During the year under review, your Company had mutually terminated the Joint Venture Agreement which was entered with DragonWave Inc. (now known as DragonWave-X Canada Inc.) and the Company on October 18, 2010.

Pursuant to termination of the aforesaid Joint Venture Agreement, the Company has acquired the balance stake of 50.10% (comprising of 35,07,000 equity shares of face value ₹ 10/- each) held in DHIPL, from DragonWave Pte. Ltd., Singapore, at a total consideration of ₹ 2.25 crores, thereby making DHIPL, a wholly-owned subsidiary of the Company, w.e.f. December 17, 2019.

The Company regularly monitors the performance of these companies.

There has been no material change in the nature of the business of the subsidiaries.

A statement containing the salient features of the financial statements of subsidiary companies of the Company in the prescribed **Form AOC–1** forms a part of the Consolidated Financial Statements (CFS) in compliance with Section 129(3) and other applicable provisions, if any, of the Act read with Rule 5 of the Companies (Accounts) Rules, 2014, as amended.

The said Form also highlights the financial performance of each of the subsidiaries, included in the CFS of the Company, pursuant to Rule 8(1) of the Companies (Accounts) Rules, 2014.

In accordance with the provisions of Section 136 of the Act, the financial statements of the subsidiaries are available for inspection by the members at the Registered Office of the Company during business hours on all days except Saturdays, Sundays and public holidays up to the date of the ensuing AGM. Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at HFCL

Limited, 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi – 110048 and the same shall be sent by post.

The financial statements including the CFS and all other documents required to be attached to this Report have been uploaded on the website of the Company at www.hfcl.com.

Material Subsidiaries

The Company has adopted a 'Policy for determining Material Subsidiaries' as per requirements stipulated in Explanation to Regulation 16(1)(c) of the Listing Regulations.

During the year under review, there was no change in the Policy for determining Material Subsidiaries.

The said policy may be accessed on the website of the Company at http://www.hfcl.com/wp-content/uploads/2019/06/Policy-on-Determining-Material-Subsidiaries.pdf.

The Company has no material subsidiary company, as on 31st March, 2020.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMPs)

Re-Appointments / Appointments

In accordance with the provisions of Section 152 of the Act and the Articles of Association of the Company, Mr. Mahendra Pratap Shukla (DIN: 00052977), Director (Non-Executive) and Chairman, is liable to retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible offers himself for re-appointment.

The Board of Directors of the Company, on the recommendations of the Nomination, Remuneration and Compensation Committee, had appointed Mr. Bharat Pal Singh (DIN: 00739712) as an Additional Director in the category of Independent Director w.e.f. January 21, 2020, in terms of provisions of Section 149 and 161 of the Act and Regulation 17 of the Listing Regulations and the Articles of Association of the Company.

In terms of the provisions of Section 161(1) of the Act, Mr. Bharat Pal Singh holds office up to the date of ensuing AGM of your Company.

The Company has received a requisite Notice from a member under Section 160 of the Act, proposing the appointment of Mr. Bharat Pal Singh, as a Director of the Company.

Your Board recommends the appointment of Mr. Bharat Pal Singh as a Non-Executive Independent Director of the Company, for one term of 3 (three) consecutive years with effect from January 21, 2020 to January 20, 2023, 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.

Brief resume, nature of expertise, disclosure of relationships between directors inter-se, details of directorships and Committee membership held in other companies of the Directors proposed to be appointed/ re-appointed, along with their shareholding in the Company, as stipulated under Regulation 36 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, is appended as an Annexure to the Notice of the ensuing AGM.

Appropriate resolutions for re-appointment / appointment of Directors are being placed for your approval at the ensuing AGM.

Cessation

During the FY20, Mr. Ved Kumar Jain (DIN: 00485623) has resigned as an Independent Director of the Company w.e.f. 26th December, 2019.

Your Board of Directors places on record its sincere appreciation for the support and valuable guidance given by Mr. Ved Kumar Jain during his tenure as Non-Executive Independent Director of the Company.

Key Managerial Personnel

During the year under review, Mr. Mahendra Nahata, Managing Director, Mr. Vijay Raj Jain, Chief Financial Officer and Mr. Manoj Baid, Vice-President (Corporate) & Company Secretary, continue to be the Key Managerial Personnel of your Company, in accordance with the provisions of Section 2(51) and 203 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Declaration by the Company

The Company has issued confirmation to its Directors, confirming that it has not made any default under Section 164(2) of the Act, as on 31st March, 2020.

Declaration by Independent Directors

The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the provisions of the Act, read with the Schedules and Rules issued thereunder as well as clause (b) of sub-regulation (1) of Regulation 16 of the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and that they are independent of management.

In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties.

The Independent Directors have also confirmed that they have complied with the Company's Code of Conduct.

In the opinion of the Board, Independent Directors fulfil the conditions specified in the Act, Rules made thereunder and Listing Regulations and are independent of the management.

Familiarisation Programme for Independent Directors

The details of programmes for familiarization 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 web-link: http://www.hfcl.com/wp-content/uploads/2017/04/HFCL-Familiarisation-Prog.-Idependent-Director.pdf.

REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND PARTICULARS OF EMPLOYEES

The information required under Section 197(12) of the Act read with Rules 5(1), 5(2) & 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) in respect of Directors/Employees of the Company is set out in **Annexure–C** to this Report.

The remuneration paid to the Directors is in accordance with the Remuneration Policy formulated in accordance with Section 178 of the

Act and Regulation 19 of the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

Disclosure under Section 197(14) of the Companies Act, 2013

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

Remuneration Policy

Pursuant to provisions of Section 178 of the Act and the Listing Regulations, the Nomination, Remuneration and Compensation Committee ('NRC Committee') of your Board has formulated a Remuneration Policy for the appointment and determination of remuneration of the Directors, Key Managerial Personnel, Senior Management Personnel and other employees of your Company.

The NRC Committee has also developed the criteria for determining the qualifications, positive attributes and independence of Directors and for making payments to Executive and Non-Executive Directors and Senior Management Personnel of the Company.

The detailed Policy is available on the Company's website at http://www.hfcl.com/wp-content/uploads/2019/06/Remuneration-Policy.pdf and the salient aspects covered in the Remuneration Policy have been outlined in the Corporate Governance Report, which forms part of this Report.

BOARD AND COMMITTEE MEETINGS

Six meetings of the Board of Directors were held during the FY20.

The intervening gap between any two consecutive meetings of the Board was within the stipulated time frame prescribed under the Act and the Listing Regulations. Details of meetings held and attendance of directors are mentioned in Corporate Governance Report, which forms part of this Report.

Separate Meeting of Independent Directors

In terms of requirements of Schedule IV to the Act and Regulation 25 of the Listing Regulations, a separate meeting of the Independent Directors was held on 20th March, 2020 for the FY20.

Since, Mr. Bharat Pal Singh was newly inducted on the Board (w.e.f. 21st January 2020), the meeting was attended by Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta.

Board Committees

Your Company has constituted several Committees of the Board which have been established as part of the best corporate governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes.

As on 31st March, 2020, your Board has 05 (five) mandatory Committees, namely,

1) Audit Committee,
2) Nomination, Remuneration & Compensation (NRC) Committee;
3) Corporate Social Responsibility (CSR) Committee;
4) Stakeholders' Relationship Committee (SRC) and
5) Risk Management Committee (RMC).

The details with respect to the composition, powers, roles, terms of reference, number of meetings etc. of the Committees held during the FY20 and attendance of the Members at each Committee Meeting, are provided in the Corporate Governance Report which forms part of this Report.

All the recommendations made by the Committees of the Board including the Audit Committee were accepted by the Board.

Audit Committee

As on 31st March, 2020, the Audit Committee comprises of 04 (four) members namely, Mr. Bharat Pal Singh, Mr. Surendra Singh Sirohi, Dr. (Ms.) Tamali Sengupta, Independent Directors and Mr. Arvind Kharabanda, Non-Executive Director.

Mr. Bharat Pal Singh, Independent Director is the Chairman of the Audit Committee.

All members of the Audit Committee are financially literate and have experience in financial management.

PERFORMANCE EVALUATION

The Companies Act, 2013 mandates formal annual evaluation by the Board of its own performance and that of its Committees and individual Directors. Schedule IV to the Act provides that the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Directors being evaluated.

Pursuant to the provisions of the Act read with relevant 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 FY20.

The parameters for the performance evaluation of the Board, inter-alia, include performance of the Board on deciding long term strategy, rating the composition and mix of Board members, discharging of governance and fiduciary duties, handling critical and dissenting suggestions, etc.

The performance of the Board was evaluated after seeking inputs from all the Directors on the basis of above parameters. The performance of the Committees was evaluated after seeking inputs from the Committee members on the basis of criteria such as the composition of Committees, effectiveness of Committee meetings, etc.

The Nomination, Remuneration and Compensation Committee reviewed the performance of the Individual Directors, the Committees of the Board and the Board as a whole. A questionnaire for the evolution of the Board, its Committees and the individual members of the Board (including the Chairperson), covering various aspects of the performance of the Board and its Committees, including composition and quality, roles and responsibilities, processes and functioning, adherence to Code of Conduct and Ethics and best practices in corporate governance was sent to the Directors.

The Board of Directors reviewed the performance of the Independent Directors. Performance Evaluation was done on the basis of criteria such as the contribution of the individual director to the Board and Committee meetings like preparedness on the issues to be checked, meaningful and constructive contribution and inputs in meetings, etc.

In a separate meeting of the Independent Directors, performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company was evaluated, taking into account the views of Executive Directors and Non-Executive Directors.

The Directors expressed their satisfaction with the evaluation process.

The details of the evaluation process are set out in the Corporate Governance Report which forms part of this Annual Report.

AUDITORS AND AUDITORS' REPORT

Statutory Auditors & their Report

M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N) were appointed as Statutory Auditors for one term of 05 (five) consecutive years, at the 30th Annual General Meeting of the Company, held on 25th September, 2017, for auditing the accounts of the Company from the financial year 2017-18 to 2021-22.

The requirement to place the matter relating to appointment of auditors for ratification by members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from 7th May, 2018. Accordingly, no resolution is being proposed for ratification of appointment of Statutory Auditors at the ensuing AGM and a note in respect of the same has been included in the Notice convening ensuing AGM.

The Statutory Auditors have confirmed that they are not disqualified from continuing as Statutory Auditors of the Company.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

Further, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under Section 143(12) of the Act.

Secretarial Auditors & their Report

Pursuant to provisions of Section 204 of the Act read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended or re-enacted from time to time), your Company had appointed Mr. Baldev Singh Kashtwal, Company Secretary in whole-time practice, having COP No. 3169 and Membership No. F-3616, for conducting the Secretarial Audit of your Company for the FY20.

The Secretarial Audit Report in prescribed form MR-3, issued by the Secretarial Auditor is annexed herewith as **Annexure–D** to this Report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Cost Records and Cost Audit

Your Company has maintained cost records as prescribed under Section 148 of the Act and the relevant rules made thereunder.

Requirement of Cost Audit as prescribed under the provisions of Section 148 of the Act, are not applicable for the business activities carried out by the Company.

VIGIL MECHANISM/ WHISTLE-BLOWER POLICY

The Board of Directors of your Company has formulated a Whistle-Blower Policy, which is in compliance with the provisions of Section 177(9) & (10) of the Act 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.

During FY20, no complaint was received and no individual was denied access to the Audit Committee for reporting concerns, if any.

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

Brief details of establishment of Vigil Mechanism in the Company, is also provided in the Corporate Governance Report which forms part of this Report.

CREDIT RATINGS

CARE Ratings Limited, vide its letter dated January 29, 2020, has re-affirmed the credit rating for the Long Term Bank facilities of the Company to CARE A Minus; (Single A Minus) and outlook changed to negative from stable. The credit rating for the short term bank facilities were also re-affirmed as CARE A2+ (A Two Plus).

EXTRACT OF ANNUAL RETURN

The extract of the Annual Return in Form MGT–9 as stipulated under Section 92(3) and Section 134(3)(a) of the Act read with the Rule 12 of the Companies (Management and Administration) Rules, 2014, is annexed herewith as **Annexure-E**, to this Report.

Annual Return i.e. E-form MGT-7 for the FY20 shall be filed by the Company with the Registrar of Companies, Himachal Pradesh, within the stipulated period and the same can also be accessed thereafter on the Company's website at: http://www.hfcl.com.

Annual Return i.e. E-form MGT-7, for the FY19 is already made available on the website of the Company.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments, as on 31st March, 2020, as stipulated under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, are as follows:-

Particulars	Amount (₹ in Crores)
Loans given	31.50
Guarantees given	140.16
Investments made	71.03

Loans given, Guarantees provided and Investments made during the FY20:

Name of the entity	Relation	Amount (₹ in Crores)	Particulars of Loans, Guarantees & Investments	Purpose for which the Loans, Guarantees and Investments are proposed to be utilized
Raddef Private Limited	Subsidiary	0.009	Investment	The acquisition would result in benefit of operational synergies and the Company will be able to explore untapped growth in the Telecom and Defence business verticals of the Company.
DragonWave HFCL India Private Limited	Subsidiary	2.25	Investment	The acquisition would result in benefit of operational synergies and the Company will be able to explore untapped growth in the Telecom business vertical of the Company.
Nivetti Systems Private Limited	Unrelated company	3.99	Investment	The acquisition would result in increasing Company's offerings of best in class networking and cyber security products & solutions resulting in growth in its Telecom, IT, Cyber Security & Surveillance business.

For more details, please refer Note 7 & 8 to the Standalone Financial Statements of the Company.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the year under review, your Company has revised its Policy on Dealing with and Materiality of Related Party Transactions, in accordance with the amendments to the applicable provisions of the Act and Listing Regulations. The key changes include, inter-alia, threshold limits for determining materiality.

The said Policy is also available on the website of the Company at the web-link: http://www.hfcl.com/wp-content/uploads/2019/06/Policy-on-Related-Party-Transactions-RPTs.pdf.

During the year under review, all contracts/ arrangements/ transactions entered into by the Company with related parties were in ordinary course of business and on arm's length basis.

The Company has not entered into any contracts/ arrangements/ transactions with related parties which qualify as material in accordance with the Policy of the Company on materiality of related party transactions. Thus, there are no transaction required to be reported in Form AOC-2 pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

All transactions with related parties were reviewed and approved by the Audit Committee and are in accordance with the Policy on Related Party Transactions, formulated by the Company.

There are no materially significant related party transactions that may have potential conflict with interest of the Company at large.

There are no transactions with the person(s) or entities forming part of the Promoter(s) / Promoter(s) Group, which individually hold 10% or more shareholding in the Company.

The details of the related party transactions as per Indian Accounting Standards (IND-AS) - 24 are set out in Note 50 to the Standalone Financial Statements of the Company.

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

The details of energy conservation, technology absorption and foreign exchange earnings and outgo as required under Section 134(3)(m) of the Act read with the Rule 8 of the Companies (Accounts) Rules, 2014, are annexed herewith as **Annexure - F** to this Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has been proactively carrying out CSR activities since more than two decades.

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

In compliance with requirements of Section 135 of the Act, the Company has laid down a Corporate Social Responsibility (CSR) Policy. The CSR Policy is available on the website of the Company and may be accessed at the web-link: http://www.hfcl.com/wp-content/uploads/2016/01/CSR-Policy.pdf.

The composition of the CSR Committee, brief contents of CSR Policy, unspent amount and reason thereof if any and report on CSR activities carried out during the FY 20, in the format, prescribed under Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as **Annexure - G**.

For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of this Report.

MATERIAL CHANGES AFFECTING THE COMPANY

A. Change in nature of business

The Company has not undergone any change in the nature of the business during the FY20.

B. Material changes and commitments affecting the financial position of the Company

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the FY20 and the date of this Report.

Further, as we are aware that the outbreak of Covid-19 Pandemic has impacted businesses not only in India but to all economics in the world. Pursuant to directives of SEBI vide Circular No. SEBI/HO/CFD/CMDI/CIR/P/2020/84 dated May 20, 2020, the Company vide its Corporate Announcement made to stock exchanges on June 5, 2020, has already disclosed the impact of Covid-19 on business, performance and finance of the Company.

Our production facilities and turnkey execution remained closed under nationwide lockdown from 25th March, 2020. This has affected production at our manufacturing facilities and execution of projects at various locations. Our plants have progressively resumed operations from 5th April, 2020 at Goa and from 3rd May, 2020 at Hyderabad. Activities at our Solan Plant have also started. Operations at our subsidiary's (HTL Limited) plants also resumed from 11th April at Chennai and from 23rd April at Hosur. We have also started execution of field projects gradually wherever the permissions have been received and more sites are getting opened up with further relaxations by the governments.

Profitability got impacted due to disruptions in production and execution of projects consequent to the nationwide lockdown and disruption in supply chain. In order to mitigate the impact of Covid on profitability, the Company has taken several measures for rationalising the operating cost including salary cut, restructuring of emoluments with increased performance linked component, reduction in administrative costs, resource optimisation etc. There has been no impact on the assets of the Company. None of the assets are impaired. We have no threat in meeting our debt and other financial obligations.

The impact on the Company seems to be limited and short term and that too resulting into deferment of revenue and realisations. There is no significant impact regarding capital and financial resources. The Company stands adequately funded to aptly support its operating plan. It is difficult to estimate the future impact of Covid-19. We continue to keep a close eye on the situation for ensuring continued corrective action wherever required.

The impact of Covid-19 is also mentioned at Note No. 41 to the standalone Financial Statements for FY 20.

SIGNIFICANT / MATERIAL ORDERS PASSED BY THE REGULATORS, COURTS, TRIBUNALS AFFECTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There is no significant / material order passed by the Regulators, Courts, Tribunals affecting the going concern status and the Company's operations in future.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

The Company has in place a Policy on Prevention of Sexual Harassment at Workplace, in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and the rules made thereunder.

An Internal Complaints Committee (ICC) has been set up to redress complaints, if any, received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this Policy.

ICC of each workplace of the Company has also filed Annual Return for the calendar year 2019 at their respective jurisdictional office, as required under Section 21(1) of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013.

There was no complaint received from any employee of the Company during the FY20.

SIGNIFICANT DEVELOPMENTS

The Company is well known with its abbreviated name "HFCL", which stands for the full name viz. "Himachal Futuristic Communications Limited."

The present name of the Company gives impression that the activities of the Company are limited to the state of Himachal Pradesh only. However, this is far from truth. Today, the Company's presence is not only on PAN India level but also beyond the territory of the Nation.

In view of building new brand image, the name of the Company has been changed from "Himachal Futuristic Communications Limited" to "HFCL Limited", which is a blend of its present full name.

The new name of the Company contains word 'HFCL' as the Company is well known by this abbreviated name.

Your Board of Directors, at its meeting held on 15th May, 2019, had approved the change in name of the Company. As per the provision of the Act, approval of the members had been obtained for changing the name of the Company by way of passing a Special Resolution, at the 32nd Annual General Meeting of the Company held on 28th September, 2019.

The Company, has, then made an application for the change of name to the Registrar of Companies, Himachal Pradesh and the Registrar of Companies, Himachal Pradesh, has approved the application and has granted a new Certificate of Incorporation dated October 01, 2019, pursuant to change of name to "HFCL Limited", effective from October 01, 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the Directors had 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 at the end of the financial year 31st March, 2020 and of the profits of the Company for that period;

(c) the Directors had taken proper and sufficient care for the 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 fraud and other irregularities;

(d) the Directors had prepared the annual accounts on a going concern basis; and

(e) the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

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

LISTING

The equity shares of your Company are presently listed on the BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

The Company has paid annual listing fee for the FY21 to the BSE Limited and the National Stock Exchange of India Limited.

DEPOSITORY SYSTEMS

Your 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.

IMPLEMENTATION OF CORPORATE ACTION

During the year under review, the Company has not failed to implement any Corporate Action within the specified time limit.

COMPLIANCE WITH SECRETARIAL STANDARDS

Pursuant to the provisions of Section 118(10) of the Act, the Company has complied with the applicable provisions of the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

REPORTING PRINCIPLE

The Financial and Statutory Data presented in this Report is in line with the requirements of the Companies Act, 2013 (including the rules made thereunder), Indian Accounting Standards and the Secretarial Standards.

REPORTING PERIOD

The Financial Information is reported for the period 1st April, 2019 to 31st March, 2020. Some parts of the Non-Financial Information included in this Board's Report are provided as on the date of this Report.

CAUTIONARY STATEMENT

Statements in the Management Discussions & Analysis Report 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.

PERSONNEL

Your Directors wish to place on record their sincere appreciation for the devoted services of all the employees and workers at all levels and for their dedication and loyalty, which has been critical for the Company's success.

ACKNOWLEDGEMENTS

Your Company's organizational culture upholds professionalism, integrity and continuous improvement across all functions as well as efficient utilization of the Company's resources for sustainable and profitable growth.

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Government of India, various State Governments, the Banks and other stakeholders such as, shareholders, customers and suppliers, among others. The Directors look forward to their continued support in future.

The Directors thank the Central Government, Government of Himachal Pradesh, Government of Goa, Government 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, ICICI 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.

For and on behalf of the Board

Mahendra Pratap Shukla
Chairman
DIN: 00052977

Place: New Delhi
Date: August 17, 2020

Annexure (A) to Directors' Report

EXTRACTS OF DIVIDEND DISTRIBUTION POLICY

1. BACKGROUND, SCOPE AND PURPOSE

The Securities and Exchange Board of India (SEBI) on July 8, 2016 has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (the "Regulations").

Vide these Regulations, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.

The intent of the Policy is to broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized, etc.

The Policy shall not apply to:

- Determination and declaration of dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of issue approved by the shareholders
- Issue of Bonus Shares by the Company
- Buyback of Securities.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

2. PARAMETERS AND FACTORS FOR DECLARATION OF DIVIDEND

The dividend pay-out decision of the Board depends upon the following financial parameters, internal and external factors:

A. Financial / Internal Parameters

i. Operating cash flow of the Company

ii. Profit earned during the year

iii. Profit available for distribution

iv. Earnings Per Share (EPS)

v. Working capital requirements

vi. Capital expenditure requirement

vii. Business expansion and growth

viii. Likelihood of crystallization of contingent liabilities, if any

ix. Additional investment in subsidiaries and associates of the Company

x. Up-gradation of technology and physical infrastructure

xi. Creation of contingency fund

xii. Acquisition of brands and business

xiii. Cost of Borrowing

xiv. Past dividend payout ratio / trends

xv. Turnover

xvi. Financial Ratios

xvii. The Company's liquidity position and future cash flow need

xviii. Stipulation/Covenants of Loan Agreements

xix. Such other criteria as the Board may deem fit from time to time.

B. External Parameters

i. Economic environment

ii. Capital markets

iii. Global conditions

iv. Statutory provisions and guidelines

v. Dividend payout ratio of competitors

vi. Industry Growth Rate

vii. Natural Calamities

3. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

The Board shall consider the factors provided above under Para A before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc.

The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

4. UTILIZATION OF THE RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan
- Product expansion plan
- Increase in production capacity
- Modernization of plants
- Diversification of business
- Funding inorganic and organic growth needs including working capital, repayment of debt etc.
- Long term strategic plans

- Replacement of capital assets
- Where the cost of debt is expensive
- Dividend payment
- Such other criteria as the Board may deem fit from time to time.
- Any other permissible purpose

5. MANNER OF DIVIDEND PAY-OUT

In case of final dividend:

i. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.

ii. The dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company.

iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration, to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

In case of interim dividend:

i. Interim dividend, if any, shall be declared by the Board.

ii. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.

iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration to the shareholders entitled to receive the dividend on the record date, as per the applicable laws.

iv. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the Annual General Meeting.

6. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

Annexure (B) to Directors' Report

DISCLOSURES PURSUANT TO REGULATION 14 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014 READ WITH SEBI CIRCULAR DATED 16TH JUNE, 2015 ON ESOP DISCLOSURES

A. Relevant disclosures in terms of the 'Guidance note on accounting for Employee Share-based Payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time:

Please refer to Note No. 55 to the Standalone Financial Statements, which forms part of this Annual Report.

B. Diluted EPS on issue of shares pursuant to all the schemes covered under the Regulations shall be disclosed in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time:

₹ 1.61/- (Rupees One and Paisa Sixty One only) as on 31st March, 2020.

C. Details related to Employee Stock Options (Options / ESOs) and Restricted Stock Units (RSUs):

(i) A description of each ESOs that existed at any time during the year, including the general terms and conditions of each ESOs, including –

(a) Date of shareholders' approval: 26th August, 2017

(b) Total number of Options approved under ESOs and RSUs:

S. No.	Particulars	No. of Options / RSUs
1	Employee Stock Options	1,00,00,000
2	Restricted Stock Units	1,00,00,000

(c) Vesting requirements of ESOs and RSUs:

The Vesting conditions in respect of the Options and RSUs granted under the Employee Stock Option Plan shall be as determined by the Nomination, Remuneration and Compensation Committee ("the Committee") from time to time. Upon commencement of this Plan, subject to terms and conditions of this Plan, the Options and RSUs granted to Eligible Employees shall Vest as per the schedule ("Vesting Schedule") determined by the Committee at the time of grant but the Vesting Schedule shall not be less than one year and not more than five years from the date of grant of Options and RSUs as the case may be. At the stage of determining the grant, the Committee may or may not consider performance based vesting of the Options.

ESOs:

% Options to be Vested	Year
40% of the Options granted	End of the 1st year from the date of grant
30% of the Options granted	End of the 2nd year from the date of grant
30% of the Options granted	End of the 3rd year from the date of grant

RSUs:

% RSUs to be Vested	Year
70% of the RSUs granted	End of the 3rd year from the date of grant
30% of the RSUs granted	End of the 4th year from the date of grant

(d) Exercise price or pricing formula for ESOs and RSUs:

Options were granted at a price of ₹ 20.65/- per equity share i.e. the closing market price of the shares of the Company on the NSE immediately prior to the date of grant i.e. 15th October, 2018.

RSUs were granted at a price of ₹ 1/- per equity share.

(e) Maximum term of Options / RSUs granted:

Not more than five years from the date of grant of Options / RSUs.

(f) Source of shares (primary, secondary or combination):

Primary.

(g) Variation in terms of Options/ RSUs:

Not Applicable.

(ii) Method used to account for ESOs/RSUs- Intrinsic or Fair Value:

Fair Value Method.

(iii) Where the company opts for expensing of the Options using the intrinsic value of the Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed:

Not Applicable.

(iv) Options / RSUs movement during the year:

Particulars	ESOs	RSUs
Number of Options/RSUs outstanding at the beginning of the period	68,61,000	68,61,000
Number of Options/RSUs granted during the year	NIL	NIL
Number of Options/RSUs forfeited/lapsed during the year	1,52,000	1,52,000
Number of Options/RSUs vested during the year	NIL	NIL
Number of Options/RSUs exercised during the year	NIL	NIL
Number of shares arising as a result of exercise of Options/RSUs	NIL	NIL
Money realized by exercise of Options/RSUs (INR), if scheme is implemented directly by the Company	NIL	NIL
Loan repaid by the Trust during the year from exercise price received	NIL	NIL
Number of Options/RSUs outstanding at the end of the year	67,09,000	67,09,000
Number of Options/RSUs exercisable at the end of the year	NIL	NIL

(v) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock:

(Amount in ₹)

Particulars	ESOs	RSUs
Weighted average exercise price	20.65	1.00
Weighted average fair value as on granted date	11.04	19.74

(vi) Employee wise details (name of employee, designation, number of Options/RSUs granted during the year, exercise price) of Options / RSU's granted to –

a) **senior managerial personnel;** During the financial year ended March 31, 2020 neither any further Options/RSUs have been granted by the Company in pursuant to HFCL 2017 Scheme nor exercised by the holders of Options granted in the previous year.

b) **any other employee who receives a grant in any one year of Option amounting to 5% more of Options granted during that year:** N.A.

c) **identified employees who were granted Options/RSUs, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant:** N.A.

(vii) A description of the method and significant assumptions used during the year to estimate the fair value of Options and RSUs:

(a) The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes model with the following assumptions:

Particulars	For Grants made during the year ended March 31, 2020	
	ESOs	RSUs
Weighted average share price (₹)	20.65	20.65
Exercise price (₹)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the Options (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (₹)	11.04	19.74

(b) the method used and the assumptions made to incorporate the effects of expected early exercise, how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and whether and how any other features of the Options/RSUs grant were incorporated into the measurement of fair value, such as a market condition.

The expected life of the ESOs/RSUs is estimated based on the vesting term and contractual term of the ESOs/RSUs, as well as expected exercise behaviour of the employee who receives the ESOs/RSUs. Expected volatility during the expected term of the ESOs/RSUs is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the ESOs/RSUs.

(viii) Disclosures in respect of grants made in three years prior to IPO under each ESOs/RSUs:

Until all Options/RSUs granted in the three years prior to the IPO have been exercised or have lapsed, disclosures of the information specified above in respect of such Options/RSUs shall also be made: Not Applicable

Details related to Employee Stock Purchase Scheme (ESPS):

(i) The following details on each ESPS under which allotments were made during the year:

a.	Date of shareholders' approval	:	26th August, 2017
b.	Number of shares issued	:	NIL
c.	The price at which such shares are issued	:	NIL
d.	Lock-in period	:	Not Applicable

(ii) The following details regarding allotment made under each ESPS, as at the end of the year:

Particulars	Details
The details of the number of shares issued under ESPS	NIL
The price at which such shares are issued	Not Applicable
Employee-wise details of the shares issued to;	
(i) senior managerial personnel;	NIL
(ii) any other employee who is issued shares in any one year amounting to 5% or more shares issued during that year;	
(iii) identified employees who were issued shares during any one year equal to or exceeding 1% of the issued capital of the Company at the time of issuance;	
Consideration received against the issuance of shares, if scheme is implemented directly by the Company	NIL
Loan repaid by the Trust during the year from exercise price received	NIL

Details related to Trust:

The following details, inter-alia, in connection with transactions made by the Trust meant for the purpose of administering the schemes under the Regulations are to be disclosed:

(i) General information on all schemes:

S. No.	Particulars	Details
a.	Name of the Trust	HFCL Employees' Trust
b.	Details of the Trustee(s)	i) Mr. Brij Behari Tandon ii) Mr. Pankaj Jain
c.	Amount of loan disbursed by Company/any Company in the group, during the year	NIL
d.	Amount of loan outstanding as at the end of the year (repayable to Company/any Company in the group)	NIL
e.	Amount of loan, if any, taken from any other source for which Company/any Company in the group has provided any security or guarantee	NIL
f.	Any other contribution made to the Trust during the year	NIL

(ii) Brief details of transactions in shares by the Trust:

S. No.	Particulars	Details
(a)	Number of shares held at the beginning of the year	NIL
(b)	Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share	Nil
(c)	Number of shares transferred to the employees/sold along with the purpose thereof	Nil
(d)	Number of shares held at the end of the year	Nil

(iii) In case of secondary acquisition of shares by the Trust

Number of shares	As a percentage of paid-up equity capital as at the end of the year immediately preceding the year in which shareholders' approval was obtained
Held at the beginning of the year	NIL
Acquired during the year	NIL
Sold during the year	NIL
Transferred to the employees during the year	NIL
Held at the end of the year	NIL

Annexure (C) to Directors' Report

A. Details pertaining to Remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended by the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016:-

I. Ratio of the remuneration of each director to the median remuneration of all the employees of your Company for the FY20 is as follows:-

S. No.	Name of Director	Category	Total Remuneration (INR)	Ratio of remuneration of Director to the Median remuneration
1.	Mr. Mahendra Pratap Shukla	Non-Executive Director	5,40,000	0.78
2.	Mr. Mahendra Nahata	Managing Director	7,04,05,000	98.94
3.	Mr. Arvind Kharabanda	Non-Executive Director	7,40,000	1.07
4.	Dr. (Mr.) Ranjeet Mal Kastia	Non-Executive Director	4,85,000	0.70
5.	Mr. Ranjeet Anandkumar Soni	Non-Executive Director	2,20,000	0.32
6.	Mr. Ved Kumar Jain*	Independent Director	4,90,000	0.71
7.	Mr. Surendra Singh Sirohi	Independent Director	6,90,000	1.00
8.	Dr. (Ms.) Tamali Sengupta	Independent Director	6,55,000	0.95
9.	Mr. Bharat Pal Singh#	Independent Director	-	-

* Resigned w.e.f. 26th December, 2019.

Appointed as Non-Executive Independent Director w.e.f. 21st January, 2020.

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 ₹ 6,87,219/- for the FY20.

II. Percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer, other Executive Directors and Company Secretary during the FY20:-

S. No.	Name	Category	Remuneration (INR)		Increase (%)
			2019-20	2018-19	
1.	Mr. Mahendra Pratap Shukla	Non-Executive Director	5,40,000	7,00,000*	NA
2.	Mr. Mahendra Nahata	Managing Director	7,04,05,000	9,04,05,000	(22.12)
3.	Mr. Arvind Kharabanda	Non-Executive Director	7,40,000	7,35,000*	NA
4.	Dr. (Mr.) Ranjeet Mal Kastia	Non-Executive Director	4,85,000	5,95,000*	NA
5.	Mr. Ranjeet Anandkumar Soni	Non-Executive Director	2,20,000	2,45,000*	NA
6.	Mr. Ved Kumar Jain $	Independent Director	4,90,000	2,80,000*	NA
7.	Mr. Surendra Singh Sirohi	Independent Director	6,90,000	3,15,000*	NA
8.	Dr. (Ms.) Tamali Sengupta	Independent Director	6,55,000	1,05,000*	NA
9.	Mr. Bharat Pal Singh #	Independent Director	-	-	NA
10.	Mr. Vijay Raj Jain	Chief Financial Officer	2,21,86,881	1,72,48,406	28.63
11.	Mr. Manoj Baid	Vice–President (Corporate) & Company Secretary	49,01,248	48,89,488	0.24

* Represents Sitting Fee paid.

$ Resigned w.e.f. 26th December, 2019.

Appointed w.e.f. 21st January, 2020.

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

III. Percentage increase in the median remuneration of all employees in the FY20:

Particulars	Remuneration (INR)		Increase (%)
	2019-20	2018-19	
Median remuneration of all employees per annum	6,87,219	6,58,544	4.35

IV. Number of permanent employees on the rolls of the Company as on 31st March, 2020:

The number of permanent employees on the rolls of the Company as on 31st March, 2020 were 1,719. Besides, the Company has 563 personnel also, in the nature of retained or contractual basis as on 31st March, 2020.

V. Comparison of average percentile increase in the salaries of employees other than the key managerial personnel and the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Particulars	Remuneration (INR)		Increase (%)
	2019-20	2018-19	
Average salary of all employees (other than Key Managerial Personnel)	10,38,950	10,13,701	2.49
Average Salary of Managing Director	7,04,05,000	9,04,05,000	(22.12)
Average Salary of CFO and Company Secretary	135,44,065	1,10,68,947	22.36

The percentile increase in remuneration is in line with the market trends and performance of the Company. There is no exceptional circumstance for increase in the managerial remuneration.

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

B. Details pertaining to Remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended by the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016:-

I. Names of the top ten employees of the Company in terms of remuneration drawn and the names of employees who were employed throughout the FY20 and were paid remuneration not less than ₹ 1,02,00,000/-:

S. No.	Name	Remuneration received (INR)	Nature of employment	Designation	Qualifications & experience	Date of commencement of employment	Age (Years)	Last employment held
1.	Mr. Mahendra Nahata	8,80,00,000	Contractual	MD	B.Com. (Hons.) 36 years	01.10.1992	60	Himachal Telematics Ltd. Vice Chairman
2.	Mr. Ashwani Gupta	2,50,11,756	Permanent	ED	B.Tech, MBA 38 years	18.05.2015	61	Crompton Greaves Ltd. President
3.	Mr. Vijay Raj Jain	2,17,31,886	Permanent	CFO	CA, CS 32 years	15.07.2011	55	Teracom Ltd. CFO
4.	Mr. Jitendra Singh Chaudhary	1,07,77,567	Permanent	President	B.E. 24 years	01.04.2017	46	DragonWave HFCL India Pvt. Ltd. CEO
5.	Mr. Subodh Kumar Garg	1,03,42,318	Contractual	Senior President	B.E., M. Tech 45 years.	01.10.2015	68	Infotel Business Solution Ltd. Chief Project Officer
6.	Mr. Hemant Sachetee	99,09,340	Permanent	Vice President	B.Com, CA 23 years	25.07.2011	48	Enso Group Vice President
7.	Mr. Harshwardhan Pagay	93,03,031	Permanent	President	B.E., MBA 24 years	22.10.2012	48	Teracom Ltd. CEO

S. No.	Name	Remuneration received (INR)	Nature of employment	Designation	Qualifications & experience	Date of commencement of employment	Age (Years)	Last employment held
8.	Mr. Vibhas Joshi	88,41,564	Contractual	President	B.Tech, MBA 39 years	01.10.2016	61	Moser Bear India Ltd. Head - SCM
9.	Mr. Vibhor Dewan	82,42,064	Permanent	Vice President	B.E., PGDBM 21 Years	01.02.2016	46	Vodafone India Ltd. Head – Government Sales
10.	Mr. Sunil Kumar Kulshrestha	75,35,198	Permanent	President	B.Sc. (H), MA 42 years	01.01.2015	66	Parmesh Finlease Ltd. Director

II. Names of the employees who were employed for a part of FY20 and were paid remuneration not less than ₹ 8,50,000/- per month: NIL

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 above employees is related to any Director of the Company.

iii. None of above employees 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 (D) to Directors' Report

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2020

[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
HFCL Limited
(Formerly 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 HFCL Limited (formerly Himachal Futuristic Communications Limited) (hereinafter called "the Company") for the financial year ended 31st March, 2020. 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 31st March, 2020 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, 2020 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 2019-20;**

(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 (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

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

(f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Financial Year 2019-2020);**

(g) 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 2019-2020);**

(h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Financial Year 2019-2020) ;** and

(i) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 2018 **(Not applicable to the Company during the Financial Year 2019-2020);**

(j) The Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2018;

(k) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; **(to the extent possible)**

(l) The Securities and Exchange Board of India (Issue and Listing of Non- Convertible and Redeemable Preference Shares) Regulations, 2013 **(Not applicable to the Company during the Financial Year 2019-2020)**; and

Other laws as applicable specifically to the Company:

a) Employees Provident Fund and Miscellaneous Provisions Act, 1952;

b) Employees State Insurance Act, 1948;

c) Factories Act, 1948;

d) Indian Contract Act, 1872;

e) Minimum Wages Act, 1948;

f) Payment of Bonus Act, 1965;

g) Payment of Gratuity Act, 1972;

h) Payment of Wages Act, 1936;

i) Industrial Disputes Act, 1947;

j) Maternity Benefit Act, 1961;

k) Contract Labour (Regulation and Abolition) Act, 1970;

l) Apprentices Act, 1961;

m) 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 Uniform Listing Agreements entered into by the Company with the BSE Ltd. and the National Stock Exchange of India Limited.

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 Independent Director. The changes in the composition of the Board of Directors, if any, which 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
FCS No. : 3616
Date: May 28, 2020 **C P No. : 3169**
Place: Delhi **ICSI – UDIN : F003616B000292278**

Note: This Report is to be read with my letter of even date which is annexed as an **"Annexure-1"** and forms an integral part of this Report.

"Annexure-1"

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

My Secretarial Audit Report for the financial year ended 31st March, 2020 of even date is to be read along with this letter.

I report that:-

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.

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.

I have not verified the correctness and appropriateness of the financial statements of the Company.

I have obtained the management representation about the compliance of laws, rules and regulations, happening of events, etc. wherever required.

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.

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.

Due to seriousness of COVID-19 Pandemic and lockdown in the country, the physical verification of some of the original documents could not be done. However, scan copies of all relevant documents and registers were provided by the Company through digital modes.

CS BALDEV SINGH KASHTWAL
Date: May 28, 2020 **FCS No. : 3616**
Place: Delhi **C P No. : 3169**

Annexure (E) to Directors' Report

FORM NO. MGT-9

EXTRACTS OF ANNUAL RETURN

as on financial year ended on 31st March, 2020
[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	HFCL 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 Fiber Cable	27310*	15.60
2	Turnkey Contracts and Services	42202	84.40

* 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.	DragonWave HFCL India Private Limited # 8, Commercial Complex, Masjid Moth, Greater Kailash-II New Delhi–110048	U64200DL2010PTC211117	Subsidiary	100	–do–
5.	Raddef Private Limited * C-133 & C-136 2nd Main Road, Peenya 2nd Stage, Peenya Industrial Area, Bangalore-560058	U74999KA2017PTC105873	Subsidiary	90	–do–
6.	HTL Limited G.S.T. Road, Guindy Chennai–600032	U93090TN1960PLC004355	Subsidiary	74	–do–

* Subsidiary w.e.f. 15th May, 2019.

Subsidiary w.e.f. 17th December, 2019.

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 01.04.2019)				No. of Shares held at the end of the year (As on 31.03.2020)				% change during the year
	Demat	Physical	Total*	% of total Shares	Demat	Physical	Total**	% of total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	555397	0	555397	0.044	7217011	0	7217011	0.562	0.518
b) Central Govt. or State Govt.	0	0	0	0.000	0	0	0	0.000	0.000
c) Bodies Corporates	489126801	0	489126801	38.382	489126801	0	489126801	38.083	-0.298
d) Bank/FIs	0	0	0	0.000	0	0	0	0.000	0.000
e) Any other	0	0	0	0.000	0	0	0	0.000	0.000
SUB TOTAL: (A) (1)	**489682198**	**0**	**489682198**	**38.426**	**496343812**	**0**	**496343812**	**38.645**	**0.220**
(2) Foreign									
a) NRI- Individuals	0	0	0	0.000	0	0	0	0.000	0.000
b) Other Individuals	0	0	0	0.000	0	0	0	0.000	0.000
c) Bodies Corporates	0	0	0	0.000	0	0	0	0.000	0.000
d) Banks/FIs	0	0	0	0.000	0	0	0	0.000	0.000
e) Any other	0	0	0	0.000	0	0	0	0.000	0.000
SUB TOTAL: (A) (2)	**0**	**0**	**0**	**0.000**	**0**	**0**	**0**	**0.000**	**0.000**
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**489682198**	**0**	**489682198**	**38.426**	**496343812**	**0**	**496343812**	**38.645**	**0.220**
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	972	3830	4802	0.000	72675	3770	76445	0.006	0.006
b) Banks/FIs	16762536	1100	16763636	1.315	15685446	1100	15686546	1.221	-0.094
c) Central Govt.	0	0	0	0.000	0	0	0	0.000	0.000
d) State Govt.	5000	0	5000	0.000	5000	0	5000	0.000	0.000
e) Venture Capital Funds	0	0	0	0.000	0	0	0	0.000	0.000
f) Insurance Companies	521000	0	521000	0.041	521000	0	521000	0.041	0.000
g) FIIs	5200	5620	10820	0.001	5200	5620	10820	0.001	0.000
h) Foreign Venture Capital Funds	0	0	0	0.000	0	0	0	0.000	0.000
i) Others (specify)									
i) Foreign Banks	1705	3600	5305	0.000	1705	3600	5305	0.000	0.000
ii) Foreign Portfolio Investors	57009710	0	57009710	4.474	65808475	0	65808475	5.124	0.650
SUB TOTAL: (B)(1)	**74306123**	**14150**	**74320273**	**5.830**	**82099501**	**14090**	**82113591**	**6.393**	**0.561**
(2) Non-Institutions									
a) Bodies Corporates	301506268	31870	301538138	23.662	308602523	31870	308634393	24.030	0.368
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	274406040	322955	274728995	21.558	253058840	307265	253366105	19.727	-1.831
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakh	123157805	0	123157805	9.664	124871184	0	124871184	9.722	0.058
c) Others									
NBFC registered with RBI	1525090	0	1525090	0.120	154444	0	154444	0.012	-0.108
Trusts	63644	0	63644	0.005	53644	0	53644	0.004	-0.001
Overseas Corporate Bodies	37250	1000	38250	0.003	37250	1000	38250	0.003	0.000
Foreign Nationals	0	0	0	0.000	0	0	0	0.000	0.000
NRIs	9204171	118110	9322281	0.732	18685701	115550	18801251	1.464	0.732
Societies	520	0	520	0.000	520	0	520	0.000	0.000
SUB TOTAL: (B)(2)	**709900788**	**473935**	**710374723**	**55.744**	**705464106**	**455685**	**705919791**	**54.962**	**-0.782**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**784206911**	**488085**	**784694996**	**61.574**	**787563607**	**469775**	**788033382**	**61.355**	**-0.220**
C. Shares held by Custodian for GDRs and ADRs	**0**	**0**	**0**	**0.000**	**0**	**0**	**0**	**0.000**	**0.000**
Grand Total (A+B+C)	**1273889109**	**488085**	**1274377194**	**100.00**	**1283907419**	**469775**	**1284377194**	**100.00**	**0.000**

* Outstanding shares as on 01.04.2019 were 127,43,77,194.

** Outstanding shares as on 31.03.2020 were 128,43,77,194.

Attachment - C

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

(b) Shareholding of Promoters

Sl.		Shareholding at the beginning of the year (As on 01.04.2019)			Shareholding at the end of the year (As on 31.03.2020)			% 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.	24,58,90,000	19.29	88.18	24,58,90,000	19.14	88.18	-0.15
2	NextWave Communications Pvt. Ltd.	21,98,65,000	17.25	54.46	21,98,65,000	17.12	54.46	-0.13
3	Fitcore Tech-Solutions Pvt. Ltd.	2,24,00,000	1.76	0.00	2,24,00,000	1.74	0.00	-0.02
4	Vinsan Brothers Pvt. Ltd.	6,71,600	0.05	0.00	6,71,600	0.05	0.00	0.00
5	Anant Nahata	4,70,000	0.04	51.00	26,45,000	0.21	9.06	0.17
6	Shankar Sales Promotion Pvt. Ltd.	3,00,201	0.02	0.00	3,00,201	0.02	0.00	0.00
7	Mahendra Nahata	73,477	0.01	0.00	45,60,091	0.36	0.00	0.35
8	Manik Lal Nahata (Since deceased)	11,920	0.00	0.00	11,920	0.00	0.00	0.00
	Total	**48,96,82,198**	**38.42**	**68.78**	**49,63,43,812**	**38.64**	**67.85**	**0.22**

* Outstanding shares as on 01.04.2019 were 127,43,77,194.
** Outstanding shares as on 31.03.2020 were 128,43,77,194.

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 01.04.2019)		Cumulative Shareholding during the year (01.04.2019 to 31.03.2020)	
		No. of Shares	% of total shares of the Company*	No. of Shares	% of total shares of the Company*
At the beginning of the year		**48,96,82,198**	**38.42**	**48,96,82,198**	**38.42**
Date wise increase/ decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)					
Name of Promoters	**Date**	**No. of Share Purchase**	**% of total shares of the Company****	**No. of Shares**	**% of total shares of the Company****
Mr. Mahendra Nahata	13.03.2020	5,50,000	0.04	49,02,32,198	38.17
	16.03.2020	5,50,000	0.04	49,07,82,198	38.21
	17.03.2020	2,61,000	0.02	49,10,43,198	38.23
	18.03.2020	11,69,825	0.09	49,22,13,023	38.32
	19.03.2020	2,04,909	0.02	49,24,17,932	38.34
	23.03.2020	2,46,880	0.02	49,26,64,812	38.36
	24.03.2020	3,86,000	0.03	49,30,50,812	38.39
	25.03.2020	2,50,000	0.02	49,33,00,812	38.41
	26.03.2020	2,53,000	0.02	49,35,53,812	38.43
	27.03.2020	2,00,000	0.02	49,37,53,812	38.44
	30.03.2020	4,15,000	0.03	49,41,68,812	38.48
Mr. Anant Nahata	31.03.2020	21,75,000	0.17	49,63,43,812	38.64
At the end of the year (as on 31st March, 2020)		**66,61,614**	**0.52**	**49,63,43,812**	**38.64**

* Outstanding shares as on 01.04.2019 were 127,43,77,194.
** Outstanding shares as on 31.03.2020 were 128,43,77,194.

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):

S. No.	Name	Shareholding at the beginning of the year (As on 01.04.2019)		Increase/ Decrease in Shareholding*	Reason	Cumulative Shareholding at the End of the year (As on 31.03.2020)	
		No. of Shares**	% of the total shares of the Company			No. of Shares***	% of the total shares of the Company
1.	Reliance Industrial Investments and Holdings Limited	4,85,32,764	3.81	0	NA	4,85,32,764	3.78
2.	MKJ Enterprises Limited	3,36,30,659	2.64	297992	Purchase	3,39,28,651	2.64
3.	IDBI Bank Ltd.	1,33,25,009	1.05	-1863677	Sale	1,14,61,332	0.89
4.	Infotel Telecom Infrastructure Private Limited	1,10,68,876	0.87	-41,00,000	Sale	69,68,876	0.54
5.	Vishanji Shamji Dedhia	95,85,000	0.75	0	NA	95,85,000	0.75
6.	Jaikarni Holdings Private Limited	81,00,000	0.64	0	NA	81,00,000	0.63
7.	Emerging Markets Core Equity Portfolio	76,70,923	0.60	1,31,966	Purchase	78,02,889	0.61
8.	Dimensional Emerging Market Value Fund	87,27,539	0.68	-20,09,549	Sale	67,17,990	0.52
9.	Santosh Industries Limited	60,58,440	0.48	-51,95,145	Sale	8,63,295	0.07
10.	Resonance Opportunities Fund	52,50,000	0.41	-15,35,000	Sale	37,15,000	0.29
11.	Nirmal Bang Financial Services Private Limited	52,34,726	0.41	-52,34,726	Sale	0	0.00
12.	Finquest Securities Private Limited – Proprietary Account	80,09,900	0.63	-79,28,094	Sale	81,806	0.01
13.	Globe Capital Market Limited	32,29,760	0.25	41,71,571	Purchase	74,01,331	0.58
14.	Shankar Sharma	0	0.00	1,00,00,000	Allotment	1,00,00,000	0.78
15.	Keventer Capital Limited	1,00,00,000	0.78	0	NA	1,00,00,000	0.78

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

** Outstanding shares as on 01.04.2019 were 127,43,77,194.

*** Outstanding shares as on 31.03.2020 were 128,43,77,194.

Attachment - F

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

(e) Shareholding of Directors and Key Managerial Personnel:

S. No.	Name	Shareholding		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01.04.2019 to 31.03.2020)	
		No. of Shares at the beginning (01.04.2019)/ at the end of the year (31.03.2020)	% of the total shares of the Company				No. of Shares	% of total shares of the Company
A	DIRECTORS							
1	Mr. Mahendra Pratap Shukla	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Non-Executive Chairman	0	0.00	31-Mar-20				
2	Mr. Mahendra Nahata	73,477	0.01	1-Apr-19	44,86,614	Market Purchase	45,60,091	0.36
	Managing Director	45,60,091	0.36	31-Mar-20				
3	Mr. Arvind Kharabanda	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Non-Executive Director	0	0.00	31-Mar-20				
4	Dr. (Mr.) Ranjeet Mal Kastia	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Non-Executive Director	0	0.00	31-Mar-20				
5	Mr. Ranjeet Anandkumar Soni	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Nominee Director, IDBI Bank Ltd.	0	0.00	31-Mar-20				
6	Mr. Ved Kumar Jain*	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Independent Director	0	0.00	31-Mar-20				
7	Mr. Surendra Singh Sirohi	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Independent Director	0	0.00	31-Mar-20	0			
8	Dr. (Ms.) Tamali Sengupta	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Independent Director	0	0.00	31-Mar-20	0			
9	Mr. Bharat Pal Singh#	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Independent Director	0	0.00	31-Mar-20	0			

S. No.	Name	Shareholding: No. of Shares at the beginning (01.04.2019)/ at the end of the year (31.03.2020)	Shareholding: % of the total shares of the Company	Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01.04.2019 to 31.03.2020): No. of Shares	Cumulative Shareholding during the year (01.04.2019 to 31.03.2020): % of total shares of the Company
B	**Key Managerial Personnel (KMP)**							
1	Mr. Vijay Raj Jain	0	0.00	1-Apr-19	0	N.A.	0	0.00
	CFO	0	0.00	31-Mar-20				
2	Mr. Manoj Baid	0	0.00	1-Apr-19	0	N.A.	0	0.00
	Vice President (Corporate) & Company Secretary	0	0.00	31-Mar-20				

* Resigned w.e.f. 26th December, 2019.

Appointed w.e.f. 21st January, 2020.

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
	Indebtedness at the beginning of the financial year (As at 01.04.2019)				
i)	Principal Amount	419.93	131.60	-	551.53
ii)	Interest due but not paid	-	-	-	-
iii)	Interest accrued but not due	-	-	-	-
	Total (i+ii+iii)	**419.93**	**131.60**	**-**	**551.53**
	Change in Indebtedness during the financial year				
	Additions	107.82	16.55	-	124.37
	Reduction	40.44	25.17	-	65.61
	Net Change	67.38	(8.62)	-	58.76
	Indebtedness at the end of the financial year (As at 31.03.2020)				
i)	Principal Amount	487.31	122.98	-	610.29
ii)	Interest due but not paid	-	-	-	-
iii)	Interest accrued but not due	1.26	-	-	1.26
	Total (i+ii+iii)	**488.57**	**122.98**	**-**	**611.55**

Attachment – H

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amount in ₹)

S. No.	Particulars of Remuneration		Mr. Mahendra Nahata Managing Director	Total Amount
1	Gross salary			
	(a)	Salary as per provisions contained in Section 17(1) of the Income Tax. 1961	5,63,36,609	5,63,36,609
	(b)	Value of perquisites u/s 17(2) of the Income tax Act, 1961	57,02,991	57,02,991
	(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)		**6,20,39,600**	**6,20,39,600**
	Ceiling as per the Act		₹ 42,03,09,175/- (being 5% of the net profit of the Company calculated as per Section 198 of the Companies Act, 2013)	

Attachment - I

(b) Remuneration to other Directors:

(Amount in ₹)

S. No.	Particulars of Remuneration	Name of the Directors				Total Amount
1.	**Independent Directors**	**Mr. Ved Kumar Jain***	**Mr. Surendra Singh Sirohi**	**Dr. (Ms.) Tamali Sengupta**	**Mr. Bharat Pal Singh#**	
	(a) Fee for attending board/ committee meetings	4,90,000	6,90,000	6,55,000	-	**18,35,000**
	(b) Commission	-	-	-	-	**-**
	(c) Others, please specify	-	-	-	-	**-**
	Total (1)	**4,90,000**	**6,90,000**	**6,55,000**	**-**	**18,35,000**
2	**Other Non-Executive Directors**	**Mr. Mahendra Pratap Shukla**	**Mr. Arvind Kharabanda**	**Dr. (Mr.) Ranjeet Mal Kastia**	**Mr. Ranjeet Anandkumar Soni**	
	(a) Fee for attending board committee meetings	5,40,000	7,40,000	4,85,000	2,20,000	**19,85,000**
	(b) Commission	-	-	-	-	**-**
	(c) Others, please specify.	-	-	-	-	**-**
	Total (2)	**5,40,000**	**7,40,000**	**4,85,000**	**2,20,000**	**19,85,000**
	Total (B)=(1+2)	**10,30,000**	**14,30,000**	**11,40,000**	**2,20,000**	**38,20,000**
	Overall Ceiling as per the Act.	₹ 8,40,61,835/- (being 1% of the net profit of the Company calculated as per Section 198 of the Companies Act, 2013)				

* Resigned w.e.f. 26th December, 2019.

\# Appointed w.e.f. 21st January, 2020.

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
		Mr. Vijay Raj Jain CFO	Mr. 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	2,09,08,314	43,88,761	2,52,97,075
	(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	**2,09,47,914**	**44,21,161**	**2,53,69,075**

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 (F) to Directors' Report

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the 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 optimize the use of energy through improved operational methods and other means will continue.

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

(ii) The capital investment on energy conservation equipment: NIL

(B) TECHNOLOGY ABSORPTION:

(i) the efforts made towards technology absorption:

1. The Company has taken R&D initiatives in the following areas:

i. Wireless access and backhaul solutions especially for unlicensed band frequencies.

ii. Switching Solutions for Next Generation Networks.

iii. Surveillance solutions.

iv. Electro Optics solutions.

v. Military armament solutions.

vi. Military Tactical Communications.

The main areas of focus are:

i. Next Generation Indoor and Outdoor Wi-Fi solutions with enhanced security features;

ii. Higher capacity point-to-point and point-to-multipoint connectivity solutions in unlicensed bands;

iii. Customized high performance antenna solutions;

iv. Cloud based unified management platform;

v. Switches for distribution and access part of the next generation networks with indigenous network OS;

vi. Surveillance products for Video and RF surveillance consisting of short range and medium range ground surveillance RADAR solutions in addition to VMS solutions with a range of analytics;

vii. Electro Optical solutions for various weapon sights;

viii. Electronic fuse solutions for artillery ammunition of various calibers;

ix. Complete technology for complex software defined radios for tactical military communications containing advanced ECCM features and covering entire frequency range for ground and airborne military communications.

2. The details of the products developed/being developed owing to above R&D efforts are summarized as under:

High Capacity Radio Relay

We partnered with Norway based international technology group for manufacturing Frequency Hopping High Capacity Radio Relay (HCRR). It involved adaptation of a system around Outdoor Unit (ODU) supplied by our foreign partner.

The system operates in Frequency band 4400 – 5000 MHz to provide back haul connectivity to troops deployed in inhospitable terrain on the borders of the country. It can operate in temperature ranging from -20 to + 55 degrees Celsius. The built-in Frequency Hopping feature provides anti-jamming facility essentially required in present day battlefield scenario. The device is designed to meet the Indian environmental conditions as per JSS 55555 and Mil. Std. 461E EMI/EMC compliance.

The Company designed and developed following sub-systems through its Indian technology partners to build a HCRR suitable for Indian Armed Forces:

a) **Indoor Unit (IDU):** The FPGA based Indoor Unit of HCRR provides electrical and optical user data interfaces to connect various end user data devices. It multiplexes user data at the input interfaces to a common baseband and feeds the aggregated data to the ODU located up to 2km away supporting remote installation. User manageable and configurable device has built in feature for fault diagnostics and self-test. The device also provides selective calling for operators to support link engineering during field deployment. It supports an EoW to engineer radio link with built-in AES 128bit encryption and selective calling facility.

b) **Power Supply Unit (PSU)**: The Power supply operates on 230v AC and 48v DC with automatic changeover for fail-safe operation. It is designed to provide power supply to ODU, Rotator and motorized Mast system. It also has built in feature for fault diagnostics and self-test.

c) **Mast System:** 18 meter motorized Mast, capable of 50kg head load, can be erected both manually and automatically. It can be used in both ground and vehicular role. It can withstand the wind velocity up to 80kmph operational and 120kmph for sustainability.

d) **Rotator and Tilter Unit (RATU)**: The electronically controlled rotator unit supports antenna rotation of ± 180° on horizontal plane and ± 10° on vertical plane. The unit encompasses GPS and DMC for true north alignment. The unit is manageable via NMS.

e) **Network Management System (NMS)**: The SNMP V3 based ruggedized NMS manages, configures and conducts fault diagnostics of all the subsystem from a central location.

f) **Antenna system**: High gain Point to point (PtP) and Point to Multi Point (PtMP) antenna system is designed to provide more than 20km Line of Sight (LOS) communication range with high reliability. PtMP antenna has a coverage of 120 degrees.

As part of adaptation the complete system has been successfully integrated to meet the HCRR qualitative requirements of the Indian Armed Forces. An indoor Laboratory has been set up by the Company to test the functions of the integrated equipment with the NMS. Consequent to the field trials by the Indian Army in the near future, the Company plans to setup assembly cum manufacturing of the 'Outdoor Unit' hardware in the Company's manufacturing facilities, to bring down the cost of the system.

Wireless access and backhaul solutions under brand IO

Under its brand IO, the Company has successfully developed the complete Wi-Fi and backhaul network solution that is based on latest and upcoming international standards. 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 the Company in India. All these products are extremely power efficient and fully compliant to PMA guidelines of Government of India. A brief introduction to the overall portfolio is given below.

a) **Accss Point Portfolio** – The Access Point portfolio consists of a mix of Indoor and Outdoor products working on the latest and also upcoming Wi-Fi technology (Wi-Fi 5 and Wi-Fi 6). All Outdoor Access Points are rugged and IP67 rated, making them ideal for harsh and challenging end user deployments. The Access Points are capable of delivering high throughput and efficiency, and are ideally suited for all customer deployments, like In-home, Enterprises and Telecom Service Providers networks.

b) **Unlicensed Band Radio Portfolio** – The Unlicensed Band Radios (UBR) are feature-rich, top-of-the-line, low cost products for all backhaul requirements of Enterprises and Telecom Service Providers. Entire portfolio supports point-to-point (P2P) and point-to-multi-point (P2mP) applications, high throughput, redundancy support and high precision GPS sync technology, making them the best in terms of capacity utilization in the unlicensed band.

Cloud Network Management System – The Company's Cloud Network Management System (cNMS) combines the functionality of both the controller and the management system, thereby making it a unique one stop solution for all network management and configuration needs. The cNMS is massively scalable and service-rich, enabling mission critical, next-generation wireless networks for enterprise and service provider deployments. The platform is highly flexible and can be ported onto any x86 server, public, private or hybrid cloud deployment. The cNMS UI is adaptive and can be accessed from any end device like laptop, tablets and mobile phone.

Electro Optical Devices and Electronic Fuses for Artillery ammunition for Defence Forces.

Our Thermal weapon sights portfolio being developed consists of different types of sights to be used on various weapons in service with the Indian Army as also handheld devices to be used in surveillance.

The range of fuses is being designed and developed in-house, with collaboration from foreign engineers, with ownership of the IPR and the product will comply with various guidelines of GOI. The products being designed are based on State of the art technology, to provide optimum effect as required by the Defence Forces at the most competitive price. The product will be suitable for various Artillery ammunition in use by the Indian Army. The product can also be customized to meet various kinds of customer requirement and deployment scenarios.

All the products are being designed to compete in global market against existing technology players.

(ii) **the benefits derived like product improvement, cost reduction, product development or import substitution;**

The entire portfolio of wireless access and backhaul is fully PMA compliant and low cost, suitable for providing coverage and connectivity to rural and uncovered parts of India. The devices being low power, can run on Solar power as well. Since the entire portfolio is fully designed, developed and manufactured in India with full IPR ownership residing with the Company in India, we have been able to bring down the cost of the entire solution to very optimum levels.

After successful deployment of Company's products in many customer networks, these areas for new development give customers a leverage to adopt next generation products and solutions without having to worry about migration and all the current and next generation products are fully interoperable and managed by a single cloud platform that has been upgraded already to cater to all the next generation products as well.

The R&D initiatives have strengthened HFCL paly in the Telecom industry as a formidable product OEM and also broadened Company's scope and reach to newer markets in Defence, Surveillance, Networks and Software domains as a reckonable contributor of high technology based cost competitive products.

The new R&D efforts also focus to developing an entire ecosystem within India with an aim to minimize the dependency on imported raw material to the extent possible. This will not only improve the control on supply chain but will also save logistics costs, delivery lead times and improve overall efficiency in supply chin and will enable us to have higher output.

The new products are designed to meet international standards and certifications, yet are most cost optimized to enable the Company to compete with global brands in global markets in terms of both feature set and cost. The products and solutions are architected to be modular and very flexible and can be customized to meet all kinds of customer requirement and deployment scenarios.

Important derivative of the R&D efforts is to completely indigenize the critical and controlled technologies that were not available in the country till now. This will result in sizeable forex saving for the country by way of making available high technology Make in India products and would also open up good avenues of exports with significant advantages of cost competitiveness.

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

(a)	Details of technology imported:	Low Power 2G BSS
(b)	Year of import:	2017-18
(c)	Whether the technology been fully absorbed?	Yes
(d)	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof:	N. A.

iv) Expenditure incurred on Research & Development (R&D):

(₹ in Crores

a)	Capital	7.91
b)	Recurring	5.73
c)	Total	13.64
d)	Total R & D expenditure as a percentage of total Turnover	0.38%

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Crores)

Particulars	**Financial Year ended 31.03.2020**	**Financial Year ended 31.03.2019**
Foreign exchange earned in terms of actual inflows	102.29	73.59
Foreign exchange outgo in terms of actual outflows	398.65	705.11

Annexure (G) 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 center 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 web-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, 2020 is as under:

Name of the Member	Designation	Position
Mr. Mahendra Nahata	Managing Director	Chairman
Mr. Mahendra Pratap Shukla	Chairman (Non-Executive)	Member
Mr. Ranjeet Anandkumar Soni	Nominee Director	Member
Mr. Surendra Singh Sirohi	Independent Director	Member

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

3. **Average Net Profit of the Company for last three financial years:** ₹ 208.76 Crore

4. **Prescribed CSR Expenditure:** ₹ 4.17 Crore

5. **Details of CSR spent during the financial year:**

a) Total amount to be spent for the financial year: ₹ 4.17 Crore

b) Amount unspent, if any: ₹ 4.17 Crore. However, on-going CSR Projects/ Activities were not impacted due to the unspent amount.

c) Manner in which the amount spent during the financial year is detailed below: Amount spent during the financial year, as detailed below, is out of the balance CSR Fund lying with HFCL Social Services Society ("HSSS"), a registered society established by the Company in the year 1996, through which the Company carries its CSR Activities.

(Amount in ₹)

S. No.	CSR Project or Activity identified	Sector in which the Project is covered	Project or Program (1) Local area or other (2) Specify the State and district where Project or Program 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	1,66,49,196	54,84,674	1,66,49,196	HelpAge India (Implementing Agency)
2	Basic Health Care	-do-	Goa	1,76,45,247	36,64,691	1,22,66,579	HelpAge India (Implementing Agency)
3	Basic Health Care	-do-	Sardarshahar, Churu, Rajasthan	1,89,52,689	24,52,008	1,05,62,771	HelpAge India (Implementing Agency)
4	Basic Health Care	-do-	Ghazipur, Uttar Pradesh	1,05,52,000	42,66,000	91,30,000	Wockhardt Foundation (Implementing Agency)
5	Basic Health Care	-do-	Hyderabad, Telangana	1,00,42,000	33,30,000	73,75,016	Wockhardt Foundation (Implementing Agency)
6	Basic Health Care	-do-	Sonipat, Haryana	36,75,540	27,56,655	36,75,540	Wockhardt Foundation (Implementing Agency)

(Amount in ₹)

S. No.	CSR Project or Activity identified	Sector in which the Project is covered	Project or Program (1) Local area or other (2) Specify the State and district where Project or Program 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
7	Advance Medical Relief	Corrective surgeries	Delhi	10,00,000	8,00,000	10,00,000	St. Stephen's Hospital Patients Welfare Society (Implementing Agency)
8	Critical Illness Care	Individual Critical Illness Support Grant (ICISG)	Delhi	13,00,000	13,00,000	13,00,000	HFCL Social Services Society (Implementing Agency)
9	Education	Quality Education through new age digital learning solution	Sardarshahar, Churu Rajasthan	22,55,600	0	22,55,600	Extra Marks Education Foundation (Implementing Agency)
10	Education	Quality Education through new age digital learning solution	Ghaziabad, Uttar Pradesh	28,72,000	0	28,72,000	Extra Marks Education Foundation (Implementing Agency)
11	Education	Quality Education through new age digital learning solution	Ghazipur, Uttar Pradesh	43,60,000	3,00,000	43,60,000	Extra Marks Education Foundation (Implementing Agency)
12	Education	Computer Skill training	Ghazipur, Uttar Pradesh	1,30,50,000	29,25,000	95,25,000	Hari Prem Society (Implementing Agency)
13	Education	Provide Basic Education and nutrition to the street children	Delhi	18,00,000	7,50,000	18,00,000	Samarpan Foundation (Implementing Agency)
14	Education	Inclusive education to special children	Delhi	36,12,296	22,39,416	36,12,296	Balwantray Mehta Vidya Bhawan (Implementing Agency)
15	Education	Individual Education Grant	Telangana	3,75,000	1,82,500	1,82,500	HFCL Social Services Society (Implementing Agency)
16	Sports Development	Individual Sports Training Grant	Telangana	3,00,000	3,00,000	3,00,000	HFCL Social Services Society (Implementing Agency)
17	Safe Drinking Water	Installation of RO & UV enabled water cooler for underprivileged community	Rajasthan & Haryana	3,07,767	3,07,767	3,07,767	HFCL Social Services Society (Implementing Agency)
18	Environment Sustainability	Ghanga Ghat Development Project	Ghazipur, Uttar Pradesh	26,73,753	10,77,056	23,83,552	HFCL Social Services Society (Implementing Agency)
19	Environment Sustainability	Say "NO" to plastic Project- Distribution of cotton bags	New Delhi, Gurugram & Goa	1,91,530	1,91,530	1,91,530	HFCL Social Services Society (Implementing Agency)
20	Environment Sustainability	Say "NO" to Plastic Project: procurement of scraped plastic bottle vending machine	New Delhi	5,07,500	1,01,480	1,01,480	HFCL Social Services Society (Implementing Agency)
21	Disaster Management	Disaster relief and rehabilitation	Odisha & Sardarshahar	26,13,556	26,13,556	26,13,556	Utkal Bipanna Sahayata Samiti (Implementing Agency)
22	Miscellaneous	Stakeholders satisfaction Survey for CSR Projects & CSR Week drive	New Delhi, Solan, Goa, Sardarshahar & Ghazipur	5,69,049	5,69,049	5,69,049	Finnovation/ HFCL Social Services Society (Implementing Agency)
	Total			**11,53,04,723**	**3,56,11,382**	**9,30,33,432**	

The HSSS has engaged implementing agencies who have good background of doing CSR activities. During the year under review, HSSS has spent ₹ 3.56 crore on the various ongoing CSR Projects as stated above.

Performance at a glance of Mobile Medical Units (MMUs) during the FY2020:

Particulars	Total Beneficiaries Treated	Total Physiotherapy conducted	Total Lab test conducted	Average Beneficiaries per day
MMU – Solan, Himachal Pradesh	26,263	2,710	3,482	96
MMU – Goa	19,549	-	10,149	71
MMU – Sardarshahar, Rajasthan	21,791	-	7,127	79
MMU – Ghazipur, Uttar Pradesh	22,553	-	1,937	82
MMU – Telangana, Hyderabad	22,154	-	2,731	81
MMU – Sonipat, Haryana * (w.e.f. 3rd November, 2018)	9,880	-	569	53
Total	**1,22,190**	**2,710**	**25,995**	

*Project has completed its tenure in November, 2020.

Your Company has taken 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 Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

6. **In case, the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:** Since, HSSS already has a credit balance of CSR Funds given to it by the Company so far in previous financial years and also due to cash flow mismatch and liquidity concerns on account of COVID-19 pandemic spread across the world, the Company has not spent ₹ 4.17 crore (Rupees Four Crore Seventeen Lakh Only) being 2% of the average net profits of last three financial years of the Company, towards CSR obligations pertaining to financial year 2019-20. It is also informed that on going CSR Projects/ Activities were not impacted due to the unspent amount.

   However, the Company is committed to its CSR obligations and spend the requisite amounts towards CSR activities, considering the Company's liquidity position and the balance of CSR Fund in the hands of HSSS.

7. 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.

Mahendra Nahata
Managing Director &
Chairman – CSR Committee
DIN : 00052898

Place: New Delhi
Date: June 05, 2020

CORPORATE GOVERNANCE REPORT

The Corporate Governance report for Financial Year ("FY") 2019-20, which forms part of Directors' Report, is prepared in accordance with Regulation 34 read with Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

This Report is in compliance with the Listing Regulations.

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.

Your Company is committed to highest standards of Corporate Governance and disclosure practices to ensure that its affairs are managed in the best interest of all stakeholders.

The Company is in compliance with the requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations, as applicable, with regard to Corporate Governance.

A report on compliance with the implementation of Regulation 34(3) read with Chapter IV and Schedule V to 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 (the "Act").

As on 31st March, 2020, the Company had 8 (eight) Directors on the Board with an optimum mix of Executive, Non-Executive and Independent Directors.

As on 31st March, 2020, more than 50 (fifty) percent of the Board comprised of Non-Executive Directors. Out of 8 (eight) Directors, 3 (three) are Non-Executive Independent Directors including 1 (one) Woman Director, 4 (four) Non-Executive Directors including 1 (one) Nominee Director of IDBI Bank Limited (a Lender Bank) and 1 (one) Promoter Managing Director.

Detailed profile of each of the Directors is available on the website of the Company at www.hfcl.com.

The Chairman of the Board is a Non-Executive Director.

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

The Board periodically evaluates the need for change in its size and composition.

A Certificate as required under Regulation 34(3) read with Schedule V Para-C sub-clause 10(i) of the Listing Regulations, confirming that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Director of the Company, is enclosed and forms part of this Report.

Board/Committees Procedures and flow of information

The Board meets at least once in a quarter to, inter-alia, review quarterly standalone and consolidated financial results/statements, compliance report(s) of all laws applicable to the Company, regulatory developments, minutes of the Board Meetings of subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, any other proposal from the management etc.

The maximum gap between any two Board/Committee meetings is within the stipulated period under the provisions of the Act and the Listing Regulations. Additional meetings are held whenever necessary. In case of matters requiring urgent approval of the Board, resolutions are passed through circulation.

The Company also provides video conferencing facility to its Directors to enable them to participate in the discussions held at the meetings, when it may not be possible for them to be physically present for the meeting.

The Agenda for the meetings is circulated well in advance to the Directors to ensure that sufficient time is provided to Directors to prepare for the meeting.

Information Placed before the Board

The Board has complete access to all information of the Company, including inter-alia, the minimum information required to be made available to the Board as prescribed under Part A of Schedule II to the Listing Regulations.

The Managing Director, SBUs / Functional Heads of the Company are invited to attend meetings of the Board and make presentations to the Board on matters including but not limited to the Company's performance, strategic plans, quarterly and annual financial results, compliance reports, etc.

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

The Company adheres to the provisions of the Act read with the Rules issued thereunder, Secretarial Standards and Listing Regulations with respect to convening and holding the meetings of the Board of Directors, its Committees and the General Meetings of the shareholders of the Company.

2.1 Board Meetings

During the financial year ended 31st March, 2020, 6 (six) Board Meetings were held on 15.05.2019, 10.07.2019, 28.08.2019, 11.10.2019, 21.10.2019 and 20.01.2020.

The necessary quorum was present for all the meetings.

The last Annual General Meeting (AGM) was held on 28th September, 2019.

Mr. Mahendra Pratap Shukla, Chairman of the Company, Chairman of the Stakeholders' Relationship Committee and a member of the Nomination, Remuneration and Compensation Committee was present at the aforesaid last AGM of the Company.

Mr. Ved Kumar Jain, Independent Director and Chairman of the Audit Committee, Mr. Arvind Kharabanda, Non-Executive Director and member of the Audit Committee and Stakeholders' Relationship Committee, Dr. (Ms.) Tamali Sengupta, Independent Director and member of the Audit Committee and the Stakeholders' Relationship Committee were also present in the aforesaid last AGM of the Company.

The attendance of each Director at the Board Meetings held during the financial year under review as well as in the last AGM and the number of Directorships held by them, as at 31st March, 2020, are as under:-

Name of the Director	DIN	Category	Total No. of Directorships$	No. of Board Meetings Held	No. of Board Meetings Attended	Attended last AGM (28.09.2019)	Shareholding in the Company
Mr. Mahendra Pratap Shukla	00052977	NED	02	6	5	Yes	Nil
Mr. Mahendra Nahata	00052898	PD [MD]	08	6	6	No	45,60,091
Mr. Arvind Kharabanda	00052270	NED	03	6	5	Yes	Nil
Dr. (Mr.) Ranjeet Mal Kastia	00053059	NED	06	6	5	No	Nil
Mr. Ranjeet Anandkumar Soni (Nominee – IDBI Bank Limited)	07977478	NED	01	6	3	No	Nil
Mr. Surendra Singh Sirohi	07595264	NEID	02	6	6	No	Nil
Mr. Ved Kumar Jain*	00485623	NEID	03	6	5	Yes	Nil
Dr. (Ms.) Tamali Sengupta	00358658	NEID	06	6	6	Yes	Nil
Mr. Bharat Pal Singh#	00739712	NEID	01	-	-	NA	Nil

$ The number of Directorships held by Directors as mentioned above does not include directorship of foreign companies, Section 8 companies, if any.
* Resigned w.e.f. 26th December, 2019.
#Appointed w.e.f. 21st January, 2020.
[NEID - Non-Executive Independent Director, PD - Promoter Director, MD - Managing Director, NED-Non-Executive Director]

2.2 Directorship in other Companies/ Committee Position (including HFCL Limited) as at 31st March, 2020:-

S. No.	Name of Director & Category	Directorship in Listed Companies along with Category	Committee Position(s)* Name of Company	Name of Committee	Position
1	Mr. Mahendra Pratap Shukla Chairman (Non-Executive)	HFCL Limited – Non-Executive	HFCL Limited	Stakeholders' Relationship Committee	Chairman
			HTL Limited	Audit Committee	Chairman
2	Mr. Mahendra Nahata Managing Director (Executive)	HFCL Limited – Executive	Nil	Nil	Nil
3	Mr. Arvind Kharabanda Non-Executive	HFCL Limited – Non-Executive	HFCL Limited	Audit Committee	Member
				Stakeholders' Relationship Committee	Member
4	Dr. (Mr.) Ranjeet Mal Kastia Non-Executive	HFCL Limited – Non-Executive	HFCL Limited	Stakeholders' Relationship Committee	Member
			HTL Limited	Audit Committee	Member
5	Mr. Ranjeet Anandkumar Soni Non-Executive (Nominee-IDBI Bank)	HFCL Limited – Non-Executive	Nil	Nil	Nil
6	Mr. Surendra Singh Sirohi Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Member
		Bharat Electronics Limited – Independent	Bharat Electronics Limited	Audit Committee	Member
7	Dr. (Ms.) Tamali Sengupta Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Member
				Stakeholders' Relationship Committee	Member
		SREI Infrastructure Finance Limited – Independent	Aria Hotels & Consultancy Services Pvt. Limited**	Audit Committee	Chairperson
8	Mr. Bharat Pal Singh #	HFCL Limited – Independent	HFCL Limited	Audit Committee	Chairman

* Only Audit Committee and Stakeholders' Relationship Committee positions are considered.
** Deemed Public Company
# Appointed w.e.f. 21st January, 2020.

None of the Directors on the Board holds 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 public limited companies in which they are directors.

None of the Independent Directors serves as an independent director on more than seven listed entities.

Necessary disclosures regarding their Committee positions have been made by all the Directors.

2.3 Disclosure of relationship between directors inter-se

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

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

None of the Non-Executive Directors hold any share or convertible instrument of the Company as on 31st March, 2020.

2.5 Evaluation of Board

Listing Regulations mandate the Board of listed companies to monitor and review the Board Evaluation framework. Section 134(3) of the Act read with the Rule 8 of the Companies (Accounts) Rules, 2014 issued thereunder further provides that formal annual evaluation needs to be made by the Board of its own performance and that of its Committees and individual Directors.

Schedule IV to the Companies Act, 2013 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, various Committees of the Board and individual performance of each Director including the Chairman of the Company.

The Questionnaires 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 etc.

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 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.

2.6 Independent Directors

Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Act along with rules framed thereunder. In terms of Regulation 25(8) of the Listing Regulations, they have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Regulation 16(1)(b) of the Listing Regulations and that they are independent of the management.

The Company has issued the formal letter of appointment to the Independent Directors in the manner provided under the Act and Listing Regulations.

During the FY20, Mr. Ved Kumar Jain (DIN: 00485623) has resigned as an Independent Director of the Company w.e.f. 26th December, 2019, due to his professional commitments and inability to devote sufficient time for the Company and there were no other material reasons for his cessation.

Your Board of Directors places on record its sincere appreciation for the support and valuable guidance given by Mr. Ved Kumar Jain during his tenure as Non-Executive Independent Director of the Company.

The Board of Directors of the Company, on the recommendations of the Nomination, Remuneration and Compensation Committee, had appointed Mr. Bharat Pal Singh (DIN: 00739712) as an Additional Director in the category of Independent Director w.e.f. 21st January, 2020, in terms of provisions of Section 149 and 161 of the Act and Regulation 17 of the Listing Regulations and the Articles of Association of the Company.

Brief resume, nature of expertise, disclosure of relationships between directors inter-se, details of directorships and Committee membership held in other companies of the Directors proposed to be appointed/ re-appointed, along with their shareholding in the Company, as stipulated under Regulation 36 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, is appended as an Annexure to the Notice of the ensuing AGM.

2.7 Meeting of Independent Directors

Schedule IV to the Act mandates that the Independent Directors of the Company hold at least one meeting in a financial year, without the attendance of non–independent directors or management personnel. 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, 2020, 1 (one) meeting of the Independent Directors was held on 20th March, 2020.

Since, Mr. Bharat Pal Singh was newly inducted on the Board, the meeting of the Independent Directors was attended by Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta.

2.8 Familiarization Programme for Independent Directors

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

The Company through its Managing Director/ Senior Managerial Personnel conduct programmes/ presentations periodically to familiarize 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 programmes also include the familiarization on statutory compliances as a Board member including their roles, rights and responsibilities. The Company also circulates news and articles related to the industry from time to time and provide specific regulatory updates.

The Familiarization Programme for Independent Directors in terms of Regulation 25(7) of the Listing Regulations is uploaded on the website of the Company and can be accessed through the following link: http://www.hfcl.com/wp-content/uploads/2020/04/HFCL-Familiarisation-Prog.-ID_2020.pdf

2.9 List of Core Skills/ Expertise/ Competencies as required in the Context of Business and Sector(s) of the Company

The Board has identified the names of the Directors possessing the skills/expertise/ competencies fundamental for the effective functioning for its various business verticals viz. OF & OFC, Telecom Equipment Manufacturing, Telecom Network & Turnkey Solutions, Railway Communication and Signaling, Defence Equipment Manufacturing and Surveillance, Security & Smart Cities:-

S. No.	Skills/Expertise/ Competence identified by the Board of Directors	Actually available with the Board of Directors	Name of Director with relevant Skill/ Expertise/ Competency
1	**Industry knowledge/ experience**		
	Experience	Yes	Mr. Mahendra Pratap Shukla
			Mr. Mahendra Nahata
			Mr. Surendra Singh Sirohi
			Mr. Arvind Kharabanda
			Dr. (Mr.) Ranjeet Mal Kastia
2	**Technical skills/experience**		
	Information Technology	Yes	Mr. Mahendra Pratap Shukla
			Mr. Mahendra Nahata
			Mr. Surendra Singh Sirohi
	Marketing	Yes	Mr. Mahendra Nahata
			Mr. Arvind Kharabanda
			Mr. Ranjeet Anandkumar Soni
	Accounting and Finance	Yes	Mr. Bharat Pal Singh
			Mr. Arvind Kharabanda
			Mr. Ranjeet Anandkumar Soni
	Compliance and Risk	Yes	Mr. Surendra Singh Sirohi
			Mr. Bharat Pal Singh
			Ms. Tamali Sengupta
3	**Behavioural Competencies**		
	Integrity and ethical standards	Yes	Mr. Mahendra Pratap Shukla
			Mr. Mahendra Nahata
	Mentoring abilities	Yes	Mr. Mahendra Pratap Shukla
			Mr. Mahendra Nahata
	Interpersonal relations	Yes	Mr. Mahendra Nahata
			Mr. Arvind Kharabanda
			Dr. (Mr.) Ranjeet Mal Kastia
			Mr. Bharat Pal Singh

3. Committees of the Board

In terms of the Listing Regulations, the Board of your Company has constituted the following Committees as mandatorily required under the provisions of the Act and the Listing Regulations:-

1. Audit Committee
2. Nomination, Remuneration and Compensation Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee
5. Risk Management Committee

The composition of various Committees of the Board of Directors is also available on the website of the Company and web link for the same is http://www.hfcl.com/wp-content/uploads/2020/01/HFCL-Composition-of-Board-Committees.pdf

3.1 Audit Committee

The terms of reference of the Audit Committee covers the areas mentioned in Section 177 of the Act and Regulation 18 read with Part C of Schedule II to the Listing Regulations.

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.
- Reviewing the utilization of loans and/or advances from/ investment by the holding company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/investments.

The composition of the Audit Committee is in line with the provisions of Section 177 of the Act and Regulation 18 of the Listing Regulations. The members of the Audit Committee are financially literate and have requisite experience in financial management.

Mr. Bharat Pal Singh, Non-Executive Independent Director is the Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

Upon invitation, the CFO and the Statutory Auditors of the Company attend the meetings of the Audit Committee.

All the recommendations of the Audit Committee have been accepted by the Board of Directors.

During the financial year ended 31st March, 2020, the Audit Committee met 5 (five) times on 12.04.2019, 15.05.2019, 10.07.2019, 21.10.2019 and 20.01.2020.

The composition of the Audit Committee and details of meetings attended by its members during the financial year ended 31st March 2020, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Bharat Pal Singh #	Chairman	-	-
Mr. Ved Kumar Jain *	Chairman	4	4
Mr. Surendra Singh Sirohi	Member	5	5
Dr. (Ms.) Tamali Sengupta	Member	5	5
Mr. Arvind Kharabanda	Member	5	4

Mr. Bharat Pal Singh was inducted as Chairman of the Audit Committee w.e.f. 21st January, 2020.

* Mr. Ved Kumar Jain ceased to be a Director and the Chairman of the Audit Committee w.e.f. 26th December, 2019.

Reporting of Internal Auditor

The Internal Auditor of the Company attends meetings of the Audit Committee and findings of Internal Audits, if any, are reported directly to the Audit Committee.

3.2 Nomination, Remuneration and Compensation Committee

The Nomination, Remuneration and Compensation Committee has been constituted by the Board in compliance with the requirements of Section 178 of the Act and Regulation 19 of the Listing Regulations.

Nomination, Remuneration and Compensation (NRC) Committee, amongst others, is responsible for determining the Company's policy on recruitment and remuneration of Directors/KMPs, Senior Management Personnel and other employees of the Company.

The terms of reference of the NRC Committee covers the areas mentioned in Section 178 of the Act and Regulation 19 read with Part D (A) of Schedule II to the Listing Regulations.

The brief description of term of reference of NRC 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.
- To devise a policy on diversity of Board of Directors.
- To extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of Independent Directors.
- To carry out evaluation of every Director's performance.
- To 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 recommend to the board, all remuneration, in whatever form, payable to senior management personnel.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

Mr. Surendra Singh Sirohi, Non-Executive Independent Director is the Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

During the financial year ended 31st March, 2020, the Nomination, Remuneration and Compensation Committee met 3 (three) times on 15.05.2019, 28.08.2019 and 20.01.2020.

The composition of the NRC Committee and details of meetings attended by its members during the financial year ended 31st March 2020, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Surendra Singh Sirohi	Chairman	3	3
Mr. Ved Kumar Jain *	Member	2	2
Mr. Mahendra Pratap Shukla	Member	3	3
Mr. Ranjeet Anandkumar Soni **	Member	3	2
Mr. Arvind Kharabanda $	Member	-	-
Mr. Bharat Pal Singh #	Member	-	-

* Mr. Ved Kumar Jain ceased to be a Director and the Member of the NRC Committee w.e.f. 26th December, 2019.

** Mr. Ranjeet Anandkumar Soni ceased as a Member of the NRC Committee w.e.f. 21st January, 2020.

$ Mr. Arvind Kharabanda was inducted as a Member of the NRC Committee w.e.f. 21st January, 2020.

Mr. Bharat Pal Singh was inducted as a Member of the NRC Committee w.e.f. 21st January, 2020.

Performance Evaluation Criteria for Independent Directors

The performance evaluation criteria for independent directors is determined by the NRC Committee. An indicative list of factors on which evaluation was carried out includes participation and contribution by a director in meetings, commitment, effective deployment of knowledge and expertise, integrity and maintenance of confidentiality and independence of behaviour and judgment.

Performance evaluation of the Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

The Directors expressed their satisfaction with the evaluation process.

Remuneration Policy

The 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 NRC Committee inter–alia considers pay and employment conditions in the industry, merit and seniority of person and the paying capacity 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 Employees Long Term Incentive Plan-2017 through HFCL Employee Trust.

Remuneration of Executive Directors

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and also remuneration based on net profit (variable component) to its Managing Director. Annual increments are recommended by the Nomination, Remuneration and Compensation (NRC) Committee within the salary scale approved by the Board and Members of the Company.

The Board of Directors, on the recommendation of the NRC Committee, decides the variable component payable to the Managing Director out of the profits for the financial year and within the ceilings prescribed under the Act, considering the criteria such as the financial performance of the Company.

Remuneration of Non-Executive Directors

The Company paid sitting fees of ₹ 50,000/- per meeting (revised the sitting fee from ₹ 35,000/- per meeting to ₹ 50,000/- per meeting with effect from the meetings, to be held after 15th May, 2019) to its Non-Executive Directors, including Independent Directors, for attending meetings of the Board and meetings of Committees of the Board.

In case of Nominee Director, sitting fee is paid to the Nominating Institution.

The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

Further, pursuant to approval of the shareholders by way of special resolution passed in their 32nd AGM held on 28th September, 2019, the Company may also make payment of remuneration by way of commission to the Non-Executive Directors including Independent Directors of the Company (i.e. Directors other than the Managing Director and/or Whole-time Directors), for a period of three financial years commencing from 1st April, 2019, as may be determined by the Board of Directors or the NRC Committee, for each of such Directors and distributed between such Directors in such manner, as may be determined by the Board of Directors or the NRC Committee, from time to time, subject to a ceiling of 1% (one percent) per annum of the net profits of the Company, calculated in accordance with the provisions of Section 198 of the Act.

No profit based commission has been paid to any of the Directors for the FY 20.

Remuneration of KMPs/ Senior Management

Remuneration of KMPs and Senior Management Personnel is recommended by the NRC Committee and approved by the Board of Directors. The remuneration of other employees is fixed as per principles outlined above and prevailing HR Policies of the Company.

The Remuneration policy is available on http://www.hfcl.com/wp-content/uploads/2019/06/Remuneration-Policy.pdf.

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

Except sitting fee payable to Non-Executive Directors, for attending the Board and/or its Committee meetings and profit based commission as may be determined by the NRC Committee or the Board of Directors from time to time, there is no other pecuniary relationship or transaction of the Non-Executive Directors vis-à-vis the Company.

Criteria of making payments to Non-Executive Directors:

The Non-Executive Directors are entitled to sitting fees for attending meetings of the Board and/or its Committees.

The details of remuneration paid to the Executive and Non-Executive Directors during the FY20 are given below:

Remuneration to Executive Director:

Name of Director	Salary	Perquisites & Allowances	Contribution to PF	Net Profit based Commission	Total (₹)
Mr. Mahendra Nahata Managing Director	5,00,00,000	1,20,00,000	60,00,000	0	6,80,00,000

Remuneration to Non-Executive / Independent Directors:

(Amount in ₹)

Name of Director	Sitting Fee	Total
Nominee Director		
IDBI Bank Limited (Non-Executive)		
Mr. Ranjeet Anandkumar Soni	2,20,000	2,20,000
Non-Executive Directors		
Mr. Mahendra Pratap Shukla Chairman	5,40,000	5,40,000
Dr. (Mr.) Ranjeet Mal Kastia	4,85,000	4,85,000
Mr. Arvind Kharabanda	7,40,000	7,40,000
Independent Directors		
Mr. Ved Kumar Jain*	4,90,000	4,90,000
Mr. Surendra Singh Sirohi	6,90,000	6,90,000
Dr. (Ms.) Tamali Sengupta	6,55,000	6,55,000
Mr. Bharat Pal Singh #	-	-
Total		**38,20,000**

* Ceased to be an Independent Director w.e.f. 26th December, 2019.

Appointed as an Independent Director w.e.f. 21st January, 2020.

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

The details of fixed components are mentioned as above and there is no performance linked incentive along with the performance criteria for Managing Director as on 31st March, 2020. However, the net profit based Commission is determined on the basis of financial performance of the Company and approved by the NRC Committee and the Board of Directors, after the declaration of Annual Financial Results for the financial year.

No profit based commission has been paid to the Managing Director for the financial year 2019-20.

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 necessary disclosures have been given in **Annexure – B** to the Directors' Report and for the sake of brevity, same has not been repeated here.

No stock options have been issued to any of the Directors of the Company.

3.3 Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee has been constituted by the Board in compliance with the requirements of Section 178 (5) of the Act and Regulation 20 of the Listing Regulations.

The terms of reference of the Stakeholders' Relationship Committee (SRC), covers the areas mentioned in Section 178(5) of the Act and Regulation 20 read with Part D (B) of Schedule II to the Listing Regulations.

The terms of reference of the SRC, inter-alia are as follows:

a) Resolution of the grievances of the security holders of the Company including work related to the transfer and transmission of shares/debentures/bonds etc., issue of new/ duplicate share certificates, issue of share certificates on rematerialisation, consolidation and sub-division of shares, non-receipt of annual report, non-receipt of declared dividends etc.

b) Review of measures taken for effective exercise of voting rights by shareholders.

c) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.

d) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

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, 2020, the Stakeholders' Relationship Committee met 02 (two) times on 21st October, 2019 and 10th February, 2020.

The composition of the Stakeholders' Relationship Committee is in compliance with the provisions of Section 178 of the Act and Regulation 20 of the Listing Regulations.

Mr. Mahendra Pratap Shukla, Non-Executive Chairman is the Chairman of the SRC Committee. The Company Secretary acts as Secretary to the Committee.

The composition of the SRC Committee and details of meetings attended by its members during the financial year ended 31st March 2020, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Mahendra Pratap Shukla	Chairman	2	2
Dr. (Mr.) Ranjeet Mal Kastia	Member	2	1
Mr. Arvind Kharabanda	Member	2	1
Dr. (Ms.) Tamali Sengupta	Member	2	2

Nature of Complaints and Redressal Status

During the FY20, the complaints and queries received by the Company were general in nature, which include issues relating to non-receipt of dividend warrants, annual reports, shares, transfer/ transmission of shares, loss of shares etc. and were resolved to the satisfaction of the shareholders.

Details of complaints received and attended to during the FY20 are given below:

Number of Shareholders' complaints received during the FY20	09
Number of complaints not resolved to the satisfaction of shareholders as on 31st March, 2020	NIL
No. of pending complaints as at 31st March, 2020	NIL

The Company has attended the investor's grievances/ correspondence within a period of 15 days from the date of receipt of the same during the FY20 except in cases which are constrained by disputes and legal impediments.

There were no investor grievances remaining unattended/pending as at 31st March, 2020.

The Board, in its meeting held on 31st October, 2006, has designated Mr. Manoj Baid, Vice-President (Corporate) & Company Secretary as the Compliance Officer of the Company.

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

3.4 Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility (CSR) Committee has been constituted by the Board in compliance with the requirements of Section 135 of the Act.

The broad terms of reference of the CSR Committee, inter-alia, are as follows:

- Formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII to 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 Board has adopted a Corporate Social Responsibility (CSR) Policy as formulated and recommended by the CSR Committee. The CSR Policy is available on the website of the Company at http://www.hfcl.com/wp-content/uploads/2016/01/CSR-Policy.pdf

The details of the CSR initiatives of the Company and expenditure incurred on it have been given in the **"Annual Report on CSR Activities"** annexed as **Annexure – G** to the Directors' Report.

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

No meeting of CSR Committee was held during the financial year ended 31st March, 2020. The CSR Committee met on 5th June, 2020 inter-alia to consider and approve Annual Report on CSR activities for the Financial Year 2019-20.

Mr. Mahendra Nahata, Managing Director is the Chairman of the CSR Committee. The Company Secretary acts as Secretary to the Committee.

The composition of the CSR Committee as on 31st March 2020, is given below:-

Name of Director	Position
Mr. Mahendra Nahata	Chairman
Mr. Mahendra Pratap Shukla	Member
Mr. Ranjeet Anandkumar Soni	Member
Mr. Surendra Singh Sirohi	Member

3.5 Risk Management Committee

The Risk Management Committee of the Company is constituted in line with the provisions of Regulation 21 of the Listing Regulations. The Board of the Company has constituted a Risk Management Committee to frame, implement and monitor the Risk Management Plan for the Company.

The Committee is responsible for reviewing the Risk Management Plan and ensuring its effectiveness. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Roles and Responsibilities of the Risk Management 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.
- Cyber Risk / Security.

During the financial year ended 31st March, 2020, 01 (one) meeting of the Risk Management Committee was held on 5th June, 2020.

(Due to the Covid-19 pandemic and consequent lockdown across the Country, SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/48 dated March 26, 2020, has granted relaxations from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which, inter-alia, include relaxation of 3 months from due date March 31, 2020, for Conduct of Committee meetings).

Mr. Mahendra Nahata, Managing Director is the Chairman of the Risk Management Committee. The Company Secretary acts as Secretary to the Committee.

The composition of the Risk Management Committee and details of meetings attended by its members during the financial year ended 31st March 2020, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Mahendra Nahata	Chairman	1	1
Mr. Mahendra Pratap Shukla	Member	1	1
Mr. Arvind Kharabanda	Member	1	1

The Board has adopted a Risk Management Policy as formulated and recommended by the Risk Management Committee. The Risk Management Policy articulates the Company's approach to address uncertainties in its endeavors to achieve its stated and implicit objectives.

The Policy provides guidelines to define, measure, report, control and mitigate the identified risks, the structure for managing risks inherent in any business operations of the Company and address the key strategic/business risks and operational risks.

4. General Body Meetings

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

Financial Year	Date	Location	Time
2018-19	28-09-2019	Mushroom Centre, Solan	11:00 A.M.
2017-18	29-09-2018	Mushroom Centre, Solan	11:00 A.M.
2016-17	25-09-2017	Mushroom Centre, Solan	11:00 A.M.

No Extra-Ordinary General Meeting (EGM) was held in last three years.

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

Financial Year	Date	Subject matter of Special Resolutions
2018-19	28-09-2019	• To approve Change of Name of the Company.
		• To approve borrowing of funds in excess of the limits as prescribed under Section 180(1)(c) of the Companies Act, 2013.
		• To approve creation of charge on the assets of the Company as prescribed under Section 180(1)(a) of the Companies Act, 2013.
		• To approve conversion of loan into Shares or Convertible instruments or other securities.
2017-18	29-09-2018	• 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.
		• To appoint Shri Mahendra Pratap Shukla (DIN: 00052977) as a Non –Executive Director and Chairman of the Company.
		• To re-appoint Shri Mahendra Nahata (DIN: 00052898) as a Managing Director of the Company.
2016-17	25-09-2017	• To increase the remuneration of Shri Mahendra Nahata (DIN: 00052898), the Managing Director of the Company.
		• 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.

4.3 Postal Ballot

No special resolutions was put through Postal Ballot during the FY20.

4.4 Any Special Resolution proposed to be conducted through Postal Ballot

No Special Resolution is proposed to be passed through Postal Ballot at the ensuing AGM.

4.5 Procedure for Postal Ballot

Since, no special resolution is proposed to be passed through Postal Ballot, procedure for postal ballot has not been given.

5. Means of Communications

5.1 Quarterly results

The quarterly/ half-yearly/ annual financial results are regularly submitted to the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE), the Stock Exchanges where the securities of the Company are listed pursuant to the Listing Regulations requirements and are published in the Newspapers (Hindi and English). The Company regularly hosts Audio Earnings Conference Calls to discuss the Financial Results of the Company.

The financial results are displayed on the Company's website www.hfcl.com.

5.2 Newspapers wherein results normally published

The quarterly/ half-yearly/ annual financial results are generally published in Financial Express (English), Jansatta, Dainik Tribune and Divya Himachal (Hindi).

5.3 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.

5.4 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 patterns, press releases, 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 the Listing Regulations, is disseminated at the website of the Company.

5.5 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. The Presentations are also uploaded on the Company's website at www.hfcl.com and filed with the Stock Exchanges – BSE and NSE, from time to time.

6. General Shareholders' Information

6.1 Date and time of Annual General Meeting

Monday, 28th September, 2020 at 11:00 A.M.

Mode: Video Conference and Other Audio-Visual Means (VC/OAVM)

Participation through video-conferencing: https://www.evoting.nsdl.com

6.2 Financial Year

1st April, 2019 to 31st March, 2020.

6.3 Dividend Payment Date

The Board of Directors of your Company has not recommended any dividend for the FY2020.

6.4 Date of Book Closure

From Tuesday, 22nd September, 2020 to Monday, 28th September, 2020 (both days inclusive).

6.5 Registered Office

8, Electronics Complex
Chambaghat
Solan – 173 213 HP
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: +91-11-3520 9400/9500
Fax: +91-11-3520 9525

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 Limited
4th Floor, 'A' Wing, Trade World
Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai - 400 013
Tel: +91-22-24994200
Fax: +91-22-24972993

Central Depository Services (India) Limited

Marathon Futurex, A' Wing, 25th Floor
N.M. Joshi Marg, Lower Parel
Mumbai - 400 013
Tel: +91-22-22723333
Fax: +91-22-22723199

6.10 International Securities Identification Number (ISIN)

INE548A01028

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

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

The National Stock Exchange of India Limited
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 FY21.

6.12 Stock Codes

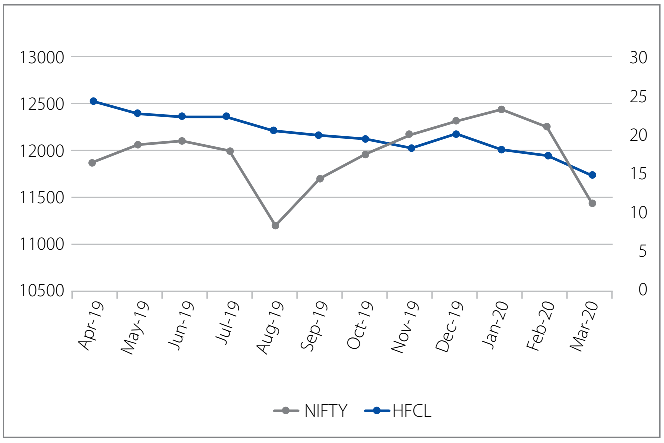
BSE: 500183
NSE: HFCL

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

(₹)

Month	NSE		NIFTY INDEX	
	Highest	Lowest	Highest	Lowest
April, 2019	24.40	21.80	11856	11549
May, 2019	22.75	19.70	12041	11108
June, 2019	22.35	19.45	12103	11625
July, 2019	22.30	18.65	11982	10999
August, 2019	20.50	18.40	11182	10637
September, 2019	20.30	17.80	11695	10670
October, 2019	19.35	16.80	11945	11090
November, 2019	18.20	16.95	12159	11803
December, 2019	20.05	16.80	12294	11832
January, 2020	18.45	16.80	12431	11930
February, 2020	17.50	14.10	12247	11175
March, 2020	14.95	8.10	11433	7511

6.13(b) Performance of Share Price in Comparison to NIFTY INDEX



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)

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 Transmission, Dividend etc.

Share transmission, dividend payments and all other investor related activities are attended to and processed at the Office of the Company's Registrar and Share Transfer Agent, namely, MCS

Share Transfer Agent Limited (RTA). For lodgment of transmission and transposition and any other documents or for any grievances/ complaints, kindly contact any of the office of RTA or of the Company.

Share Transfer - Physical System

As per directives issued by SEBI, it is compulsory to trade in the Company's equity shares in dematerialized form.

Effective 1st April, 2019, transfer of shares in physical form has ceased. Request for transmission of shares and dematerialization of shares will continue to be accepted.

The Total number of equity shares transferred/ transmitted/ transposed in physical forms during the FY20:-

Number of Request	07
Number of Shares	760

6.17 Distribution of Equity Shareholdings as on 31st March, 2020:

No. of Equity Share held	No. of Shareholders	% of Shareholders	Shares Amount (₹)	% of Shareholdings
Up to 5000	2,07,812	95.52	12,18,61,789	9.49
5001 – 10000	4,902	2.25	3,75,04,992	2.92
10001-20000	2,334	1.07	3,42,88,678	2.67
20001-30000	849	0.39	2,12,48,126	1.65
30001-40000	379	0.17	1,34,59,773	1.05
40001-50000	266	0.12	1,24,15,952	0.97
50001-100000	473	0.22	3,48,50,538	2.71
Above 100000	541	0.25	1,00,87,47,346	78.54
Total	**2,17,556**	**100.00**	**1,28,43,77,194**	**100.00**

6.18 Categories of Equity Shareholding as on 31st March, 2020:

S. No.	Category	No. of Shares	%
A	**Promoters Holding**		
1	Indian Promoters	49.63.43.812	38.65
2	Foreign Promoters	-	-
	Sub Total (A)	**49.63.43.812**	**38.65**
B	**Public Shareholding**		
1	**Institutional Investors**		
	a) Mutual Funds/UTI	76,445	0.01
	b) Venture Capital Funds	-	-
	c) Alternate Investment Funds	-	-
	d) Foreign Venture Capital Investors	-	-
	e) Foreign Portfolio Investors	6,58,08,475	5.12
	f) Financial Institutions and Banks	1,56,85,446	1.22
	g) Insurance Companies	5,21,000	0.04
	h) Provident Funds/Pension Funds	-	-
	i) Any Others(specify)		
	(i) Foreign Institutional Investors	10,820	0.00
	(ii) Foreign Banks	5,305	0.00
	Sub Total (B1)	**8,21,13,591**	**6.39**
2	**Central Government/State Government(s)/President of India**	**5,000**	**0.00**
	Sub Total (B2)	**5,000**	**0.00**
3	**Non Institutional Investors**		
	a) Indian Public	37,82,37,289	29.45
	b) NBFCs Registered with RBI	1,54,444	0.01
	c) Employee Trusts	-	-
	d) Overseas Depositories (holding DRs)	-	-
	e) Any Other		
	(i) Bodies Corporates	30,86,34,393	24.03
	(ii) OCBs	38250	0.00
	(iii) NRIs	1,88,01,251	1.46
	(iv) Societies	520	0.00
	(v) Trusts	53,644	0.00
	Sub Total (B3)	**70,59,19,791**	**54.96**
	Total Public Shareholding (B = B1+B2+B3)	**78,80,33,382**	**61.36**
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)	**1,28,43,77,194**	**100.00**

6.19 Dematerialization of shares and liquidity

The process of conversion of shares from physical form to electronic form is known as Dematerialization.

For dematerializing the shares, the Shareholder has to open a demat account with a Depository Participant (DP). The Shareholder is required to fill in a Demat Request Form and submit the same along with the Share Certificate(s) to the DP. The DP will allocate a demat request number and shall forward the request physically and electronically, through NSDL/CDSL to the R&T Agent. On receipt of the demat request, both physically and electronically and after verification, the Shares are dematerialized and an electronic credit of shares is given in the account of the Shareholder.

The Company's shares are compulsorily traded in dematerialized form as per SEBI Guidelines.

As on 31st March, 2020, 99.96% of the equity shares have been dematerialized. The equity shares of the Company are frequently traded on BSE and NSE, having nationwide trading terminals, and hence provide liquidity to the investors.

Shares in Physical and Demat form as on 31st March, 2020	No. of Shares	Percentage
In Physical Form	4,69,775	0.04
In Dematerialized Form	128,39,07,419	99.96
Total	**128,43,77,194**	**100.00**

No. of shareholders whose shares as on 31st March, 2020 are in Physical and Demat form:	No. of Shareholders	Percentage
In Physical Form	3,602	1.61
In Dematerialized Form	2,19,526	98.39
Total	**2,23,128**	**100.00**

Disclosure with respect to demat suspense account/ unclaimed suspense account: Not applicable.

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

The Company had issued 4,50,00,000 Warrants on preferential basis at a price of ₹ 16/- per Warrant. The Warrants holders had already paid 25% of the issue price on the said Warrants.

During the FY20, the outstanding Warrants holders have exercised their right to conversion and pursuant to exercise of outstanding 1,00,00,000 Warrants, the Company has converted and allotted up to 1,00,00,000 equity shares on receipt of balance 75% money from the Warrant holders.

There are no outstanding Warrants as on 31st March, 2020.

The Company has not issued any Global Depository Receipts or American Depository Receipts, during the year under review.

6.21 Commodity price risk or foreign risk and hedging activities

The Company does not deal in commodities and hence the disclosure pursuant to SEBI Circular dated November 15, 2018 is not required to be given.

During the FY20, 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 (Himachal Pradesh)
Tel: +91-1792-230644
Fax: +91-1792-231902

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

Optical Fiber Plant
Plot No. S9, E-City
Raviryala, Rangareddy
Hyderabad – 501 359
Telangana

The Optical Fiber Plant has been commissioned from 23rd January, 2020.

6.23 Addresses for Correspondence

For Share Transmission in physical form and other communication regarding share certificates, dividends, change of address etc. and any other grievance of investors, may be sent to:-

MCS Share Transfer Agent Limited
F-65, 1st Floor,
Okhla Industrial Area, Phase-I
New Delhi-110 020
Tel: +91-11-41406149-52
Fax: +91-11-41709881
Email: admin@mcsregistrars.com

Secretarial Department and Investor Relations/ Nodal Officer

Mr. Manoj Baid
Vice-President (Corporate) & Company Secretary
8, Commercial Complex, Masjid Moth, Greater Kailash- II
New Delhi – 110048
Tel: +91-11-35209400
Fax: +91-11-29226015
Email: investor@hfcl.com

6.24 SEBI Complaints Redress System (SCORES)

The investors' complaints received by SEBI are being processed through its centralized web base complaint redressal system. The salient features of SCORES are availability of centralized database of the complaints, uploading online action taken reports by the Company. Through SCORES the investors can view online, the action taken and current status of their complaints.

SEBI vide its Circular dated 26th March, 2018 have streamlined the process of filing investor grievances in the SCORES in order to ensure speedy and effective resolution of complaints filed therein. The said Circular can be accessed on the website of SEBI at: https://www.sebi.gov.in/legal/circulars/mar-2018/investor-grievance-redress-mechanism-new-policy-measures_38481.html.

6.25 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

6.26 List of all Credit Ratings obtained along with any revisions thereto

CARE Ratings Limited, vide its letter dated January 29, 2020, has re-affirmed the credit rating for the Long Term Bank facilities of the Company to CARE A Minus; (Single A Minus) and outlook changed to negative from stable. The credit rating for the short term bank facilities were also re-affirmed as CARE A2+ (A Two Plus).

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

There is no material significant transaction entered into with any of the related parties that may have 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. 50 of the Standalone Financial Statements forming part of the Annual Report.

7.2 Details of non-compliance by the Company, penalties and 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

There was no non-compliance by the Company and no penalty and strictures were imposed on the Company, by Stock Exchange(s) or SEBI or any other statutory authorities, on any matter related to capital markets, during the last three years, except as mentioned herein below:

During the financial year 2018-19, SEBI had issued Show Cause Notice No. EFD-1/DRA 1/ BRK/RK/SCN/HFCL/OW/1 7730/1/2018/1 dated June 22, 2018 to the Company alleging violation of Regulations 3, 5(1) and 6(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. SEBI has also issued Show Cause Notice No. EAD-4/ADJ/BS/HKS/OW/18117/1/2018 dated June 27, 2018 to the Company alleging violation of Section 21 of the Securities Contracts (Regulation) Act, 1956 read with Clauses 36(7) and 50 of the erstwhile Listing Agreement.

The Company and the SEBI had arrived at a Settlement documented in Order No. SO/EFD-2/SD/280/MAR/2019 passed on 29th March, 2019 and Order No. ORDER/SRP/HKS/2019-20/2623 passed on 5th April, 2019, on payment of settlement amount of ₹1,14,06,516/- towards settlement charges by the Company in respect of settlement application No. 3566/2018 filed by the Company in terms of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 which were repealed and replaced with the SEBI (Settlement Proceedings) Regulations, 2018 with effect from 01st January, 2019, in respect of proceedings under Section 11B of the SEBI Act, 1992 initiated for the aforesaid alleged violations in connection with the issue of 67,99,945 Global Depository Receipts issued as long back as in September 2002.

Further, it may be noted that the settlement was without admission or establishment of guilt by the Company.

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.

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/2020/01/HFCL-Whistle-Blower-Policy_Revised1.pdf

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

7.4 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

Subsidiary companies

The Audit Committee reviews the consolidated financial statements of the Company, the investment made by its unlisted subsidiary companies and significant transactions of the 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, 2020.

7.5 Web-link where policy on dealing with related party transactions is disclosed

The Company has adopted a Policy for Dealing with and Materiality of Related Party Transactions, which has been uploaded on the

Company's website and can be accessed at the following link: http://www.hfcl.com/wp-content/uploads/2019/06/Policy-on-Related-Party-Transactions-RPTs.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 link: http://www.hfcl.com/wp-content/uploads/2017/05/Dividend_Distribution_Policy.pdf

The extracts of the Dividend Distribution Policy have also been furnished as Annexure – A to the Directors' Report, which forms part of the Annual Report.

7.7 Code of conduct for Board Members and Senior Management Personnel

Pursuant to Regulation 17(5) of the Listing Regulations read with Schedule V to the Listing Regulations, the Company has adopted a Code of Conduct for Directors and a Code of Conduct for Senior Management Personnel and the same has been posted on the Company's website at www.hfcl.com.

Pursuant to Regulation 26(3) of the Listing Regulations, the Directors and the Senior Management Personnel affirm the Compliance of the Code annually.

All members of the Board and Senior Management Personnel have affirmed compliance with the respective Codes of Conduct for the FY20.

A Certificate to this effect issued by the Managing Director is enclosed and forms part of the Annual Report.

7.8 Code of Conduct to Regulate, Monitor and Report Trading in Securities by Designated Persons

Your Company has adopted a "Code of Internal Procedure and Conduct for Regulating, Monitoring and Reporting of Trading in Securities by Designated Persons" (Insider Trading Code) as required under Regulation 9(1) of the 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 the Insiders to deter the Insider trading in the securities of the Company based on the unpublished price sensitive information.

SEBI notified several amendments to SEBI Insider Trading Regulations pursuant to SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 which were effective from 1st April, 2019 and subsequently amendments pursuant to the SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019 were made effective from 26th December, 2019.

In accordance with the said amendments to the SEBI Insider Trading Regulations, it was, inter alia, required to amend/ formulate the Code of Conduct to Regulate, Monitor and Report Trading in Securities by Designated Persons.

Your Company has approved formulation/amendments to the aforesaid Codes/ Policies.

The Insider Trading 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.

7.9 Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditors and all entities in the network firm/network entity of which the statutory auditor is a part

Details of Fee Paid to Statutory Auditors for FY20 are given below:

S. No.	Name of Entity	Relationship with HFCL	Name of Auditors' Firm	Details of Services	Amount (INR)
1	HFCL Limited (HFCL)	-	M/s S. Bhandari & Co., Chartered Accountants (FRN: 000560C)	Statutory Audit Fees	45,00,000
				Limited Review Fees	6,00,000
				Travel & Boarding Expenses	10,84,256
			M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	45,00,000
				Limited Review Fee	6,00,000
				Tax Audit & Certification Fees	12,44,860
				Travel & Boarding Expenses	2,95,922
2	Polixel Security System Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	6,50,000
3	HFCL Advance Systems Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	23,600
4	Raddef Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	1,00,000
			TOTAL		**1,35,98,638**

7.10 Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding rules framed thereunder, Mr. 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 FY20.

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

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

Secretarial Compliance Report

SEBI vide its Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019 read with Regulation 24(A) of the Listing Regulations, directed listed entities to conduct Annual Secretarial compliance audit from a Practicing Company Secretary of all applicable SEBI Regulations and circulars/guidelines issued thereunder.

The said Secretarial Compliance report is in addition to the Secretarial Audit Report (Form No. MR – 3) issued by Practicing Company Secretaries and is required to be submitted to Stock Exchanges within 60 days of the end of every financial year.

Mr. Baldev Singh Kashtwal, Practicing Company Secretary, holding Membership No. FCS 3616 and C. P. No. 3169, the Secretarial Auditor, has issued the Secretarial Compliance Report for the financial year ended 31st March, 2020 and the same has already been filed with BSE and NSE, stock exchanges, where the shares of the Company are listed.

7.11 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 the time prescribed under the Listing Regulations for lodgment for transmission, transposition, 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.

7.12 Compliance of the provisions of Regulation 26(6) of the Listing Regulations:

None of the Key Managerial Personnel, Director(s) and Promoter(s) of the Company has entered into any agreement for themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of the Company.

7.13 Disclosure in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place a policy on Prevention of Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Internal Complaints Committee ("ICC") has been set up to implement fair and impartial procedures for resolution settlement or prosecution of acts of sexual harassment. All employees are covered under this Policy.

ICC of each workplace of the Company has also filed Annual Return for the calendar year 2019 at their respective jurisdictional office, as required under Section 21(1) of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013.

The following is the summary of the complaints received and disposed-off during FY20:

a) No. of complaints filed during the financial year: Nil

b) No. of complaints disposed-off during the financial year: Nil

c) No. of complaints pending as on the end of financial year: Nil

7.14 Financial Calendar (tentative and subject to change) 2020-21

- Financial Reporting for the first quarter ending 30th June, 2020: On or before Second week of August, 2020.
- Financial Reporting for the second quarter and half year ending 30th September, 2020: On or before second week of November, 2020.
- Financial Reporting for the third quarter ending 31st December, 2020: On or before second week of February, 2021.
- Audited Accounts for the year ending 31st March, 2021: On or before last week of May, 2021.
- Annual General Meeting for the year ending 31st March, 2021: On or before September, 2021.

7.15 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.

The status of adoption of the Discretionary Requirements as specified in Sub–Regulation 1 of Regulation 27 of the SEBI Listing Regulations, 2015 are as follows:

a) The Board:

The Chairman of the Company is Non-Executive. He is entitled to maintain a Chairperson's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

b) Shareholder Rights:

Half-yearly and other Quarterly Financial Performance are published in newspapers, uploaded on Company's website www.hfcl.com and submitted to the Stock Exchanges (BSE & NSE).

c) Un-Modified opinion(s) in Audit Report:

The Company already has a regime of Unqualified Financial Statements. Auditors have raised no qualification on the Financial Statements.

d) Reporting of Internal Auditor:

The Internal Auditor of the Company directly reports to the Audit Committee.

7.16 Compliance Certificate

In terms of Regulation 17(8) of the Listing Regulations, the Managing Director and the Chief Financial Officer of the Company have given Compliance Certificate to the Board on financial reporting and internal controls, as mentioned under Part B of Schedule II to the Listing Regulations.

7.17 Compliance Certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance

A 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.

7.18 Nomination of Shares

Section 72 of the Act extends nomination facility to individuals holding shares in physical form in companies. Shareholders, in particular, those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Form SH-13.

7.19 Green Initiative

Pursuant to Section 101 and 136 of the Act read with the Companies (Management and Administration) Rules, 2014 and the Companies (Accounts) Rules, 2014, the Company can send Notice of Annual General Meeting, Financial Statements and other communication in electronic forms.

Your Company is sending the Annual Report including the Notice of Annual General Meeting, Audited Financial Statements, Directors' Report along with their annexures etc. in the electronic mode to the shareholders who have registered their E-mail IDs with the Company and/or their respective Depository Participants (DPs).

Shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses, so that all communication with them can be made in electronic mode and we can make some contribution to protect the environment.

Those holding shares in demat form can register their e-mail addresses with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with the Company/RTA, by sending a letter, duly signed by the first/sole holder quoting details of Folio Number.

Declaration of Compliance of Code of Conduct

[In terms of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

The Board of Directors of HFCL Limited (formerly Himachal Futuristic Communications Limited), in compliance of Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, has laid down the Code of Conduct for all Board Members and Senior Managerial Personnel of the Company, which has also been posted on the website of the Company viz. www.hfcl.com. Pursuant to the above, the Company has received 'Affirmation of Compliance' letters from the Board Members and Senior Managerial Personnel of the Company and accordingly, I make the following declaration:-

I, Mahendra Nahata, Managing Director of HFCL Limited, hereby declare that all Board Members and the Senior Management Personnel of the Company, have affirmed compliance of the Code of Conduct during the Financial Year 2019-20.

Place: New Delhi
Date: June 05, 2020

Mahendra Nahata
Managing Director

Certificate on Corporate Governance

To

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

I have examined the compliance of conditions of Corporate Governance by HFCL Limited (formerly Himachal Futuristic Communications Limited) ("the Company"), for the year ended on 31st March, 2020, 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.

Place: New Delhi
Date: June 5, 2020

CS BALDEV SINGH KASHTWAL
PRACTISING COMPANY SECRETARY
C. P. NO. 3169
ICSI – UDIN: F003616B000318414

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C sub-clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,

The Members of
HFCL Limited
(Formerly Himachal Futuristic Communications Limited)
8, Electronics Complex, Chambaghat,
Solan – 173 213 (H.P.)

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of HFCL Limited (formerly Himachal Futuristic Communications Limited), having CIN: L64200HP1987PLC007466 and having registered office at 8, Electronics Complex, Chambaghat, Solan – 173 213 (H.P.) (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub-clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2020, have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

Sr. No.	Name of Director	DIN	Date of appointment in Company
1.	Mr. Mahendra Pratap Shukla	00052977	14/06/2004
2.	Mr. Mahendra Nahata	00052898	11/05/1987
3.	Mr. Arvind Kharabanda	00052270	31/10/2004
4.	Dr. (Mr.) Ranjeet Mal Kastia	00053059	07/02/1996
5.	Mr. Ranjeet Anandkumar Soni	07977478	07/11/2017
6.	Mr. Surendra Singh Sirohi	07595264	27/08/2018
7.	Mr. Ved Kumar Jain *	00485623	27/08/2018
8.	Dr. (Ms.) Tamali Sengupta	00358658	24/12/2018
9.	Mr. Bharat Pal Singh	00739712	21/01/2020

* Resigned w.e.f. 26th December, 2019.

Ensuring the eligibility for the appointment / continuity of every Director on the Board, is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Name: CS BALDEV SINGH KASHTWAL
PRACTISING COMPANY SECRETARY
Membership No.: 3616
C. P. No.: 3169
ICSI – UDIN: F003616B000318425

Place: New Delhi
Date: June 5, 2020

Business Responsibility Report

The Ministry of Corporate Affairs (MCA), Government of India, released a set of guidelines in 2011 called the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs). This was expected to provide guidance to businesses on what constitutes responsible business conduct. In order to align the NVGs with the Sustainable Development Goals (SDGs) and the 'Respect' pillar of the United Nations Guiding Principles (UNGP) the process of revision of NVGs was started in 2015. After, revision and updation, the new principles are called the National Guidelines on Responsible Business Conduct (NGRBC). As with the NVGs, the NGRBC has been designed to assist businesses to perform above and beyond the requirements of regulatory compliance.

As a responsible corporate citizen, HFCL Limited (HFCL) presents its Business Responsibility Report (BRR), in line with the 'National Guidelines on Responsible Business Conduct' (NGRBC) as released by the Ministry of Corporate Affairs in March, 2019.

The Report has been prepared in accordance with Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Established in 1987, HFCL Limited, offers fully integrated communication network solutions, manufactures Optical Fiber, Optical Fiber Cables and High-End Transmission and Access Equipment. It is specialized in providing turnkey solutions for Telecom Service Providers, Railways, Defence, Smart City and Surveillance projects. As a telecommunication solutions provider, the Company has implemented several Greenfield projects, including the setting up of CDMA & GSM networks, satellite communications, wireless spectrum management and DWDM optical transmission network. The Company has implemented over 25,000 2G/3G/4G cell sites and rolled out over 100,000 kilometres of optical fiber cable networks for telecommunication companies, railways, oil & gas industry and high security applications as required by the Defence and internal security establishments.

Having commenced its journey as a telecom equipment and optical fiber cable manufacturer three decades ago, it has fast transformed into developer of highly secure, reliable and modern communication networks for telecom, defence, railway and surveillance systems. HFCL is steadily deepening its telecom expertise while also widening its value proposition in new business domains such as defence, railway communication and smart cities and surveillance areas. HFCL has recently developed new products by its own R&D for Telecom, Defence, Smart Cities and Surveillance applications. This includes WiFi Systems, Unlicensed Band Radios, Cloud Management Systems and Video Management Systems.

The Company has state of the art technology driven manufacturing facilities comprising of Optical Fiber manufacturing facility at Hyderabad, OFC manufacturing facility at Goa and a telecom equipment manufacturing facility at Solan.

The Company is presenting its fourth Business Responsibility Report forming part of its Annual Report 2019-20 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**	HFCL 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**	2019-20
7.	**Sector(s) that the Company is engaged in (industrial activity code wise):** **[Source: National Industrial Classification Code (NIC)]**	Optical Fiber 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 engaged into the manufacturing of Optical Fiber, Optical Fiber Cables and high end transmission access equipment. The Company is providing turnkey solutions to telecom service providers, railways, defense, smart city and surveillance projects.
9.	**Total number of locations where business activity is undertaken by the Company**	**National locations:** Plants located at Solan (Himachal Pradesh), Salcete (Goa) and Hyderabad. Turnkey contracts and services are provided on PAN India basis.
10.	**Markets served by the Company – Local / State / National / International**	Local ✓ / State ✓ / National ✓ / International ✓ Branch Office at Mauritius. Representative office in Dubai

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

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid-up equity share Capital (INR)	128.44 Crores	
2.	Total Turnover (INR)	3,547.30 Crores	
3.	Total profit after taxes (INR)	203.83 Crores	
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2%	
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) in Goa
		iii.	Running MMU at Sardarshahar in Churu District of Rajasthan
		iv.	Running Mobile Medicare Clinic (MMC) in Ghazipur, Uttar Pradesh
		v.	Running MMC in Hyderabad, Telangana
		vi	Running MMC in Sonipat, Haryana
		vii	Providing quality education through new age digital learning solutions in Ghaziabad and Ghazipur districts of Uttar Pradesh and Sardarshahar in Churu district of Rajasthan
		viii.	Sponsoring higher education at IIT, Madras.
		ix	Providing Advance Medical Relief through Corrective Surgeries and Individual Critical Illness Support Grant (ICISG)
		x.	Providing basic education and nutrition to the street children in Delhi
		xi.	Providing inclusive education to special children in Delhi
		xii.	Providing computer skill training to under privileged youth in Ghazipur, Uttar Pradesh and Delhi
		xiii.	Ensuring environment sustainability by practicing SAY NO TO PLASTIC and distributing cotton bags
		xiv.	Providing Safe Drinking water by installing RO & UV enabled water cooler to underprivileged community in Rajasthan and Haryana
		xv.	Redeveloping Ganga Ghat in Ghazipur, Uttar Pradesh
		xvi.	Enabling disaster relief and rehabilitation program in Odisha

SECTION C: OTHER DETAILS

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

As on 31st March, 2020, the Company has 06 (six) subsidiary companies.

During the year under review HTL Limited, Moneta Finance Private Limited, HFCL Advance Systems Private Limited and Polixel Security Systems Private Limited continue to be subsidiaries of the Company.

The Company has acquired controlling stake of 90% in Raddef Private Limited [CIN: U74999KA2017PTC105873] (RADDEF), thereby making it a subsidiary of the Company, w.e.f. 15th May 2019 and also acquired remaining equity stake of 50.10% in DragonWave HFCL India Private Limited (DHIPL) thereby making it a subsidiary of the Company, w.e.f. 17th December, 2019.

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 the Director(s) responsible for implementation of the BR policy(ies)

S. No.	Particulars	Details
1.	DIN number	00052977
2.	Name	Mr. Mahendra Pratap Shukla
3.	Designation	Chairman (Non-Executive Director)

b) Details of BR head

S. No.	Particulars	Details
1.	DIN number (if applicable)	-
2.	Name	Mr. Manoj Baid
3.	Designation	Vice-President (Corporate) & Company Secretary
4.	Telephone Number	011-3520 9400
5.	E-mail Id	secretarial@hfcl.com

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

The 'National Guidelines on Responsible Business Conduct' (NGRBC) released by the Ministry of Corporate Affairs (MCA) have identified nine thematic pillars of business responsibility which are called Principles. These Principles (P1 to P9) are as under:

P1	Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.
P2	Businesses should provide goods and services in a manner that is sustainable and safe.
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains.
P4	Businesses should respect the interests of and be responsive to all its stakeholders.
P5	Businesses should respect and promote human rights.
P6	Businesses should respect and make efforts to protect, restore the environment.
P7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
P8	Businesses should promote inclusive growth and equitable development.
P9	Businesses should engage with and provide value to their 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	Consumers' 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
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	Various Committees of the 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 Responsibility 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 the question at S. 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									

S. No.	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
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 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 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 all the four years along with 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 integrity and in a manner that is ethical, transparent and accountable.

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 in a manner that is sustainable and safe.

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. Optimizing copier paper by using the both sides of it, usage of recyclable cardboard or wooden boxes for packaging, route optimization 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. We have gone paperless in testing of Optical Fiber Cables and all the data is directly recorded from Test equipment to PC via software and there is no physical recording of data on paper formats resulting in conservation of natural resources.

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 Fiber, Optical Fiber 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 Fiber and Optical Fiber Cables are Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) compliant. HFCL has upgraded its RoHS compliance in line with the latest directives 2015/863 (EU) RoHS that adds four additional restricted substances to the existing list and REACH (SVHC 201) regulations upgraded with substances on "REACH SVHC List" up to 16.01.2020, HFCL supplies products compliant with the latest RoHS and REACH directives applicable w.e.f 22/07/2019 and 16/01/2020 respectively.

b. HFCL is committed to work for conservation of resources and is continuously working in reduction in diameter of Optical Fiber Cables (Micro Cables). In current year, we have managed to reduce the diameters further and made commercial supplies for reduced diameter products. HFCL NPD team is working continuously in development of new products that also considers enhancing performance in terms of environmental aspects. It has developed and made commercial supply of micro module cables which has reduced cable diameters by approx. 20% in comparison to its conventional cables.

c. HFCL promotes the new designs manufactured with use of no Jelly and reduced level of jelly by using dry water blocking materials and switched to 90% of designs with dry core construction. These dry tube/dry core designs helps in reduction in use of petroleum products.

d. Water which is used in both the manufacturing facilities at Goa and Hyderabad, is continuously recycled with effective effluent recycling process and hence there is reduction in fresh water consumption.

e. During manufacturing process in both the plants at Goa and Hyderabad, noise level reduction is taken care of by providing enclosure to all machines which produces noise. HFCL also got CPR compliance for higher fire rating cables and some of its cable are certified for B2Ca and CCa Category along with standard rating of DCA & ECA Class for its popular product families. HFCL new product development team is working on designs that will enhance the fire performance of the cable. HFCL has worked in developing cables that can withstand a very high temperature of 750 degree for 180 minutes.

f. HFCL is always looking at ways to reduce scrap generation. Company is closely working with some of its suppliers to recycle the packing material for the supplied raw materials like empty fiber spools, jelly containers by sending them back to the suppliers for reuse.

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. HFCL also works continuously with re-engineering of wooden drum used as a packing material for OFC. The re-engineering of drums results in reduction of consumption of wood & also saving of transportation fuel due to accommodation of more lengths in same vehicle/Container.

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

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

We have total 569 BTS sites in LWE Project. Out of which 422 sites are working on Solar Power for 24 hours. Each site needs 400 watts of power per hour. Assuming 24 hour consumption of this power per day, we are saving about 288 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. The Company endeavours to optimize transportation by dispatching 95% + of goods through full truckloads thereby minimizing transport and related fuel consumption and emissions.

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 Division there are requirements of non SoR materials like RCC Chamber of different Sizes and RCC Route Markers which are being required to be installed at the location of work as per the Project requirements. These materials are being procured locally from the manufacturing facilities that are available in the vicinity of the Project. To ensure that these Materials meet the technical requirements of the Project, technical knowledge is being shared with the supplier and skills of the supplier's manpower is enhanced by imparting knowledge with them. Apart from that there are requirements of Construction Materials like Cement, Coarse Sand, Aggregate of different Sizes, Bricks, Paint, etc which is being procured locally. There are different activities undertaken in the Project which requires manpower in the category of Skilled, Semi-Skilled and Unskilled. The skilled manpower is hired and attached with the Professional manpower of the Organization and they are imparted with all the necessary skills required for the Project. Semi-skilled and Unskilled manpower is engaged in the Projects undertaken by the Organization through its Service Partners who are predominantly form local community and they are provided with Technical knowhow as per the project requirements.

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 respect and promote the well-being of all employees including those in their value chains.

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 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, 2020, the Company employed 1719 people on its rolls.

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

   A total of 563 employees were hired on temporary/contractual/ casual basis.

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

   As on March 31, 2020, the Company had 147 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 1,719 workforce, about 6.05% (104 employees) 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 FY20.

   There are no such pending cases as on March 31, 2020.

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 to all its stakeholders.

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 person and their communities living around Solan, Goa, Sardarshahar, Ghazipur, Hyderabad and Sonipat have been taken under Company's CSR activities under the preventive healthcare programs. The Company's CSR activities also include advance healthcare, new age digital learning solutions, supporting under privileged meritorious students, supporting mentally and physically challenged elderly persons and children among others.

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 'G'** 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 and make efforts to protect, 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 fiber 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 Fiber Cable is laid by using Horizontal drilling method thus avoiding damage to the trees and shrubs. The earth is restored wherever pits are dug.

   The state of art Greenfield plant set up for manufacturing of Optical Fiber at Hyderabad is also in line with the Company's environment policy. All the raw materials used in fiber manufacturing is RoHS compliant. PCB approved vendors do take care and manage Hazardous waste. Rain water harvesting and green landscape development in 5.5 acre of land had been part of the Project. The Company has also supported Telangana State Government's Haritha Haram tree plantation programme.

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 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. Conventional lighting in all production areas are replaced with energy efficient LED lighting. Automation in cooling tower fan operation based on outlet water temperature to reduce power. The Goa plant has also installed high efficiency compressed air suction devices on sheathing lines to reduce consumption of compressed air and noise. The Company use VOC free material in PCB assembly instead of alcohol based material.

   As renewable energy is the future of energy, taking a cue out of it the Projects undertaken by Turnkey Division of the Organization has installed more than 3,350 Nos. of Solar Photo Voltaic System which caters to the energy requirements of the ONT's that are installed in the GPs.

   The Company's Hyderabad fiber manufacturing Plant has kept in consideration energy efficient technologies from Plant inception and designing stage. The Plant has designed and installed energy efficient HVAC system with VFD drives for all motors of AHU's, pumps, compressors etc. The Sewage treatment plant (STP) of capacity 15 KL per day recycle and reuse all its domestic waste water for gardening purpose. Energy efficient LED lighting across the plant reduce power consumption.

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 from regulators for the FY20.

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

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 essIndia (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 promote 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 - G"** 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 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, St. Stephen's Hospital Patients Welfare Society, IIT- Madras, Extramarks Education Foundation, Saint Hardyal Educational and Orphan Welfare Society (SHEOWS), Balvantray Mehta Vidya Bhavan Anguridevi Shersingh Memorial Academy, Hari Prem Society, Samarpan Foundation, Utkal Bipanna Sahayata Samiti(UBSS) and Gogirl Foundation etc. HFCL/ HSSS has also undertaken following philanthropic activities at its own among others: -

i) "Say No to Plastic": Under this initiative, HSSS has distributed Cotton Bags to minimize the use of plastic among households;

ii) Provided Education Grant, Critical illness Grant and Sports Training Grant to the candidates of economically weaker section of the society;

iii) Organised Blood donation camps from time to time; and

iv) Distributed woollen jackets during winter among employees of Sardarshahar Municipal Corporation, Rajasthan.

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

The Company has appointed Innovative Financial Advisors Limited ("Fiinovation"') an independent agency to make an impact assessment for our Mobile Medical Units. As per the report of Fiinovation, the implementation of MMUs has been effective and met its objective and has created a very positive impact through provision of various services to the beneficiaries. The Company has already directed to concerned implementing partners to implement the improvements suggested by the Fiinovation. The areas of improvements as suggested by Fiinovation shall be taken care of.

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 six SMMU/MMUs to mobilize greater participation of the targeted communities. In digital learning initiative, the Company monitors the development through frequent interactions with the School 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 directly 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 **"Annual 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 of initiatives by the target communities.

Principle 9: Businesses should engage with and provide value to their customers 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, 2020.

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, 2020.

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.

INDEPENDENT AUDITORS' REPORT

To the Members of **HFCL Limited**
(formerly Himachal Futuristic Communications Limited)

Report on the Audit of the Standalone Financial Statements

1. Opinion

We have audited the accompanying standalone financial statements of HFCL Limited (formerly Himachal Futuristic Communications Limited) ("the Company"), which comprise the balance sheet as at March 31, 2020, the statement of Profit and Loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

2. Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Emphasis of Matter

We draw attention to Note 41 of the standalone financial statements which describes management's assessment of the impact of the outbreak of COVID-19 pandemic on its business operations and financial results. The said assessment made by the management is highly dependent upon the circumstances as they evolve in subsequent period.

Our opinion is not modified in respect of this matter.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.No.	Key Audit Matters	Response to Key Audit Matters
1	**Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade and other receivables, and accuracy of contract liabilities** For the year ended March 31, 2020, revenue from customer contracts amounts to INR 3,547.30 Crores whereas as at March 31, 2020, contract assets amount to INR 18.16 Crores, contract liabilities to INR 33.16 Crores, the balance of work in progress (WIP) amounts to INR 119.26 Crores and retention amounts to INR 309.99 Crores The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. Refer Notes 31 to the Standalone Financial Statements.	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts. We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off.

S.No.	Key Audit Matters	Response to Key Audit Matters
	During order fulfillment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.	We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Based on our knowledge gained through contract and project reviews and also considering the impact of COVID-19, we assessed the need for and the accuracy of provisions and deductions in revenue for variable consideration for expected liquidated damages. Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts. Our procedures did not identify any material exceptions.
2	**Valuation of accounts receivable – risk of credit losses** Company has a concentration of credit exposure on a number of major customers mainly Government and large organisation. Some of these major customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key factor. Accounts receivable is a significant item in the Company's standalone financial statements amounting to INR 1665.59 crores as of March 31, 2020 and provisions for impairment of receivables is an area which is influenced by management's ¬estimates and judgment. The provision for impairment of receivables amounted to INR 7.35 crores as at March 31, 2020. Refer to the Note 15 – Trade receivables.	Our audit incorporated the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk; • Assessment of the Company's credit policy outlining authority for approving and responsibility to manage credit limits; • Understanding the related industry's external factors and impact of COVID-19 • Inquiries with committee in order to understand and assess governance and follow-up/monitoring of key customers; • Analytical procedures and inquiries with Business Area; • Detailed testing and assessment of receivables to ensure these are in line with Ind AS, with a focus on significant new provisions. We had a particular focus in our audit on how Company manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to Company's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3	**Recoverability of Other Advances** As at March 31, 2020, current financial assets include INR 523.52 crores in respect of Advances to vendors and sub-contractors and are pending to be adjusted/settled. Management exercises significant judgment when determining whether to record any impairment loss on advances As the carrying amount of Other Advances accounts for a relatively high proportion of assets, there would be a material impact on the financial statements if such advances cannot be settled on schedule or fail to be recovered /settled. Therefore, we regard the recoverability of Other Advances as a key audit matter. Refer Note 19 to the Standalone Financial Statements.	Our audit procedures involve the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; • Assessment of the Company's procurement policy outlining authority for approving and responsibility to manage vendor advances; • Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; • Analytical procedures and inquiries with Business Area; • Obtain balance confirmations from selected parties to ensure existence thereof • Review of Purchase orders and/or agreements for selected parties and enquire management regarding reasons for unsettled advances as on date. We agree with management's view that there is no reduction in the value of the advances outstanding in the books.

S.No.	Key Audit Matters	Response to Key Audit Matters
4	**Recoverability relating to Goods and Services Tax recoverable:** As at March 31, 2020, under other current assets, indirect taxes recoverable include INR 135.10 crores in respect of GST Input Tax credit receivables. The Company has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Standalone Financial Statements.	Our audit procedure involves the following activities: • Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers • Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.
5	**Recoverability and Contingencies relating to other Indirect tax matters** As at March 31, 2020, "Indirect Tax Recoverable" includes INR 19.56 crores in respect of Commercial taxes recoverable which are pending adjudication. The Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 21 to the Standalone Financial Statements.	We performed the following substantive procedures: • Understanding the process of estimation, recording and reassessing tax provisions and contingencies. • Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters • We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. • Inspection the correspondence with tax authorities. • Inspecting reports on open tax assessments prepared by the Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Company. We also assessed the adequacy of the Company's financial statements disclosure in respect of the tax positions and contingent liabilities. We agree with management's evaluation.

5. Other Information

The Company's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in the in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon. The other information comprising the above documents is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read the other information comprising the above documents, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as per applicable laws and regulations.

6. Management's Responsibility for the Standalone 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 financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

7. Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. 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) In respect of the branch abroad, we have been furnished management certified financial information comprising of revenue of ₹ 7.87 crore and assets of ₹ 7.56 crore and same have been considered by us in the standalone financial statements.

(d) 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.

(e) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

(f) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the

Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) 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".

(h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 46 to the financial statements;

ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 46 to the financial statements;

iii) There were no amounts which were 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
UDIN: 20072625AAAAAR4009	UDIN: 20054645AAAAAJ2974
Place: Jaipur	Place: New Delhi
Date: June 05, 2020	Date: June 05, 2020

ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in "Paragraph-A" under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of HFCL Limited (formerly 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 (property plant and equipment).

   (b) Fixed Assets (Property, Plant and equipment) of the company are physically verified according to a phased program designed to cover all items over a period of three years, which, in our opinion, is reasonable. Pursuant to the program, physical verification of the Fixed Assets (Property, Plant and equipment) was carried out during the year by the management and no material discrepancies were noticed on such physical verification.

   (c) According to the information and explanation given to us, the title deeds of immovable properties, are held in the name of the Company except the following:

Particular of Assets	Gross Value of Assets	WDV of Assets	Remark
Leasehold Land at Solan	28,29,496/-	20,69,265/-	Refer Note No.3 to Balance Sheet

2. As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the year. Also, physical verification of inventory has been carried out by the management subsequent to the year-end due to the lockdown restrictions imposed by the Government of India for which roll back procedures have been performed to determine the existence and conditions of inventory as at year-end. In our opinion, having regard to the nature and location of stocks, the frequency of physical verification is reasonable. No material discrepancy were noticed on such physical verification.

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 granted unsecured to one company covered in the register maintained under Section 189 of the Companies Act, 2013.

   b) In respect of opening balances and loans given during the year, 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, complied with the provisions of 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) Undisputed statutory dues including provident fund, employees' state insurance, duty of custom, value added tax, cess have generally been regularly deposited with the appropriate authorities except delay in depositing of Goods and Services Tax (GST) and Income Tax.

   There were no undisputed amounts outstanding in respect of provident fund, employees' state insurance, income-tax, goods and services tax, service tax, duty of custom, value added tax, cess and other material statutory dues as at March 31, 2020 for a period of more than six months from the date they became payable.

   (b) According to the records of the Company, the dues of Sales Tax/ VAT, Income Tax, Excise Duty, Custom 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/-	1997-98 & 1998-99	Hon'ble High Court of Punjab & Haryana.	₹50,00,000/- Paid
Delhi Value Added Tax Act	Sales Tax	2,10,76,837/-	2009-10 & 2010-11	Addl. Commissioner, Department of Trade & Taxes, New Delhi	₹16,00,000/- Paid
Custom Tariff Act	Custom Duty	1,97,54,154/-	2001-02 & 2003-04	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/-	2005-06	Central, Excise and Service Tax Appellate Tribunal, Mumbai	Provision already made amounting to ₹47,25,005/-
Mumbai Value Added Tax	Sales Tax	3,69,96,738/-	2014-15	Joint Commissioner of Sales Tax (Appeal), Mumbai	-
Delhi Value Added Tax Act	Sales Tax	12,27,714/-	2015-16	Asst. VATO, Department of Trade & Taxes, New Delhi	Application filed for adjustment with refund due
Mumbai Value Added Tax	Sales Tax	98,24,593/-	2013-14	Joint Commissioner of Sales Tax (Appeal), Mumbai	₹23,89,741/- Paid
Finance Act, 1994	Service Tax	3,87,26,339/-	2017-18	Asst. Commissioner (Circle-11), Audit-II, New Delhi	₹1,00,00,000/- Paid

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 banks or debenture holders as at the Balance Sheet date. Company hasn't taken any loan/borrowing from Financial Institution or Government.

9. Based on our examinations of the records and information and explanations given to us, the term loans have been applied for the purpose for which these are raised. However, the company has not raised any money by way of initial public offer (IPO) or further public offer (FPO) (including debt instruments).

10. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year..

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, 2013.

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 has made preferential allotment of 1.00 crore Equity Shares on conversion of outstanding 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

(P. D. Baid)
Partner
Membership No: 072625
UDIN: 20072625AAAAAR4009

Place: Jaipur
Date: June 05, 2020

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 20054645AAAAAJ2974

Place: New Delhi
Date: June 05, 2020

ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF HFCL LIMITED (FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED) AS ON 31ST MARCH, 2020.

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")

TO THE MEMBERS OF

HFCL LIMITED
(FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED)

We have audited the internal financial controls over financial reporting of HFCL LIMITED (FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED) ("the Company") as of March, 31, 2020 in conjunction with our audit of the Standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone 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, to the best of our information and according to the explanations given to us, 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, 2020, 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
UDIN: 20072625AAAAAR4009	UDIN: 20054645AAAAAJ2974
Place: Jaipur	Place: New Delhi
Date: June 05, 2020	Date: June 05, 2020

Balance Sheet as at March 31, 2020

(₹ in Crore)

Particulars	Note No(s)	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	323.11	107.62
(b) Capital work-in-progress	4	12.87	62.24
(c) Right-of-use-assets	42	19.78	-
(d) Intangible assets (other than Goodwill)	5	19.42	9.33
(e) Intangible assets under development	6	18.01	21.51
(f) Investment in subsidiaries, associates/ joint ventures	7	24.03	18.79
(g) Financial Assets			
(i) Investments	8	53.75	49.74
(ii) Trade receivables	15	119.87	90.47
(iii) Loans	9	26.50	24.50
(iv) Others	10	97.69	102.85
(h) Deferred tax assets (net)	11	8.75	79.83
(i) Other non-current assets	12	4.13	39.56
Total Non Current Assets		**727.91**	**606.44**
Current Assets			
(a) Inventories	13	272.38	191.64
(b) Financial Assets			
(i) Investments	14	2.41	2.38
(ii) Trade receivables	15	1,545.71	1,435.15
(iii) Cash and cash equivalents	16	12.72	6.81
(iv) Bank balances other than (iii) above	17	167.83	128.72
(v) Loans	18	6.75	6.75
(vi) Others	19	562.57	533.90
(c) Current Tax Assets (net)	20	95.64	57.76
(d) Contract Assets		18.16	3.34
(e) Other current assets	21	221.87	160.79
Total Current Assets		**2,906.04**	**2,527.24**
Total Assets		**3,633.95**	**3,133.68**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	128.44	127.44
(b) Other Equity	22	1,516.62	1,316.13
Total Equity		**1,645.06**	**1,443.57**
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	149.89	103.89
(ii) Lease liabilities	42	16.72	-
(iii) Other financial liabilities	24	-	2.24
(b) Provisions	25	27.65	21.48
Total Non Current Liabilities		**194.26**	**127.61**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	26	423.04	410.41
(ii) Lease Liabilities	42	4.87	-
(iii) Trade payables	27		
- total outstanding dues of micro enterprises and small enterprises		76.38	60.28
- total outstanding dues to other than micro enterprises and small enterprises.		705.63	680.68
(iv) Other financial liabilities	28	493.81	235.40
(b) Other current liabilities	29	47.45	119.10
(c) Contract liabilities		33.16	49.52
(d) Provisions	30	10.29	7.11
Total Current Liabilities		**1,794.63**	**1,562.50**
Total Liabilities		**1,988.89**	**1,690.11**
Total Equity and Liabilities		**3,633.95**	**3,133.68**
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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Statement of Profit and Loss for the year ended March 31, 2020

(₹ in Crore)

	Particulars	Note No(s)	For the year ended March 31, 2020	For the year ended March 31, 2019
I	**INCOME**			
	Revenue from operations	31	3,547.30	4,366.20
	Other Income	32	20.94	45.80
	Total Revenue (I)		**3,568.24**	**4,412.00**
II	**EXPENSE**			
	Cost of Material Consumed	33	391.48	685.83
	Other Direct Cost	34	1,622.23	1,582.46
	Purchases of stock-in trade		849.35	1,403.49
	Change in inventories of finished goods, work-in progress and stock-in trade	35	(95.05)	10.92
	Employee benefits expense	36	193.77	176.91
	Finance Costs	37	90.11	77.94
	Depreciation & amortization expenses	3, 5,42	30.14	17.52
	Other Expenses	38	158.29	166.19
	Total Expenses (II)		**3,240.32**	**4,121.26**
III	**Profit before exceptional items and income tax (I-II)**		**327.92**	**290.74**
IV	Exceptional item		-	-
V	**Profit before tax (III - IV)**		**327.92**	**290.74**
VI	**Tax expenses**			
	- Current tax		53.43	65.08
	- Deferred Tax		70.67	41.63
VII	**Profit for the year (V-VI)**		**203.82**	**184.03**
VIII	**Other comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		2.26	1.04
	(ii) Income tax on above item		(0.79)	(0.36)
	(iii) Gain/(Loss) on Equity Instruments designated through OCI		(2.13)	4.54
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.08)	-
	(ii) Debt instruments through OCI		-	(0.03)
	Total Other comprehensive income/(loss) for the year		**(0.74)**	**5.19**
IX	**Total comprehensive income for the year (VII + VIII)**		**203.08**	**189.22**
	Earnings per share from continuing and total operations attributable to the equity holders of the Company	39		
	- Basic		1.59	1.48
	- Diluted		1.61	1.46

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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Statement of Cash Flow for the year ended March 31, 2020

(₹ in Crore)

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
I. Cash flow from Operating Activities :			
Net Profit before taxes and Exceptional items		327.92	290.74
Adjustments for :			
Depreciation and Amortization expenses	30.14		17.52
(Gain)/Loss on disposal of property, plant and equipment	0.15		0.05
Financial Guarantee impairment	(2.93)		(1.97)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	4.63		23.85
Employee Share based payments expenses	7.15		3.98
Dividend and interest income classified as investing cash flows	(4.99)		(10.12)
Finance costs (net)	90.11		77.94
Investment written off	-		2.60
		124.26	**113.85**
Change in operating assets and liabilities :			
(Increase) in Trade and other receivables	(144.59)		(315.34)
(Increase) in Inventories	(80.74)		(12.95)
Increase in Trade payables	41.04		225.21
(Increase) in other financial assets	(74.19)		(165.10)
(Increase) in other non-current assets	8.10		(21.10)
(Increase) in other current assets	(75.89)		(100.69)
Increase in provisions	3.17		4.60
Increase in other non-current liabilities	6.19		1.98
Increase/(Decrease) in other current liabilities	164.12		(9.87)
		(152.79)	**(393.26)**
Cash generated from operations		**299.39**	**11.33**
Income taxes paid/refund (net)		(91.31)	(27.70)
Net cash inflow from /(used in) operating activities		**208.08**	**(16.37)**
II Cash flow from Investing activities			
Payment for acquisition of subsidiaries & other investments		(9.85)	-
Payments for property, plant and equipment including CWIP		(146.89)	(108.02)
Payments for Intangible Assets		(10.32)	(21.59)
Payment for loan to related party		(2.00)	-
Proceeds from sale of property, plant and equipment		0.04	0.03
Dividends received		0.02	0.01
Interest received		5.79	10.17
Net Cash flow from / (used in) investing activities		**(163.21)**	**(119.40)**

Statement of Cash Flow for the year ended March 31, 2020

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
III Cash flow from Financing Activities		
Proceeds from issues of Warrants	7.50	46.50
Proceeds from borrowings	149.77	241.04
(Redemption) of Preference Share	-	(60.38)
(Repayment) of borrowings	(91.01)	(53.67)
(Repayment) of lease liabilities	(7.20)	-
	59.06	**173.49**
Less:		
Finance Costs paid	(82.54)	(71.25)
Dividend & tax thereon paid	(15.48)	(8.86)
Net Cash flow from/ (used in) financing activities	**(38.96)**	**93.38**
IV Net increase/(decrease) in cash & cash equivalents (I + II + III)	**5.91**	**(42.39)**
V Cash and cash equivalents at the beginning of the financial year	**6.81**	**49.20**
VI Cash and cash equivalents at end of the year	**12.72**	**6.81**

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 16) comprise of the followings:		
Cash on hand	0.27	0.12
Balances with Scheduled banks in		
Current accounts*	10.24	3.58
Fixed Deposits with Bank	2.21	3.11
Balances per statement of cash flows	**12.72**	**6.81**
4 Analysis of movement in borrowings		
Borrowings at the beginning of the year	551.53	424.54
Movement due to cash transactions as per the Statement of Cash Flows	58.76	126.99
Borrowings at the end of the year	**610.29**	**551.53**
* ₹0.27 Crore (Previous year ₹ 0.10 Crore) has restricted use.		

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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Statement of Changes in Equity for the year ended March 31, 2020

A. Equity Share Capital (₹ in Crore)

Particulars	Amount
Balance as at April 1, 2018	**123.94**
Changes in equity share capital	3.50
Balance as at March 31, 2019	**127.44**
Changes in equity share capital	1.00
Balance as at March 31, 2020	**128.44**

B. Other equity (₹ in Crore)

Particulars	Money received against Convertible Warrants *	Share based payment reserve	Reserves and Surplus				Items of Other Comprehensive Income				Total
			Securities Premium	Capital Redemption Reserve	Debenture Redemption Reserve	Retained Earnings	Debt instrument through other comprehensive income	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve	
Balance as at April 1, 2018	**18.00**	**-**	**400.12**	**20.12**	**8.43**	**763.37**	**(2.57)**	**(123.71)**	**8.29**	**-**	**1,092.05**
Impact on account of adoption of Ind AS 115	-	-	-	-	-	(5.97)	-	-	-	-	(5.97)
Restated balance as at April 1, 2018	**18.00**	**-**	**400.12**	**20.12**	**8.43**	**757.40**	**(2.57)**	**(123.71)**	**8.29**	**-**	**1,086.08**
Total Comprehensive Income for the year	-	-	-	-	-	184.03	(0.03)	4.54	0.68	-	189.22
Warrant subscription price equivalent to 25% of the issue price*	46.50	-	-	-	-	-	-	-	-	-	46.50
Transfer to retained earnings	-	-	-	-	-	-	2.60	-	-	-	2.60
Transfer to Capital Redemption Reserve	-	-	-	60.38	-	(60.38)	-	-	-	-	-
Dividends paid for the previous year (Including tax on dividend)	-	-	-	-	-	(8.96)	-	-	-	-	(8.96)
Employee Share Options outstanding $	-	4.19	-	-	-	-	-	-	-	-	4.19
Conversion of warrants into equity share	(56.00)	-	52.50	-	-	-	-	-	-	-	(3.50)
Balance as at March 31, 2019	**8.50**	**4.19**	**452.62**	**80.50**	**8.43**	**872.09**	**-**	**(119.17)**	**8.97**	**-**	**1,316.13**
Impact on account of adoption of Ind AS 116 (refer note No 42)	-	-	-	-	-	(1.12)	-	-	-	-	(1.12)
Restated balance as at March 31, 2019	**8.50**	**4.19**	**452.62**	**80.50**	**8.43**	**870.97**	**-**	**(119.17)**	**8.97**	**-**	**1,315.01**
Total Comprehensive Income for the year	-	-	-	-	-	203.82	-	(2.13)	1.47	(0.08)	203.08
Warrant subscription price equivalent to 75% of the issue price*	7.50	-	-	-	-	-	-	-	-	-	7.50
Transfer to retained earnings	-	-	-	-	(2.81)	2.81	-	-	-	-	-
Transfer to Capital Redemption Reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends paid for the previous year (Including tax on dividend)	-	-	-	-	-	(15.48)	-	-	-	-	(15.48)
Employee Share Options outstanding $	-	7.51	-	-	-	-	-	-	-	-	7.51
Conversion of warrants into equity share	(16.00)	-	15.00	-	-	-	-	-	-	-	(1.00)
Balance as at March 31, 2020	**-**	**11.70**	**467.62**	**80.50**	**5.62**	**1,062.12**	**-**	**(121.30)**	**10.44**	**(0.08)**	**1,516.62**

$ Refer note no. 22(B)(iii)
* Refer note no. 22(B)(iv)

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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

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Partner
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V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Notes forming part of Financial Statements for the year ended March 31, 2020

1. Corporate information

HFCL Ltd. (formerly Himachal Futuristic Communications Limited ('HFCL' or 'the Company') is a public limited company domiciled and incorporated in India and having its registered office at 8, Electronics Complex , Chambaghat, Solan, Himachal Pradesh-173213. The Company's shares are listed and traded on National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE). 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, Optic Fiber and Optic Fiber Cable (OFC).

The financial statements have been approved by the Board of Directors of the Company at its meeting held on June 05, 2020.

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, 2015 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 following:

- certain financial assets and liabilities and contingent consideration 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;

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. New and Amended Standard adopted by Company

The Company has applied the following standard and amendments for the first time for the annual reporting period commencing April 01, 2019:

(i) Ind AS 116 Leases

(ii) Amendment to Ind AS 12 Income Taxes

(iii) Amendment to Ind AS 19 Plan Amendment Curtailment or Settlement

(iv) Amendment Ind AS 23 Borrowing Costs

The Company changed its accounting policies following the adoption of Ind AS 116, as disclosed in Note 42. Other amendments listed above do not have any impact on the amounts recognised in prior periods and current period and are not expected to significantly affect future periods.

2.1.4. 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 recognised 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 Taxes 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; or

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; or

b) It is held primarily for the purpose of trading; or

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 associates and joint ventures, 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, associates and joint ventures.

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 (PPE) and intangible assets are not depreciated or amortized once classified as held for sale.

Freehold Land is carried at the actual cost. All other items of 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 includes 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

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. Other Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably.

An item of Intangible assets is derecognized 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 Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Research cost: Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate all the following: -

- 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 adequate resources to complete the development and to use or sell of the asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Statement of Profit and Loss.

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

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any.

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

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 recognised 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 derecognition 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, that 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

Investment in subsidiaries, associates and joint ventures are measured at cost less impairment loss, if any.

All other equity investments are measured at fair value. For 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.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

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-recognised 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 recognised to the extent of continuing involvement in the financial asset.

Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

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

Subsequent measurement

Financial liabilities are subsequently measured at amortised 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 recognised 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 amortised cost using the effective interest rate 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 derecognized as well as through the EIR amortization process.

Financial guarantee contracts

Financial guarantee contracts are recognised 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 recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised 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 or 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

A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.

B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

C. The Company presents revenues net of indirect taxes in its Statement of Profit and loss.

D. The following is a description of the principal activities – separated by reportable segments – from which the Company generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Company principally generate revenue from sale of Optical Fiber Cable, Optical Fiber and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Company generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- **Contracts with government**

The Company recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Company expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Company has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

- **Warranty**

Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Company recognises provisions for this warranty.

- **Financial Components**

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue

- **Interest income**

Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- **Dividends**

Dividend income is recognised when the right to receive payment is established.

- **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. Leases

As a lessee

The Company implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Company's incremental borrowing rate or the rate implicit in the lease contract.

2.14. 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.

2.15. 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.

2.16. Employee Share-based payments

The Company has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Company but consolidated in the Financial Statement. Any loan from the Company to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Company is recognized as an employee benefits expense and those granted to employees of subsidiaries is considered as the Company's equity contribution and is added to the carrying value of investment in the respective subsidiaries, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

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. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

2.20. 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.

2.21. GST Credit

The GST credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST 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 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 Equipment's	Computers	Vehicles	Land (Freehold)	Land (Leasehold)	Total
Gross Carrying Value											
Balance as at April 1, 2018	**248.44**	**35.35**	**27.10**	**15.12**	**7.81**	**5.46**	**17.16**	**13.65**	**8.64**	**0.87**	**379.60**
Additions	10.73	-	-	-	0.36	0.28	2.73	1.53	0.19	-	15.82
Disposals / Adjustments	0.02	-	-	-	0.42	1.96	1.76	0.25	-	-	4.41
Balance as at March 31, 2019	**259.15**	**35.35**	**27.10**	**15.12**	**7.75**	**3.78**	**18.13**	**14.93**	**8.83**	**0.87**	**391.01**
Additions	157.20	-	52.52	17.06	2.46	3.88	2.79	0.65	-	-	236.56
Disposals / Adjustments	35.78	-	-	2.29	0.03	-	0.86	0.12	-	-	39.08
Balance as at March 31, 2020	**380.57**	**35.35**	**79.62**	**29.89**	**10.18**	**7.66**	**20.06**	**15.46**	**8.83**	**0.87**	**588.49**
Accumulated depreciation and impairment											
Balance as at April 1, 2018	**210.84**	**8.11**	**7.38**	**11.76**	**5.50**	**5.07**	**14.27**	**9.03**	**-**	**0.20**	**272.16**
Depreciation for the year	8.33	0.70	0.83	0.86	0.63	0.23	2.15	1.83	-	0.01	15.57
Disposals / Adjustments	0.01	-	-	-	0.42	1.96	1.75	0.20	-	-	4.34
Balance as at March 31, 2019	**219.16**	**8.81**	**8.21**	**12.62**	**5.71**	**3.34**	**14.67**	**10.66**	**-**	**0.21**	**283.39**
Depreciation for the year	12.45	1.15	0.83	1.47	0.61	0.58	2.37	1.40	-	0.01	20.87
Disposals / Adjustments	35.62	-	-	2.29	0.01	-	0.84	0.12	-	-	38.88
Balance as at March 31, 2020	**195.99**	**9.96**	**9.04**	**11.80**	**6.31**	**3.92**	**16.20**	**11.94**	**-**	**0.22**	**265.38**
Net Carrying Value											
Balance as at April 1, 2018	37.60	27.24	19.72	3.36	2.31	0.39	2.89	4.62	8.64	0.67	107.44
Balance as at March 31, 2019	39.99	26.54	18.89	2.50	2.04	0.44	3.46	4.27	8.83	0.66	107.62
Balance as at March 31, 2020	**184.58**	**25.39**	**70.58**	**18.09**	**3.87**	**3.74**	**3.86**	**3.52**	**8.83**	**0.65**	**323.11**

Notes:

1. One of the Lease hold Land situated at Solan (H.P.) is pending for title transfer in the name of the Company.
2. The Company's greenfield Optical Fiber manufacturing facility at Telangana, Hyderabad ("Plant") has been commissioned and commenced the commercial production w.e.f. January 23, 2020.
3. The Company had received approval to get Capital Subsidies for investment in newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana under Modified Special Incentive Package Scheme (MSIPS) notified vide M-SIPS Policy Gazette Notification No. 175 dated 27-07-2012 and revised Notification dated 03-08-2015 further amended on 30-01-2017 as modified from time to time by the Ministry of Electronics and Information Technology, Department of Information Technology, vide Approval Letter No. 27(69)/2017-IPHW dated 29-05-2018. Also, the Company is in process of availing capital subsidy under incentive scheme of Industries & Commerce (IP & INF) Department, Telangana. Under the said schemes, the Company as on March 31, 2020 is in the process of submitting necessary claim before the respective authorities which has not been adjusted to the cost of respective assets, in the absence of reasonable assurance that the claim will be received.
4. Refer Note 23 and 26 for details of assets pledged.

4 Capital works-in-progress

(₹ in Crore)

Particulars	Buildings	Plant & Machinery	Electrical Installation	Total
Balance as at April 1, 2018	**1.36**	**-**	**-**	**1.36**
Additions	36.48	24.98	1.81	63.27
Disposals / Adjustments	-	2.39	-	2.39
Balance as at March 31, 2019	**37.84**	**22.59**	**1.81**	**62.24**
Additions	5.73	0.47	0.25	6.45
Disposals / Adjustments	31.42	22.59	1.81	55.82
Balance as at March 31, 2020	**12.15**	**0.47**	**0.25**	**12.87**

Notes:

The company also considered to setting up of new Greenfield Optical Fiber Cable (OFC) manufacturing facility adjoining its Fiber manufacturing facility at Hyderabad with annual capacity of 10.5 Mn FKM. Accordingly, the Company had started civil construction at Hyderabad and incurred capital expenditure amounting to ₹12.24 Crore which is shown under the head Capital work-in-progress. During the year, the company decided to put this proposed OFC manufacturing facility on hold due to temporary softening of OFC demand. Further action will be taken when the demand resumes.

5 Intangible Assets (other than goodwill)

(₹ in Crore)

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2018	**9.25**
Additions	8.25
Disposals / Adjustments	-
Balance as at March 31, 2019	**17.50**
Additions	13.82
Disposals / Adjustments	-
Balance as at March 31, 2020	**31.32**
Accumulated depreciation and impairment	
Balance as at April 1, 2018	**6.22**
Depreciation for the year	1.95
Disposals / Adjustments	-
Balance as at March 31, 2019	**8.17**
Depreciation for the year	3.73
Disposals / Adjustments	-
Balance as at March 31, 2020	**11.90**
Net Carrying Value	
Balance as at April 1, 2018	3.03
Balance as at March 31, 2019	9.33
Balance as at March 31, 2020	**19.42**

6 Intangible assets under development

(₹ in Crore)

Particulars	Product Development
Balance as at April 1, 2018	**8.17**
Additions	20.83
Disposals / Adjustments	7.49
Balance as at March 31, 2019	**21.51**
Additions*	8.73
Disposals / Adjustments	12.23
Balance as at March 31, 2020	**18.01**

Note : Includes Technology licence fee paid in the nature of advance till the date of actual utilisation of technology.

7 Investment in subsidiaries and joint ventures

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unquoted Investments (At Cost)		
Investment in Equity Instruments		
(i) Subsidiaries	24.03	15.30
(ii) Joint Ventures	-	3.49
Total	**24.03**	**18.79**

7.1 Investment in subsidiaries (₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
Investment in Equity Instruments - Equity Shares					
HTL Ltd.* $	100	1,110,000	3.78	1,110,000	0.89
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	100,000	0.10	10,000	0.01
Raddef Pvt. Ltd.	10	9,000	0.01	-	-
DragonWave HFCL India Pvt. Ltd.	10	7,000,000	5.74	-	-
Total investments carrying value			**24.03**		**15.30**
Aggregate carrying value of unquoted investments			24.03		15.30
Aggregate amount of impairment in value of investments			-		-

* Includes share based payments to employees of subsidiary company and components of financial guarantee.

$ Out of total, 358,500 Shares (Previous year: 358,500) are held as security for the Working Capital /Term Loan facility sanctioned by Yes Bank Ltd to HTL Ltd.

7.2 Investments in joint ventures (₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		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
Total investments carrying value			**-**		**3.49**
Aggregate carrying value of unquoted investments			-		3.49
Aggregate amount of impairment in value of investments			-		-

7.3 Additional details of subsidiaries and joint venture entity (₹ in Crore)

Particulars	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by HFCL Ltd.	
			As at March 31, 2020	As at March 31, 2019
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.*	Finance business	India	100.00%	100.00%
HFCL Advance Systems Pvt. Ltd.	Manufacturing of Defence/ Telecommunication Equipment	India	100.00%	100.00%
DragonWave HFCL India Pvt. Ltd.#	Radio Communication Systems	India	100.00%	-
Raddef Pvt. Ltd.	Radio Communication Systems	India	90.00%	-
Joint Ventures				
DragonWave HFCL India Pvt. Ltd.#	Radio Communication Systems	India	-	49.90%

* Moneta Finance Pvt. Ltd. has surrendered its NBFC License and same has been cancelled by the Reserve Bank of India in March 2019.

\# Subsequent to acquisition of balance equity shares of DragonWave HFCL India Pvt. Ltd., this company become wholly owned subsidiary of HFCL Ltd w.e.f. December 17, 2019.

8 Non-Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	53.75	49.74
Total	**53.75**	**49.74**

8.1 Detail of Non Current Financial Assets - Other Investments

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments - Equity Shares					
Exicom Tele-Systems Ltd.	10	630,223	16.77	630,223	16.77
Microwave Communications Ltd. *	10	-	-	12,187,440	-
AB Corp Ltd. #	10	13,250,000	32.90	13,250,000	32.90
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.07	4,000	0.07
HFCL Bezeq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt Ltd.	1	54,398	4.01	-	-
Total Investment FVTOCI			**53.75**		**49.74**
Aggregate carrying value of unquoted investments			**53.75**		**49.74**
Aggregate amount of impairment in value of investments			**-**		**0.03**

* Nil (Previous year:12,187,440) Shares held in Microwave Communications Ltd. (MCL) are pledged with IDBI Bank as a security for the Term Loan given by IDBI to MCL.

6,500,000 (Previous year: 6,500,000) Shares 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 - Loans

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, Considered Good		
Loans to related parties (refer note 50)	26.50	24.50
Total	**26.50**	**24.50**

10 Non-Current Financial Assets - Others

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, Considered Good		
Fixed Deposits with Bank (maturity more than 12 months)*	25.48	28.41
Advances to related parties (refer note 47 & 50)	72.00	72.00
Financial guarantee Fees receivable	-	2.24
Security Deposit	0.21	0.20
Total	**97.69**	**102.85**

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

11 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	Property, plant and equipment	Provisions & others	MAT credit entitlement*	Total
As at 1 April, 2018	**8.03**	**2.08**	**20.06**	**88.50**	**118.67**
Impact on account of adoption of Ind AS 115 (refer note No 42)	-	-	3.16	-	3.16
(Changed)/Credited:	-	-	-	-	-
- to Statement of profit and loss	1.61	(2.17)	(6.87)	(34.21)	(41.64)
- to other comprehensive income	(0.36)	-	-	-	(0.36)
- to current tax liability	-	-	-	-	-
As at 31 March, 2019	**9.28**	**(0.09)**	**16.35**	**54.29**	**79.83**
Impact on account of adoption of Ind AS 116 (refer note No 42)	-	-	0.38	-	0.38
(Changed)/Credited:					
- to Statement of profit and loss	(0.53)	(9.19)	(6.66)	(54.29)	(70.67)
- to other comprehensive income	(0.79)	-	-	-	(0.79)
As at 31 March, 2020	**7.96**	**(9.28)**	**10.07**	**-**	**8.75**

* The Taxation Laws (Amendment) Ordinance, 2019 ("Ordinance") on September 20, 2019 has amended the Income Tax Act, 1961 and Finance (No. 2) Act, 2019, by which the option has been provided for the lower tax regime without any incentives for the domestic companies. Under the revised tax regime, credit of accumulated Minimum Alternate Tax (MAT) is not allowed. The management has assessed that it is beneficial to opt for the option of availing revised income tax rate in future years and accordingly unutilised MAT credit of ₹6.20 Crore as on March 31, 2020 has been impaired and charged to Statement of Profit and Loss.

12 Other Non-Current Assets

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, Considered Good		
Capital Advances	4.13	39.56
Total	**4.13**	**39.56**

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

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Inventories (As Certified and valued by the management)		
Raw Materials	34.87	39.95
Raw Materials in transit	0.06	11.03
	34.93	**50.98**
Work-in-progress	125.46	67.04
Finished goods	47.46	16.66
Stock-in-trade	59.11	53.28
Stores and Spares	4.39	2.62
Loose tools;	0.31	0.20
Others (Packing Material)	0.72	0.86
Total	**272.38**	**191.64**

Notes:

(i) Work in progress includes contract work in progress of ₹ 119.26 Crore (Previous year: ₹ 58.16 Crore)

(ii) Inventories of ₹33.71 Crore has been fully written off during the year on account of non-moving/obsolete technology which was carrying impairment provision of ₹33.71 Crore hence there is no impact on the profits for the year.

14 Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Quoted Investments		
(i) Investments in Mutual Funds	1.86	0.02
(ii) Investments in Equity Instruments -other	0.55	2.36
Total	**2.41**	**2.38**

14.1 Detail of Current Financial Assets - Investments

(₹ in Crore)

Particulars	Face value	As at March 31, 2020 No. of Shares / Units	As at March 31, 2020 Amount	As as March 31, 2019 No. of Shares / Units	As as March 31, 2019 Amount
Financial assets carried at fair value through Statement of Profit or Loss (FVTPL)					
(i) Investments in mutual funds - Quoted Investment					
Union Liquid Fund Growth. -Direct plan	1000	9,398	1.80	-	-
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.04	-	-
Principal Cash Management fund - Dividend reinvestment plan	1000	228	0.02	228	0.02
Total Investment FVTPL			**1.86**		**0.02**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Sumedha Fiscal Services Ltd.	10	18,200	0.03	18,200	0.04
Valiant Communications Ltd.	10	8,700	0.02	8,700	0.02
Magma Fincorp Ltd	2	152,830	0.26	152,830	1.80
Media Matrix Worldwide Ltd.	1	4,750	-	4,750	-
Sahara One Media and Entertainment Ltd.	10	250,950	0.24	250,950	0.50
			0.55		**2.36**
(iii) Investment in equity instruments - Un-Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	6,408,000	-	6,408,000	-
Mavens Biotech Ltd.	1	17,000	-	17,000	-
Optimates Textile Industries Ltd.	2	1,302,500	-	1,302,500	-
Rashel Agrotech Ltd.	10	478,500	-	478,500	-
Total Investment FVTOCI			**0.55**		**2.36**
Total Current Financial Investments			**2.41**		**2.38**
Aggregate carrying value of unquoted investments			-		
Aggregate amount of impairment in value of investments			-		

15 Financial Assets - Trade Receivables

(₹ in Crore)

Particulars	As at March 31, 2020 Non-current	As at March 31, 2020 Current	As as March 31, 2019 Non-current	As as March 31, 2019 Current
Trade Receivables				
Unsecured, considered good	119.87	1,535.07	90.47	1,426.11
Which have significant increase in credit risk	-	18.00	-	13.79
Less: expected credit loss allowance	-	(7.36)	-	(4.75)
Total	**119.87**	**1,545.71**	**90.47**	**1,435.15**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	4.75	-	-
Add: Provided during the year	-	6.25	-	4.75
Less: Amount written off	-	3.64	-	-
Balance at the end of the year	**-**	**7.36**	**-**	**4.75**

15.1 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 18 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 .

15.2 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 & 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.

15.3 Above balance of trade receivable include recoverable form related party (refer note 50).

16 Current Financial Assets - Cash & cash equivalents

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash & Cash Equivalents		
Balance with banks;		
- in current account	9.97	3.47
- in dividend account**	0.27	0.11
Cash on hand;	0.27	0.12
Fixed Deposits with Bank (maturity less than 3 months)*	2.21	3.11
Total	**12.72**	**6.81**

* Above fixed deposits are held as margin money/securities with banks.
** ₹0.27 Crore (Previous year ₹0.10 Crore) has restricted use.

17 Current Financial Assets - Other Bank Balances

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Fixed Deposits with Bank (Maturity less than 12 months)*	167.83	128.72
Total	**167.83**	**128.72**

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

18 Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Other Loans	6.75	6.75
Total	**6.75**	**6.75**

19 Current Financial Assets -Other Assets

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Advances other than capital advances		
- Security Deposits	21.34	4.33
- Advance to related parties - Subsidiaries	-	0.02
- Other project advances	523.52	506.69
Interest Receivables	17.71	22.86
Total	**562.57**	**533.90**

20 Current Tax Assets / Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	95.64	57.76
Total	**95.64**	**57.76**

21 Other Current Assets

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Indirect tax recoverable	155.65	89.39
Prepaid Expenses	38.22	24.88
Export Incentive receivable	1.19	3.31
Other receivables	1.98	1.98
Assets recognised from cost incurred to fulfill a contract	24.83	41.23
Total	**221.87**	**160.79**

22 A. Share Capital

(i) Authorised Share Capital

(₹ in Crore)

Particulars	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2018	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2019	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2020	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**

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

(₹ in Crore)

Particulars	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount*	No of Shares	Amount
As at April 1, 2018	**1,239,377,194**	**123.94**	**6,037,500**	**-**
Add: Shares issued during the year	35,000,000	3.50	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	6,037,500	-
As at March 31, 2019	**1,274,377,194**	**127.44**	**-**	**-**
Add: Shares issued during the year	10,000,000	1.00	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeemed during the year	-	-	-	-
As at March 31, 2020	**1,284,377,194**	**128.44**	**-**	

* The Allotment Committee (Warrants) of the Board of Directors of the Company at its meetings held on 05th November, 2018, 29th March, 2019, 09th April, 2019 and 29th April, 2019 has made allotment of 7,500,000 & 27,500,000, 5,208,333 and 4,791,667 equity shares of the face value of ₹1/- each at a premium of ₹15 per equity share respectively to the warrant holders consequent upon exercise of their rights for conversion of warrants into equity shares. Upon allotment of these equity shares, the paid up equity share capital of the Company has increased from ₹123.94 Crore (Rupees One Hundred Twenty Three Crore Ninety Four Lakh Only) comprising of 1,239,377,194 equity shares of the face value of ₹1/- each to ₹128.44 Crore (Rupees One Hundred Twenty Eight Crore Forty Four Lakh Only) comprising of 1,284,377,194 equity shares of the face value of ₹1/- each.

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

Name of Shareholder	As at March 31, 2020		As as March 31, 2019	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures (P) Ltd	245,890,000	19.14%	245,890,000	19.29%
Nextwave Communications (P) Ltd	219,865,000	17.12%	219,865,000	17.25%

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

The Company has issued equity share of ₹1/- 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 equity capital of the Company held by them. 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.

B. Other Equity

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Retained Earnings	1,062.12	872.09
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	(121.30)	(119.17)
b. Remeasurement of defined benefit plans	10.44	8.97
c. Foreign currency translation reserve	(0.08)	-
(iii) Other Reserves *		
a. Securities Premium	467.62	452.62
b. Debenture Redemption Reserve	5.62	8.43
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	11.70	4.19
(iv) Money received against Convertible Warrants **	-	8.50
Total	**1,516.62**	**1,316.13**

*** Brief description of Other Reserves:**

a. 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.

b. 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.

c. Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 8,050,000 (previous year 8,050,000) CRPSs of ₹ 100/- each

d. The fair value of the equity settled share based payment transactions with employees is recognised in Statement of Profit and Loss with corresponding credit to share based payment reserve. Further, equity settled share based payment transaction with employees of subsidiary is recognised in investment of subsidiaries with corresponding credit to Share based payment reserve. (Refer note 55)

** During the Financial Year 2017-18, Company had issued 45,000,000 Convertible Warrants on preferential basis with a right to Warrant Holders to apply for and get allotted one equity share of face value of ₹ 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). Out of total warrants issued, 35,000,000 warrants had been converted into equity share during the financial year 2018-19 and the remaining 10,000,000 warrants have been converted in the equity shares during current financial year.

(i) Retained Earnings (₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	872.09	763.37
Change in accounting policy (refer note 42)	(1.12)	(5.97)
Restated balance at the beginning of the reporting period	**870.97**	**757.40**
Add: Net profit for the period	203.82	184.03
Add/Less: adjustments for-		
Transfer from Debenture redemption reserve	2.81	-
Transfer into Capital redemption reserve	-	(60.38)
Dividend paid on Equity shares (including tax on dividend)	(15.48)	(8.96)
Closing Balance	**1,062.12**	**872.09**

(ii) Components of Other Comprehensive Income (₹ in Crore)

Particulars	Debt instrument through other comprehensive income	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2018	**(2.57)**	**(123.71)**	**8.29**	**-**
Increase during the year	(0.03)	4.54	0.68	-
Decrease during the year	2.60	-	-	-
As at March 31, 2019	**-**	**(119.17)**	**8.97**	**-**
Increase during the year	-	(2.13)	1.47	(0.08)
Decrease during the year	-	-	-	-
As at March 31, 2020	**-**	**(121.30)**	**10.44**	**(0.08)**

(iii) Other Reserves (₹ in Crore)

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve
As at April 1, 2018	**400.12**	**8.43**	**20.12**	**-**
Increase during the year	52.50	-	60.38	4.19
As at March 31, 2019	**452.62**	**8.43**	**80.50**	**4.19**
Increase during the year	15.00	-	-	7.51
Decrease during the year	-	2.81	-	-
As at March 31, 2020	**467.62**	**5.62**	**80.50**	**11.70**

(iv) Money received against convertible warrants (₹ in Crore)

Particulars	Amount
As at April 1, 2018	**18.00**
Increase during the year	46.50
Decrease during the year	(56.00)
As at March 31, 2019	**8.50**
Increase during the year	7.50
Decrease during the year	(16.00)
As at March 31, 2020	-

23 Non-Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Secured		
Borrowings		
Non- Convertible Debentures	22.49	33.73
Term Loans		
(i) from Banks*	161.77	103.95
Vehicle Loans		
(i) from Banks	2.92	3.36
(ii) from others	0.07	0.07
	187.25	**141.11**
Less : Current maturities of long term debt - Term Loans	(25.00)	(25.00)
Less : Debentures redeemable in next 12 months	(11.24)	(11.24)
Less : Current maturities of long term debt - Vehicle Loans	(1.12)	(0.98)
Total	**149.89**	**103.89**

* net off of ₹1.76 crores (Previous year ₹2.08 Crores) as finance charge

Notes:

a) Company had issued 3,372,750 10.30% secured unlisted Non- Convertible Redeemable Debenture (NCDs) of ₹100/- each aggregating ₹ 33.73 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 redeemable at face value in installment in the ratio of 33.33%, 33.33% and 33.33% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021(FY 2021-22) respectively. First installment of 33.33% being 11,24,138 NCDs have been redeemed on time.

b) Term Loan of ₹50.00 Crore (Previous year ₹75.00 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. Further, loan is secured by way of pari passu second charge on the Current Assets of the Company.

c) Term Loan of ₹ 140.94 Crore sanctioned and disbursed up to March 31, 2020 is amounting to ₹111.77 Crore (Previous year ₹ 31.03 Crore) from the banks are secured by pari-passu first charge on entire Project Assets, both present and future, by way of equitable mortgage. The loan is further secured by pledge of 3,38,00,000 equity shares of promoters (M/s MN Ventures Private Limited), personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly installments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

d) Other Vehicle Loans of ₹2.99 Crore (Previous Year ₹3.44 Crore) from banks and others are secured by way of hypothecation of respective assets.

i) Term and other Loans - Repayment schedule and rate of interest -

(₹ in Crore)

Particulars	Term Loan	Term Loan	Vehicle Loan
Rate of Interest	10.75%	11.00%	8.90% to 10.30%
Outstanding amount	50.00	111.77	2.99
Repayment Due			
FY 2020-21	25.00	5.03	1.12
FY 2021-22	25.00	20.12	1.13
FY 2022-23	-	20.12	0.74
FY 2023-24 to 2027-28	-	95.67	-

24 Non-Current Financial Liabilities - Other Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Financial guarantee Obligations	-	2.24
Total	**-**	**2.24**

25 Non-Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Provisions for Employee Benefits (refer note 44)		
Provision for Gratuity	16.06	13.82
Provision for Leave Encashment	11.59	7.66
Total	**27.65**	**21.48**

26 Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	250.06	278.81
(ii) from banks - Trade Receivable bills discounting*	50.00	-
Unsecured		
(i) from banks - Vendors bills discounting	20.99	4.44
(ii) from other parties - Inter Corporate Deposit#	101.99	127.16
Total	**423.04**	**410.41**

Notes:

* a) Working Capital Loans from banks aggregating to ₹200.23 Crore (Previous year: ₹249.57 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% (241,548,750 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.

b) Working Capital Loans from banks aggregating to ₹ 49.83 Crore (Previous year: ₹ 29.24 Crore) and Inland bills discounting limit of ₹50.00 Crore are secured by way of first pari passu charge on all current assets, moveable & immoveable fixed assets (Present & future) of GIS based Optical Fiber Network Management System (GOFNMS) Project. The loan is further secured by second pari-passu charge on moveable & immoveable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Private Limited, first pari passu charge of cash flows of the project and first pari passu charge on shares pledged/earmarked for working capital consortium.

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

27 Current Financial Liabilities - Trade Payables

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Trade Payables		
Due to Micro and Small Enterprises (refer note no. 45)	76.38	60.28
Others	705.63	680.68
Total	**782.01**	**740.96**

28 Other Current Financial Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Retention Money*	309.99	140.54
Other Financial Liabilities		
Current maturities of long-term debts; (refer note 23)	26.12	25.98
Non Convertible Debentures (refer note 23)	11.24	11.24
Interest accrued but not due	1.26	-
Security deposit	4.71	4.69
Creditors for Capital Goods	12.81	7.94
Expenses Payables	122.00	36.53
Other Employees related liabilities	5.41	8.38
Unpaid Dividends & Tax their on	0.27	0.10
Total	**493.81**	**235.40**

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

29 Other Current Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory Liabilities payable	30.17	50.54
Advances from Customers	17.28	68.56
Total	**47.45**	**119.10**

30 Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Provisions for Employee Benefits (refer note 44)		
Provision for Gratuity	1.95	1.28
Provision for Leave Encashment	2.02	3.81
Provisions - Others	6.32	2.02
Total	**10.29**	**7.11**

31 Revenue from operations

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale and Services		
- Manufacturing and trading activities	549.81	981.09
- Turnkey project related activities	2,993.91	3,379.51
Other Operating Revenues		
- Scrap sale	1.22	1.60
- Export Incentives	2.36	4.00
Total	**3,547.30**	**4,366.20**

Notes:

i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially) satisfied performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115.

ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is ₹ 33.16 Crore (Previous year ₹49.52 Crore) which is expected to be recognised as revenue in the next year.

iii) Contract balances:

(a) Changes in Contract assets (Unbilled revenue) are as follows-

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Balance at the beginning of the year	**3.34**	**-**
Revenue recognised during the year	18.16	3.34
Invoices raised during the year	3.34	-
Balance at the end of the year	**18.16**	**3.34**

(b) Changes in contract liabilities (Unearned revenue) are as follows -

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Balance at the beginning of the year	**49.52**	**41.93**
Increase due to invoicing during the year	2.14	7.59
Revenue recognised that was included in the unearned and deferred revenue	18.50	-
Balance at the end of the year	**33.16**	**49.52**

Revenues in excess of invoicing are classified as contract assets (which can also be referred to as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which can also be referred to as unearned revenues). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

iv) The Company has evaluated the impact of COVID – 19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID – 19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

32 Other Income

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Other non-operating income		
Interest Income	17.86	18.48
Dividend Income	0.02	0.02
Financial Guarantee Income	2.93	1.97
Liquidated Damages on Sales (Net)	-	24.69
Others	0.13	0.64
Total	**20.94**	**45.80**

33 Cost of Material Consumed

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	39.95	22.27
Add : Purchases during the year	386.40	703.51
	426.35	**725.78**
Less: Closing Stock	34.87	39.95
Total material consumed	**391.48**	**685.83**

34 Other Direct Costs

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Project and labour service charges	1,602.77	1,555.17
Consumption of Packing Material	14.64	20.34
Consumption of stores and spares parts	4.70	6.87
Loose Tools written off	0.12	0.08
Total	**1,622.23**	**1,582.46**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Closing Stock		
Finished Goods	47.46	16.66
Stock in Trade- Goods	59.11	53.28
Work in process	125.46	67.04
	232.03	**136.98**
Opening Stock		
Finished Goods	16.66	11.09
Stock in Trade- Goods	53.28	32.69
Work in process	67.04	104.12
	136.98	**147.90**
Total	**(95.05)**	**10.92**

36 Employee benefits expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, bonus and allowances	173.34	160.65
Contribution to Provident and other funds	8.64	7.58
Staff welfare expenses	4.64	4.70
Share Based payments to Employees (refer note 55)	7.15	3.98
Total	**193.77**	**176.91**

37 Finance costs

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Bank Loan Interest	42.42	33.33
Other Interest (net)	11.46	7.45
Bank Charges and loan processing fee	34.26	31.19
Dividend on redeemable preference shares	-	3.30
Tax on above mentioned dividend	-	0.68
Financial Guarantee Impairment	-	1.99
Interest on lease liabilities (refer note 42)	1.97	-
	90.11	**77.94**

38 Other expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	4.11	8.94
Rates and Taxes	1.32	5.61
Auditors' Remuneration		
- Audit Fees	0.90	0.70
- In Other Capacity	0.24	0.15
- Out of pocket expenses	0.14	0.05
Legal and Professional Charges	37.70	36.02
Communication Expenses	2.24	2.40
Travelling and Conveyance Expenses	33.30	30.59
Power and Fuel & Water Charges	8.59	7.98
Repairs and Maintenance	6.33	3.75
Insurance Expenses	9.75	6.70
Selling and Distribution Expenses	14.23	17.77
Bad debts, Loans and Advances, other balances written off (net)	2.03	19.11
Provision for doubtful debts	2.60	4.75
Inventory written off (Non-Moving/ obsolete technology)	33.71	-
Less: Provision for non-moving inventories reversed	(33.71)	-
Sitting Fees to non-executive directors	0.38	0.33
Liquidated Damages on Sales	1.30	-
Research & Product Development Expenses	5.73	3.43
Exchange Fluctuation Loss (Net)	13.90	(2.26)
Corporate Social Responsibility Expenses (refer note 52)	-	3.45
Loss on debt instruments classified as FVTOCI	-	2.60
Miscellaneous Expenditure	13.50	14.12
Total	**158.29**	**166.19**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Basic & Diluted Earnings per share :		
Profit & Loss for the year	203.82	184.03
Profit attributable to ordinary shareholders (A)	203.82	184.03
Weighted average number of ordinary shares (B)	1,283,883,683	1,242,623,769
(used as denominator for calculating basic EPS)		
Potential equity shares	13,418,000	16,950,414
Weighted average number of ordinary shares (C)	1,297,301,683	1,259,574,183
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	₹ 1/-	₹ 1/-
Earnings per share - Basic (A/B) (amount in ₹)	1.59	1.48
Earnings per share - Diluted (A/C) (amount in ₹)	1.61	1.46

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 44.

4. Revenue Recognition

The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. Judgement is also required to determine the transaction price for the contract. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations. The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

5. Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

6. Loss allowance for receivables and unbilled revenues

The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company considered current and anticipated future economic conditions relating to industries the company deals with and the countries where it operates. In calculating expected credit loss, the Company has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19.

7. Taxes

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. 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 recognised until the contingency has been resolved and amounts are received or receivable.

9. Fair Value of Unquoted equity investments:

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Company obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Company reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the statement of profit and loss.

41 Impact and future uncertainties relating to Global health pandemic from COVID-19 (COVID-19)

In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. Consequent to this, Government of India declared a national lock down on March 24, 2020, which has impacted the business activities of the Company. The Company has been taking various precautionary measures to protect employees and their families from COVID-19. The Company has assessed the impact of this pandemic on its business operations and has considered all relevant internal and external information available up to the date of approval of these financial statements, in determination of the recoverability and carrying value of property, plant and equipment, goodwill, other intangible assets and in relation to other financial statement captions. Further the impact assessment does not indicate any adverse impact on the ability of the company to continue as a going concern. The impact of COVID-19 pandemic on the overall economic environment being uncertain may affect the underlying assumptions and estimates used to prepare the Company's financial statements, which may differ from that considered as at the date of approval of these financial statements. The Company will continue to closely monitor any material changes to future economic conditions. The Company has resumed its business activities by reopening its factories and offices on a gradual basis in line with the guidelines issued by the Government authorities.

42 Change in Accounting Policy

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

The Company has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. The Company has used a single discount rate to a portfolio of leases with similar characteristics.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. Accordingly, a right-of-use asset of ₹10.12 Crore and a corresponding lease liability of ₹11.62 Crore has been recognized. The cumulative effect on transition in retained earnings net off taxes is ₹1.50 Crore (including a deferred tax of ₹0.38 Crore). The principal portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 10.75% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

The details of the right-of-use asset held by the Company is as follows: (₹ in Crore)

	Addition for the year ended March 31, 2020	Net carrying amount as at March 31, 2020
Land	-	0.09
Buildings	15.21	19.69
Total	**15.21**	**19.78**

Depreciation on right-of-use asset as follows: (₹ in Crore)

	For the year ended March 31, 2020
Land	-
Buildings	5.54
Total	**5.54**

Interest on lease liabilities is ₹1.97 Crore for the year ended March 31, 2020.

Lease contracts entered by the Company majorly pertains for buildings taken on lease to conduct its business in the ordinary course. The Company does not have any lease restrictions and commitment towards variable rent as per the contract. The leases that the Company has entered with lessors towards properties used as ware houses/ offices are long term in nature and no changes in terms of those leases are expected due to the COVID-19.

43 Business Combination

(i) During the year, the Company acquired 90% (9000 shares of face value of ₹10/ each) of the equity share capital of M/s Raddef Pvt Ltd., a company dealing in components for the applications in defense, aerospace, meteorology and communication. This will help in exploring untapped growth in the Telecom and Defence Business verticals of the company. The business acquisition was undertaken by acquiring equity stake of 90% for cash consideration of ₹90,000/-.

(ii) Company had entered into a Joint Venture Agreement dated October 18, 2010 with DragonWave Inc., Canada, and formed a joint venture entity under name DragonWave HFCL India Pvt Ltd. owned by DragonWave Pte. Ltd., Singapore (50.10%) (being controlled by DragonWave Inc., Canada) and HFCL Ltd. (49.90%). On December 17, 2019, the Company acquire balance 50.10% (comprising of 35,07,000 equity shares of face value ₹10/- each). The Company's total holding along with the existing shares held has increased to 100%. The business acquisition was undertaken by entering into share purchase agreement for cash consideration of ₹2.25 Crore

44 During the year, Company has recognised 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, recognised are charged to Statement of Profit and Loss for the year as under :

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employer's Contribution to Provident Fund	8.57	7.45

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 recognised in the same manner as gratuity.

Actuarial assumptions

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)				
Discount rate (per annum)	6.80%	7.65%	6.80%	7.65%
Rate of increase in Compensation levels	6.80%	7.65%	6.80%	7.65%
Average remaining working lives of employees (Years)	18.30	18.63	18.16	18.03

Table showing changes in present value of obligations :

(₹ in Crore)

Present value of obligation as at the beginning of the year	17.14	14.34	11.47	10.19
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	1.31	1.08	0.88	0.76
Past service cost (Vested Benefit)	-	-	0.97	-
Current Service Cost	2.92	2.51	3.26	2.79
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(0.70)	(0.85)	(1.17)	(1.18)
Actuarial (gain)/ loss on obligations	(0.59)	0.07	(1.81)	(1.09)
Present value of obligation as at the end of the period	20.08	17.15	13.60	11.47

(₹ in Crore)

Particulars	Gratuity (Funded) For the year ended March 31, 2020	Gratuity (Funded) For the year ended March 31, 2019	Leave Encashment For the year ended March 31, 2020	Leave Encashment For the year ended March 31, 2019
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	2.04	1.55	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Actual return of plan assets	0.16	0.12	N.A.	N.A.
Employer contribution	-	0.37	Nil	Nil
Benefits paid	-	-	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.14)	0.01	Nil	Nil
Charges deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.06	2.05	Nil	Nil
Other Comprehensive Income				
Actuarial (gain) / loss for the year - Obligation	(0.59)	0.07	(1.81)	(1.09)
Actuarial (gain) / loss for the year - Plan assets	0.14	(0.01)	Nil	Nil
Total (gain) / loss for the year	(0.45)	0.06	(1.81)	(1.09)
Actuarial (gain) / loss recognized in the year	(0.45)	0.06	(1.81)	(1.09)
Unrecognised 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	20.08	17.15	13.60	11.47
Fair value of plan assets as at the end of the year	2.06	2.05	Nil	Nil
Funded Status	(18.02)	(15.10)	(13.60)	(11.47)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(18.02)	(15.10)	(13.60)	(11.47)
Expenses recognised in Statement of Profit and Loss :				
Current service cost	2.92	2.51	3.26	2.79
Past service cost (Vested Benefit)	-	-	0.97	Nil
Interest Cost	1.31	1.08	0.88	0.76
Actual return on plan assets	(0.16)	(0.12)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Statement of Profit and Loss	4.07	3.47	5.11	3.55
Sensitivity analysis of the defined benefit obligation:				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	20.08	17.15	13.60	11.47
Impact due to increase of 0.5%	(1.10)	(0.96)	(0.92)	(0.37)
Impact due to decrease of 0.5%	1.01	0.88	0.83	0.33
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	20.08	17.15	13.60	11.47
Impact due to increase of 0.5%	1.04	0.91	0.95	0.37
Impact due to decrease of 0.5%	(1.13)	(0.98)	0.86	0.34
Sensitivities due to mortality & withdrawals are insignificant & hence ignored.				
Maturity profile of defined benefit obligation:				
March 2020 to March 2021	2.30	1.63	1.88	1.50
March 2021 to March 2022	0.21	0.40	0.06	0.10
March 2022 to March 2023	0.75	0.26	0.37	0.12
March 2023 to March 2024	0.95	0.70	0.29	0.35
March 2024 to March 2025	0.58	0.93	0.34	0.28
March 2025 to March 2026	0.93	0.53	0.33	0.32
March 2026 onwards	15.22	13.45	10.53	8.95
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.06	2.05	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 Actuarial Valuer.

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

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Principal amount due	76.38	60.28
Interest due on above	6.32	2.02
Interest paid during the period beyond the appointed day	0.73	0.06
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	6.32	2.02
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. 27 ' Trade Payables' regarding Micro and Small Enterprises has been determined on the basis of information available with the Company and has been relied upon by the auditors.

46 Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

(₹ in Crore)

	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Unexpired Letters of Credit (margin money paid ₹18.01 Crore; Previous year ₹ 20.56 Crore)	108.97	129.38
(ii)	Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits of ₹130.17 Crore; Previous year ₹90.07 Crore)	854.04	639.89
(iii)	Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹3.87 Crore shown as recoverable advance)	21.41	16.56

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) The Company has provided guarantees to third parties on behalf of subsidiary and associates. The Company does not expect any outflow of resources in respect of such guarantees.

iv) There is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court vide its ruling in February 2019, in relation to the scope of compensation on which the organization and its employees are to contribute towards Provident Fund. The Company will evaluate its position and act, as clarity emerges.

v) As at March 31, 2020 the Company has outstanding term derivative contracts as referred in Note 58.

(b) Capital Commitments

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	16.20	153.53
Uncalled capital commitment pertaining to investments	14.46	-

(c) Financial Guarantees

(₹ in Crore)

Issued in favour of	Issued to	Amount of guarantee (₹)	Purpose	Carrying amount as per Ind AS 109 March 31, 2020	Carrying amount as per Ind AS 109 March 31, 2019
Microwave Communications ltd.	Credit Lyonnais bank	9.60	Ad-hoc L/C	Nil	0.17
Microwave Communications ltd.	The Vysya Bank Ltd	4.06	Working Capital	Nil	-
Exicom Tele-systems Ltd	Punjab National Bank	6.50	Working Capital	Nil	0.04
HTL Ltd.	Corning Finolex Optical Fiber P Ltd.	-	Working Capital	-	0.08
HTL Ltd.	Owens- Corning India P Ltd.	-	Working Capital	-	0.05
HTL Ltd.	Yes Bank Ltd.	120.00	Term loan / Working Capital	Nil	1.90

47 HTL Ltd., one of the Subsidiary of the Company, had 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.

48 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.

49 During the year, the Company has paid 10% dividend on equity shares as approved by shareholders in the previous Annual General Meeting dated 28th September, 2019.

50 "Related Party Disclosures" as required by Ind AS - 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

(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.
		Raddef Pvt. Ltd. (Subsidiary w.e.f. 15.05.2019)
		DragonWave HFCL India Pvt. Ltd. (Wholly owned Subsidiary w.e.f. 17.12.2019)
(b)	Joint Venture:	DragonWave HFCL India Pvt. Ltd. (Ceased to be jointly controlled entity w.e.f.17.12.2019)
(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
		HFCL Employees Trust - ESOP
(e)	Enterprises owned or Significantly influenced by key management personnel or their relatives.	MN Ventures Pvt. Ltd.
		Nextwave Communications Pvt. Ltd..
		Exicom Tele-Systems Limited
		Satellite Finance Pvt. Ltd.
		Shankar Sales Promotion Pvt. Ltd.
		Vinson Brothers Pvt. Ltd.

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 March 31, 2020 are as under:

(₹ in Crore)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Purchases/receiving of Goods & services		
HTL Ltd.	114.14	38.53
Polixel Security Systems Pvt. Ltd.	19.67	11.24
Raddef Pvt. Ltd.	0.36	-
DragonWave HFCL India Pvt. Ltd.	0.50	-
Exicom Tele-systems Limited	18.34	10.28
Sales/rendering of Goods and Materials		
HTL Ltd.	26.15	65.06
Polixel Security Systems Pvt. Ltd.	-	0.02
Exicom Tele-systems Limited	0.13	0.90
Property, Plant and Equipment		
HTL Ltd. (Sales)	-	0.84
Investments		
HFCL Advance Systems Pvt. Ltd.	0.09	-
Income - Rent /Other expenses		
HFCL Advance Systems Pvt. Ltd.	0.01	0.01
Income - Interest on loan given		
HTL Ltd.	10.95	11.32
Raddef Pvt. Ltd.	0.19	-
Expenses - Rent /Other expenses		
HTL Ltd.	0.02	0.07
Exicom Tele-systems Limited	0.84	-
Satellite Finance Pvt. Ltd.	0.35	0.35
Shankar Sales Promotion Pvt. Ltd.	0.73	0.45
Vinson Brothers Pvt. Ltd.	0.76	0.60
Contribution towards Warrant		
MN Ventures Pvt. Ltd.	-	9.00
Nextwave Communication Pvt. Ltd..	-	9.00
Advances		
Raddef Pvt. Ltd.	1.18	-
Closing Balances of Loans & Advances and Receivables		
HTL Ltd.	37.60	145.83
Exicom Tele-systems Limited	6.16	0.98
Satellite Finance Pvt. Ltd.	0.19	0.33
Raddef Pvt. Ltd.	3.74	-
HFCL Advance Systems Pvt. Ltd.	0.01	0.02
Closing Balances of Trade payables		
Polixel Security Systems Pvt. Ltd.	2.87	2.75
Shankar Sales Promotion Pvt. Ltd.	0.38	-
Vinson Brothers Pvt. Ltd.	0.34	-
DragonWave HFCL India Pvt. Ltd.	0.54	-
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	-	0.25
Contribution towards ESOP Trust		
HFCL Employees Trust	0.02	0.01
Guarantees and collaterals		
Exicom Tele-systems Limited	6.50	6.50
HTL Ltd.	120.00	171.00
Remuneration of Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	6.80	8.80
Mr. Vijay Raj Jain (Chief Financial Officer)	1.97	1.67
Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)	0.43	0.42
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.35	0.19
Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)	0.16	0.08

51 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.

52 Corporate social responsibility expenses:

(₹ in Crore)

Particulars		Year ended March 31, 2020	Year ended March 31, 2019
Gross amount to be spent by the Company during the year		4.18	3.45
Amount spent during the year:			
Contribution on acquisition of assets	-	-	-
On other purposes	-	-	3.45

53 Interest charges on loans is net of Interest income from loans and advances amounting to ₹21.37 Crore (Previous year ₹20.79 Crore).

54 Debt of the Company as restructured under Corporate Debt Restructuring (CDR) mechanism in financial year 2011-12 had been re-paid as per the approved Scheme, with improved performance, Company has also paid recompense amount of ₹ 148.47 Crore as per exit term approved by CDR Empowered Group vide their order CDR(PMG) No.740/2015-16 dated March 22, 2016 on the recommendation of Monitoring Institution. CDR EG had 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.

55 On October 15, 2018, pursuant to the approval by the shareholders, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 14,098,000 equity shares. Out of this, 7,049,000 equity shares will be issued against RSUs at par value and 7,049,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. ₹20.65 per share. The Employee can exercise the vested options/units with in the maximum exercise period which shall be 5 years from the vesting date. The Stock options so granted will be vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall be vest in the 4th year from the date of grant.

The Nomination, Remuneration and Compensation Committee ('Committee') of the Board of Directors which comprises a majority of Independent Directors is responsible for administration and supervision of the Stock Option Plans.

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2020 and March 31, 2019 is as follows:

Particulars	Shares arising out of options*	
	Year ended March 31, 2020	Year ended March 31, 2019
Employee Stock Options (ESOPs)		
Outstanding at the beginning	6,861,000	-
Granted	-	7,049,000
Exercised	-	-
Forfeited and expired	152,000	188,000
Outstanding at the end	6,709,000	6,861,000
Exercisable at the end	2,683,600	-
Restricted Stock Units (RSUs)		
Outstanding at the beginning	6,861,000	-
Granted	-	7,049,000
Exercised	-	-
Forfeited and expired	152,000	188,000
Outstanding at the end	6,709,000	6,861,000
Exercisable at the end	-	-

* Includes options granted to employees of subsidiary company.

The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2020 are as follows:

(₹ in Crore)

Range of exercise prices per share	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
20-25 (ESOPs)	6,709,000	3.00	20.65
0 - 5 (RSUs)	6,709,000	4.00	1.00

The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

Particulars	For options granted during the year ended March 31, 2019	
	ESOPs	RSUs
Weighted average share price (₹)	20.65	20.65
Exercise price (₹)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the option (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (₹)	11.04	19.74

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise behavior of the employee who receives the RSU / ESOP. Expected volatility during the expected term of the RSU / ESOP is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the RSU / ESOP.

56. Details of business advances outstanding from Subsidiary for the year ended March 31, 2020 - 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, 2020	March 31, 2019	2019-20	2018-19
HTL Ltd	72.00	72.00	72.00	72.00
Polixel Security Systems Pvt. Ltd	-	-	-	8.58
Raddef Pvt. Ltd.	1.57	-	1.57	-
HFCL Advance Systems Pvt. Ltd.	-	0.02	0.02	0.02

57 Financial Instruments and risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities 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, cash and cash equivalents, trade and other receivables 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 analyze 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, 2020			As at March 31, 2019		
	FVTPL	FVTOCI	Amortized Cost	FVTPL	FVTOCI	Amortized Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	53.75	-	-	49.74	-
ii) Structured entity (current assets)						
a) Sumedha Fiscal Services Ltd.	-	0.03	-	-	0.04	-
b) Valiant Communications Ltd.	-	0.02	-	-	0.02	-
c) Magma Fincorp Ltd	-	0.26	-	-	1.80	-
d) Sahara One Media and Entertainment Ltd.	-	0.24	-	-	0.50	-
B) Mutual funds	1.86	-	-	0.02	-	-
C) Debentures & Bonds	-	-	-	-	-	-
II) Trade receivables	-	-	1,665.58	-	-	1,525.62
III) Bank deposits	-	-	25.48	-	-	28.41
IV) Cash and Cash equivalents	-	-	12.72	-	-	6.81
V) Other Bank balances	-	-	167.83	-	-	128.72
VI) Security deposit for utilities and premises	-	-	21.34	-	-	4.33
VII) Other receivables	-	-	646.69	-	-	635.26
Total Financial Assets	**1.86**	**54.30**	**2,539.64**	**0.02**	**52.10**	**2,329.15**
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	484.35	-	-	450.27
B) From Others	-	-	102.06	-	-	127.23
C) Preference Shares	-	-	-	-	-	-
II) Obligations under Finance Lease	-	-	21.59	-	-	-
III) Retention Money	-	-	309.99	-	-	140.54
IV) Trade payables	-	-	782.01	-	-	740.96
V) Other liabilities	-	-	170.34	-	-	33.90
Total Financial liabilities	**-**	**-**	**1,870.34**	**-**	**-**	**1,492.90**

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.

(A) Year Ending March 31, 2020

(₹ in Crore)

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2020	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	1.86	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.03	-	-
b) Valiant Communications Ltd.	14	0.02	-	-
c) Magma Fincorp Ltd	14	0.26	-	-
d) Sahara One Media and Entertainment Ltd.	14	0.24	-	-
e) Exicom Tele-Systems Ltd.	8	-	-	16.77
f) AB Corp Ltd	8	-	-	32.90
g) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.07
h) Nivetti Systems Pvt Ltd.	8	-	-	4.01
Total Financial Assets		**2.41**	**-**	**53.75**

B) Year Ending March 31, 2019

(₹ in Crore)

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2019	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	0.02	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.04	-	-
b) Valiant Communications Ltd.	14	0.02	-	-
c) Magma Fincorp Ltd	14	1.80	-	-
d) Sahara One Media and Entertainment Ltd.	14	0.50	-	-
e) Exicom Tele-Systems Ltd.	8	-	-	16.77
f) AB Corp Ltd	8	-	-	32.90
g) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.07
Total Financial Assets		**2.38**		**49.74**

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.

57.2 MANAGEMENT OF FINANCIAL RISK

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, 2020					
Trade payables	27	782.01	782.01	-	**782.01**
Retention Money	28	309.99	309.99	-	**309.99**
Other liabilities	23,24,26,28,42	778.34	611.73	166.61	**778.34**
As at March 31, 2019					
Trade payables	27	740.96	740.96	-	**740.96**
Retention Money	28	140.54	140.54	-	**140.54**
Other liabilities	23,24,26,28	611.40	505.27	106.13	**611.40**

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 & FVTPL investments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2020 and March 31, 2019.

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 as per 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 March 31, 2020 would increase / decrease by ₹5.61 Crore (for the year ended March 31, 2019: increase / decrease by ₹4.97 Crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
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 ₹ 1.53 Crore loss for year ended March 31, 2020 (₹1.29 Crore loss for year ended March 31 2019).

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 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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. 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, 2020	As at March 31, 2019
Debt	610.29	551.52
Less : Cash and Cash equivalents (Note 16)	(12.72)	(6.81)
Net Debt	**597.57**	**544.71**
Total Equity	1,645.06	1,443.57
Net Debt to Equity Ratio	**0.36**	**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:

b) Details of outstanding Hedging Contracts relating to Foreign LCs

(₹ in Crore)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	641,164	4.91	2,295,620	16.07

c) Foreign Currency exposure

(₹ in Crore)

Particulars		As at March 31, 2020		As at March 31, 2019	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	27,483,099	210.36	40,104,856	280.69
	GBP/INR	760,190	6.95	-	-
	JPY/INR	34,776,000	2.49	-	-
	EUR/INR	409,748	3.47	1,200,267	9.46
Trade receivable	USD/INR	2,145,526	15.89	1,594,058	10.78
	EUR/INR	286,942	2.34	244,066	1.85
	GBP/INR	219,655	2.01	202,417	1.78

d) 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)

Impact on profit or loss for the year	Year Ended March 31, 2020		Year Ended March 31, 2019	
	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%
USD Impact	9.70	(9.70)	13.50	(13.50)
EURO Impact	0.05	(0.05)	0.38	(0.38)
JPY Impact	0.10	(0.10)	-	-
GBP Impact	0.25	(0.25)	-	-

59 Tax Reconciliation

(₹ in Crore)

Particulars	F.Y. 2019-20	F.Y. 2018-19
Net Profit as per Statement of Profit and Loss (before tax)	**327.92**	**290.74**
Current Tax rate @ 34.944%	**114.59**	**101.60**
Adjustment:		
MAT Adjustment	(48.10)	(34.21)
Depreciation & other adjustment	(13.11)	(3.16)
Dividend and Tax thereon	-	1.39
The amount of eligible / ineligible expenditure	0.06	(0.54)
The amount of income u/s 10 - dividend	(0.01)	(0.01)
Tax Provision as per Books	**53.43**	**65.07**

60 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

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

P. D. Baid
Partner
M.No. 072625

Jaipur, 05th June, 2020

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

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, 05th June, 2020

For and on behalf of the Board

M. P. Shukla
Chairman
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

New Delhi, 05th June, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of **HFCL Limited**
(formerly Himachal Futuristic Communications Limited)

Report on the Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of HFCL Limited (formerly 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") which comprise the Consolidated Balance Sheet as at March 31, 2020, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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, as referred to in the other matter paragraph below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standard ("Ind AS") prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group and consolidated profit (including other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year ended on that date.

2. Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 matter paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

3. Emphasis of Matter

We draw attention to Note 41 of the consolidated financial statements which describes management's assessment of the impact of the outbreak of COVID-19 pandemic on its business operations and financial results. The said assessment made by the management is highly dependent upon the circumstances as they evolve in subsequent period.

Our opinion is not modified in respect of this matter.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.No.	Key Audit Matters	Response to Key Audit Matters
1	**Customer contracts – accuracy of revenue recognition, valuation of contract assets, work in progress (WIP), trade and other receivables, and accuracy of contract liabilities** For the year ended March 31, 2020, revenue from customer contracts amounts to INR 3,838.91 Crores. As at March 31, 2020 contract assets amount to INR 18.16 Crores, contract liabilities to INR 33.16 Crores, the balance of work in progress (WIP) amounts to INR 119.26 Crores and retention amounts to INR 310.61 Crores The application of the revenue accounting standard (Ind AS 115, Revenue from Contracts with Customers) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts.

S.No.	Key Audit Matters	Response to Key Audit Matters
	During order fulfilment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognized at a point in time (PIT), the risks include inappropriate revenue recognition from revenue being recorded in the wrong accounting period or at amounts not justified as well as overstated WIP that requires impairment adjustments.	We further performed testing on a sample basis to confirm the appropriate application of revenue recognition policies and to verify valuation of WIP balances. This included reconciling accounting entries to supporting documentation. When doing this, we specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off. We further reviewed samples of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Based on our knowledge gained through contract and project reviews and also considering the impact of COVID-19, we assessed the need for and the accuracy of provisions and deductions in revenue for variable consideration for expected liquidated damages. Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts. Our procedures did not identify any material exceptions.
2	**Valuation of accounts receivable – risk of credit losses** Parent Company has a concentration of credit exposure on a number of major customers mainly Government and large organisation. Some of these major customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key factor. Accounts receivable is a significant item in the Parent's financial statements amounting to INR 1729.69 Crores as of March 31, 2020 and provisions for impairment of receivables is an area which is influenced by management's estimates and judgment. The provision for impairment of receivables amounted to INR 7.77 Crores as at March 31, 2020. Refer to the Note 15 – Trade receivables.	Our audit incorporated the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk; • Assessment of the Parent's credit policy outlining authority for approving and responsibility to manage credit limits; • Understanding the related industry's external factors and impact of COVID-19; • Inquiries with committee in order to understand and assess governance and follow-up/monitoring of key customers; • Analytical procedures and inquiries with Business Area; • Detailed testing and assessment of receivables to ensure these are in line with Ind AS, with a focus on significant new provisions. We had a particular focus in our audit on how Company manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to the Group's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3	**Recoverability of Other Advances** As at March 31, 2020, current financial assets include INR 525.80 Crores in respect of Advances to vendors and sub-contractors and are pending to be adjusted/settled. Management exercises significant judgment when determining whether to record any impairment loss on advances. As the carrying amount of Other Advances accounts for a relatively high proportion of assets, there would be a material impact on the financial statements if such advances cannot be settled on schedule or fail to be recovered /settled. Therefore, we regard the recoverability of Other Advances as a key audit matter. Refer Note 19 to the Consolidated Financial Statements.	Our audit procedures involve the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; • Assessment of the Parent's procurement policy outlining authority for approving and responsibility to manage vendor advances; • Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; • Analytical procedures and inquiries with Business Area; • Obtain balance confirmations from selected parties to ensure existence thereof; • Review of Purchase orders and/or agreements for selected parties and enquire management regarding reasons for unsettled advances as on date. We agree with management's view that there is no reduction in the value of the advances outstanding in the books.

S.No.	Key Audit Matters	Response to Key Audit Matters
4	**Recoverability relating to Goods and Services Tax recoverable:** As at March 31, 2020, under other current assets, indirect taxes recoverable include INR 135.10 Crores in respect of GST Input Tax credit receivables. The Parent has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Consolidated Financial Statements.	Our audit procedure involves the following activities: • Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers. • Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.
5	**Recoverability and Contingencies relating to other Indirect tax matters** As at March 31, 2020, "Indirect Tax Recoverable" includes INR 19.56 Crores in respect of Commercial taxes recoverable which are pending adjudication. The Parent Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement. We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement. Refer Note 21 to the Consolidated Financial Statements.	We performed the following substantive procedures: • Understanding the process of estimation, recording and reassessing tax provisions and contingencies. • Involving tax specialists to assist in analyzing the judgements used to determine provisions for tax matters • We have involved our internal experts to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. • Inspection the correspondence with tax authorities. • Inspecting reports on open tax assessments prepared by the Parent Company and other appropriate documentation considered necessary to understand the position and conclusions made by the Parent. We also assessed the adequacy of the Group's financial statements disclosure in respect of the tax positions and contingent liabilities. We agree with management's evaluation.

5. Other Information

The Parent's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements and our auditor's report thereon. The other information comprising the above documents is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information comprising the above documents and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read the other information comprising the above documents, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as per applicable laws and regulations.

6. Management's Responsibility for the Consolidated Financial Statements

The Parent'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 consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. The respective board of directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group 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 consolidated financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statement by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, The respective board of directors of the Companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective board of directors of the Companies included in the Group are responsible for overseeing the financial reporting process of the Group.

7. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statement of such entities included in the consolidated financial statement of which we are the independent joint auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors or one of the joint auditor, such other auditors and one of the joint auditors is responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. Other Matters

a) We did not audit the financial statements/financial information of three subsidiaries included in the consolidated financial statement, whose financial statements/ financial information reflect total assets of ₹ 354.28 Crores as at March 31, 2020, total revenues of ₹

431.35 Crores, Net profit after tax of ₹ 36.37 Crores and total comprehensive income of ₹ 35.78 Crores for the year ended on that date, as considered in the consolidated financial statement. These financial statements / financial information have been audited by the other auditors whose reports have been furnished to us by the management and our opinion on the consolidated 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 it relates to the aforesaid subsidiaries is based solely on the report of the other auditors.

b) Financial statements of three subsidiaries whose financial statements / financial information reflect total assets of ₹ 21.07 Crores as at March 31, 2020, total revenues of ₹ 22.05 Crores, Net profit/(loss) after tax of ₹ (1.31) Crores and total comprehensive income/(loss) of ₹ (1.24) Crores for the year ended on that date, as considered in the Consolidated Financial statement, have been audited by one of joint auditors of the Parent Company and our opinion on the consolidated 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 it relates to the aforesaid subsidiaries is based solely on the report of such joint auditor.

Our opinion on the consolidated financial statement above, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters which respect to our reliance on the work done and the reports of the other auditors.

9. 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 statement and the other financial information of subsidiaries 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 financial statement.

(b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid consolidated financial statement have been kept by so far as it appears from our examination of those books and reports of other auditor.

(c) In respect of the branch abroad, we have been furnished management certified financial information comprising of revenue of ₹ 7.88 Crores and assets of ₹ 7.56 Crores and same have been considered by us in the consolidated financial statements.

(d) the consolidated balance sheet, 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 dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of consolidated financial statement

(e) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

(f) On the basis of the written representations received from the directors of the parent company as on 31st March, 2020 taken on record by the Board of Directors of parent company, the report of the statutory auditors of its subsidiary companies, none of the directors of the Group companies is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) 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.

(h) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Group to its directors during the year is in accordance with the provisions of Section 197 of the Act.

(i) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i) The Group has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements – Refer Note 47 to the consolidated financial statements;

ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 47 to the consolidated financial statements;

iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

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

(P. D. Baid)
Partner
Membership No: 072625
UDIN: 20072625AAAAAS5942

Place: Jaipur
Date: June 05, 2020

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 20054645AAAAAJ2974

Place: New Delhi
Date: June 05, 2020

ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HFCL LIMITED (FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED) AS ON MARCH 31, 2020

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")

TO THE MEMBERS OF

HFCL LIMITED

(FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED)

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of HFCL LIMITED (formerly HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED) (herein after referred as the "Parent") and its subsidiary companies (herein after referred as the "Group"), including those audited by other auditors as on that date.

Management's Responsibility for Internal Financial Controls

The respective board of the directors of the Parent Company and its subsidiary companies are responsible for establishing and maintaining internal financial controls based on the 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 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 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 Companies Act, 2013.

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") 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 judgment, including the assessment of the risks of material misstatement of the consolidated 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 terms 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, 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, 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, 2020, 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 six subsidiary companies is based solely on the corresponding report of the auditors of such companies.

Our opinion is not modified in respect of the above matters.

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
UDIN: 20072625AAAAAS5942	UDIN: 20054645AAAAAJ2974
Place: Jaipur	Place: New Delhi
Date: June 05, 2020	Date: June 05, 2020

Consolidated Balance Sheet as at March 31, 2020

(₹ in Crore)

Particulars	Note No(s)	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	436.93	202.18
(b) Capital work-in-progress	4	15.05	64.01
(c) Right-of-use-assets	42	20.12	-
(d) Goodwill		26.17	25.85
(e) Intangible assets (other than Goodwill)	5	20.82	10.35
(f) Intangible assets under development	6	18.71	21.51
(g) Investment accounted for using equity method	7	-	5.50
(h) Financial Assets			
(i) Investments	8	55.69	51.68
(ii) Trade Receivables	15	119.87	90.47
(iii) Loans	9	6.50	-
(iv) Others	10	31.55	36.22
(i) Deferred tax assets (net)	11	12.15	79.92
(j) Other non-current assets	12	4.30	40.46
Total Non Current Assets		**767.86**	**628.15**
Current Assets			
(a) Inventories	13	343.68	264.53
(b) Financial Assets			
(i) Investments	14	2.51	2.39
(ii) Trade Receivables	15	1,609.81	1,472.42
(iii) Cash & cash equivalents	16	16.45	17.53
(iv) Bank balances other than (iii) above	17	175.41	141.82
(v) Loans	18	14.98	13.97
(vi) Others	19	557.49	527.97
(c) Current Tax Assets (net)	20	97.49	59.47
(d) Contract Assets		18.16	3.34
(e) Other current assets	21	225.14	162.60
Total Current Assets		**3,061.12**	**2,666.04**
Total Assets		**3,828.98**	**3,294.19**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	128.44	127.44
(b) Other Equity	22	1,539.99	1,314.22
Equity attributable to owners of the Company		**1,668.43**	**1,441.66**
Non-controlling interest		(0.04)	(9.95)
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	200.94	134.35
(ii) Lease liabilities	42	16.93	-
(iii) Other financial liabilities	24	-	2.24
(b) Provisions	25	31.96	24.79
Total Non Current Liabilities		**249.83**	**161.38**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	26	467.61	418.74
(ii) Lease Liabilities	42	5.02	-
(iii) Trade Payables	27		
- total outstanding dues of micro enterprises and small enterprises		80.54	62.39
- total outstanding dues to other than micro enterprises and small enterprises		734.70	802.11
(iv) Other financial liabilities	28	527.12	239.78
(b) Other current liabilities	29	51.93	121.17
(c) Contract liabilities		33.16	49.52
(d) Provisions	30	10.68	7.39
Total Current Liabilities		**1,910.76**	**1,701.10**
Total Liabilities		**2,160.59**	**1,862.48**
Total Equity and Liabilities		**3,828.98**	**3,294.19**
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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Consolidated Statement of Profit and Loss for the year ended March 31, 2020

(₹ in Crore)

	Particulars	Note No(s)	For the year ended March 31, 2020	For the year ended March 31, 2019
I	**INCOME**			
	Revenue from operations	31	3,838.91	4,737.79
	Other Income	32	22.08	42.74
	Total Income (I)		**3,860.99**	**4,780.53**
II	**EXPENSES**			
	Cost of Materials Consumed	33	521.77	947.27
	Other Direct costs	34	1,625.08	1,581.95
	Purchases of stock-in trade		881.62	1,416.56
	Change in inventories of finished goods, work-in progress and stock-in trade	35	(94.20)	(7.92)
	Employee benefits expense	36	224.33	199.76
	Finance Costs	37	114.81	91.87
	Depreciation and amortisation expense	3, 5, 42	41.95	26.97
	Other Expenses	38	186.23	184.69
	Total Expenses (II)		**3,501.59**	**4,441.15**
III	**Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)**		**359.40**	**339.38**
IV	Share of profit/ (loss) of a joint venture		**(1.05)**	**(0.09)**
V	**Profit / (loss) before exceptional items and income tax (III+IV)**		**358.35**	**339.29**
VI	Exceptional item		-	-
VII	**Profit / (Loss) before tax (V - VI)**		**358.35**	**339.29**
VIII	**Tax expense**			
	- Current tax		53.58	65.41
	- Deferred Tax		67.44	41.62
IX	**Profit/(loss) for the year (VII-VIII)**		**237.33**	**232.26**
X	**Other Comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		1.75	0.47
	(ii) Income tax on above item		(0.79)	(0.36)
	(iii) Gain/(Loss) on Equity Instruments designated through OCI		0.09	4.46
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.08)	-
	(ii) Debt instruments through OCI		-	(0.03)
	Other comprehensive income for the year		**0.97**	**4.54**
XI	**Total comprehensive income for the year (IX+X)**		**238.30**	**236.80**
XII	**Profit attributable to:**			
	Owners of the Parent		227.24	219.91
	Non-controlling interest		10.09	12.35
XIII	**Total comprehensive income for the year attributable to:**			
	Owners of the Parent		228.36	224.61
	Non-controlling interest		9.94	12.19
XIV	Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the year			
	- Basic	39	1.77	1.77
	- Diluted	39	1.76	1.75

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
DIN: 00052977

Mahendra Nahata
Managing Director
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Partner
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V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Consolidated Statement of Cash Flow for the year ended March 31, 2020

(₹ in Crore)

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
I. Cash Flow From Operating Activities			
Net Profit before Taxes and Exceptional Items		358.35	339.29
Adjustments for			
Depreciation and Amortization expenses	42.85		26.97
(Gain)/Loss on disposal of property, plant and equipment	0.19		0.05
Financial Gurantee imparment	(0.40)		(1.97)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	6.59		24.61
Employee Share based payments expenses	7.51		4.19
Share of profit of joint ventures	1.05		0.09
Dividend and interest income classified as investing cash flows	(5.12)		(10.14)
Finance costs (net)	114.81		91.86
Investment written off	-		2.60
		167.48	**138.26**
Change in operating assets and liabilities			
(Increase)/Decrease in Trade and other receivables	(172.33)		(353.44)
(Increase)/Decrease in Inventories	(79.15)		(50.96)
Increase/(decrease) in Trade payables	(49.76)		301.87
(Increase)/Decrease in other financial assets	(65.64)		(189.01)
(Increase)/decrease in other non-current assets	(1.41)		(20.79)
(Increase)/decrease in other current assets	(77.35)		(98.03)
Increase/(decrease) in provisions	2.91		4.72
Increase/(decrease) in other Non current liabilities	6.60		2.20
Increase/(decrease) in other current liabilities	168.45		(11.70)
		(267.68)	**(415.14)**
Cash generated from/(used in) operations		**258.15**	**62.41**
Income taxes paid (net)		(90.83)	(28.47)
Net cash inflow from/(used in) operating activities		**167.32**	**33.94**
II Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		0.60	-
Payments for property, plant and equipment including CWIP		(155.66)	(155.11)
Payments for Intangible Assets		(12.22)	(21.95)
Proceeds from sale of property, plant and equipment		0.07	0.03
Dividends received		0.02	0.01
Interest received		5.35	26.69
Net cash inflow from /(used in) investing activities		**(161.84)**	**(150.33)**

Consolidated Statement of Cash Flow for the year ended March 31, 2020

(₹ in Crore)

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
III	**Cash flows from financing activities**		
	Proceeds from issues of Warrants	7.50	46.50
	Proceeds from borrowings	181.45	235.12
	(Redemption) of Preference Share	-	(60.38)
	(Repayment) of borrowings	(61.61)	(53.68)
	(Repayment) of lease liabilities	(7.25)	-
		120.09	**167.56**
	Less:		
	Finance Costs paid	(111.33)	(91.34)
	Dividend & tax thereon paid	(15.32)	(8.86)
	Net cash inflow from/(used in) financing activities	**(6.56)**	**67.36**
IV	**Net increase /(decrease) in cash and cash equivalents (I+II+III)**	**(1.08)**	**(49.03)**
V	Cash and cash equivalents at the beginning of the financial year	17.53	66.56
VI	**Cash and cash equivalents at end of the year**	**16.45**	**17.53**
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 16) comprise of the followings:**		
	Cash on hand	0.28	0.14
	Balances with Banks		
	Current accounts*	13.96	11.17
	Fixed Deposits with Bank	2.21	6.22
	Balances per statement of cash flows	**16.45**	**17.53**
4	**Analysis of movement in borrowings**		
	Borrowings at the beginning of the year	566.09	445.03
	Movement due to cash transactions per the Statement of Cash Flows	119.84	121.06
	Borrowings at the end of the year	**685.93**	**566.09**
	* ₹ 0.27 Crore (Previous year ₹ 0.10 Crore) has restricted use.		

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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Consolidated Statement of Changes in Equity for the year ended March 31, 2020

A. Equity Share Capital

(₹ in Crore)

Particulars	Amount
As at April 1, 2018	**123.94**
Changes in equity share capital	3.50
As at March 31, 2019	**127.44**
Changes in equity share capital	1.00
As at March 31, 2020	**128.44**

B. Other equity

(₹ in Crore)

	Money received against Convertible Warrants *	Share based payment reserve	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	Debenture Redemption Reserve	Capital Reserve	Retained Earnings	Debt instruments through Other Comprehensive Income	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve			
Balance as at April 1, 2018	**18.00**	**-**	**400.12**	**20.12**	**8.43**	**-**	**723.94**	**(2.57)**	**(121.78)**	**8.50**	**-**	**1,054.76**	**(22.15)**	**1,032.61**
Impact on account of adoption of Ind AS 115	-	-	-	-	-	-	(5.97)	-	-	-	-	(5.97)		(5.97)
Restated balance as at April 1, 2018	**18.00**	**-**	**400.12**	**20.12**	**8.43**	**-**	**717.97**	**(2.57)**	**(121.78)**	**8.50**	**-**	**1,048.79**	**(22.15)**	**1,026.64**
Total Comprehensive Income for the year	-	-	-	-	-	-	219.91	(0.03)	4.46	0.26	-	224.60	12.20	236.80
Warrant subscription price equivalent to 75% of the issue price*	46.50	-	-	-	-	-	-	-	-	-	-	46.50	-	46.50
Transfer to retained earnings	-	-	-	-	-	-	-	2.60	-	-	-	2.60	-	2.60
Transfer to Capital Redemption Reserve	-	-	-	60.38	-	-	(60.38)	-	-	-	-	-	-	-
Dividends paid for the previous year (Including tax on dividend)	-	-	-	-	-	-	(8.96)	-	-	-	-	(8.96)	-	(8.96)
Employee Share Options outstanding $	-	4.19	-	-	-	-	-	-	-	-	-	4.19	-	4.19
Conversion of warrants into equity share	(56.00)	-	52.50	-	-	-	-	-	-	-	-	(3.50)	-	(3.50)
Balance as at March 31, 2019	**8.50**	**4.19**	**452.62**	**80.50**	**8.43**	**-**	**868.54**	**-**	**(117.32)**	**8.76**	**-**	**1,314.22**	**(9.95)**	**1,304.27**
Impact on account of adoption of Ind AS 116 (refer note No 42)	-	-	-	-	-	-	(1.12)	-	-	-	-	(1.12)	-	(1.12)
Balance as at March 31, 2019	**8.50**	**4.19**	**452.62**	**80.50**	**8.43**	**-**	**867.42**	**-**	**(117.32)**	**8.76**	**-**	**1,313.10**	**(9.95)**	**1,303.15**
Total Comprehensive Income for the year	-	-	-	-	-	2.22	227.24	-	(2.13)	1.11	(0.08)	228.36	9.94	238.30
Business acquired during the year	-	-	-	-	-	-	-	-	-	-	-	-	(0.03)	(0.03)
Warrant subscription price equivalent to 75% of the issue price*	7.50	-	-	-	-	-	-	-	-	-	-	7.50	-	7.50
Transfer to retained earnings	-	-	-	-	(2.81)	-	2.81	-	-	-	-	-	-	-
Transfer to Capital Redemption Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid for the previous year (Including tax on dividend)	-	-	-	-	-	-	(15.48)	-	-	-	-	(15.48)	-	(15.48)
Employee Share Options outstanding $	-	7.51	-	-	-	-	-	-	-	-	-	7.51	-	7.51
Conversion of warrants into equity share	(16.00)	-	15.00	-	-	-	-	-	-	-	-	(1.00)	-	(1.00)
Balance as at March 31, 2020	**-**	**11.70**	**467.62**	**80.50**	**5.62**	**2.22**	**1,081.99**	**-**	**(119.45)**	**9.87**	**(0.08)**	**1,539.99**	**(0.04)**	**1,539.95**

$ Refer note no. 22(B)(iii)

* Refer note no. 22(B)(iv)

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
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Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2020

1. Corporate information

HFCL Limited (formerly Himachal Futuristic Communications Limited) ('HFCL' or 'the Holding Company') is a public limited company domiciled and incorporated in India and having its registered office at 8, Electronics Complex , Chambaghat, Solan, Himachal Pradesh-173213. The Holding Company's shares are listed and traded on National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE). 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, Optical Fiber and Optic Fiber Cable (OFC).

The Consolidated Financial Statements have been approved by the Board of Directors of the Holding Company at its meeting held on June 05, 2020.

2. Significant accounting policies

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

These Consolidated 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, 2015 as amended from time to time.

2.1.2. Historical Cost Convention

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- certain financial assets and liabilities and contingent consideration 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;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in Indian Rupees, which is also its functional currency. Amounts are rounded off to the nearest rupees in crore unless otherwise stated.

2.1.3. New and Amended Standard adopted by Group

The Group has applied the following standard and amendments for the first time for the annual reporting period commencing April 01, 2019:

(i) Ind AS 116 Leases

(ii) Amendment to Ind AS 12 Income Taxes

(iii) Amendment to Ind AS 19 Plan Amendment Curtailment or Settlement

(iv) Amendment to Ind AS 23 Borrowing Costs

The Group changed its accounting policies following the adoption of Ind AS 116, as disclosed in Note 42. Other amendments listed above do not have any impact on the amounts recognised in prior periods and current period and are not expected to significantly affect future periods.

2.1.4. Use of estimates and judgements

The preparation of these Consolidated 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 Consolidated 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 Holding Company has control. The Holding Company controls an entity when the Holding Company 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 Holding Company. They are deconsolidated from the date that control ceases. The Holding Company and subsidiaries are collectively called "the Group".

The acquisition method of accounting is used to account for business combinations by the group.

The group combines the financial statements of the Holding Company 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 Holding Company.

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 consolidated 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 recognised 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.

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 recognised 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 is 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 recognised 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 remeasured to its fair value with the change in carrying amount recognised 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 recognised 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 recognised 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 recognised 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 Taxes 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; or

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; or

b) It is held primarily for the purpose of trading; or

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'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.

2.6. 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 (PPE) and intangible assets are not depreciated or amortized once classified as held for sale.

Freehold Land is carried at the actual cost. All other items of 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 includes 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 Consolidated 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 Consolidated Statement of Profit and Loss.

2.8. 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. Other Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Group to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and to use or sell of the asset, adequate resources to complete the development are available and the expenditure attributable to the said assets during its development can be measured reliably.

An item of Intangible assets is derecognized 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 Intangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Research cost: Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate all the following: -

- 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 adequate resources to complete the development and to use or sell of the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the period of expected future benefit, i.e. the estimated useful life of the intangible asset. Amortisation expense is recognised in the Consolidated Statement of Profit and loss.

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

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortization and impairment if any

Amortisation periods and methods: Intangible assets are amortised on straight line basis over a period ranging between 2-5 years which equates its economic useful life.

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 recognised 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 Holding Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition 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, that 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.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the Consolidated Statement of Profit and Loss.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

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-recognised 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 recognised to the extent of continuing involvement in the financial asset.

Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL Impairment Loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and loss (P&L).

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

Subsequent measurement

Financial liabilities are subsequently measured at amortised 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 recognised in the Consolidated 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 amortised cost using the effective interest rate 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 derecognized as well as through the EIR amortization process.

Financial guarantee contracts

Financial guarantee contracts are recognised 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 recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.10. 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 Consolidated 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 or 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

A. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.

B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

C. The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.

D. The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fiber Cable and Telecom Equipments. Revenues from Products are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods.

ii. Turnkey Contracts for System Integration and allied Services

This segment of the Group generates revenue from creating and delivering telecom infrastructure and communication network systems for Telecom Operators, Defence Services, Railways, Safe & Smart Cities etc. Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications.

- **Contracts with government**

The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer;

i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's credit worthiness. Revenue is the transaction price the Group expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative standalone selling prices. If stand-alone selling prices are not observable then Group reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control at a point in time or over time requires judgment.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Under certain turnkey contracts, customers do not take control of the telecom infrastructure and communication network systems until they are completed. In such case, revenue is recognised on formal acceptance by the customer.

- **Warranty**

  Most of the turnkey contracts include a standard warranty clause to guarantee that telecom infrastructure and communication network systems comply with agreed specifications. Based on historical data and arrangement entered with respective vendors of equipment's supplied under contract, the Group recognises provisions for this warranty.

- **Financial Components**

  The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and considering practical expedient.

iii. Other Revenue

- **Interest income**

  Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- **Dividends**

  Dividend income is recognised when the right to receive payment is established.

- **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 Consolidated Statement of Profit and loss.

- **Insurance Claims**

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

2.13. Leases

As a lessee

The Group implemented a single accounting model as per Ind AS 116 with effect from April 01, 2019, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions to short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of lease term or useful life of underlying assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

2.14. 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'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.

2.15. 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 employee's 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's contributions to both these schemes are expensed in the Consolidated 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 Group 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 Consolidated 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 Consolidated Financial Statements represents the actual deficit or surplus in the Group'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.

2.16. Employee Share-based payments

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Group but consolidated in the Financial Statement. Any loan from the Group to the Trust is accounted for as a loan in accordance with its term.

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognized as an employee benefits expense, with a corresponding increase in equity, over the period that the employees become entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that are vested. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

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 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 Consolidated Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

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

2.19. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all stipulated conditions. Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other operating income. Grants related to assets are reduced from the carrying amount of the asset. Such grants are recognized in the Consolidated Statement of Profit and Loss over the useful life of the related depreciable asset by way of reduced depreciation charge.

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 Credit

The GST credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST 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 Consolidated 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, 2018	**302.04**	**54.99**	**27.10**	**15.12**	**7.86**	**5.75**	**18.30**	**14.32**	**8.70**	**0.87**	**455.05**
Additions	47.60	6.52	-	0.90	0.59	0.41	3.14	1.53	0.18	-	60.87
Disposals / Adjustments	0.02	-	-	-	0.42	1.96	1.79	0.26	-	-	4.45
Balance As at March 31, 2019	**349.62**	**61.51**	**27.10**	**16.02**	**8.03**	**4.20**	**19.65**	**15.59**	**8.88**	**0.87**	**511.47**
Additions	180.62	3.59	52.52	19.54	2.58	4.07	2.96	0.65	-	-	266.53
Assets acquired under Business Combination	0.08	-	-	-	0.04	0.53	0.53	-	-	-	1.18
Disposals / Adjustments	35.88	-	-	2.29	0.03	-	0.89	0.12	-	-	39.21
As at Mar 31, 2020	**494.44**	**65.10**	**79.62**	**33.27**	**10.62**	**8.80**	**22.25**	**16.12**	**8.88**	**0.87**	**739.97**
Accumulated depreciation and impairment											
Balance As at April 1, 2018	**222.00**	**12.63**	**7.37**	**11.76**	**5.51**	**5.23**	**15.12**	**9.49**	**-**	**0.20**	**289.31**
Depreciation for the year	15.72	1.64	0.83	0.89	0.66	0.32	2.36	1.92	-	0.01	24.35
Disposals / Adjustments	0.01	-	-	-	0.42	1.96	1.78	0.20	-	-	4.37
Balance As at March 31, 2019	**237.71**	**14.27**	**8.20**	**12.65**	**5.75**	**3.59**	**15.70**	**11.21**	**-**	**0.21**	**309.29**
Depreciation for the year	21.15	2.45	0.83	1.98	0.72	1.00	3.12	1.44	-	0.01	32.70
Disposals / Adjustments	35.66	-	-	2.29	0.01	-	0.87	0.12	-	-	38.95
As at Mar 31, 2020	**223.20**	**16.72**	**9.03**	**12.34**	**6.46**	**4.59**	**17.95**	**12.53**	**-**	**0.22**	**303.04**
Net Carrying Value											
Balance as at April 1, 2018	80.04	42.36	19.73	3.36	2.35	0.52	3.18	4.83	8.70	0.67	165.74
Balance as at March 31, 2019	111.91	47.24	18.90	3.37	2.28	0.61	3.95	4.38	8.88	0.66	202.18
Balance as at Mar 31, 2020	**271.24**	**48.38**	**70.59**	**20.93**	**4.16**	**4.21**	**4.30**	**3.59**	**8.88**	**0.65**	**436.93**

Notes:

1. One of the Lease hold Land situated at Solan (H.P.) is pending for title transfer in the name of the Holding Company.
2. Part of the land situated at Chennai is pending for title transfer in the name of Subsidiary Company namely HTL Ltd.
3. The Group's greenfield Optical Fiber manufacturing facility at Telangana, Hyderabad ("Plant") has been commissioned and commenced the commercial production w.e.f. January 23, 2020.
4. The Holding Company had received approval to get Capital Subsidies for investment in newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana under Modified Special Incentive Package Scheme (MSIPS) notified vide M-SIPS Policy Gazette Notification No. 175 dated 27-07-2012 and revised Notification dated 03-08-2015 further amended on 30-01-2017 as modified from time to time by the Ministry of Electronics and Information Technology, Department of Information Technology, vide Approval Letter No. 27(69)/2017-IPHW dated 29-05-2018. Also, the Holding Company is in process of availing capital subsidy under incentive scheme of Industries & Commerce (IP & INF) Department, Telangana. Under the said schemes, the Holding Company as on March 31, 2020 is in the process of submitting necessary claim before the respective authorities which has not been adjusted to the cost of respective assets, in the absence of reasonable assurance that the claim will be received.
5. Refer Note 23 and 26 for details of assets pledged.

4 Capital works-in-progress

(₹ in Crore)

Particulars	Buildings	Plant & Machinery	Electrical Installation	Total
Balance as at March 31, 2018	**1.68**	**-**	**-**	**1.68**
Additions	38.09	26.51	1.81	66.41
Disposals / Adjustments	1.68	2.40	-	4.08
Balance as at March 31, 2019	**38.09**	**24.11**	**1.81**	**64.01**
Additions	7.93	25.69	2.29	35.91
Disposals / Adjustments	33.30	47.72	3.85	84.87
Balance as at March 31, 2020	**12.72**	**2.08**	**0.25**	**15.05**

Notes:

The Holding company also considered to setting up of new Greenfield Optical Fiber Cable (OFC) manufacturing facility adjoining its Fiber manufacturing facility at Hyderabad with annual capacity of 10.5 Mn FKM. Accordingly, Holding company has started civil construction at

Hyderabad and incurred capital expenditure amounting to ₹12.24 crore which is shown under the head Capital work-in-progress. During the year, the Holding company has decided to put this proposed OFC manufacturing facility on hold due temporary softening of OFC demand. Further action will be taken when the demand resumes.

5 Intangible Assets (Other than Goodwill)

(₹ in Crore)

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2018	**10.64**
Additions	8.61
Disposals / Adjustments	-
Balance as at March 31, 2019	**19.25**
Additions	13.85
Acquisition of Subsidiary	1.16
Disposals / Adjustments	-
Balance as at Mar 31, 2020	**34.26**
Accumulated depreciation and impairment	
Balance as at April 1, 2018	**6.28**
Depreciation for the year	2.62
Disposals / Adjustments	-
Balance as at March 31, 2019	**8.90**
Depreciation for the year	4.54
Disposals / Adjustments	-
Balance as at Mar 31, 2020	**13.44**
Net Carrying Value	
Balance as at April 1, 2018	4.36
Balance as at March 31, 2019	10.35
Balance as at March 31, 2020	**20.82**

6 Intangible assets under development

(₹ in Crore)

Particulars	Product Development
Balance as at April 1, 2018	**8.17**
Additions	20.83
Disposals / Adjustments	7.49
Balance as at March 31, 2019	**21.51**
Additions*	8.73
Acquisition of Subsidiary	1.88
Disposals / Adjustments	13.41
Balance as at March 31, 2020	**18.71**

Note : Includes Technology licence fee paid in the nature of advance till the date of actual utilisation of technology.

7 Investment accounted for using equity method

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unquoted Investments (At Cost)		
Investment in Equity Instruments		
(i) Joint Ventures	-	3.49
Add : Cumulative Share of profits	-	2.01
Total	**-**	**5.50**

7.1 Investment in Joint Venture Entity

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
Unquoted Investments (At Cost)					
Investment in Equity Instruments - Equity Shares					
DragonWave HFCL India Pvt. Ltd.#	10	-	-	3,493,000	3.49
Add : Cumulative Share of Profits			-		2.01
Total aggregate unquoted investments			-		**5.50**
Aggregate carrying value of unquoted investments			-		5.50
Aggregate amount of impairment in value of investments			-		-

7.2 Additional details of Joint Venture Entity

(₹ in Crore)

Particulars	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by HFCL Ltd.	
			As at March 31, 2020	As at March 31, 2019
DragonWave HFCL India Pvt. Ltd.#	Radio Communication Systems	India	100.00%	49.90%

Subsequent to acquisition of balance equity shares of DragonWave HFCL India Pvt. Ltd., this company become wholly owned subsidiary of HFCL Ltd w.e.f. December 17, 2019

8 Non-Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	53.84	49.83
(ii) Investments in Debt instruments	1.85	1.85
Total	**55.69**	**51.68**

8.1 Detail of Non Current Financial Assets - Other Investments

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		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	16.77	630,223	16.77
Microwave Communications Ltd.*	10	-	-	12,187,440	-
AB Corp Ltd.#	10	13,250,000	32.90	13,250,000	32.90
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.07	4,000	0.07
India Card Technologies Pvt. Ltd.	10	19,900	-	19,900	-
Shankar Sales Promotion Pvt. Ltd.	100	2,000	0.09	2,000	0.09
HFCL Bezeq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt. Ltd.	1	54,398	4.01	-	-
Total Investment in Equity Instruments measured at FVTOCI			**53.84**		**49.83**
(ii) Investment in Debt Instruments					
Atul Properties Pvt. Ltd. (OFCDs)	100	185,000	1.85	185,000	1.85
Total Investment in Debt Instruments measured at FVTOCI			**1.85**		**1.85**
Aggregate Carrying value of unquoted investments			**55.69**		**51.68**
Aggregate amount of impairment in value of investments			**-**		**0.03**

*Nil (Previous year:12,187,440) Shares held in Microwave Communications Ltd.(MCL) are pledged with IDBI Bank as a security for the Term Loan given by IDBI Bank to MCL.

6,500,000 (Previous year: 6,500,000) Shares are pledged as security for the Term Loan given by Oriental Bank of Commerce (OBC) to the Holding Company. Such shares are held by OBC in their own name, hence the Holding Company is currently not able to exercise significant influence.

9 Non-Current Financial Assets-Loans

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, Considered Doubtful		
Other Loans	6.71	0.21
	6.71	0.21
Less : Provision for doubtful loans	(0.21)	(0.21)
Total	**6.50**	**-**

10 Non-Current Financial Assets - Others

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Fixed Deposits with Bank (maturity more than 12 months)*	31.34	33.78
Financial guarantee Fees receivable	-	2.24
Security Deposit	0.21	0.20
Total	**31.55**	**36.22**

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

11 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	Property, plant and equipment	Provisions & others	MAT credit entitlement*	Total
As at 1 April, 2018	**8.13**	**2.05**	**20.06**	**88.50**	**118.74**
Impact on account of adoption of Ind AS 115	-	-	3.16	-	3.16
(Changed)/Credited:					
- to Statement of profit and loss	1.61	(2.15)	(6.87)	(34.21)	(41.62)
- to other comprehensive income	(0.36)	-	-	-	(0.36)
- to current tax liability	-	-	-	-	-
As at 31 March, 2019	**9.38**	**(0.10)**	**16.35**	**54.29**	**79.92**
Addition due to acquisition	0.08	-	-	-	0.08
Impact on account of adoption of Ind AS 116 (refer note No 42)	-	-	0.38	-	0.38
(Changed)/Credited:					
- to Statement of profit and loss	(0.50)	(9.18)	(6.66)	(51.10)	(67.44)
- to other comprehensive income	(0.79)	-	-	-	(0.79)
- to current tax liability	-	-	-	-	-
As at 31 March, 2020	**8.17**	**(9.28)**	**10.07**	**3.19**	**12.15**

* Taxation Laws (Amendment) Ordinance, 2019 ("Ordinance") on September 20, 2019 has amended the Income Tax Act, 1961 and Finance (No. 2) Act, 2019, by which the option has been provided for the lower tax regime without any incentives for the domestic companies. Under the revised tax regime, credit of accumulated Minimum Alternate Tax (MAT) is not allowed. The management of the Holding Company has assessed that it is beneficial to opt for the option of availing revised income tax rate in future years and accordingly unutilised MAT credit of ₹ 6.20 crore as on March 31, 2020 has been impaired and charged to Statement of Profit and Loss.

12 Other Non-Current Assets

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, Considered Good		
Capital Advances	4.30	40.46
Total	**4.30**	**40.46**

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

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Inventories (As Certified and valued by the management)		
Raw Material	76.07	82.79
Raw Materials in transit	0.06	11.03
	76.13	**93.82**
Work-in-progress	134.59	77.80
Finished goods	63.99	30.62
Stock-in-trade Goods	61.21	57.17
Stores and spares	6.73	4.06
Loose tools;	0.31	0.20
Others (Packing Material)	0.72	0.86
Total	**343.68**	**264.53**

Notes:

(i) Work in progress includes contract work in progress of ₹ 119.26 crore (Previous year: ₹ 58.16 crore)

(ii) Inventories of ₹ 33.71 crore has been fully written off during the year on account of non-moving/obsolete technology which was carrying impairment provision of ₹ 33.71 crore hence there is no impact on the profits for the year.

14 Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Quoted Investments		
(i) Investments in Mutual Funds	1.86	0.02
(ii) Investments in Equity Instruments -other	0.65	2.37
Total	**2.51**	**2.39**

14.1 Detail of Current Financial Assets - Investments

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		No. of Shares/ Debentures/ Units	Amount	No. of Shares/ Debentures/ Units	Amount
Financial assets carried at fair value through Statement of Profit or Loss (FVTPL)					
(i) Investments in mutual funds - Quoted Investment					
Union Liquid Fund Growth. -Direct plan	1000	9,398	1.80	-	-
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.04	-	-
Principal Cash Management fund - Dividend reinvestment plan	1000	228	0.02	228	0.02
Total Investment FVTPL			**1.86**		**0.02**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Sumedha Fiscal Services Ltd.	10	18,200	0.03	18,200	0.04
Valiant Communications Ltd.	10	8,700	0.02	8,700	0.02
Magma Fincorp Ltd	2	152,830	0.26	152,830	1.80
Media Matrix Worldwide Ltd.	1	4,750	-	4,750	-
Sahara One Media and Entertainment Ltd.	10	250,950	0.24	250,950	0.50
			0.55		**2.36**

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2020		As as March 31, 2019	
		No. of Shares/ Debentures/ Units	Amount	No. of Shares/ Debentures/ Units	Amount
(iii) Investment in equity instruments - Unquoted Equity Shares					
Adinath Bio Labs Ltd.	1	6,408,000	-	6,408,000	-
Manvens Biotech Ltd.	1	17,000	-	17,000	-
Optimates Textile Industries Ltd.	2	1,302,500	-	1,302,500	-
Rashel Agrotech Ltd.	10	478,500	-	478,500	-
NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	10	101,595	0.10	10,195	0.01
			0.10		**0.01**
Total Investment FVTOCI			**0.65**		**2.37**
Total Current Financial Investments			**2.51**		**2.39**
Aggregate Carrying value of unquoted investments			0.10		0.01
Aggregate amount of impairment in value of investments			-		-

15 Current Financial Assets - Trade Receivables

(₹ in Crore)

Particulars	As at March 31, 2020		As as March 31, 2019	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good;	119.87	1,594.35	90.47	1,460.02
Which have significant increase in credit risk	-	23.24	-	17.15
Less: expected credit loss allowance	-	(7.78)	-	(4.75)
Total	**119.87**	**1,609.81**	**90.47**	**1,472.42**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	4.75	-	-
Add: Provided during the year	-	6.67	-	4.75
Less: Amount written off	-	3.64	-	-
Balance at the end of the year	**-**	**7.78**	**-**	**4.75**

15.1 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 18 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 .

15.2 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 & 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.

16 Current Financial Assets - Cash & cash equivalents

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash & Cash Equivalents		
Balance with banks		
- in current account	13.69	11.06
- in dividend account**	0.27	0.11
Cash on hands	0.28	0.14
Fixed Deposits with Bank (maturity less than 3 months)*	2.21	6.22
Total	**16.45**	**17.53**

* Above fixed deposits are held as margin money/securities with banks.
** ₹0.27 Crore (Previous year ₹ 0.10 Crore) has restricted use.

17 Current Financial Assets - Other Bank Balances

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Fixed Deposits with Bank (Maturity less than 12 months)*	175.41	141.82
Total	**175.41**	**141.82**

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

18 Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Other Loans	14.98	13.97
Total	**14.98**	**13.97**

19 Current Financial Assets -Other Assets

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Advances other than capital advances		
- Security Deposits	23.60	5.66
- Other Project advances	525.80	513.97
Interest Receivable	8.09	8.34
Total	**557.49**	**527.97**

20 Current Tax Assets (net)

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	97.49	59.47
Total	**97.49**	**59.47**

21 Other Current Assets

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Indirect tax recoverable	157.58	90.83
Prepaid Expenses	39.20	25.16
Export Incentive receivable	1.19	3.31
Other Receivables	2.03	2.07
Assets recognised from cost incurred to fulfill a contract	25.14	41.23
Total	**225.14**	**162.60**

22 A. Share Capital

(i) Authorised Share Capital

(₹ in Crore)

Particulars	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2018	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2019	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at Mar 31, 2020	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**

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

(₹ in Crore)

Particulars	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount*	No of Shares	Amount
As at April 1, 2018	**1,239,377,194**	**123.94**	**6,037,500**	**-**
Add: Shares issued during the year	35,000,000	3.50	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	6,037,500	-
As at March 31, 2019	**1,274,377,194**	**127.44**	**-**	**-**
Add: Shares issued during the year	10,000,000	1.00	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeem during the year	-	-	-	-
As at Mar 31, 2020	**1,284,377,194**	**128.44**	**-**	

* The Allotment Committee (Warrants) of the Board of Directors of the Holding Company at its meetings held on 05th November, 2018, 29th March, 2019, 09th April, 2019 and 29th April, 2019 has made allotment of 7,500,000 & 27,500,000, 5,208,333 and 4,791,667 equity shares of the face value of ₹1/- each at a premium of ₹15 per equity share respectively to the warrant holders consequent upon exercise of rights for conversion of their warrants into equity shares. Upon allotment of these equity shares, the paid up equity share capital of the Holding Company has increased from ₹123.94 crore (Rupees One Hundred Twenty Three Crore and Ninety Four Lakhs Only) comprising of 1,239,377,194 equity shares of the face value of ₹1/- each to ₹128.44 crore (Rupees One Hundred Twenty Eight Crore and Forty Four Lakhs Only) comprising of 1,284,377,194 equity shares of the face value of ₹1/- each.

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

Name of Shareholder	As at March 31, 2020		As as March 31, 2019	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures (P) Ltd	245,890,000	19.14%	245,890,000	19.29%
Nextwave Communications (P) Ltd	219,865,000	17.12%	219,865,000	17.25%

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

The Holding Company has issued equity share of ₹ 1/- 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 equity capital of the Holding Company held by them. In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Holding Company, after distribution of all preferential amount in proportion to their shareholdings.

B. Other Equity

(₹ in Crore)

	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	**Retained Earnings**	1,081.99	868.54
(ii)	**Components of Other Comprehensive Income**		
	a. Changes in fair value of FVOCI equity instruments	(119.45)	(117.32)
	b. Remeasurement of defined benefit plans	9.87	8.76
	c. Foreign currency translation reserve	(0.08)	-
(iii)	**Other Reserves***		
	a. Securities Premium	467.62	452.62
	b. Debenture Redemption Reserve	5.62	8.43
	c. Capital Redemption Reserve	80.50	80.50
	d. Employee Share based payment reserve	11.70	4.19
	e. Capital reserve (on bargain purchase)	2.22	-
(iv)	**Money received against Convertible Warrants****	-	8.50
	Total	**1,539.99**	**1,314.22**

* Brief description of Other Reserves:

a. 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.

b. The Holding Company had issued redeemable non-convertible debentures and created Debenture Redemption Reserve (DRR) out of the profits of the Holding 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 Company except to redeem debentures.

c. Capital Redemption reserve is created to the extent of Preference Share Capital redeemed i.e. 8,050,000 (previous year 8,050,000) CRPSs of ₹ 100/- each

d. The fair value of the equity settled share based payment transactions with employees is recognised in Statement of Profit and Loss with corresponding credit to share based payment reserve. (Refer note 55)

** During the Financial Year 2017-18, Holding Company had issued 45,000,000 Convertible Warrants on preferential basis with a right to Warrant Holders to apply for and get allotted one equity share of face value of ₹ 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). Out of total warrants issued, 35,000,000 warrants had been converted into equity share during the financial year 2018-19 and the remaining 10,000,000 warrants have been converted in the equity shares during current financial year.

(i) Retained Earnings (₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	868.54	723.94
Change in accounting policy (refer note 42)	(1.12)	(5.97)
Restated balance at the beginning of the reporting period	**867.42**	**717.97**
Add: Net profit for the period	237.33	232.26
Add/Less: adjustments for-		
Transfer from Debenture redemption reserve	2.81	-
Transfer into Capital redemption reserve	-	(60.38)
Dividend paid on Equity shares (including tax on dividend)	(15.48)	(8.96)
Non-Controlling Interest	(10.09)	(12.35)
Closing Balance	**1,081.99**	**868.54**

(ii) Components of Other Comprehensive Income (₹ in Crore)

Particulars	Debt instrument through other comprehensive income	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2018	(2.57)	(121.78)	8.50	-
Increase during the year	(0.03)	4.46	0.26	-
Decrease during the year	2.60	-	-	-
As at March 31, 2019	**-**	**(117.32)**	**8.76**	**-**
Increase during the year	-	(2.13)	1.11	(0.08)
Decrease during the year	-	-	-	-
As at March 31, 2020	**-**	**(119.45)**	**9.87**	**(0.08)**

(iii) Other Reserves (₹ in Crore)

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redumption Reserve	Employee Share based payment reserve	Capital Reserve
As at April 1, 2018	400.12	8.43	20.12	-	-
Increase during the year	52.50	-	60.38	4.19	-
As at March 31, 2019	**452.62**	**8.43**	**80.50**	**4.19**	**-**
Increase during the year	15.00	-	-	7.51	2.22
Decrease during the year	-	2.81	-	-	-
As at March 31, 2020	**467.62**	**5.62**	**80.50**	**11.70**	**2.22**

(iv) Money received against convertible warrants (₹ in Crore)

Particulars	Amount
As at April 1, 2018	**18.00**
Increase during the year	46.50
Decrease during the year	(56.00)
As at March 31, 2019	**8.50**
Increase during the year	7.50
Decrease during the year	(16.00)
As at March 31, 2020	**-**

23 Non-Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured		
Borrowings		
a) Term Loans		
(i) from other parties (Refer Note 56 (i))	6.24	6.24
b) Interest on Loan from other parties	25.72	24.22
	31.96	**30.46**
Secured		
Borrowings		
a) Non-Convertible Debentures	22.48	33.73
b) Term Loans		
(i) from Banks*	186.61	103.95
c) Vehicle Loans		
(i) from Banks	2.93	3.36
(ii) from others	0.07	0.07
	212.09	**141.11**
Less : Current maturities of long term debt - Term Loans	(30.75)	(25.00)
Less : Debentures redeemable in next 12 months	(11.24)	(11.24)
Less : Current maturities of long term debt - Vehicle Loans	(1.12)	(0.98)
Total	**200.94**	**134.35**

* net off of ₹ 1.76 Crore (Previous year ₹ 2.08) as finance charge

Regarding Holding Company:

a) Company had issued 3,372,750 10.30% secured unlisted Non- Convertible Redeemable Debenture (NCDs) of ₹100/- each aggregating ₹ 33.73 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 redeemable at face value in installment in the ratio of 33.33%, 33.33% and 33.33% at the end of 30th September, 2019 (FY 2019-20), 2020 (FY 2020-21), 2021(FY 2021-22) respectively. First installment of 33.33% being 1,124,138 NCDs have been redeemed on time.

b) Term Loan of ₹50.00 Crore (Previous year ₹75.00 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. Further, loan is secured by way of pari passu second charge on the Current Assets of the Company.

c) Term Loan of ₹ 140.94 Crore sanctioned and disbursed up to 31.03.2020 is amounting to ₹111.77 Crore (Previous year ₹ 31.03 Crore) from the banks are secured by pari-passu first charge on entire Project Assets, both present and future, by way of equitable mortgage. The loan is further secured by pledge of 33,800,000 equity shares of promoters (M/s MN Ventures Private Limited), personal guarantee of Managing Director of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 28 structured quarterly installments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

d) Other Vehicle Loans of ₹2.99 Crore (Previous Year ₹3.44 Crore) from banks and others are secured by way of hypothecation of respective assets.

Regarding Subsidiary Company:

e) The Board of Directors of the HTL Ltd has proposed a right issue of equity shares for ₹ 120.00 Crore in the ratio of equity shares holding i.e 26% by GOI and 74% by HFCL Limited (HFCL), Holding Company. It is also proposed that the right issue be funded by way of conversion of outstanding loan along with interest due from GOI and advances/ loans extended by HFCL. The HTL Ltd is in the process of obtaining formal approval from the aforesaid shareholders. Accordingly, loan outstanding from GOI along with interest have been shown under Non-Current Financial Liability instead of Current Financial Liability.

f) Term Loan of ₹ 30.00 Crore sanctioned and disbursed, outstanding as on 31.03.2020 is amounting to ₹ 24.84 Crore (Previous year ₹ Nil) to HTL Ltd from Yes Bank Ltd is secured by way of exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on 15 acre Industrial Land parcel located in Hosur, Tamil Nadu by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited, personal guarantee of Managing Director of the Holding Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of this term loan would be made in 20 structured quarterly installments over a period of 5 years commencing after moratorium period i.e. 3 months after date of disbursement.

Secured term and other Loans - Repayment schedule and rate of interest :

(₹ in Crore)

Particulars	Term Loan	Term Loan	Term Loan	Vehicle Loan
Rate of Interest	10.75%	11.00%	11.05%	8.90% to 10.30%
Outstanding amount	50.00	111.77	24.84	2.99
Repayment Due				
FY 2020-21	25.00	5.03	5.75	1.12
FY 2021-22	25.00	20.12	5.80	1.13
FY 2022-23	-	20.12	5.86	0.74
FY 2023-24 to 2027-28	-	95.67	7.43	-

24 Non-Current Financial Liabilities - Other Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Financial guarantee Obligations	-	2.24
Total	**-**	**2.24**

25 Non-Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Provisions for Employee Benefits (refer note no. 45)		
Provision for Gratuity	19.11	16.04
Provision for Leave Encashment	12.85	8.75
Total	**31.96**	**24.79**

26 Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	287.38	280.14
(ii) from banks - Receivable bills discounting	50.00	-
Unsecured		
(i) from banks - Vendors bills discounting	20.99	4.44
(ii) from other parties - Inter Corporate Deposit**	109.24	134.16
Total	**467.61**	**418.74**

Regarding Holding Company:

* a) Working Capital Loans from banks aggregating to ₹200.23 Crore (Previous year: ₹249.57 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% (241,548,750 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.

b) Working Capital Loans from banks aggregating to ₹ 49.83 Crore (Previous year: ₹ 29.24 Crore) and Inland bills discounting limit of ₹50.00 Crore are secured by way of first pari passu charge on all current assets, moveable & immoveable fixed assets (Present & future) of GIS based Optical Fiber Network Management System (GOFNMS) Project. The loan is further secured by second pari-passu charge on moveable & immoveable fixed assets, personal guarantee by Managing Director of the Company, corporate guarantee of M/s MN Ventures Private Limited, first pari passu charge of cash flows of the project and first pari passu charge on shares pledged/earmarked for working capital consortium.

Regarding Subsidiary Companies:

c) Working capital loan of ₹ 2.43 Crore (Previous year: ₹ 1.32 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.

d) Working capital loan of ₹ 34.89 Crore (Previous year: Nil) to HTL Ltd from Yes Bank Ltd is secured against exclusive charge on all fixed assets (both present and future), exclusive charge on 2.5 acre Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, exclusive charge on 15 acre Industrial Land parcel located in Hosur, Tamil Nadu by way of registered mortgage, exclusive charge on all current assets (both present and future), exclusive charge on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited, personal guarantee of Managing Director of the Company and 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%.

27 Current Financial Liabilities - Trade Payables

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Trade Payables		
Due to Micro & Small Enterprises (refer note no. 46)	80.54	62.39
Others	734.70	802.11
Total	**815.24**	**864.50**

28 Other Current Financial Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Retention Money*	310.61	141.10
Other Financial Liabilities		
Current maturities of long-term debts (refer note no. 23)	31.86	25.98
Non Convertible Debentures (refer note no. 23)	11.24	11.24
Interest accrued but not due	2.36	0.46
Security deposit	4.71	4.69
Creditors for Capital Goods	32.56	7.94
Expenses Payables	125.80	39.89
Other Employees related liabilities	7.71	8.38
Unpaid Dividends & Tax their on	0.27	0.10
Total	**527.12**	**239.78**

* Retention money are due on completion of erection/contracts/final acceptance by the Group.

29 Other Current Liabilities

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Others		
Statutory Liabilities payable	34.26	52.30
Advance from Customers	17.67	68.87
Total	**51.93**	**121.17**

30 Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Provisions		
Provisions for Employee Benefits (refer note no. 45)		
-Provision for Gratuity	2.08	1.40
-Provision for Leave Encashment	2.27	3.96
Provisions - Others	6.33	2.03
Total	**10.68**	**7.39**

31 Revenue from operations

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale and Services		
- Manufacturing and trading activities	839.39	1,348.91
- Turnkey project related activities	2,995.48	3,382.39
Other Operating Revenues		
- Scrap sale	1.60	2.18
- Export Incentives	2.44	4.31
Total	**3,838.91**	**4,737.79**

(i) While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially) satisfied performance obligations, along with the broad time band for the expected time to recognize those revenues, the Group has applied the practical expedient in Ind AS 115.

(ii) Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is ₹ 33.16 Crore (Previous year ₹ 49.52 Crore) which is expected to be recognised as revenue in the next year.

(iii) Contract balances

(a) Changes in Contract assets (Unbilled revenue) are as follows- (₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Balance at the beginning of the year	**3.34**	**-**
Revenue recognised during the year	18.16	3.34
Invoices raised during the year	3.34	-
Balance at the end of the year	**18.16**	**3.34**

(b) Changes in contract liabilities (Unearned revenue) are as follows - (₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Balance at the beginning of the year	**49.52**	**41.93**
Increase due to invoicing during the year	2.14	7.59
Revenue recognised that was included in the unearned and deferred revenue	18.50	-
Balance at the end of the year	**33.16**	**49.52**

Revenues in excess of invoicing are classified as contract assets (which can also be referred to as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which can also be referred to as unearned revenues). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

(iv) The Group has evaluated the impact of COVID – 19 resulting from (i) the possibility of constraints to render supply & services which may require revision of estimations of costs to complete the contracts because of additional efforts;(ii) onerous obligations;(iii) penalties relating to breaches of service level agreements, and (iv) termination or deferment of contracts by customers. The Group has concluded that the impact of COVID – 19 is not material based on these estimates. Due to the nature of the pandemic, the Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

32 Other Income

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Other non-operating income		
Interest Income	19.85	20.51
Dividend Income	0.02	0.01
Financial guarantee Income	0.40	1.97
Liquidated Damages on Sales (Net)	-	17.13
Others	1.81	3.12
Total	**22.08**	**42.74**

33 Cost of Material Consumed

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Stock	82.79	47.22
Add : Purchases during the year	515.05	982.84
	597.84	1,030.06
Less: Closing Stock	76.07	82.79
Total	**521.77**	**947.27**

34 Other Direct Costs

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Project and labour service charges	1,601.29	1,551.48
Consumption of Packing Material	14.64	20.34
Consumption of stores and spares parts	9.03	10.06
Loose Tools written off	0.12	0.07
Total	**1,625.08**	**1,581.95**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Closing Stock		
Finished Goods	63.99	30.62
Stock in Trade- Goods	61.21	57.17
Work in process	134.59	77.80
	259.79	**165.59**
Opening Stock		
Finished Goods	30.62	13.54
Stock in Trade- Goods	57.17	34.66
Work in process	77.80	109.47
	165.59	**157.67**
Total	**(94.20)**	**(7.92)**

36 Employee benefits expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, bonus and allowances	201.15	181.56
Contribution to Provident and other funds	10.06	8.65
Staff welfare expenses	5.61	5.36
Share Based payments to Employees (refer note no. 55)	7.51	4.19
Total	**224.33**	**199.76**

37 Finance costs

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Bank Loan Interest	48.36	33.60
Other Interest (net)	26.61	20.53
Bank Charges and loan processing fee	37.87	31.77
Dividend on redeemable preference shares	-	3.30
Tax on above Dividend	-	0.68
Financial Guarantee Impairment	-	1.99
Interest on lease liabilities (refer note no. 42)	1.97	-
	114.81	**91.87**

38 Other expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	4.10	8.97
Rates and Taxes	3.77	6.45
Auditors' Remuneration		
- Audit Fees	1.03	0.86
- In Other Capacity	0.30	0.21
- Out of pocket expenses	0.19	0.07
Legal and Professional Charges	40.02	39.46
Communication Expenses	2.37	2.52
Travelling and Conveyance Expenses	34.91	31.85
Power and Fuel & Water Charges	16.32	14.96
Repairs and Maintenance	7.16	5.13
Insurance Expenses	10.46	7.02
Selling & Distribution Expenses	19.37	20.47
Bad debts, Loans and Advances, other balances written off (net)	2.04	19.87
Provision for doubtful debts	4.56	4.75
Inventory written off (Non-Moving/ obsolete technology)	33.71	-
Less: Provision for non-moving inventories reversed	(33.71)	-
Sitting Fees to non-executive directors	0.39	0.33
Liquidated Damages on Sales	2.21	-
Research & Product Development Expenses	5.73	3.43
Exchange Fluctuation Loss (Net)	15.17	(4.22)
Corporate Social Responsibility Expenses (refer note 52)	0.06	3.45
Loss on debt instruments classified as FVTOCI	-	2.60
Miscellaneous Expenditure	16.07	16.51
Total	**186.23**	**184.69**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Basic & Diluted Earnings per share		
Profit/Loss for the year	237.33	232.26
Profit attributable to ordinary shareholders (A)	227.24	219.91
Weighted average number of ordinary shares (B)	1,283,883,683	1,242,623,769
(used as denominator for calculating basic EPS)		
Potential equity shares	13,418,000	16,950,414
Weighted average number of ordinary shares (C)	1,297,301,683	1,259,574,183
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	**₹ 1/-**	₹ 1/-
Earnings per share basic (A/B) (amount in ₹)	**1.77**	1.77
Earnings per share diluted (A/C) (amount in ₹)	**1.76**	1.75

40 Critical accounting estimates and judgments

The preparation of consolidated 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 consolidated 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 45.

4. Revenue Recognition

The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. Judgement is also required to determine the transaction price for the contract. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations. The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

5. Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

6. Loss allowance for receivables and unbilled revenues

The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19.

7. Taxes

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. 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 consolidated financial statements. Contingencies the likelihood of which is remote are not disclosed in the consolidated financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable.

9. Fair Value of Unquoted equity investments:

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Group obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Group reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the consolidated statement of profit and loss.

41 Impact and future uncertainties relating to Global health pandemic from COVID-19

In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. Consequent to this, Government of India declared a national lock down on March 24, 2020, which has impacted the business activities of the Group. The Group has been taking various precautionary measures to protect employees and their families from COVID-19. The Group has assessed the impact of this pandemic on its business operations and has considered all relevant internal and external information available up to the date of approval of these financial statements, in determination of the recoverability and carrying value of property, plant and equipment, goodwill, other intangible assets and in relation to other financial statement captions. Further the impact assessment does not indicate any adverse impact on the ability of the Group to continue as a going concern. The impact of COVID-19 pandemic on the overall economic environment being uncertain may affect the underlying assumptions and estimates used to prepare the Group's consolidated financial statements, which may differ from that considered as at the date of approval of these financial statements. The Group will continue to closely monitor any material changes to future economic conditions. The Group has resumed its business activities by reopening its factories and offices on a gradual basis in line with the guidelines issued by the Government authorities.

42 Change in Accounting Policy

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees. It introduces a single, on-balance sheet lease accounting model for lessees.

The Group has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Group has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

The Group has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. The Group has used a single discount rate to a portfolio of leases with similar characteristics.

On transition, the Group recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. Accordingly, a right-of-use asset of ₹ 10.52 Crore and a corresponding lease liability of ₹ 12.02 Crore has been recognized. The cumulative effect on transition in retained earnings net off taxes is ₹ 1.50 Crore (including a deferred tax of ₹ 0.38 Crore). The principal portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 10.75% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Group has chosen to apply the practical expedient as per the standard.

The details of the right-of-use asset held by the Group is as follows: (₹ in Crore)

	Addition for the year ended March 31, 2020	Net carrying amount as at March 31, 2020
Land	-	0.09
Buildings	15.21	20.03
Total	**15.21**	**20.12**

Depreciation on right-of-use asset as follows: (₹ in Crore)

	For the year ended March 31, 2020
Land	-
Buildings	5.61
Total	**5.61**

Interest on lease liabilities is ₹ 1.97 crore for the year ended March 31, 2020.

Lease contracts entered by the Group majorly pertains for buildings taken on lease to conduct its business in the ordinary course. The Group does not have any lease restrictions and commitment towards variable rent as per the contract. The leases that the Group has entered with lessors towards properties used as ware houses / offices are long term in nature and no changes in terms of those leases are expected due to the COVID-19.

43 (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 Pvt. Ltd.	100%
Moneta Finance Pvt. Ltd.	100%
HFCL Advance Systems Pvt. Ltd.	100%
Raddef Pvt. Ltd. (Subsidiary w.e.f. 15.05.2019)	90%
DragonWave HFCL India Pvt. Ltd. (Wholly owned Subsidiary w.e.f. 17.12.2019)	100%

(b) Additional Information, as required under Schedule III of the Companies Act, 2013 of enterprises consolidated as Subsidiaries / Associates / Joint Ventures.

(₹ in Crore)

	Net assets i.e total assets minus total liabilities		Share in Profit & Loss	
Name of the Enterprises	**As % of Consolidated net assets**	**Amount (₹)**	**As % of Consolidated Profit/Loss**	**Amount (₹)**
Parent				
HFCL Limited (formerly Himachal Futuristic Communications Limited)	98.66	1,646.02	85.22	203.09
Subsidiaries - Indian				
HTL Limited	0.97	16.25	11.01	26.25
Polixel Security Systems Pvt. Ltd.	0.37	6.23	0.17	0.41
Moneta Finance Pvt. Ltd.	0.02	0.33	0.01	0.03
HFCL Advance Systems Pvt. Ltd.	-	(0.05)	-	(0.01)
Raddef Pvt. Ltd.	(0.09)	(1.53)	(0.64)	(1.53)
DragonWave HFCL India Pvt. Ltd.	0.07	1.19	0.50	1.19
Non- Controlling interest in all subsidiaries	-	(0.05)	4.17	9.94
Joint Ventures (Investment as per equity method)				
DragonWave HFCL India Pvt. Ltd.	-	0.00	(0.44)	(1.05)

44 Business Combination

(i) During the year, the Company acquired 90% (9000 shares of face value of ₹ 10/ each) of the equity share capital of M/s Raddef Pvt Ltd., a company dealing in components for the applications in defense, aerospace, meteorology and communication. This will help in exploring untapped growth in the Telecom and Defence Business verticals of the company. The business acquisition was undertaken by acquiring equity stake of 90% for cash consideration of ₹ 90,000/-.

(ii) Company had entered into a Joint Venture Agreement dated October 18, 2010 with DragonWave Inc., Canada, and formed a joint venture entity under name DragonWave HFCL India Pvt. Ltd. owned by DragonWave Pte. Ltd., Singapore (50.10%) (being controlled by DragonWave Inc., Canada) and HFCL Ltd. (49.90%). On December 17, 2019, the Company acquire balance 50.10% (comprising of 3,507,000 equity shares of face value ₹ 10/- each). The Company's total holding along with the existing shares held has increased to 100%. The business acquisition was undertaken by entering into share purchase agreement for cash consideration of ₹ 2.25 crore.

45 During the year, Group has recognised the following amounts in the consolidated financial statements as per Ind AS - 19 "Employee Benefits" as specified in the Companies (Indian Accounting Standards) Rules, 2015:

a) Defined Contribution Plan

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

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employer's Contribution to Provident Fund	9.52	8.23

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 recognised in the same manner as gratuity.

Actuarial assumptions

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	6.80%	7.65%	6.80%	7.65%
Rate of increase in Compensation levels	6.80%	7.65%	6.80%	7.65%
Average remaining working lives of employees (Years)	18.30	18.63	18.30	18.03
Table showing changes in present value of obligations :				(₹ in Crore)
Present value of obligation as at the beginning of the year	19.48	16.12	12.71	11.09
Acquisition adjustment	0.16	Nil	0.12	Nil
Interest Cost	1.48	1.22	0.97	0.82
Past service cost (Vested Benefit)	Nil	Nil	0.97	Nil
Current Service Cost	3.20	2.70	3.48	2.97
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(0.97)	(0.89)	(1.33)	(1.38)
Actuarial (gain)/ loss on obligations	(0.10)	0.33	(1.79)	(0.79)
Present value of obligation as at the end of the period	23.25	19.48	15.13	12.71

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Table showing changes in the fair value of plan assets :				
Fair value of plan assets at beginning of the year	2.04	1.55	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.16	0.12	N.A.	N.A.
Employer contribution	Nil	0.36	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.14)	0.01	Nil	Nil
Changes deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.06	2.04	Nil	Nil
Other Comprehensive Income				
Actuarial (gain) / loss for the period - Obligation	(0.10)	0.34	(1.79)	(0.79)
Actuarial (gain) / loss for the period - Plan assets	0.14	(0.01)	-	-
Total (gain) / loss for the period	0.04	0.33	(1.79)	(0.79)
Actuarial (gain) / loss recognized in the period	0.04	0.33	(1.79)	(0.79)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil	Nil	Nil
The amounts to be recognized in Consolidated Balance Sheet :				
Present value of obligation as at the end of the period	23.25	19.48	15.13	12.71
Fair value of plan assets as at the end of the period	2.06	2.04	Nil	Nil
Funded Status	(21.19)	(17.44)	(15.13)	(12.71)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(21.19)	(17.44)	(15.13)	(12.71)
Expenses recognised in Consolidated Statement of Profit and Loss				
Current service cost	3.20	2.70	3.48	2.97
Past service cost (Vested Benefit)	Nil	Nil	0.97	Nil
Interest Cost	1.48	1.22	0.97	0.82
Expected return on plan assets	(0.16)	(0.12)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	4.52	3.80	5.42	3.79
Sensitivity analysis of the defined benefit obligation:				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	23.25	19.48	15.13	12.71
Impact due to increase of 0.5%	(1.38)	(1.13)	(1.06)	(1.39)
Impact due to decrease of 0.5%	1.26	1.08	0.96	1.56
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	23.25	19.48	15.13	12.71
Impact due to increase of 0.5%	0.79	1.11	(1.08)	0.85
Impact due to decrease of 0.5%	(0.89)	(1.17)	0.98	(0.68)
Sensitivities due to mortality & withdrawals are insignificant & hence ignored.				
Maturity profile of defined benefit obligation:				
March 2020 to March 2021	2.39	1.63	1.93	1.50
March 2021 to March 2022	0.26	0.44	0.08	0.20
March 2022 to March 2023	0.85	0.29	0.42	0.14
March 2023 to March 2024	1.00	0.77	0.31	0.40
March 2024 to March 2025	0.64	0.96	0.36	0.29
March 2025 to March 2026	0.97	0.57	0.35	0.33
March 2026 onwards	16.91	14.51	11.19	9.47
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.06	2.04	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.

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

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Principal amount due	80.54	62.39
Interest due on above	6.33	2.03
Interest paid during the period beyond the appointed day	0.73	0.06
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	6.33	2.03
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 27 ' 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.

47 Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

(₹ in Crore)

Particulars		As at March 31, 2020	As at March 31, 2019
(i)	Unexpired Letters of Credit (margin money paid ₹ 18.01 Crore ; Previous year ₹ 22.44 Crore)	108.97	131.45
(ii)	Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of ₹ 139.95 Crore; Previous year ₹ 98.14 Crore)	881.45	654.70
(iii)	Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹ 3.87 Crore shown as advance)	66.61	19.89

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 consolidated 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) The Holding Company has provided guarantees to third parties on behalf of subsidiary and associates. The Holding Company does not expect any outflow of resources in respect of such guarantees.

iv) There is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court vide its ruling in February 2019, in relation to the scope of compensation on which the organization and its employees are to contribute towards Provident Fund. The Group will evaluate its position and act, as clarity emerges.

v) As at March 31, 2020 the Group has outstanding term derivative contracts as referred in note no. 58

(b) Capital Commitments

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	16.82	154.79
Uncalled capital Commitment pertaining to investments	14.46	-

(c) Financial Guarantees

(₹ in Crore)

Issued in favour of	Issued to	Amount of guarantee (₹)	Purpose	Carrying amount as per Ind AS 109 March 31, 2020	Carrying amount as per Ind AS 109 March 31, 2019
Microwave Communications ltd.	Credit Lyonnais Bank	9.60	Ad-hoc L/C	Nill	0.17
Microwave Communications ltd.	The Vysya Bank Ltd	4.06	Working Capital	Nill	-
Exicom Tele-systems Ltd	Punjab National Bank	6.50	Working Capital	Nill	0.04

48 In the opinion of the Board of Holding Company, 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.

49 During the year, the Holding Company has paid 10% dividend on equity shares as approved by shareholders in the previous Annual General Meeting dated 28th September, 2019.

50 "Related Party Disclosures" as required by Ind AS - 24 and Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

(i). Name and description of related parties.-

Relationship		Name of Related Party
(a)	Joint Venture :	DragonWave HFCL India Pvt. Ltd. (Wholly owned Subsidiary w.e.f. 17.12.2019)
(b)	Key management personnel :	Mr. Mahendra Nahata (Managing Director)
		Mr. Vijay Raj Jain (Chief Financial Officer)
		Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)
		Mr.G.S.Naidu, COO & Manager - HTL Ltd.
		Mr. C. D. Ponnappa Chief Finance Officer - HTL Ltd.
		Mr. S Narayanan, Company Secretary- HTL Ltd.
(c)	Post Employment Benefit Plans :	HFCL Employees Group Gratuity Trust
		HFCL Employees Trust - ESOP
(d)	Enterprises owned or Significantly influenced by key management personnel or their relatives :	MN Ventures Pvt. Ltd.
		Nextwave Communications Pvt. Ltd..
		Exicom Tele-Systems Limited
		Satellite Finance Pvt. Ltd.
		Shankar Sales Promotion Pvt. Ltd.
		Vinson Brothers Pvt. Ltd.

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 March 31, 2020 are as under:

(₹ in Crore)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Purchases/receiving of Goods & services		
Exicom Tele-systems Limited	18.34	10.28
Sales/rendering of Goods and Materials		
Exicom Tele-systems Limited	0.13	0.90
Expenses - Rent /Other expenses		
Exicom Tele-systems Limited	0.84	-
Satellite Finance Pvt. Ltd.	0.35	0.35
Shankar Sales Promotion Pvt. Ltd.	0.73	0.45
Vinson Brothers Pvt. Ltd.	0.76	0.60
Contribution towards Warrant		
MN Ventures Pvt. Ltd.	-	9.00
Nextwave Communication Pvt. Ltd..	-	9.00
Closing Balances of Loans & Advances and Receivables		
Exicom Tele-systems Limited	6.16	0.98
Satellite Finance Pvt. Ltd.	0.19	0.33
Closing Balances of Trade Payables		
Shankar Sales Promotion Pvt. Ltd.	0.38	-
Vinson Brothers Pvt. Ltd.	0.34	-
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	-	0.25
Guarantees and collaterals		
Exicom Tele-systems Limited	6.50	6.50
Remuneration of Key Management Personnel's		
Mr. Mahendra Nahata (Managing Director)	6.80	8.80
Mr. Vijay Raj Jain (Chief Financial Officer)	1.97	1.67
Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)	0.43	0.42
Mr. G. S. Naidu, COO & Manager	0.56	0.53
Mr. C. D. Ponnappa Chief Finance Officer	0.49	0.46
Mr. S Narayanan, Company Secretary	0.20	0.19
Mr. Yogesh Gupta, Company Secretary	0.26	-
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.35	0.19
Mr. Manoj Baid (Vice President (Corporate) & Company Secretary)	0.16	0.08
Mr. G. S. Naidu, COO & Manager	0.14	0.08
Mr. C. D. Ponnappa Chief Finance Officer	0.13	0.07

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						Total	
	Telecom Products		Turnkey Contracts and Services		Other			
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue								
Turnover	843.10	1,351.67	2,995.81	3,386.12	-	-	3,838.91	4,737.79
Segment Result	133.00	168.51	327.37	252.40	(2.50)	(0.01)	457.87	420.90
Unallocated Finance charges	-	-	-	-	-	-	114.81	91.86
Unallocated expenses	-	-	-	-	-	-	2.59	8.24
Unallocated Income	-	-	-	-	-	-	17.88	18.50
Profit before tax	-	-	-	-	-	-	358.35	339.29
Income tax (net)	-	-	-	-	-	-	121.02	107.03
Profit after tax	-	-	-	-	-	-	237.33	232.26
Other Information								
Segment assets	1,205.95	1,012.91	2,126.32	1,805.39	1.11	0.31	3,333.38	2,818.61
Unallocated other assets	-	-	-	-	-	-	495.59	475.58
Total assets	1,205.95	1,012.91	2,126.32	1,805.39	1.11	0.31	3,828.98	3,294.19
Segment liabilities	533.10	459.65	1,086.83	865.87	1.36	0.01	1,621.29	1,325.53
Unallocated other liabilities	-	-	-	-	-	-	539.29	536.94
Total liabilities	533.10	459.65	1,086.83	865.87	1.36	0.01	2,160.58	1,862.47
Depreciation	39.14	25.77	2.81	1.20	-	-	41.95	26.97
Capital Expenditure	265.49	69.40	14.91	1.54	2.33	-	282.73	70.94
Non-cash expenses other than Deprecation	0.62	18.98	7.32	6.51	0.42	-	8.36	25.49

(b) Secondary segment information

The Group caters mainly to the needs of Indian market and the export turnover being 3.19% (Previous year 1.89%) of the total turnover of the Group, there are no reportable geographical segments.

52 Corporate social responsibility expenses:

(₹ in Crore)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Gross amount to be spent by the Group during the year	4.65	3.57
Amount spent during the year:		
Contribution on acquisition of assets	-	-
On other purposes	-	3.45

53 Interest charges on loans is net of Interest income from loans and advances amounting to ₹ 10.23 Crore (Previous year ₹ 9.47 Crore) .

54 Debt of the Holding Company as restructured under Corporate Debt Restructuring (CDR) mechanism in financial year 2011-12 had been re-paid as per the approved Scheme, with improved performance, Company has also paid recompense amount of ₹ 148.47 Crore as per exit term approved by CDR Empowered Group vide their order CDR(PMG) No.740/2015-16 dated March 22, 2016 on the recommendation of Monitoring Institution. CDR EG had 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.

55 On October 15, 2018, pursuant to the approval by the shareholders, the Board of Holding Company has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Holding Company and its subsidiaries under the Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan ("HFCL Plan 2017"). The maximum number of shares under the HFCL Plan 2017 shall not exceed 14,098,000 equity shares. Out of this, 7,049,000 equity shares will be issued against RSUs at par value and 7,049,000 equity shares will be issued against stock options at fair market price immediately prior to date of the grant i.e. ₹ 20.65 per share. The Employee can exercise the vested options/units with in the maximum exercise period which shall be 5 years from the vesting date. The Stock options so granted will be vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3 years from the date of grant and remaining 30% RSUs shall be vest in the 4th year from the date of grant.

The Nomination, Remuneration and Compensation Committee ('Committee') of the Board of Directors of Holding Company which comprises a majority of Independent Directors is responsible for administration and supervision of the Stock Option Plans.

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2020 and March 31, 2019 is as follows:

Particulars	Shares arising out of options*	
	Year ended March 31, 2020	Year ended March 31, 2019
Employee Stock Options (ESOPs)		
Outstanding at the beginning	6,861,000	-
Granted	-	7,049,000
Exercised	-	-
Forfeited and expired	152,000	188,000
Outstanding at the end	6,709,000	6,861,000
Exercisable at the end	2,683,600	-
Restricted Stock Units (RSUs)		
Outstanding at the beginning	6,861,000	-
Granted	-	7,049,000
Exercised	-	-
Forfeited and expired	152,000	188,000
Outstanding at the end	6,709,000	6,861,000
Exercisable at the end	-	-

* Includes options granted to employees of subsidiary company

The details of equity-settled RSUs and ESOPs outstanding as at March 31, 2020 are as follows: (₹ in Crore)

Range of exercise prices per share	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
20-25 (ESOPs)	6,709,000	3	20.65
0 - 5 (RSUs)	6,709,000	4	1.00

The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

Particulars	For options granted during the year ended March 31, 2019	
	ESOPs	RSUs
Weighted average share price (₹)	20.65	20.65
Exercise price (₹)	20.65	1.00
Expected volatility	56.4% to 59.1%	56.8% to 59.1%
Expected life of the option (years)	3.50 to 5.50	4.50 to 5.50
Expected dividends	0.23%	0.23%
Risk-free interest rate	7.81% to 7.89%	7.85% to 7.89%
Weighted average fair value as on grant date (₹)	11.04	19.74

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise behavior of the employee who receives the RSU / ESOP. Expected volatility during the expected term of the RSU / ESOP is based on historical volatility of the observed market prices of the Group's publicly traded equity shares during a period equivalent to the expected term of the RSU / ESOP.

56 In respect of subsidiary companies, the following additional notes to accounts are disclosed:-

HTL LIMITED

i) Loan of ₹ 6.24 Crore (Previous year ₹ 6.24 Crore) together with interest accrued and due thereon of ₹ 29.19 Crore (Previous year ₹ 27.68 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 Limited (the Subsidiary) in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note. 56(ii)(b) below]

ii) a) Out of the total land in possession of the Subsidiary at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Subsidiary in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Subsidiary, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Subsidiary had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in 2002. In respect of the remaining land measuring 30.99 acres, the name of the Subsidiary has been entered in the revenue records of the Government of Tamil Nadu. Other necessary formalities to transfer the land in favour of the Subsidiary are in progress.

b) Claims of ₹ 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 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). After adjustment of ETP compensation of ₹ 3.47 Crore against the interest portion of outstanding GOI loan in terms of GOI letter dated 2nd December, 2003, the Company has made adequate interest provisions till 31.03.2020. In the financial statements, company has adjusted the said claim receivable from the interest liability due to GOI. The Subsidiary expects no further liability, once the adjustment is agreed upon.

iii) The Board of Directors of HTL Ltd has proposed a right issue of equity shares for ₹ 120.00 Crore in the ratio of equity shares holding i.e 26% by GOI and 74% by HFCL Limited, 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 Subsidiary 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.

57 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, lease liabilities 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 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.

57.1 Financial Instruments by category

(₹ in Crore)

Particulars	As at March 31, 2020			As at March 31, 2019		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	53.84	-	-	49.83	-
ii) Structured entity						
a) Sumedha Fiscal Services Ltd.	-	0.03	-	-	0.04	-
b) Valiant Communications Ltd.	-	0.02	-	-	0.02	-
c) Magma Fincorp Ltd	-	0.26	-	-	1.80	-
d) Sahara One Media and Entertainment Ltd.	-	0.24	-		0.50	-
e) NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	-	0.10	-		0.01	-
B) Mutual funds	1.86	-	-	0.02	-	-
C) Debentures & Bonds	-	-	1.85	-	-	1.85
II) Trade receivables	-	-	1,729.68	-	-	1,562.89
III) Bank deposits	-	-	31.34	-	-	33.78
IV) Cash and Cash equivalents	-	-	16.45	-	-	17.53
V) Other Bank balances	-	-	175.41	-	-	141.82
VI) Security deposit for utilities and premises	-	-	23.81	-	-	5.86
VII) Other receivables	-	-	555.37	-	-	538.52
Total Financial Assets	**1.86**	**54.49**	**2,533.91**	**0.02**	**52.20**	**2,302.25**
2) Financial liabilities						
I) Borrowings						
a) From Banks	-	-	520.39	-	-	425.62
b) From Others	-	-	141.27	-	-	164.69
II) Obligations under Finance Lease	-	-	21.95	-	-	-
III) Deposits	-	-	310.61	-	-	141.10
IV) Trade payables	-	-	815.24	-	-	864.50
V) Other liabilities	-	-	223.40	-	-	63.71
Total Financial Liabilities	**-**	**-**	**2,032.86**	**-**	**-**	**1,659.62**

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.

A) Year Ending March 31,2020 (₹ in Crore)

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2020	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	1.86	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.03	-	-
b) Valiant Communications Ltd.	14	0.02	-	-
c) Magma Fincorp Ltd	14	0.26	-	-
d) Sahara One Media and Entertainment Ltd.	14	0.24	-	-
e) NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	14	-	-	0.10
f) Exicom Tele-Systems Ltd.	8	-	-	16.77
g) AB Corp Ltd	8	-	-	32.90
h) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.07
i) Shankar Sales Promotion Pvt. Ltd.	8	-	-	0.09
j) Atul Properties Pvt. Ltd.	8	-	-	1.85
k) Nivetti Systems Pvt. Ltd.	8	-	-	4.01
Total Financial Assets		**2.41**	**-**	**55.79**

B) Year Ending March 31, 2019 (₹ in Crore)

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2019	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	0.02	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.04	-	-
b) Valiant Communications Ltd.	14	0.02	-	-
c) Magma Fincorp Ltd	14	1.80	-	-
d) Sahara One Media and Entertainment Ltd.	14	0.50	-	-
e) NSL Wind Power Company (Phoolwadi) Pvt. Ltd.	14	-	-	0.01
f) Exicom Tele-Systems Ltd.	8	-	-	16.77
g) AB Corp Ltd	8	-	-	32.90
h) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.07
i) Shankar Sales Promotion Pvt. Ltd.	8	-	-	0.09
j) Atul Properties Pvt. Ltd.	8	-	-	1.85
Total Financial Assets		**2.38**	**-**	**51.69**

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.

57.2 MANAGEMENT OF FINANCIAL RISK

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, 2020					
Trade payables	27	815.24	815.24		**815.24**
Retention Money	28	310.61	310.61		**310.61**
Other liabilities	23,24,26,28,42	907.01	689.14	217.87	**907.01**
As at March 31, 2019					
Trade payables	26	864.50	864.50		**864.50**
Retention Money	27	141.10	141.10		**141.10**
Other liabilities	22,23,25,27	654.01	517.42	136.59	**654.01**

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, FVTPL & FVTOCI investments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2020 and 31 March 2019.

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 as per 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 March 31, 2020 would increase / decrease by ₹ 5.82 Crore (for the year ended March 31, 2019: increase / decrease by ₹ 5.17 Crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
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 ₹ 1.78 Crore loss for year ended March 31, 2020 (₹ 1.48 Crore loss for year ended March 31, 2019).

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 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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. 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. 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 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, 2020	As at March 31, 2019
Debt	711.66	590.31
Less : Cash and Cash equivalents (Note 16)	(16.45)	(17.53)
Net Debt	**695.21**	**572.78**
Total Equity	1,668.39	1,431.71
Net Debt to Total Equity	**0.42**	**0.40**

58 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, 2020		As at March 31, 2019	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	6,41,164	4.91	22,95,620	16.07

c) Foreign Currency exposure (₹ in Crore)

Particulars		As at March 31, 2020		As at March 31, 2019	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	2,74,83,099	210.36	4,01,04,856	280.69
	GBP/INR	7,60,190	6.95	-	-
	JPY/INR	3,47,76,000	2.49	-	-
	EUR/INR	4,09,748	3.47	12,00,267	9.46
Trade receivable	USD/INR	21,45,526	15.89	15,94,058	10.78
	EUR/INR	2,86,942	2.34	2,44,066	1.85
	GBP/INR	2,19,655	2.01	2,02,417	1.78

d) Foreign currency sensitivity analysis:

The following details demonstrate the Group'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	Year Ended March 31, 2020		Year Ended March 31, 2019	
	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%
Impact on profit or loss for the year				
USD Impact	9.72	(9.72)	13.48	(13.48)
EURO Impact	0.06	(0.06)	0.38	(0.38)
JPY Impact	0.12	(0.12)	-	-
GBP Impact	0.25	(0.25)	0.09	(0.09)

59 Tax Reconciliation

(₹ in Crore)

Particulars	F.Y. 2019-20	F.Y. 2018-19
Net Profit as per Statement of Profit and Loss (before tax)	**358.35**	**339.29**
Current Tax rate @ 34.944%	**114.77**	**102.00**
Adjustment:		
MAT Adjustment	(48.09)	(34.20)
Depreciation & other adjustment	(13.15)	(3.23)
Dividend and Tax thereon	-	1.39
Amount of eligible / ineligible expenditure	0.06	(0.54)
The amount of income u/s 10 - dividend	(0.01)	(0.01)
Tax Provision as per Books	**53.58**	**65.41**

60 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

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 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
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 05th June, 2020

New Delhi, 05th June, 2020

New Delhi, 05th June, 2020

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 P Ltd.	Dragonwave HFCL India Private Limited	Radeff Private Limited
Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	NA	NA	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	NA	NA
Share Capital	15,00,00,000	102,00,000	10,00,000	18,08,560	7,00,00,000	100,000
Reserves and Surplus	(13,82,71,015)	1,61,47,741	(4,54,915)	11,47,05,101	89,12,834	(2,11,38,497)
Total Assets	3,42,30,07,704	2,64,35,390	6,39,486	18,85,52,164	9,33,13,888	2,14,64,819
Total liabilities	3,41,12,78,719	87,649	94,400	7,20,38,503	1,44,01,054	4,19,45,721
Investments	10,15,950	1,94,00,600	Nil	Nil	Nil	Nil
Turnover	4,30,56,36,757	Nil	Nil	21,56,65,976	79,03,620	48,50,000
Profit before taxation	36,25,95,425	323,193	(1,06,354)	48,46,646	(3,15,51,131)	(1,64,22,249)
Provision for taxation	3,20,21,361	50,418	Nil	14,22,145	4,02,842	9083
Profit after taxation	39,46,16,786	2,72,775	(1,06,354)	34,24,501	(3,11,48,289)	(1,64,31,332)
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil
% of Shareholding	74	100	100	100	100	90

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 & Joint Ventures : The Company has no Associate or Joint Venture company as on March 31, 2020.

For and on behalf of the Board

M. P. Shukla
Chairman
DIN: 00052977

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Date: 05th June, 2020

Place: New Delhi

HFCL LIMITED

(FORMERLY HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED)
Registered Office: 8, Electronics Complex, Chambaghat, Solan-173213 (Himachal Pradesh)
Tel: +91-1792-230644; Fax: +91-1792-231902; Website: www.hfcl.com; E-mail: secretarial@hfcl.com
(Corporate Identity Number: L64200HP1987PLC007466)

NOTICE

(PURSUANT TO SECTION 101 OF THE COMPANIES ACT, 2013)

NOTICE is hereby given that the 33rd Annual General Meeting (AGM) of the Members of HFCL Limited (formerly Himachal Futuristic Communications Limited) will be held on Monday, the 28th day of September, 2020 at 11:00 A.M. (IST) through Video Conferencing / Other Audio Visual Means ("VC" / "OAVM") Facility, to transact the following business:

ORDINARY BUSINESS:

1. Adoption of Financial Statements

To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2020, the reports of the Board of Directors and the Auditors thereon and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT the Audited Financial Statements of the Company for the financial year ended 31st March, 2020, along with the reports of the Board of Directors and the Auditors thereon as laid before this meeting, be and are hereby received, considered and adopted."

2. Adoption of Consolidated Financial Statements

To receive, consider and adopt the Audited Consolidated Financial Statements of the Company for the financial year ended 31st March, 2020 and the report of the Auditors thereon and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT the Audited Consolidated Financial Statements of the Company for the financial year ended 31st March, 2020, along with the report of the Auditors thereon as laid before this meeting, be and are hereby received, considered and adopted."

3. Appointment of Director in place of the retiring Director

To appoint a Director in place of Mr. Mahendra Pratap Shukla (DIN: 00052977), Director (Non-Executive) and Chairman, 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 the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to Section 152(6) of the Companies Act, 2013 and Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Mr. Mahendra Pratap Shukla (DIN: 00052977), 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 (Non-Executive), liable to retire by rotation, designated as Chairman of the Company."

SPECIAL BUSINESS:

4. Appointment of Mr. Bharat Pal Singh (DIN: 00739712) as an Independent Director

To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 149, 150, 152 and any other applicable provisions read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 ("the Act") and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), and on the recommendation of the Nomination, Remuneration and Compensation Committee, Mr. Bharat Pal Singh (DIN: 00739712), who was appointed as an Additional Director (Independent) not liable to retire by rotation by the Board of Directors, pursuant to Section 161(1) of the Act 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 Act from a member proposing the candidature of Mr. Bharat Pal Singh for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose office shall not be liable to retirement by rotation, to hold office for one term of 3 (Three) consecutive years w.e.f. January 21, 2020 to January 20, 2023.

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:	**By Order of the Board**
8, Electronics Complex	
Chambaghat	
Solan-173213 (H.P.)	**(Manoj Baid)**
	Senior Vice-President (Corporate) &
Place: New Delhi	Company Secretary
Date: August 17, 2020	Membership No: FCS 5834

NOTES:

1. In view of the COVID-19 pandemic, the Ministry of Corporate Affairs ('MCA') has vide its General Circular No. 20/2020 dated May 5, 2020 in relation to 'Clarification on holding of annual general meeting ('AGM') through video conferencing ('VC') or other audio visual means ('OAVM') read with General Circular No. 14/2020 dated April 8, 2020 and General Circular No. 17/2020 dated April 13, 2020 in relation to 'Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by Covid-19' (collectively referred to as **'MCA Circulars'**) and the Securities and Exchange Board of India ('SEBI') vide its circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 in relation to 'Additional relaxation in relation to compliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – **('SEBI Circular')** permitted the holding of the Annual General Meeting ('**AGM'/'the Meeting'**) through VC/OAVM, without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013 (**the 'Act'**), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') MCA Circulars and SEBI Circular, **the 33rd AGM of the Company is being held through VC/OAVM on Monday, 28th September, 2020 at 11:00 a.m. (IST)**. The deemed venue for the AGM will be the place from where the Chairman of the Meeting conducts the AGM.

2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), MCA Circulars and SEBI Circular, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-Voting system as well e-Voting on the date of the AGM will be provided by NSDL.

3. As per the provisions of Clause 3.A.II of the General Circular No. 20/2020 dated May 5, 2020, issued by the MCA, the matter of Special Business as appearing at item no. 4 of the accompanying Notice, is considered to be unavoidable by the Board and hence, forms part of this Notice.

4. The relative Statement pursuant to Section 102 of the Act in respect of the business under item nos. 3 & 4 set out above and the relevant details of the Directors seeking reappointment/ appointment at this AGM in respect of business under item no. 3 & 4 required under Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Secretarial Standard on General Meetings issued by The Institute of Company Secretaries of India ('Secretarial Standard') are annexed hereto.

5. PURSUANT TO THE PROVISIONS OF THE ACT, A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. SINCE THIS AGM IS BEING HELD PURSUANT TO THE MCA CIRCULARS AND THE SEBI CIRCULAR THROUGH VC/OAVM, THE REQUIREMENT OF PHYSICAL ATTENDANCE OF MEMBERS HAS BEEN DISPENSED WITH. ACCORDINGLY, IN TERMS OF THE MCA CIRCULARS AND THE SEBI CIRCULAR, THE FACILITY FOR APPOINTMENT OF PROXIES BY THE MEMBERS WILL NOT BE AVAILABLE FOR THIS AGM AND HENCE THE PROXY FORM, ATTENDANCE SLIP AND ROUTE MAP OF AGM ARE NOT ANNEXED TO THIS NOTICE.

6. Institutional Investors, who are members of the Company, are encouraged to attend and vote at the 33rd AGM through VC/ OAVM facility. Corporate members intending to appoint their authorized representatives pursuant to Sections 112 and 113 of the Act, as the case maybe, to attend the AGM through VC/ OAVM or to vote through remote e-Voting are requested to send a certified copy of the Board Resolution to the Scrutinizer by e-mail at **scrutinizer@hfcl.com** with a copy marked to **evoting@nsdl.co.in** and the Company at **secretarial@hfcl.com**.

7. Only registered members of the Company may attend and vote at the AGM through VC/OAVM facility. In case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

8. Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

9. The members can join the AGM in the VC/OAVM mode 15 minutes before and 15 minutes after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. Members will be able to view the proceedings on e-voting website of National Securities Depository Limited ('NSDL') at www.evoting.nsdl.com. The facility of participation at the AGM through VC/OAVM will be made available to at least 1,000 members on a first come first served basis as per the MCA Circulars. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination, Remuneration and Compensation Committee and Stakeholders' Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

10. **ELECTRONIC DISPATCH OF NOTICE AND ANNUAL REPORT**: In line with the General Circular No. 20/2020 dated May 5, 2020, issued by the MCA and the SEBI Circular, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those members whose email addresses are registered with the Company/Depositories. The Notice of AGM and Annual Report 2019-20 are available on the Company's website viz. www.hfcl.com and may also be accessed from the relevant section of the websites of the Stock Exchanges i.e. the BSE Limited and the National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively. The AGM Notice is also on the website of NSDL at www.evoting.nsdl.com.

11. Electronic copies of all the documents referred to in the accompanying Notice of the AGM and the Statement shall be made available for inspection. During the 33rd AGM, members may access the scanned copy of Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act; the Register of Contracts and Arrangements in which Directors are interested maintained under Section 189 of the Act; the certificate from the Statutory Auditors of the Company stating that the Company has implemented the "Himachal Futuristic Communications Limited Employees' Long Term Incentive Plan–2017" ("HFCL Plan 2017") in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the special resolution passed by the members of the Company approving HFCL Plan 2017 in their 30th Annual General Meeting held on 25th September, 2017. Members desiring inspection of statutory registers and other relevant documents may send their request in writing to the Company at **secretarial@hfcl.com**.

12. **SCRUTINIZER FOR E-VOTING:** Mr. 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 e-Voting process in a fair and transparent manner.

13. **BOOK CLOSURE:** The Register of Members and Transfer Books of the Company will be closed from **Tuesday, 22nd September, 2020 to Monday, 28th September, 2020** (both days inclusive) for the purpose of AGM.

    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 on **Monday, 21st September, 2020**. 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. **Monday, 21st September, 2020**, may obtain the login ID and password by sending a request at **evoting@nsdl.co.in** or the Company at **secretarial@hfcl.com** and/or RTA at **admin@mcsregistrars.com**.

14. Members desiring any information with regard to Annual Accounts/ Annual Report are requested to submit their queries addressed to the Company Secretary at **secretarial@hfcl.com** at least 10 (ten) days in advance of the Meeting so that the information called for can be made available to the concerned shareholder(s).

15. 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.

16. **NOMINATION:** As per the provisions of Section 72 of the Act, the facility for making nomination is available for the members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. Members are requested to submit the said details to their Depository Participants in case the shares are held by them in electronic form and to the Company's Registrar and Transfer Agent ('RTA') in case the shares are held by them in physical form, quoting your folio number.

17. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company's RTA, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such members after making requisite changes.

18. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised to not leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified from time to time.

19. Non-Resident Indian members are requested to inform the Company's RTA immediately of:

    a) Change in their residential status on return to India for permanent settlement.

    b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pincode number, if not furnished earlier.

20. Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details/NECS/ mandates, nominations, power of attorney, change of address/ name, Permanent Account Number ('PAN') details, etc. to their Depository Participant only and not to the Company's RTA. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its RTA provide efficient and better service to the members.

    In case of members holding shares in physical form, such information is required to be provided to the Company's RTA in physical mode, after restoring normalcy or in electronic mode at **admin@mcsregistrars.com**, as per instructions mentioned in the form.

21. SEBI HAS MANDATED SUBMISSION OF PAN BY EVERY PARTICIPANT IN THE SECURITIES MARKET. MEMBERS HOLDING SHARES IN ELECTRONIC FORM ARE, THEREFORE, REQUESTED TO SUBMIT THEIR PAN DETAILS TO THEIR DEPOSITORY PARTICIPANTS. MEMBERS HOLDING SHARES IN PHYSICAL FORM ARE REQUESTED TO SUBMIT THEIR PAN DETAILS TO THE COMPANY 'S RTA.

22. TRANSFER OF SHARES PERMITTED IN DEMAT FORM ONLY: As per Regulation 40 of the SEBI Listing Regulations, as amended, transfer of securities would be carried out in dematerialised form only with effect from April 1, 2019, except in case of transmission or transposition of securities. However, members can continue to hold shares in physical form. In view of the same and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company's RTA for assistance in this regard.

23. To support the 'Green Initiative', members who have not yet registered their email addresses are requested to register the same with their DPs in case the shares are held by them in electronic form and with the Company's RTA in case the shares are held by them in physical form. All such members are requested to kindly get their e-mail addresses updated immediately which will not only save your Company's money incurred on the postage but also contribute a lot to save the environment of this Planet.

24. The Company has made special arrangement with the RTA and NSDL for registration of e-mail addresses in terms of the MCA Circulars for members who wish to receive the Annual Report along with the AGM Notice electronically and to cast the vote electronically. Eligible members whose e-mail addresses are not registered with the Company/ DPs are required to provide the same to RTA, pursuant to which, any member may receive on the e-mail address provided by the member the Notice of this AGM along with the Annual Report 2019-20 and the procedure for remote e-Voting along with the login ID and password for remote e-Voting.

25. **UNCLAIMED DIVIDEND / IEPF:** Members are requested to note that, dividends, if not encashed for a consecutive period of 7 years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ('IEPF'). The shares in respect of such unclaimed dividends are also liable to be transferred to the demat account of the IEPF Authority. In view of this, members are requested to claim their dividends from the Company, within the stipulated timeline.

    Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") as amended, the Company has uploaded the details of unpaid and unclaimed dividend amounts, pertaining to FY18 and FY19, lying with the Company, on the website of the Company at https://www.hfcl.com and also on the website of the MCA at http://www.iepf.gov.in.

    The following table provides a list of years for which unclaimed dividends and their corresponding shares would become eligible to be transferred to the IEPF on the dates mentioned below:

Financial Year	Dividend per Share (₹)	Date of declaration	Due date for transfer	Amount (₹) (Unpaid as on March 31, 2020)
2017-18	0.06	September 29, 2018	December 04, 2025	10,39,714.80
2018-19	0.10	September 28, 2019	December 03, 2026	16,48,237.00

THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING ARE AS UNDER:-

The remote e-Voting period begins on Friday, 25th September, 2020 at 09:00 A.M. and ends on Sunday, 27th September, 2020 at 05:00 P.M. The remote e-Voting module shall be disabled by NSDL for voting thereafter.

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com.

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?			
1.	Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com either on a personal computer or on a mobile.		
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 are given below :		
	Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical		Your User ID is:
	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 Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***
5.	Your password details are given below: a) If you are already registered for e-Voting, then you can user 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, please follow steps mentioned below in process for those shareholders whose email ids are not registered		
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 number, your PAN, your name and your registered address. d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.		
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.		

Details on Step 2 is given below:

How to 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 for which you wish to cast your vote.
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.

General Guidelines for Shareholders:

1. 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. to the Scrutinizer by e-mail to **scrutinizer@hfcl.com** with a copy marked to **evoting@nsdl.co.in.**
2. 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.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request to **Ms. Pallavi Mahtre**, Manager at **evoting@nsdl.co.in**.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this Notice:

1. In case shares are held in physical mode please provide Folio No., Name of Shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card) by email to **secretarial@hfcl.com**.
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card) to **secretarial@hfcl.com**.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-Voting.
2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. **Ms. Pallavi Mahtre**, Manager may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM at **evoting@nsdl.co.in**.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at https://www.evoting.nsdl.com under shareholders/ members login by using the remote e-voting credentials.

   The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

   Further, Members can also use the OTP based login for logging into the e-Voting system of NSDL.
2. Members are encouraged to join the Meeting through Laptops for better experience.
3. Further, Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

SPEAKER REGISTRATION BEFORE AGM: Members of the Company, holding shares as on the cut-off date i.e. **Monday, 21st September, 2020** and who would like to speak or express their views during the AGM may register themselves as speakers by sending their request in advance from **Tuesday, September 22, 2020 (09:00 A.M. IST) up to Wednesday, September 23, 2020 (05:00 P.M. IST)**, mentioning their name, demat account number/folio number, e-mail ID, mobile number at **secretarial@hfcl.com**. The Company reserves the right to restrict the number of speakers as well as the speaking time depending upon the availability of time for the AGM. Only Registered Speakers will be allowed to speak during the meeting.

SUBMISSION OF QUESTIONS / QUERIES PRIOR TO AGM: For ease of conduct of AGM, members who wish to ask questions/express their views on the items of the businesses to be transacted at the meeting are requested to write to the Company at **secretarial@hfcl.com**, during **Tuesday, 22nd September, 2020 (09:00 A.M. IST) up to Wednesday, 23rd September, 2020 (05:00 P.M. IST)** mentioning their name, demat account no./ folio number, email ID, mobile number etc. The Company will, at the AGM, endeavour to address the queries received till aforesaid dates from those Members who have sent queries from their registered email IDs. Please note that Members' questions will be answered only if they continue to hold shares as on the cut-off date. Such questions by the Members shall be taken up during the meeting or replied within 7 days from AGM date by the Company suitably, if necessary.

Members who will participate in the AGM through VC/OAVM can also pose question/feedback through question box option. Such questions by the Members shall be taken up during the AGM or replied within 7 days from AGM date by the Company suitably, if necessary.

DECLARATION OF RESULTS ON THE RESOLUTIONS:

- The Scrutinizer shall, immediately after the completion of the scrutiny of the e-voting (votes cast during the AGM and votes cast through remote e-voting), not later than 48 hours from the conclusion of the AGM, submit a consolidated Scrutinizer's report of the total votes cast in favour and against the resolution(s) and whether the resolution(s) has/have been carried or not, to the Chairman or a person authorized by him in writing.
- The result declared along with the Scrutinizer's Report shall be placed on the Company's website www.hfcl.com and on the website of NSDL www.evoting.nsdl.com immediately after the result is declared. The Company shall simultaneously forward the results to the BSE Limited and the National Stock Exchange of India Ltd., where the securities of the Company are listed.
- Subject to the receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting i.e. **28th September, 2020**.

Details of Directors 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 on General Meetings issued by the Institute of Company Secretaries of India:

Name of the Director	Mr. Mahendra Pratap Shukla	Mr. Bharat Pal Singh
DIN	00052977	00739712
Date of Birth	18.06.1932	13.01.1952
Date of first appointment	14.06.2004	21.01.2020
Experience/ Expertise in Specific Functional Areas	Mr. Mahendra Pratap Shukla has to his credit more than 63 years of experience in the field of business planning, implementation and telecommunication services. He is a fellow member of the Institution of Electronics and Telecommunications Engineers and is elected as the Council Member of the governing body of the Institute.	Mr. Baharat Pal Singh had served as a former Dy. Managing Director of IDBI Bank. In 2010, Government of India appointed Mr. Singh as Whole-time Director on the Board of IDBI Bank. Mr. Singh brings with him a rich experience of more than 30 years of handling a range of portfolios in the banking sector. Apart from Board experience at IDBI Bank, he was member of Boards of several large companies/ corporations as a Nominee of IDBI Bank. Mr. Singh has served on expert committees set up by the Government of India in the steel and cement sectors.
Qualification(s)	B.E. (Electricals)	• M.Sc. in Operational Research from Delhi University; • Masters in Marketing Management from Jamnalal Bajaj Institute of Management Studies, Mumbai • Certified Financial Planner
Directorship in other Companies	HTL Limited, subsidiary company- Non-Executive Director	N.A.
Chairmanship / Membership of Committees (across all Public Cos. in Audit, Stakeholders Relationship and Nomination & Remuneration Committees)	**HFCL Limited**:– Stakeholders' Relationship Committee –Chairman Nomination, Remuneration & Compensation Committee – Member **HTL Limited**:– Audit Committee – Chairman Nomination & Remuneration Committee – Member	**HFCL Limited:–** Audit Committee – Chairman Nomination, Remuneration & Compensation Committee – Member
Shareholding in the Company	NIL	NIL
Relationship with other Directors and KMPs of the Company	N.A.	N.A.
No. of Board Meetings held/ attended	5 / 6	Nil (Appointed w.e.f. January 21, 2020 and no meeting was convened thereafter till March 31, 2020.)
Details of Remuneration sought to be paid	Except, Sitting Fee for attending the Board and/or Committee Meetings or Profit based Commission, approved by the Shareholders and as may be determined by the Board of Directors, no other remuneration is payable.	Except, Sitting Fee for attending the Board and/or Committee Meetings or Profit based Commission, approved by the Shareholders and as may be determined by the Board of Directors, no other remuneration is payable.
Last Remuneration drawn (per annum)	₹ 5,40,000/- (Towards Sitting fee for Board and its Committee meetings for FY 2019-20.)	Nil (Appointed w.e.f. January 21, 2020 and no meeting was convened thereafter till March 31, 2020.)

The Board of Directors recommends the re-appointment of Mr. Mahendra Pratap Shukla as a Director (Non-Executive), liable to retire by rotation and Mr. Bharat Pal Singh as an Independent Director of the Company, not liable to retire by rotation.

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

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

ITEM NO. 3

The Board of Directors and the Shareholders of the Company at its meeting held on 14th June, 2004 and 25th August, 2004 respectively had appointed Mr. 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 Agreement entered into with Stock exchanges, Mr. 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 AGM held on 30th September, 2014 (**"First Term"**).

Further, as required under Section 149 of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Shukla was re-appointed as an Independent Director of the Company by the shareholders of the Company at their AGM held on 29th September, 2016 to hold office of Independent Director up to the 31st AGM to be held on 29th September, 2018. (**"Second term"**).

Mr. Shukla also completed his second term as an Independent Director on conclusion of ensuing 31st AGM held on 29th September, 2018 and ceased to be an Independent Director of the Company.

Subsequently, pursuant to the provisions of the Section 152 the Act, he was appointed as a Director (Non-Executive), liable to retire by rotation and designated as Chairman of the Company w.e.f. 29th September, 2018, by the shareholders at their AGM held on 29th September, 2018.

Mr. Mahendra Pratap Shukla aged about 88 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 63 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, Mr. Shukla achieved the unique distinction of having organized the telecom consultancy work in foreign countries.

In the Performance Evaluation conducted for the financial year 2019-20, the performance of Mr. Shukla was evaluated satisfactory in the effective and efficient discharge of his roles and responsibilities as a 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. 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.

Mr. Mahendra Pratap Shukla is not dis-qualified from being re-appointed as a Director in terms of Section 164 of the Act.

Mr. Shukla doesn't hold any equity shares in the Company.

A brief profile of Mr. Mahendra Pratap Shukla to be appointed as a Director (Non-Executive) designated as 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India"* elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

Pursuant to the provisions of Section 152 of 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 AGM is an Ordinary Business.

As per the provisions of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9th May, 2018 which had 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 of Directors, in its Meeting held on June 05, 2020, has approved the re-appointment of Mr. Shukla aged 88 years as a Director (Non-Executive), liable to retire by rotation and Chairman of the Company, and recommends the same for the approval by the Shareholders of the Company as a Special Resolution.

Mr. Shukla is interested in the resolution set out at Item No. 3 of the Notice with regard to his appointment. The relatives of Mr. 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 other Directors and Key Managerial Personnel of the Company and their relatives, is in anyway concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice.

ITEM NO. 4

In terms of provisions of Section 149 of the Companies Act, 2013 (**"the Act"**) and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (**"SEBI Listing Regulations"**), the Company should have at least one third of total number of directors as Independent Directors, with at least one Independent Woman Director.

Mr. Ved Kumar Jain (DIN: 00485623), Non-Executive Independent Director had resigned as an Independent Director of the Company, w.e.f. December 26, 2019, consequent to which, one seat of Independent Director on the Board had become vacant to be filled.

Regulation 17 of the SEBI Listing Regulations inter-alia stipulates the conditions for the appointment of independent directors by a listed company.

The SEBI Listing Regulations also states that where the Chairman of the Board is Non-Executive Director, at least one third of the Board should comprise of Independent Director and in case the company does not have a regular Non-Executive Chairman, at least half of the Board should comprise of Independent Directors. In view of the present strength of total number of directors, one more Independent Director was proposed to be inducted on the Board of the Company to ensure the compliance of the SEBI Listing Regulations and the corporate governance.

In terms of Section 149(10) read with Section 152 of the Companies Act, 2013 ("Act"), an Independent Director shall hold office for a term up to five consecutive years on the board of a company, but shall be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in Board's Report.

Accordingly, on the recommendations of the Nomination, Remuneration and Compensation Committee, the Board of Directors, in its meeting held on January 20, 2020, had appointed Mr. Bharat Pal Singh (DIN: 00739712) as an Additional Director in the category of Independent Director on the Board of Directors of the Company, w.e.f. January 21, 2020, pursuant to the provisions of Section 149 and 161 of the Act and the Articles of Association of the Company and Regulation 17 of the SEBI Listing Regulations.

In terms of the provisions of Section 161(1) of the Act, Mr. Bharat Pal Singh holds office up to the date of ensuing AGM of the Company.

Mr. Bharat Pal Singh, aged 68, holds two Master Degrees – M.Sc. in Operational Research from Delhi University; and Masters in Marketing Management from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is also a Certified Financial Planner.

Mr. Baharat Pal Singh was a former Dy. Managing Director of IDBI Bank. In 2010, Government of India appointed Mr. Singh as Whole-time Director on the Board of IDBI Bank.

Mr. Singh brings with him a rich experience of more than 30 years of handling a range of portfolios in the banking sector. Apart from Board experience at IDBI Bank, he was member of Boards of several large companies/ corporations as a Nominee of IDBI Bank. Mr. Singh has served on expert committees set up by the Government of India in the steel and cement sectors.

As a Whole-time member of the Board of IDBI Bank Limited, he was responsible for evaluation and approval of financial assistance to a large number of corporates covering the entire spectrum of industry/ service sectors besides all the corporate functions of the Bank.

Mr. Bharat Pal Singh had also registered his name in the data bank for Independent Directors maintained by the 'Indian Institute of Corporate Affairs (IICA), Manesar (notified under Section 150(1) of the Companies Act, 2013 as the institute for the creation and maintenance of data bank of Independent Directors) and paid requisite fee therefor.

The Company has received a declaration from Mr. Bharat Pal Singh 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 read with Regulation 16(1)(b) of the SEBI Listing Regulations and is independent of Management. Mr. Bharat Pal Singh is not dis-qualified from being appointed as Director in terms of Section 164 of the Act, and has given his consent to act as Director of the Company.

Mr. Bharat Pal Singh is not debarred from holding Office of Director pursuant to any order passed by the SEBI or any other authority.

Mr. Singh doesn't hold any equity share in the Company.

As required under the Companies Act, 2013 and the SEBI Listing Regulations, the proposal for appointment of Mr. Bharat Pal Singh as an Independent Director was also considered by the Nomination, Remuneration and Compensation Committee and its necessary recommendation was made to the Board. After considering the educational qualification, experience, independence, expertise in line with the Company's business, positive attributes, other positions held and the benefits the Company will derive with his appointment, the Board considers him fit for the office of Independent Director.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Bharat Pal Singh (DIN: 00739712) for the office of Director, to be appointed as such under Section 149 of the Act.

The terms and conditions of appointment of Independent Directors are available for inspection by members at the Registered Office and also on the web-site of the Company at http://www.hfcl.com/wp-content/uploads/2017/05/Terms-and-conditions-of-appointment-of-Independent-Directors-10.05.17.pdf.

A brief profile of Mr. Bharat Pal Singh (DIN: 00739712) to be appointed as an Independent Director of the Company is given under the heading *"Details of Directors proposed to be appointed and reappointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India"* elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

It is proposed to appoint Mr. Bharat Pal Singh (DIN: 00739712) as a Non-Executive Independent Director for one term of 3 (three) consecutive years with effect from January 21, 2020 to January 20, 2023, 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.

Mr. Bharat Pal Singh (DIN: 00739712) along with his relatives, is deemed to be interested in the resolution set out at Item No. 4 of the accompanying Notice with regard to his appointment.

Save and except the above, none of the Directors and Key Managerial Personnel of the Company and their relatives, is in anyway concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the accompanying Notice.

The Board considers that the association of Mr. Bharat Pal Singh 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 Mr. Bharat Pal Singh as an Independent Director as set out in Item No. 4 for the approval by the members of the Company, by way of an ordinary resolution.

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

Place: New Delhi
Date: August 17, 2020

By **Order of the Board**

(Manoj Baid)
Senior Vice-President (Corporate) &
Company Secretary
Membership No: FCS 5834

Corporate Information

Board of Directors

Mr. Mahendra Pratap Shukla
Chairman (Non-Executive)

Mr. Mahendra Nahata
Managing Director

Mr. Arvind Kharabanda
Non-Executive Director

Dr. (Mr.) Ranjeet Mal Kastia
Non-Executive Director

Mr. Ranjeet Anandkumar Soni
Non-Executive Director
(Nominee - IDBI Bank Ltd.)

Mr. Surendra Singh Sirohi
Independent Director

Dr. (Ms.) Tamali Sengupta
Independent Director

Mr. Bharat Pal Singh
Independent Director
(w.e.f. 21.01.2020)

Mr. Ved Kumar Jain
Independent Director
(upto 25.12.2019)

Chief Financial Officer

Mr. Vijay Raj Jain

Senior Vice-President (Corporate) & Company Secretary

Mr. Manoj Baid

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

Internal Auditor

Anil Agarwal & Co.
Chartered Accountants
506, Surya Kiran Building
K G Marg, Connaught Place
New Delhi - 110 001

Secretarial Auditor

Mr. B. S. Kashtwal
Practicing Company Secretary
106 1st Floor, Madhuban Tower
A-1 VS Block, Shakarpur Crossing
Delhi - 110 092

Bankers

IDBI Bank Limited

State Bank of India

Punjab National Bank
(Including erstwhile
Oriental Bank of Commerce &
United Bank of India)

Bank of Baroda

Union Bank of India

ICICI Bank Limited

Yes Bank Limited

Registered Office & Telecom Equipment Plant

8, Electronics Complex
Chambaghat
Solan - 173 213
Himachal Pradesh

Optical Fiber Cable Plant

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

Optical Fiber Plant

Plot No. S-9, e-City, FAB City
Ravirayala Village
Maheshwaram Mandal
Rangareddy District
Hyderabad - 501 359
Telangana

Corporate Office, Secretarial Department & Investor Relation Cell

8, Commercial Complex
Masjid Moth,
Greater Kailash - II
New Delhi - 110 048
Ph: 011- 35209400 / 9500

Registrar & Share Tranfer Agent (RTA)

MCS Share Tranfer Agent Limited
F-65, 1st Floor
Okhla Industrial Area, Phase-I
New Delhi-110 020
Ph: 011 - 41406149 - 52

Corporate Identity Number

L64200HP1987PLC007466

HFCL LIMITED

(Formerly Himachal Futuristic Communications Limited)

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