HFCL LIMITED

ACCELERATED INNOVATION. PROFITABLE GROWTH.

ANNUAL REPORT 2020-21

Contents

01-17

Corporate Overview

18-95

Management Reports

96-197

Financial Statements

FY21 Financial Highlights

(Consolidated)

₹ 4,459 crores

Total Income

15.5% ▲

₹ 586 crores

EBITDA

13.5% ▲

₹ 246 crores

PAT

3.8% ▲

₹ 1.87

Earnings Per Share (EPS)
Increased from ₹ 1.76 in FY20

₹ 6,875 crores

Order Book

Accelerated innovation. Profitable growth.

The story of HFCL is one of grit and determination. Of faith and perseverance. Of dreams and opportunities.

As a leading technology enterprise and one of the largest integrated telecom network providers in India, we have always believed in innovation as the engine of growth. Our high-tech, cost-competitive products are used by both private and public enterprises, including the Indian armed forces and we implement integrated network solutions on the ground across the telecom, defence, railways and security & surveillance sectors.

In one of the most disruptive years in human history, we once again fell back on our innovation DNA to overcome the challenges faced by us in FY21 and leapfrog into a new era of growth.

Our IO products saw wide acceptability, and we prepared for the next big upgrade in the world of telecommunication by setting up a dedicated 5G business unit and developed products & solutions that witnessed strong traction, despite the market slowdown.

The focus reflected in the numbers. During the year, we grew our revenues and EBITDA and our margins saw a healthy increase notwithstanding the operational challenges.

In a world more connected than before and characterised by high speed, new experiences and endless possibilities, we depend on our innovation strength to deliver sustained profitability.

That is why we came up with a new, dedicated R&D centre this year that will help us enrich our product portfolio, develop next-gen 5G compatible products and system integration services. We are looking at developing anti-drone technologies, contributing in the making of smart coaches to smart cities, creating our own space in Industry 4.0, adopting the latest technologies and customising them to make work processes and functions intelligent and seamless. Our newly developed products like electronic fuses and electro-optics devices will translate to sizeable business going forward.

Faced with a world of opportunities, we are pushing down our feet on the innovation pedal to make full use of those and ensure profitable growth, thus delivering greater value for our stakeholders.

Key Highlights at a Glance

Leapfrogging to the future

FY21 proved to be an extraordinary year in terms of digital transition.

As we strive to adapt to a dynamically changing world, we accelerated our innovation and growth journey, which enabled us to advance towards our goals and set new benchmarks along the way.

Making a mark

1 lakh Wi-Fi network products shipped within few months of production commencement; 1.5 lakh units mark reached by the end of FY21

Set up PM-WANI model villages at Baslambi, Haryana and Baidebettu, Karnataka

Commercial operation of Fibre-to-the-Home (FTTH) Cable Plant commenced at Hyderabad, making us the largest in the Country

Maintaining a strong order book

Received order of ₹260.97 crores for design, manufacture, supply, installation, testing and commissioning of communication systems of Kanpur and Agra Metro

Received order of ₹800 crores from L&T for supplying IT equipment, software solutions and associated equipment for setting up data centres, Security Operation Centres and Network Operation Centres

Received order from a leading Indian outsourced service provider for the onsite harness manufacturing for the Aerospace & Defence and the Automotive industries through our subsidiary HTL

Received order of ₹174.43 crores from a leading private integrator of data networks for the supply of Optical Fiber Cables for the construction of Telangana Fiber Grid under BharatNet Phase-II programme of the GoI

Geared up for the future

Participated in GOI's PLI Scheme for Telecom and Networking Products through our newly incorporated wholly-owned subsidiary, HFCL Technologies Private Limited

Set up a state-of-the-art R&D Centre in Bengaluru, primarily focusing on the development of 5G and Wi-Fi product portfolio

Set up a new dedicated Business Unit for catering to the 5G products and solutions including System Integration opportunities

Established a state-of-the-art aerospace & defence, automotive wire harness facility in our subsidiary HTL Limited

Corporate Profile

On the cusp of a new era

We started our journey in the late 1980s as India's homegrown telecom equipment manufacturer. Over the last three decades, we have emerged as a leading integrated technology enterprise, enabling a securely connected world.

Building on indigenously developed products and solutions, we have expanded our portfolio and become a partner of choice for marquee clients in India and abroad. Our operations span the entire communication network value chain – from manufacturing high-tech, quality and cost-competitive products to implementing integrated network solutions on the ground for both private and government organisations across the telecom, defence, railways and security & surveillance sectors. As the world become more and more digital and data driven and India moves towards self-reliance, we are on the cusp of a new era in a smart, connected world.

Catering to key sectors

Telecom

Offerings

- Optical fiber
- Optical fiber cables
- Wi-Fi products
- High Capacity Radio Relay (HCRR)
- Switches
- Passive connectivity solutions
- Routers*
- Passive optical network (PON)*
- 5G small cell & 5G macro radio unit (RU)*
- DU (Distributed Unit) aggregation router*
- CU (Centralised Unit) aggregation router*

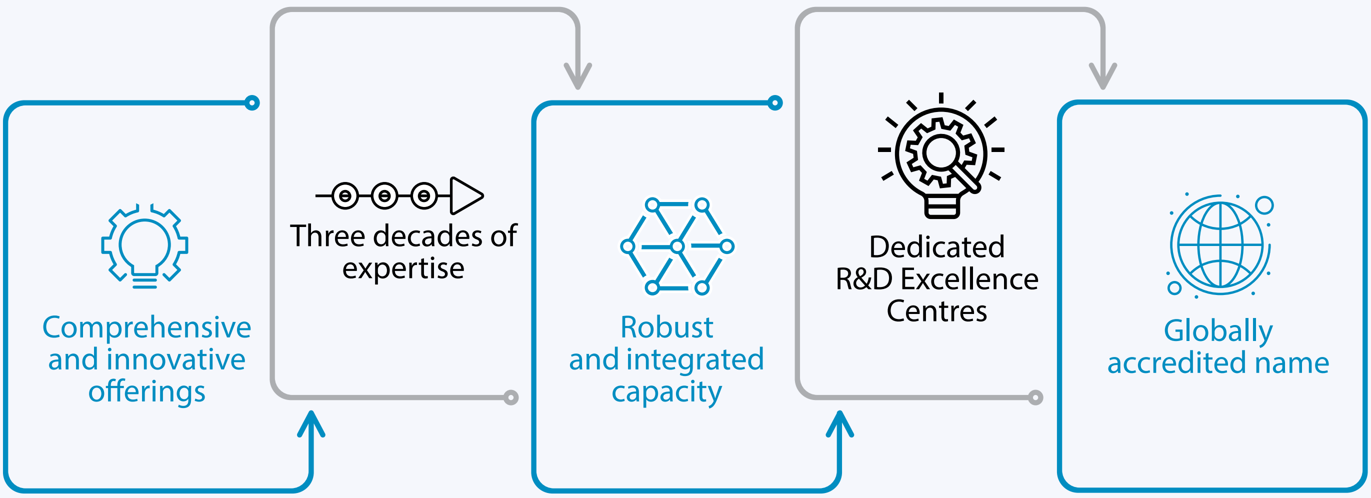
Defence

Offerings

- Night vision devices, electronic fuses
- OFC and optical transport network
- Fiber monitoring and management system
- Routing network
- Microwave radio backhaul solutions
- Ground surveillance radar*
- Uncooled engine core*
- Software defined radio*

* Under Development

Core strengths



Railway

Offerings

- Passenger information display system
- Fiber optic transmission system
- CCTV video surveillance system
- Operation/Plant management and control system

Security & Surveillance

Offerings

- Video management system
- Video analytics
- Automatic number plate recognition
- Red light violation detection system

Service enablers

5
State-of-the-art manufacturing facilities

18.5 mn fkm
Optic Fiber Cable (OFC) capacity

2
Advanced R&D Excellence Centres

2,500+
Employees

Persistently evolving to stay ahead of the curve

1987
Incorporated as a telecom equipment manufacturer

1990s
Expanded, reaping the benefits of liberalisation and the telecom network revolution

2000s
Organic and inorganic growth along with portfolio expansion

2010s
Consolidated post global recession coupled with debt, equity and business restructuring

Revival and growth, following expansion of manufacturing capacities and strengthening of network solutions capabilities

Expanded portfolio of products and solutions with new geographies and new customers.

2020s
Geared up to capitalise on the upcoming growth opportunity in the Decade of Digital Transition

Strategically located manufacturing facilities with robust R&D capabilities

Locations	Capacity and other details
Verna, Goa	OFC: 8 mn fkm
Hyderabad, Telangana	Optical fiber: 8 mn fkm FTTH cable: 3.6 lakhs cable km/annum
Solan, Himachal Pradesh	Telecom equipment
Chennai, Tamil Nadu	OFC: 10.5 mn fkm FTTH cable: 2.4 lakhs cable km/annum OFC accessories and wire harness
Hosur, Tamil Nadu	FRP: 3.60 lakhs km/annum IGFR: 2,700 MT ARP: 3.00 lakhs km/annum
Gurugram and Bengaluru	R&D centre for Wi-Fi product portfolio and 5G offerings

HFCL HTL R&D Centre

Partnering clients across the globe

Global Presence

Forging connections across the world

₹ 201 crores
Export revenue in FY21

30 + countries
Global Presence

Foreign Branch/International Offices:

Dhaka, Bangladesh Branch
Navana Obaid Eternia
(Level- 13 & 14)
28-29, VIP Road, Kakrail
Dhaka -1000, Bangladesh

Project Site Office
(Dhaka Metro Rail Project)
Sonagaon Janpath
Block-I, Sector-15
Uttara Model City, Uttara
Dhaka- 1230, Bangladesh

Mauritius Branch
6B, Goliva Court
St. Jean Road
Quatre Boarn
Mauritius, PIN: 72249

Dubai, UAE
Representative Office
One Business Centre DMCC
OneJLT, 5th Floor
P.O. Box 123422
JLT, Dubai, UAE

United Kingdom Branch
2nd Floor 31 Chertsey Street
Gulldford, GU1 4HD

Sales Office
Suite B, 25 Market Square
Olney, Bucks
MK46 4BA

Managing Director's Message

Pursuing growth in a dynamic environment

Dear friends,

The world has quietly ushered in a new decade in the midst of a pandemic. Although the scars of the pandemic run deep, they have not been able to dim human spirit, ingenuity and the courage to forge ahead. Let's commend each one of us for facing the adversity with grit and determine to pursue the path of progress and prosperity together.

For HFCL, FY21 was a standout year in many ways. We recast our aspiration to transform ourselves as a Company, led by technological innovations and backed by our cost leadership, an attribute, we knew, would help commoditise our innovations. We also aimed to foster a wider global collaboration to co-develop new technologies and expand our manufacturing capabilities so that we could deploy our products and network solutions over a wider area across the globe.

We navigated the COVID-19 storm with dexterity and compassion, protecting our assets, including people, while preparing the organisation for the next era of digital revolution.

And that dream of a 'digital tomorrow' is dawning upon us. Right here, right now.

From the neighbourhood dispensary to a school in distant rural India, everything is going digital. Shop floors are turning digital, and soon, automated cars may be plying the road. In the immediate future, data consumption could become as integral to life as oxygen.

A decade of evolution

It is in this context that I reminisce on our evolution (2011–2020) with pride and look ahead at opportunities with excitement. Thankfully, our preparation and perseverance over the years have positioned HFCL at the right place at the right time with the right bouquet of products, solutions, an innovation mindset and a strong pipeline.

An important facet of our transformation has been the consistent work that we have succeeded in putting across in three areas.

First, in deepening our inherent strengths in globally competitive manufacturing of network equipment, optic fiber, optical fiber cables and cable accessories.

Second, in sharpening our skills and credentials in adjacencies by way of newer business avenues and divisions.

Third, and the most decisive aspect, continued calibration of our positioning in the opportunity landscape, which led to a robust organisation that delivered sustained profitable growth.

As we progress into this new decade, it is truly upon us to pick and pursue opportunities in segments and geographies that we find most fulfilling and value accretive. All the strategic moves that we have been making in the last six to eight quarters are now crystalising into building blocks for a decade of future growth.

In this age of technological advancements and digitalisation, it is imperative for organisations to ramp up their R&D investments to ensure that they are able to stay ahead of their peers. Aware of this reality, we have substantially increased our R&D focus over the years, to ensure that we are able to position ourselves as a technology-driven company.

₹4,422.96 crores
Revenue in FY21

₹585.71 crores
EBITDA in FY21

> The changing world dynamics and the operational environment – given the emphasis on digital and personal safety – are leading to a surge in demand across our end markets, be it in telecom, defence, railway, security & surveillance. Additionally, the GOI's focus on self-reliance and improving homeland security has opened up multiple opportunities for us.

Looking back at FY21, we saw decisive growth in our technological strength. We opened a new R&D Centre at Bengaluru. We empowered ourselves with various collaborative arrangements to co-innovate future technologies. This is reflecting in our R&D investments, which rose significantly during the last few years. We intend to continue increasing it, going forward.

Our efforts yielded success in form of several products already developed and few under development.

At HFCL, our goal has always been to become an industry benchmark, irrespective of the sector. Our business/ functional heads for each segment have years of experience and expertise in their respective fields. They operate/function independently and take decisions they feel are best-suited for the business.

Performance review

At the same time, we made a conscious effort to tilt our revenue as well as order mix towards a margin-accretive and capital efficient mix. Our FY21 performance reflects the kind of results that this shift is likely to generate in the near future.

While analysing our consolidated financial performance, we must bear in mind the impact of the lockdown in the early part of the year and the continued restrictions and volatilities that we had to embrace throughout the year. Our revenues grew by 15.2% to reach ₹ 4,422.96 crores while a healthy growth of 13.5% took our EBITDA to ₹ 585.71 crores. Profit after tax grew by 3.8% to reach ₹ 246.24 crores. We closed the year with an outstanding order book of ₹ 6,875 crores.

₹6,875

Order book in FY21

A world of possibilities

The changing world dynamics and the operational environment – given the emphasis on digital and personal safety – are leading to a surge in demand across our end markets, be it in telecom, defence, railway, security & surveillance. Additionally, the GOI's focus on self-reliance and improving homeland security has opened up multiple opportunities for us.

The telecom sector in India is at an inflection point, given the impending switch to 5G network; expanding 4G rollout by telcos; PLI schemes to boost exports; the implementation of BharatNet Phase 2 and the GOI's focus on rural connectivity through Digital India drive are creating an unprecedented environment for growth.

Moreover, the additional 4G spectrum allocation and increased broadband adoption have led to increased demand in the Optical Fiber Cable including FTTH cables. In the defence market, the increasing focus on upgrading equipment to world standard, growing emphasis on better network connectivity and communication, and the call for self-reliance through AatmaNirbhar Bharat Abhiyan are also widening possibilities. At the same time, railway systems are being expanded and modernised. There is also growing awareness on the importance of security and surveillance. There are now multiple opportunities we can pursue across all the areas we are present in.

Strategic objectives

Gearing up to take full advantage of the emerging opportunities, we have devised multiple strategies.

The first is the formation of a strategic business division for pursuing the 5G opportunity, including in-system integration required for a seamless implantation through O-RAN. The division is undertaking an inside-out approach to identify, strategise and execute all relevant 5G opportunities in a centralised manner, leveraging our existing strengths in R&D, manufacturing, network implementation and customer relationships while bridging the gaps through collaborative pursuits, wherever warranted.

The second strategic move is to scale up our manufacturing capacities and capabilities across optical fiber, optical fiber cable and FTTH cable. We are already implementing modernisation and expansion of Optical Fiber and Optical Fiber Cable manufacturing capacities by 20-25% and also in the process of setting up a greenfield facility for manufacturing defence equipment. The expansions are taking place across three manufacturing locations in Hyderabad, Goa and Chennai (HTL), and are expected to be commissioned between October 2021-March 2022.

Third, we participated in the recently announced PLI scheme of the Government of India through our newly formed wholly owned subsidiary, HFCL Technologies Private Limited. We believe this will aid us in further expanding our geographic markets by making our products more competitive and our margins more attractive. To grow our footprint abroad, we are recruiting technocrats with proven track record and international experience to guide product and market development.

Additionally, we are strategically focusing on increasing our product business share to ~60% of revenue over the next couple of years. This will aid us in increasing margins and expanding our market presence while leading to a faster turnaround and reduction in working capital requirements.

Sharpening focus

Having laid robust foundations for future growth, we continue to invest in strengthening our capabilities by enriching our talent pool, sharpening and digitising our operational processes. We continue to look for opportunities to leverage our strength in building indigenous technology-driven products to enter new segments, including IoT and contributing to Industry 4.0. We are also looking for opportunities to enter data analytics, big data and cybersecurity as a natural extension of our product basket.

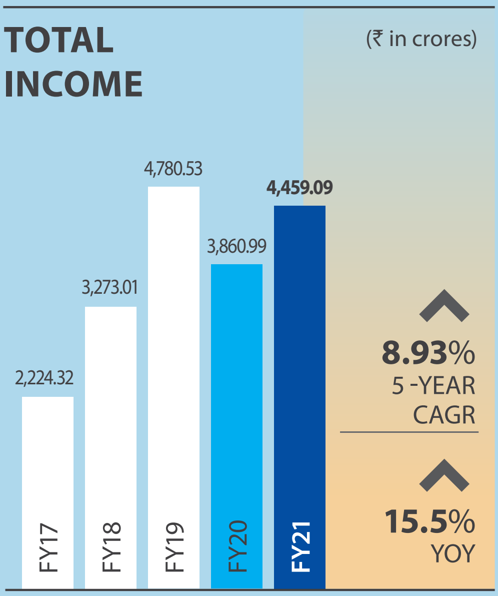
Before I conclude, I must mention that your continued trust and patronage, through thick and thin, inspire us to put in our best efforts. I thank you for your steadfast belief in our capabilities and look forward to co-creating greater value throughout a new and promising decade.

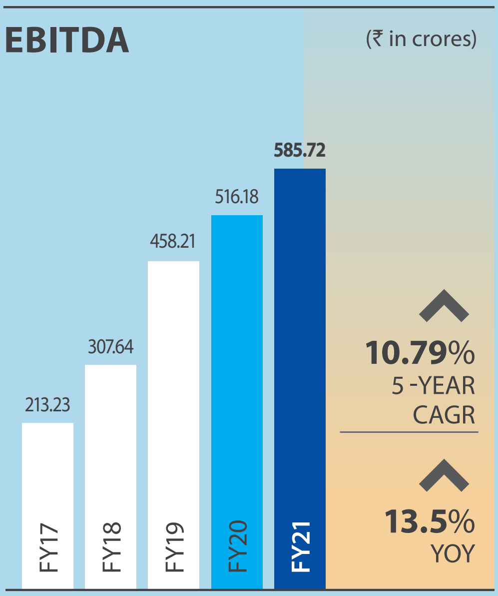
Stay safe and stay positive!

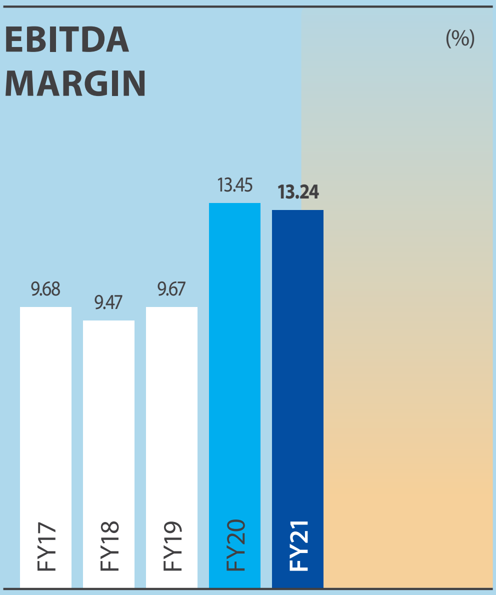
Mahendra Nahata
Managing Director

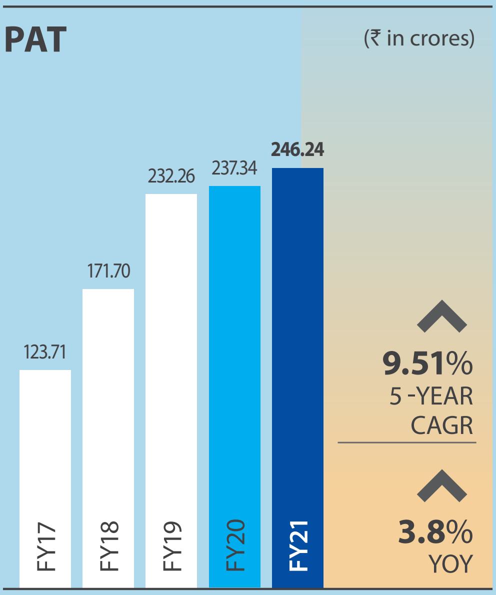
Key Performance Indicators

Delivering sustained profitable growth



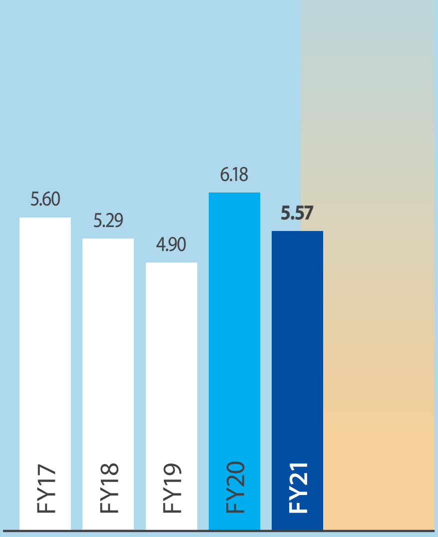






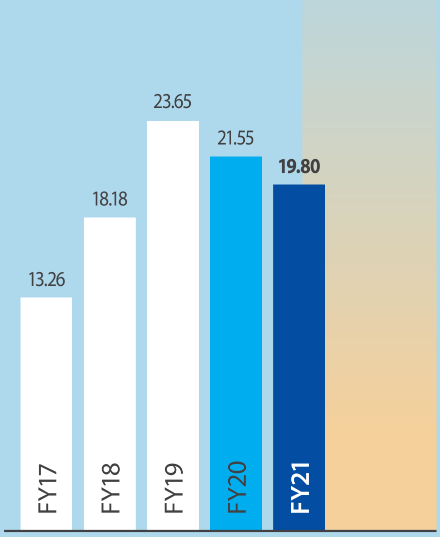
PAT MARGIN

(%)



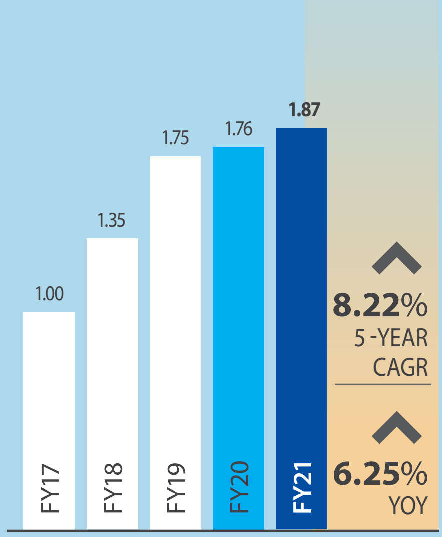
ROCE

(%)



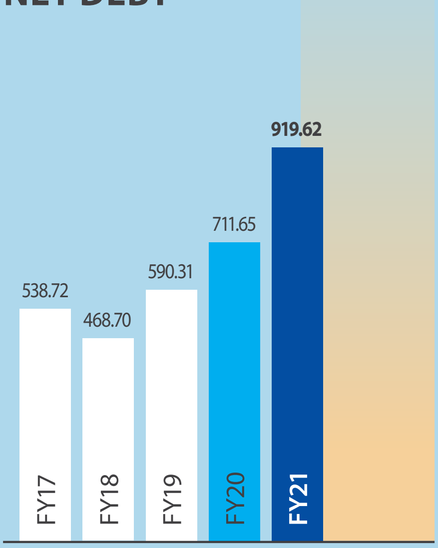
EPS

(₹)

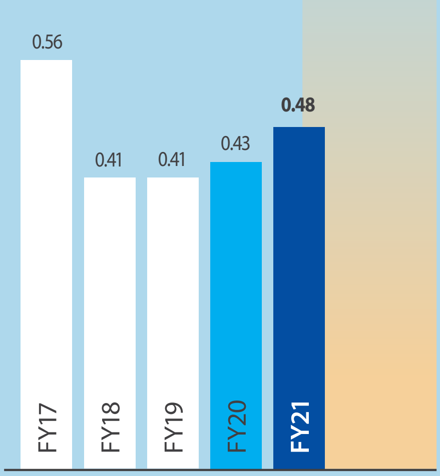


NET DEBT

(₹ In crores)



DEBT-EQUITY RATIO



Corporate Social Responsibility

Promoting greater good

We remain steadfast in our commitment to serve the nation during these challenging times. For us, CSR is much more than a regulatory mandate and we continue to promote inclusive social development through HFCL Social Services Society (HSSS), established 25 years ago.

₹ 9.78 crores
CSR spend

5 lakhs+
Lives impacted

In addition to the core focus areas, we contribute in disaster management and environment protection initiatives such as 'Say No To Plastic' and for the promotion of clean water resources. To combat the ongoing COVID-19 pandemic, we took initiatives to make people aware around the vicinity of our plants on COVID-19 related protocols and distributed sanitisers, masks and gloves.

During the lockdown, it had become very difficult for the rural population to get medical help. Keeping this in mind, our mobile medical unit (MMU) at Solan started on-call medical delivery services which included medical consultations, pathological tests, free medicines, referral for advance treatments at doorstep. We also distributed food grains and other daily use essential items. Our MMU projects, either directly or indirectly, are supporting district administration in RT-PCR testings and mass immunisation.

Healthcare

We continued to serve the hinterland of India through our mobile medical clinics operating in Solan, Goa, Sardarshahar, Ghazipur and Hyderabad in association with HelpAge India and Wockhardt Foundation. We also provided for dialysis services (HFCL Medi-Dialysis Centre, New Delhi), and supported corrective surgeries (St. Stephen's Hospital, New Delhi) open heart surgeries (National Heart Institute, New Delhi), critical and preventive healthcare (Shah Foundation, Baroda) and provided grants for care during critical illness among the underprivileged.

Education

Our project PEHAL helped students continue their education through smart classes in Ghaziabad, Churu and Ghazipur. Our five-computer skill centres continued to impart skill training to rural youth in Ghazipur district. Through Project SAMARTH, we made sure that the education of specially-abled children did not suffer during the pandemic. We also provided grants and scholarship for deserving and underprivileged students through multiple other programmes. We also provided grants for sports training for the deserving.

Care for the elderly

We strongly believe that it is our responsibility to provide the elderly people of our community a decent and happy living environment. We contribute towards the building and maintenance of old age homes through our association with SHEOWS, Garhmukteswar, Uttar Pradesh. We also have an old age grant under Project AMRITAM. Additionally, our mobile medical clinics, run by HelpAge India, are taking care of senior citizens' health. During the nationwide lockdown, we made sure that people at our old age home had access to the basic amenities.

Management Discussion and Analysis

ECONOMIC OVERVIEW

Global Economy

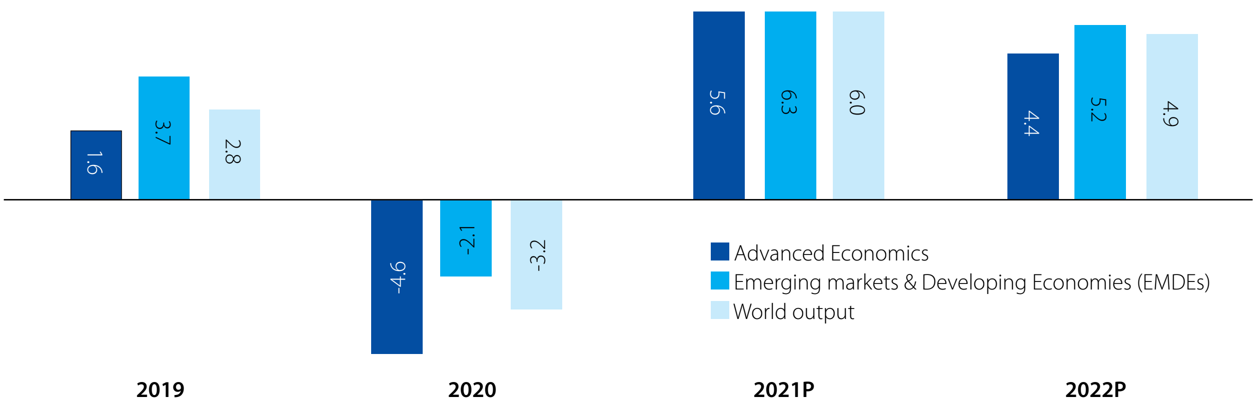
Global economy is showing signs of recovery from the unprecedented downfall caused by COVID-19 pandemic in 2020. The pandemic has caused a severe loss of life, tipping millions into extreme poverty and is expected to inflict lasting scars that push activity and income well below their pre-pandemic trend for a prolonged period. Accommodative monetary and fiscal policy all around the world enabled stronger-than-expected economic recovery in the second half of 2020.

While the global health crisis continued in the early months of 2021 with second and even third waves of the COVID-19 virus in many regions, accelerating vaccine rollouts and major stimulus packages in many advanced economies, most recently in the United States and Japan, have raised the prospects of a stronger-than-expected recovery.

IMF, in its world economic outlook in July 2021, projected world economy to grow by 6.0% in 2021 and 4.9% in 2022 amid exceptional uncertainty. The Advanced Economies are projected to grow at 5.6% whereas Emerging Market and Developing Economies were predicted to record an output growth of 6.3% in 2021.

Economic recoveries are expected to be uneven across countries reflecting variation in pandemic-induced disruptions, pace of global vaccine rollouts and the extent of policy support. China, India and Turkey have progressed above pre-pandemic levels driven by strong fiscal measures and a recovery in manufacturing and construction. However, new variants of the COVID-19 virus, surge in diagnosed cases in large developing economies, re-imposition of lockdowns in many countries and uneven access to vaccines across world continue to weigh on the outlook.

World Economic Output (%)

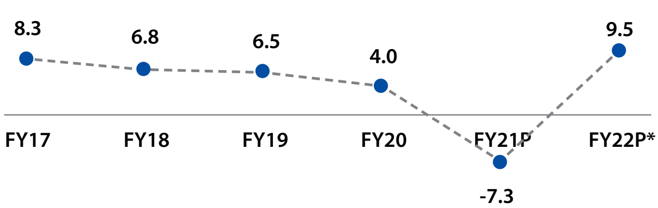


Source: IMF – World Economic Outlook Update July 2021

Indian Economy

The Indian economy declined sharply during first half of FY21 as the COVID-19 crisis unfolded, and the Country witnessed a complete halt of activities due to lockdown. Calibrated fiscal and monetary supportive measures from the RBI and the Government have supported the economic revival. The Government has also come up with measures to aid demand revival, support stressed sectors, generate employment opportunities, while also increasing budgetary allocation for capital expenditure. Consequently, GDP growth returned to positive territory in the second half of FY21 as reflected in improvement in certain key economic indicators. Further, the massive vaccination drive by the Government provided boost to consumer sentiment during the end of FY21. According to provisional estimates by National Statistical Office (NSO), Indian GDP was estimated to contract by 7.3% in FY21 as compared to growth of 4.0% in FY20.

INDIAN ECONOMIC GROWTH (%)



Source: National Statistics Office; FY21 Provisional Estimates dated May 31, 2021.

* RBI Monetary Policy June 2021.

The trajectory of the pandemic still remains unpredictable as the second wave of COVID-19 hitting the Country poses risk to economic recovery. However, the lockdown imposed during the second wave was regional in nature and less restrictive. Moreover, with better awareness and understanding of the virus, mass vaccination drives and preparedness to work with restricted mobility, businesses and households alike saw a lesser adverse impact and there by relatively better economic momentum this time. Consequently, RBI and IMF both expects Indian economy to grow by 9.5% in FY22. Further, on the positive side, improvement in external demand should support India's export sector, while normal monsoon may revive rural demand faster, although increasing COVID-19 spread to rural areas poses downside risks.

INDUSTRY OVERVIEW

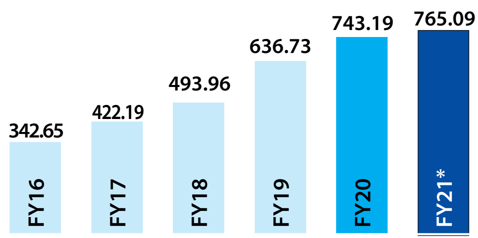
Indian Telecom Sector

The Telecom industry in India is the second largest in the world with a total mobile telephone subscriber base of 1.18 billion. Owing to rapid expansion taking place in the Indian mobile economy, it is expected to contribute 8% to India's GDP in FY22 from ~6.5% currently. The industry has witnessed exponential growth in last decade primarily driven by affordable tariffs, wider availability, roll-out of Mobile Number Portability (MNP), expanding 4G coverage, evolving consumption patterns of subscribers and a conducive regulatory environment.

The Government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices. The Government is also emphasizing on bolstering India's domestic telecom manufacturing capacity and vigorous efforts are also underway for deploying network for 5G technology in India.

India has the second-largest number of telephone connections in the world. As of March 2021, the total telephone connections rose to 1,201.2 million. Tele density stood at 87.01% in FY21, showcasing significant growth potential in demand from the rural sector.

INTERNET SUBSCRIPTION (in million)

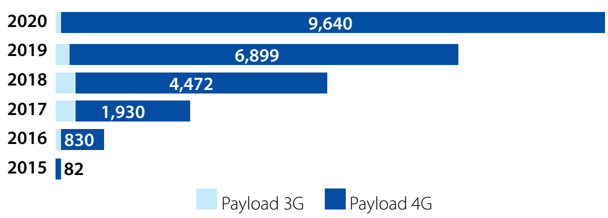


Source: IBEF

*Until February 2021

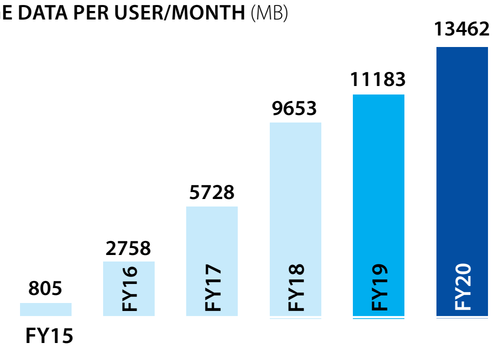
Gross revenue of the telecom sector stood at ₹68,228 Crores in the third quarter of FY21. Demand for the internet has surged through the roof and the reason for that is work from home, new Internet-of-Things (IoT) applications and a rise in consumption of Over-The-Top (OTT) content, besides, better speed and increased affordability. This has helped the Indian telecom industry add new internet subscribers in 2020. The number of internet subscribers increased from 687.62 million in March 2019 to 765.09 million at the end of March 2021. Of this subscriber base, the number of wired internet subscribers was 22.75 million and wireless internet subscribers were 755.35 million. According to Nokia MBIT, internet subscribers are expected to reach 970 million by 2025.

PAN-INDIA MOBILE DATA USAGE-IN PETABYTES (PB) per month



Source: Nokia MBit

AVERAGE DATA PER USER/MONTH (MB)



Source: Nokia MBit

Overall data traffic increased by 36% in 2020 due to continued 4G consumption, which constituted 98.7% of total data traffic consumed across the Country. Majority of the data traffic in 2020 was driven by movement from 3G to 4G due to continuous network upgradations and closure of 3G services. Increased online education, remote working for professionals and higher OTT viewership have also contributed to the data traffic growth.

Average monthly data traffic per user has increased almost 17 times over last five years driven by new users from rural areas. Overall average data usage per month registered a CAGR of 76% from 2015-2020 reaching 13.5 GB in December 2020. Rural consumption accounts for ~45% of overall mobile data usage.

BharatNet is the world's largest rural broadband connectivity program, being rolled out by BBNL, which is built under the **"Make in India"** initiative with no involvement of foreign companies. BBNL, also known as Bharat Broadband Network Limited, is a Government-owned telecom infrastructure provider, set up by the Department of Telecommunications, a department of the Ministry of Communications of the Government of India for the establishment, management and operation of the National Optical Fiber Network to provide a minimum of 100 Mbit/s broadband connectivity to all 250,000-gram panchayats in the Country, covering nearly 625,000 villages, by improving the middle layer of Nation-wide broadband internet in India to achieve the goal of **"Digital India"**.

BharatNet Phase-I, connecting 1,00,000 village councils covering 3,00,000 villages, was completed in December 2017. BharatNet Phase-II will be completed by March 31, 2023 to connect the remaining 1,50,000 village councils covering 3,25,000 villages in 16 states. The last mile connectivity, with a total of 7,00,000 Wi-Fi hotspots to cover all 6,25,000 villages of India by adding 2 to 5 Wi-Fi hotspots per gram panchayat and a minimum of one Wi-Fi hotspot per village, have been created by connecting high-speed 4G base tower stations of commercial telecom operators to BharatNet, whereby commercially non-viable Wi-Fi hotspots will be subsidized by the Union Government's grant of ₹36 billion to sustain the operation.

The objective of BharatNet Programme is:

- To provide high speed digital connectivity to Rural India at affordable price.
- To provide B2B services in a non-discriminatory manner.
- To facilitate proliferation of broadband services in rural areas so as to foster socio-economic development in line with the vision of **"Digital India"** programme which has been launched by the Government of India with the vision to transform India into a digitally empowered society and knowledge economy.

The tender for nearly ₹30,000 Crores under Public-Private Partnership (PPP) model for remaining nearly 1,50,000 gram panchayats and all the individual inhabited villages under those panchayats spread across 16 states was floated in 2021 with target date for broadband connectivity of 2023.

The Government's **"Make in India"** and **"AatmaNirbhar Bharat"** initiatives are laying the groundwork to develop Industry capabilities and improve telecoms infrastructure. This will provide opportunity across the telecom ecosystem, including mobile operations, value added services, passive infrastructure, and equipment manufacturing. A surge in the subscriber base has also necessitated network expansion covering a wider area, thereby, creating a need for significant investment in telecom infrastructure.

The Government has fast-tracked reforms in the telecom sector and continues to be proactive in providing room for growth of telecom companies. Some of the key initiatives taken by the Government are as follows:

- Under Union Budget 2021-22, the Government allocated ₹14,200 Crores for telecom infrastructure that entails completion of optical fiber cable-based network for Defence services, rolling out broadband in additional 2.2 lakh gram panchayats and improving mobile services in the North-East.

- In FY2021-22, the Department of Telecommunications has been allocated ₹58,737 Crores (US$8 billion). 56% allocation is towards revenue expenditure and the remaining 44% is towards capital expenditure.

- The ₹12,195 Crores Production-Linked Incentive (PLI) Scheme for telecom is expected to bring in investment of around ₹3,000 Crores and generate huge direct and indirect employment. The Scheme focuses on 'Self-reliance' in telecom, networking products and mobile manufacturing.

- On September 21, 2020, the Government launched a project to connect all 45,945 villages in Bihar with optical fiber internet service to be completed by March 31, 2021 at a cost of ₹1,000 Crores.

- On January 6, 2021, the Department of Telecommunications (DoT) issued Notice Inviting Applications (NIA) for auction of Spectrum in 700 MHz, 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,300 MHz and 2,500 MHz bands.

- On January 15, 2021, India and Japan signed an MoU to enhance cooperation in the field of Information and Communications Technologies.

- In December 2020, the Union Cabinet, chaired by the Hon'ble Prime Minister, Mr. Narendra Modi, approved a proposal by Department of Telecommunications for setting up of Public Wi-Fi Networks by Public Data Office Aggregators (PDOAs) to provide public Wi-Fi services through Public Data Offices (PDOs).

Despite the uncertain economic outlook due to the pandemic, growing demand for home broadband and increasing smartphone penetration are expected to fuel growth in India over the coming years. Going forward, the rising adoption of artificial intelligence in smartphones and use of 5G shall propel the growth of telecom market in India.

FDI inflow into the telecom sector during April 2000–December 2020 totalled US$37.62 billion, according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT).

The Government of India, through its National Digital Communications Policy, foresee investment worth US$100 billion in the telecommunication equipments sector by 2022. The Government is encouraging global telecom network manufacturers such as Ericsson, Nokia, Samsung and Huawei to manufacture all their equipment in India with 100% local products. The ₹12,195 Crores (US$1.65 billion) Production-Linked Incentive (PLI) Scheme has already triggered entry of several global players manufacturing mobile devices and components. European telecom gear vendors like Ericsson and Nokia are eager to expand their existing operation in India for global supply chain under the PLI scheme. Similarly, other global vendors like Samsung, Cisco, Ciena, Jabil, Foxconn, Sanmina and Flex have shown interest to set up manufacturing in India for telecom and networking products under the newly announced PLI Scheme.

Source: TRAI, IBEF, Nokia MBiT

Fifth Generation (5G) Technology

India is at the cusp of a digital revolution powered by increasing broadband and internet penetration, exponential data uptake, the Government's focus on digitalisation and increasing trend of technology adoption across industries.

5G is a transformational technology and brings many superior capabilities compared to 4G. 5G will deliver a peak data rate of 20 Gigabit/sec which is 20 times higher compared to 4G. 5G will deliver a latency of 1 millisecond which is 10 times better compared to 4G. 5G will provide a connection density of 1 million devices per square kilometer. It is also much more spectrum efficient and energy efficient compared to 4G. 5G supports 3 use cases: (a) Enhanced Mobile Broadband that will deliver a superior consumer experience for applications like gaming, video streaming, augmented reality and for work in the cloud, (b) Ultra-reliable and low latency communications that will enable use cases like connected and autonomous vehicles, mission critical applications like robotics based precision manufacturing or remote delivery of healthcare services, and (c) Machine to Machine communications which will enable use cases like Smart City, Smart Transportation, Smart Energy and Smart Buildings.

The 5G revolution is expected to bring several new applications and technologies like IoT (Internet of Things), M2M (Machine to Machine), ML (Machine Learning), AI (Artificial Intelligence), quantum computing, virtual reality and much more. The application of these technologies in businesses like healthcare, agriculture, education or retail will bring forth a digital transformation in terms of bandwidth, latency, security, availability and performance. It is also benefiting from combinatorial innovation by leveraging the power of Cloud Native and Edge Computing technologies. 5G will act as an accelerator for the digital transformation that is taking place across industries.

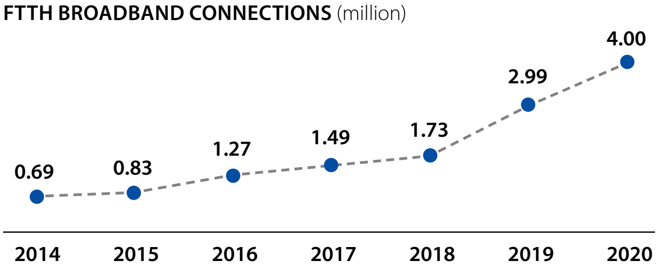
5G commercialization has gained significant momentum despite the pandemic. As of March 31, 2021, 157 5G commercial networks in 62 markets have been launched globally. The total CAPEX spend by operators globally is estimated at 900 Billion US Dollars for the period 2021 to 2025, 80% of this CAPEX spend will be on 5G. ***(Source: GSMA Intelligence)***. 5G Commercial rollouts in India are expected to begin in 2022 post the 5G spectrum auction currently estimated to be in early 2022. The investment in India for 5G rollout is estimated at about ₹1.5 Lakh Crores, which includes spectrum charges.

Optical Fiber Cable Industry

Optical Fiber Cables (OFC) are used as trunk cables for long-distance networks and also used by telecom companies, multi-service organisations and other service providers for data distribution. As they are utilised for high-speed and high-bandwidth digital data transmission, communication cables are a key requisite for infrastructure development. With the **"Digital India"** Mission at the forefront and 5G trials underway, OFC remains one of the most in demand of wire and cable products. Owing to their security, scalability and the unlimited bandwidth potential to handle the vast amount of backhaul traffic being generated, fiber optic cables are also being chosen to support the bandwidth levels catering to advanced technologies like 5G, Big Data and IoT that rely heavily on real-time data collection and transfer.

The trunk and national long distance (NLD) routes forms the major part of the fiber deployment in India. Fiber-to-Anywhere (FTTx) and Fiber to the Home (FTTH) has been introduced in India and is the fastest growing phenomenon for a robust telecom network due to increasing fixed broadband user base. COVID-19 pandemic has led to demographic shifts in demand while accelerating digitalization in e-commerce, online education & entertainment and e-payments that include fixed broadband and significantly more data consumption across the Nation. The significant growth in the FTTH subscription was also supplemented by Govt. schemes and entry of private players. Government plans to connect 6,00,000 villages with the internet, escalating further growth of FTTH subscribers. FTTx connections are projected to increase from less than 15% of total Fixed BroadBand (FBB) connections in 2019 to almost 48.3% by 2025.

FTTH BROADBAND CONNECTIONS (million)



Source: Nokia MBiT

Currently, India has an optical fiber-based network spanning across 28 Lakh kilometres as against the target set up by the National Broadband Mission to deploy as much as 50 Lakh kilometres of optical fiber by 2024. India's fiber deployment (in kilometers) to population ratio stands at 0.09% as against 1.7% each in US and Japan and 0.87% in China. Owing to inadequate infrastructure of tower, fiber and spectrum, India is lagging behind in rolling out of 5G network as compared to the major economies such as the US, Japan, Turkey and China where the commercial services have already been introduced. As of April 2021, 130 countries have invested in 5G, out of which 65-70 countries have already launched 5G in at least one frequency bands.

Currently, India has about 32% of telecom towers connected with fiber versus 70% fiberisation that is required for 5G technology rollout. The DoT is targeting a combination of 100% broadband connectivity in the villages, 55% fiberisation of mobile towers, average broadband speeds of 25 mbps and 30 Lakh kms of optic fiber rollouts by December 2022. It is looking at 70% fiberisation of towers, average broadband speeds of 50 Mbps and 50 Lakh kms of optic fiber rollouts at a Pan-India level by December 2024. India has been rapidly working towards commercial deployment of 5G telecommunication network to sync with the global timelines. Deployment of necessary network infrastructure will require rolling out Optical Fiber Cables (OFC), leading to more opportunities for cable manufacturers.

The surge in 'Work from Home' culture along with the need to extend connectivity and improve the overall experience for broadband users, has opened new opportunity to deliver and meet the huge demand for high-speed bandwidth requirements with quality services. Consequently, demand for optical fibers and associated materials are expected to witness exponential growth worldwide in the coming years. The global fiber optic connectivity market is expected to derive growth from increasing downstream activities and growing internet usage across the world. In India, telecom operators will require to add more fiber to their networks to remain relevant and fully monetize their network investments. Till now wired and wireless networks have been built, relatively independent of each other in India. Going forward, sharing infrastructure between FTTH and 5G will become the dominant way to maximize value from capex. Deployment of fiber and small cells by tower companies and then leasing it to telecom companies could add topline of tower companies and benefit telecom companies as their capex would reduce significantly.

It is widely estimated that by the end of 2025, there will be over 6.5 million 5G base stations across the world, which will put the focus sharply on high quality optical fiber cable manufacturing and its performance. The cable used for rollout of 5G should be capable enough to take all the future load on the network. Most operators and network deployment companies along with OFC manufacturers around the world have been trying to get the right product mix for this new technology and different parts of the optical transport network. OFC manufacturers are also investing heavily in their R&D capabilities to develop high fiber count compact designed products with superior optical performance and capability to provide connectivity between complex data centers environment.

Source: Nokia MBiT, TRAI

Indian Railway Sector

India has the fourth-largest railway system in the world, following the US, Russia and China. The Indian Railways is among the world's largest rail networks with over 123,542 kms of total tracks spread over 67,956 kms route length network.

To boost rail infrastructure and network, 56 projects have been identified across the Country in various zones to be completed by FY22 and ₹1.1 Lakh Crores has been allocated for the Indian Railways in the Union Budget 2020-21. The Government expects that Western Dedicated Freight Corridor (DFC) and Eastern DFC to be commissioned by June 2022.

Indian Railways proposed to create an end-to-end communication network that can serve the needs of its captive applications. The Government had approved allotment of 5 MHz Spectrum in 700 MHz frequency band to the Indian Railways network for the safety and security of the public at railway stations and in trains. With this spectrum, the national transporter has envisaged providing Long Term Evolution (LTE) based Mobile Train Radio Communication on its route. According to the Ministry, the project is estimated to be completed in the next five years with an outlay of more than ₹25,000 Crores. Further, the Indian Railways has also announced to integrate Train Collision Avoiding System (TCAS) with LTE-R (Long Term Evolution for Railways) to provide reliable and secure voice, data and video communication services for operational safety as well as security applications of the national transporter.

According to the Railway Ministry, for modernization of Signalling and Telecommunication, the national transporter has envisaged investment of nearly ₹55,000 Crores. In addition to LTE initiative, some of the major initiatives in Railway Telecom are as follows:

- WiFi service has been extended at 6,002 railway stations and the remaining 101 feasible railway stations will be covered soon.
- In order to improve security, CCTVs have been provided at 801 railway stations and balance are also planned.
- 92% route of the Indian Railways network has been covered with OFC based system (62,205 RKM). This is majorly being utilized for the national transporter's internal communication.
- In order to improve administrative works, e-office has been provided at as many as 185 units. Over 1.35 Lakh users are utilizing this and till now, more than 15 Lakhs e-files are created.

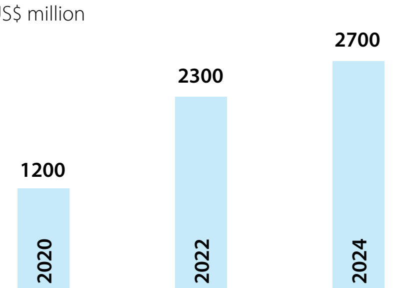
In the coming years, the Indian Railways focuses on enhancing passenger experience by enabling suitable technology to introduce SMART coaches on its network. The high speed mobile communications network is aiming to include 115 modern features like CCTVs with facial recognition, emergency talk-back system, Wi-Fi infotainment system, automatic plug-door and step control. The Modern Train Control system project is one of the most ambitious modernization projects of the Indian Railways which envisages upgradation of signalling system at par with the world class standard. It will provide immense opportunities in the railway sector for advancement and technology work. The modern rail network will result in reduced transportation cost and higher efficiency. Also, it will attract multinational industries to set up manufacturing units to fulfill the **"Make in India"** mission and generate employment.

Indian Defence Sector

India, with the third largest military force in the world, is ranked amongst the top-6 defence spenders globally. Currently, India spends 2.2% of GDP towards defence, which is likely to rise going ahead due to increasing border conflicts. India imports 65% of defence requirements. The Government of India (GoI) is looking forward to make the Country self-sufficient in terms of defence production/ procurement and reduce imports to 30% by 2027. The draft Defence Production & Export Promotion Policy (DPEPP-2020) targets defence revenue of ₹1,750 billion by FY25 which implies 15% CAGR over FY20-FY25. The draft DPEPP-2020 clearly focuses on **"AtmaNirbhar Bharat"** and **"Make in India"** with several reforms in place. The intent of the draft is to become self-reliant with focus on doubling the share of procurement from the domestic industry to ₹1,400 billion by FY25.

During past couple of years, transparent and streamlined procurement procedures and production policies have provided significant stimulus to boost demand for indigenous products. Indian Defence sector has evolved with diversified product-mix and is also looking to become a major exports market. The Government has increased the FDI limit in Defence sector from 49% to 74% under automatic route, which along with formulation of draft DPEPP-2020 will help the foreign players to enter into strategic partnerships with the Indian companies and leverage opportunities in the domestic as well as global markets. Border tensions with neighboring countries will continue the need for defence up-gradation in the coming years. The demand is likely to be strong for electro-optics, electronic fuses, radars, electronic warfare systems, missiles and missile systems.

INDIAN ELECTRO OPTIONS MARKET
(2020-2024) - US$ million



Source: DeFProAc.com

Electro-Optics, optical, and opto-electronic components are an important part of defence platforms and are essential in controlling the battlefields. The Electro-Optical systems refer to various land, air and naval-based discrete technological solutions used for comprehensive situational awareness which includes optic sights, night vision, inspection systems, helmet-mounted displays, optronic devices, thermal imagers, designators detectors, surveillance and tracking systems, photonics mast systems etc. The growing need of contemporary armies to function at night and under bad visibility conditions has resulted in important advances in electro-optics technology. Electro-Optics products such as night vision devices (NVD) are basic military requirements to be able to recognize, distinguish and comprehend surroundings under poor light conditions. India's demand for Electro-Optics is expected to reach US$2,300 million by end of FY22.

Electronic Fuses is a device used in ammunitions to initiate an explosive function and to detonate or release the missile or bomb. These devices control the safe separation of the ammunition from the launch platform and trigger the explosion. The Artillery & Mortar Fuses is anticipated to be the fastest growing segment in India. It was valued at US$15.72 million in 2018 and is projected to attain US$22.37 million by 2026, growing at a CAGR of 4.49% over the forecast period.

India Electronic Fuse Market, by Type, 2015 - 2026 (US$ Million)

Type	2015	2016	2018	2019	2023	2026	CAGR% (2019-2026)
Artillery & Mortar Fuzes	13.99	14.53	15.72	16.45	19.53	22.37	4.49%
Aircraft Fuzes	6.24	6.46	6.95	7.25	8.49	9.64	4.16%
Rocket & Missile Fuzes	4.58	4.73	5.06	5.27	6.10	6.87	3.88%
Total	**24.81**	**25.72**	**27.73**	**28.97**	**34.12**	**38.88**	**4.29%**

Source: Primary Interviews, Secondary Research and Intellectual Research Partner Analyst Insights

The following are the major growth drivers for Electronic Optics and Electronic Fuses market in India:

- Governments have been revising their Defence Acquisition Policy (DAP) to enhance self-reliance and ease of doing business to make India a defence manufacturing hub. DAP fulfills the aims of **"AtmaNirbhar Bharat"** Abhiyan and **"Make in India"** initiatives by the Government.
- Increasing global security concerns, constant threats from terrorists and international disputes with neighboring countries.
- Technological improvements providing for better performance, improved design, convenience and lower costs, thereby, propelling the growth of the market.
- High amount of defence spending, focus on increasing indigenization of products and growing security concerns. For FY2021, India has allocated ₹4,714 billion for defence (up 9% YoY), while capex has increased by 10% YoY to ₹ 1,137 billion.
- The export market to South East Asian countries such as Vietnam, Philippines is opening rapidly as their armies look towards cost effective yet efficient Electro-Optics from India.
- Increasing replacement of mechanical fuses with electronic fuses due to their enhanced reliability.
- Increasing reliance on private sector to fulfil Fuse ammunition requirement of the Indian Army due to inefficiency and delays in procurement from Defence PSU's.

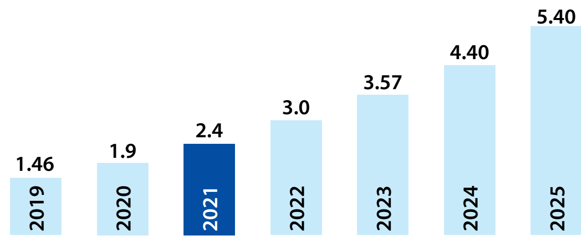
Security & Surveillance Sector

The Government launched India's own Smart Cities Mission in June 2015 with an outlay of over ₹2 Lakh Crores. Hundred cities have been selected from different parts of the Country to be transformed into smart cities. The purpose of the Smart Cities Mission is to drive economic growth and improve the quality of life of people by enabling local area development and harnessing technology that leads to smart outcomes. Connectivity will play a vital role to build better communities and digitally empower the citizens with smart solutions and end-to-end security including smart roads, solar roof, city surveillance system intelligent transport system etc. Cities will leverage on surveillance and connectivity, where telecom backbone and security & surveillance system forms an essential part of Smart Cities for communication monitoring and automatic response among citizens.

Following the global drive predominantly by the Government and law enforcement agencies, Indian security and surveillance market is also witnessing immense growth from sectors such as smart cities, city surveillance, perimeter security of critical infrastructure, Airport security and Railway security etc. The State Governments are the primary drivers for city surveillance initiatives. Safe city is among the top agenda of the Central Government in order to create a safe, secure and empowering environment for women in public places, to enable them to pursue all opportunities without the threat of gender-based violence and/or harassment. The major components that form the basis of the Safe City architecture are Surveillance Equipment, Network Connectivity, Datacenter (Server, Storage, Applications) and Command Viewing Centers. Earlier, eight cities were identified for implementation of this project in the first phase, under the Nirbhaya Fund, at an estimated cost of ₹2,919.55 Crores. The budget allocation has now been further extended to B class cities.

While there are several factors driving the smart and safe city development, a major catalyst for the revolution has been the emergence of state-of-the-art security and surveillance tools and equipment such as 4K and ultra HD surveillance cameras. For example, a smart video surveillance mechanism has the potential to automatically transmit information about a traffic hazard to multiple systems that can instantaneously advise the authorities and drivers themselves to take alternate routes. According to a research, the Indian video surveillance market size is likely to reach approx. US$3 billion by 2022. The ever-increasing requirement of safety, coupled with boom in safe & smart cities has led to a rise of security and surveillance market in the Country.

CCTV BASED SURVEILLANCE MARKET
(in US$ billion)



Source: Businesswire, 6w research, Goldstein research

With the advent of digitalization in India, there is increasing demand for Perimeter Intrusion Detection and Prevention Systems (IDS/IPS) which are basically used to safeguard the infrastructure and assets using advanced distributed sensing technology. According to Kenneth Research, the India Perimeter Intrusion Detection & Prevention market is expected to reach US$339.3 million by 2023 registering a CAGR of 10.6% during the forecast period 2017-2023. The rise in stringent government regulations in the perimeter intrusion detection systems has increased the efficiency of the products from perimeter security to video surveillance.

Significant growth in the sales of drones worldwide has increased the risk of illegal filming of secret objects, drug peddling, ammunition drop and destruction purposes. There are a number of Anti-Drone technologies like radar surveillance, audio surveillance, video surveillance and radio frequency (RF) surveillance available in the world which can be utilised to detect and counter the threat of drones. Electro-optical (EO) and infra-red (IR) sensors can be used to detect drones based on their visual and heat signatures, respectively. The drones detected can be eliminated either by Soft Kill (GPS Spoofing, Signal jamming, etc.) or by Hard kill (Laser, Automatic weapons, etc.). It is widely deployed to protect areas, such as airports, critical infrastructure, military installations & battlefield sites, large public spaces like stadiums etc.

The wide array of smart security and surveillance products, tools and equipment can leverage Artificial Intelligence, IoT Technology and geospatial positioning to make the smart cities smarter. With connected systems and big data, smart cities are undoubtedly the future of urban development.

BUSINESS PERFORMANCE REVIEW

Optical Fiber Cable (OFC)

HFCL is a leading manufacturer of Optical Fiber Cables (OFC) in India. The Company manufactures high quality OFC which forms the backbone of telecommunication networks used in critical applications. HFCL supplies OFC to almost all major telecom service providers in India and also exports to more than 30 countries. Besides, HFCL is a formidable contributor to the Government of India's flagship BharatNet programme.

HFCL has been the service provider for both private and public sector units (PSUs) in laying OFC Networks across the Country. With the rising opportunity for high speed internet, there has been a steady rise in demand for optical fiber cables in India. To tap this opportunity, the Company is expanding its manufacturing capacity and also further modernizing its Goa and Chennai facilities.

The Company is adding an additional 4 million fkm/pa capacity of OFC manufacturing at its Hyderabad Facility slated to be completed by December 2021. It would raise HFCL's OFC manufacturing capacity to 22.5 million fkm/pa (18.5 million fkm/pa currently) on consolidated basis. Besides volume increase, this round of OFC capex is aimed to further strengthen the Company's portfolio with newer types of cables such as Microduct Cable, Micromodule Cable and Advance Ribbon Cable, among others.

In order to meet the demand from last mile connectivity segment, the Company is also expanding its FTTH cable manufacturing capacity by 1.2 Lakhs cable km/pa.

Expected to be commissioned by October 2021, the capacity addition would further expand its lead as the largest FTTH player in the Country with installed capacity of 7.2 Lakhs cable km/pa from current capacity of 6 Lakhs cable km/pa. FTTH capacity expansion is coming up at the Company's Hyderabad Plant.

HFCL is also planning to expand its global footprints foreseeing the good export opportunities for OFC backed by China+1 strategy. During the year under review, the Company commenced production of optical fiber cables for Fiber-to-the-Home (FTTH) applications from its Hyderabad Facility. HFCL together with its subsidiary, HTL Limited, has become the largest manufacturer of FTTH cables in India with a capacity of 6 Lakhs kms per annum.

The Capacity utilization at all manufacturing locations remained at optimal levels during the year.

HFCL is continuously expanding its product portfolio by innovating various new types of cables for catering to upcoming demand in India and abroad. A new product line of highly flexible micro module cables was also developed for cables up to 576F counts. In order to conserve resources and effective utilisation of manufacturing capacity, HFCL has developed a lot of miniaturized cables ranging from 1.8 mm to 5 mm diameter which can also withstand extreme weather conditions.

The industry competition and race to add more subscribers to their user base is expediting the transition to 5G. The OFC requirement in a 5G tower is 3x more than that of a 4G tower. So every new tower and up-gradation of existing tower would require ~3x more Optical Fiber Cables. This should tremendously boost the demand for OFCs and HFCL is all set to grab this opportunity.

Optical Fiber

HFCL has multiplied its value proposition by foraying backward into manufacturing of Optical Fiber. HFCL's greenfield Optical Fiber manufacturing facility at Telangana, Hyderabad ("Plant") had commenced the commercial production from January 23, 2020. The Company is expanding its manufacturing capacity of Optical Fiber, a vital raw material to 10 million fiber kilometers per annum (fkm/pa) from 8 million fkm/pa at its Hyderabad Plant. Estimated to be completed by the end of March 2022, the added capacity would further bolster HFCL's raw material self-sufficiency and also margin profile.

The state-of-the-art facility is equipped with the latest technology and machinery and can produce G652 D and other bend insensitive variants like G657 A1/A2. With this backward integration, the Company has successfully strengthened its supply chain, which will also enhance operating margins and mitigate input price risk. The Company aims to use entire output of 8 million fkm pa of Optical Fiber for its captive consumption as key raw material required for production of Optical Fiber Cables and also for sale to other OFC manufacturers.

During the FY21, state of the art Hyderabad Optical Fiber Manufacturing Plant was ramped up to full capacity utilization after overcoming the disruptions in Q1 FY21 due to pandemic. The Plant is equipped with building management system for maintaining stringent clean room standards and is equipped with technology and machinery capable of handling higher process sizes of greater than 7,000 Kms size glass preforms available in the market. The Plant has Industry 4.0 enabled MES platform for effective operation monitoring and control. The Plant production capacity was further enhanced through focussed approach towards efficiency improvement and sweating of existing assets, thus achieving an exit rate of production at 8 million fkm per annum in Q4 FY21.

In recent years, across the globe, there has been increased demand of micro module cable and high fiber count cables by telcos and data centers. With the objective of keeping pace with the evolving customer demands and technologies in the field of telecommunication, the Plant has been working on enhancing its product portfolio. Bend insensitive product (i.e. G657A1/G657 A2) and smaller diameter products (G657 A1-200) were developed and added in product portfolio during the FY21.

During the period, the Plant received ISO 9001:2015 and TL 9000:2016 certification for its Quality Management System (QMS) and also ISO 14001:2015 certification for Environment Management and ISO 45001:2018 certification for Occupational Health and Safety.

Telecom Networks and Turnkey Solutions

The year FY21 was of great significance for HFCL's communication business with achieving noteworthy revenue, multiple new orders, setting up record benchmark of 100K unit's shipment for newly launched HFCL product line IO. Despite of global COVID-19 pandemic lockdowns and insurmountable challenges with supply chain and work force availability, a significant revenue was generated from communication business in FY21.

In order to enhance the operational communication of the Defence forces, the Government of India is implementing 'Network For Spectrum' (NFS) project, wherein BSNL is an implementation agency. It is a Countrywide Secure, Multi-service and Multi-protocol Converged Next Generation Network based on Exclusive and Dedicated Tri-services Optical Transport Backbone. The impact of NFS projects, will have on the Network Centric Warfare capabilities of the Indian Defence forces in terms of enhanced voice, data and real time video services, even to remotest stations in difficult and hostile terrains in North and North-East India.

HFCL had received various orders from BSNL as part of the NFS projects, which entails supply of equipment and services along with a 10-year O&M component. HFCL is supplying blend of technology and expertise to building next generation communication network for Indian Defence. The Company had received multiple orders from BSNL as part of the NFS projects, which entails supply of equipment and services along with a 7 years Operation and Maintenance (O&M) component. For FY21, a revenue of ₹1,861.82 Crores was generated from Defence projects. During the year under review, the Company has also received new order, from Larsen & Toubro (L&T India) worth ₹800 Crores for supply of network gears for NFS UNMS projects.

HFCL launched a variety of globally benchmarked, next generation Wi-Fi and Point-to-Point (P2P) and Point-to-Multipoint (P2mP) wireless solutions under the brand name 'IO' in FY20. 'IO' platform aimed to bring in efficiency and intelligence to mobility with added focus on security and safety. HFCL's entire product line under brand IO is conceptualized, designed, developed, and manufactured in India with full IPR ownership residing with the Company. The IO products include Access Points – Indoor and Outdoor (AP), Point to Point and Point to Multipoint Radios, Unlicensed Band Radios (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 the Indian Railways for proofing Wi-Fi connectivity inside coaches and at stations.

The Company aims to generate revenue with the new indigenously developed product line and establish IO as a product brand against the global players. HFCL faced significant challenges for initial 6-7 months of FY21 due to COVID-19 pandemic induced lockdowns in terms of complete factory shutdown, supply chain disruptions and limited manpower. However, with lockdown imposed nationwide, almost everyone started working from home and needed a good Internet connection, the demand for the Company's Wi-Fi and UBR products sky-rocketed to new highs.

Despite all challenges, the engineering, R&D, manufacturing and customer support teams even with limited manpower worked tirelessly and supported all new customer releases, product supplies and customer deployments. Moreover, the Company's products performed exceeding well and customers gained a lot of confidence.

The Company has indigenously designed and developed Carrier Grade Wi-Fi systems, UBRs and Ethernet Switches and has already shipped 1.5 Lakhs units of Wi-Fi and UBR to leading telecom service providers in FY21 and generated a revenue of more than ₹150 Crores during FY21. HFCL also managed to complete its ongoing trials and start commercial supplies to a few countries in Africa as well.

During the year under review, HFCL completed international certifications and technical trials with a number of customers for its new and more advanced Wi-Fi 6 Indoor and Outdoor products. Having access to such a large customer base and understanding their pain points, HFCL managed to include a number of new features and functionalities for further enhancing its product line and keep one step ahead of the competition. The Company has also defined a firm roadmap for adding new L2/L3 switching portfolio as part of its product offerings in FY22.

There is an increasing impetus of the Government on providing Wi-Fi (Internet) access across the Country including Rural India via PM-WANI & BharatNet programmes. At HFCL, the Company is committed to deploying robust, scalable, and interoperable Access Points to provide broadband access to every nook and corner. During the year under review, HFCL set up a model PM-Wani Village in Baslambi (Haryana), to offer high speed broadband connectivity to the unconnected. The Company is all show setting up model PM Wani village in Baidebettu village in Karnataka.

HFCL is one of the largest telecom project service providers for Reliance Jio and is currently engaged in rolling out of 4G OFC Network services across Northern India. The Company has deployed FTTH network connecting approx. 3.5 million home customers in 207 cities of Northern India.

The Company is connecting about 1,800 villages in Jharkhand by GPON network wherein ~8,000 kms of OFC network is being laid out. Apart from deploying networks in Punjab & Jharkhand, HFCL is also supplying fiber optic cables in Maharashtra, Telangana & Chhattisgarh. All these Government initiatives are going to massively add up to HFCL core portfolio offering of OFC (Optical Fiber Cables & Fiber-to-the-Home Cables).

New 5G Business Unit

HFCL has launched a 5G Business Unit to cater to the needs of Communication Service Providers, Enterprises and Industry verticals both in India and for global markets. The primary focus of the 5G Business Unit is on:

- Products
- Global System Integration Services
- Innovation

Products

HFCL is investing in building a portfolio of 5G products that include 5G Radio Access Network (RAN) products and 5G Transport products. The Company is designing these 5G products to cater to the needs of the Indian market as well as to address the market opportunity globally. The 5G RAN products include Macro RU, 5G Indoor Small Cell and 5G Outdoor Small Cell. HFCL is investing in a portfolio of 5G transport products to help operators with their transformation of transport network. The 5G Transport products are based on merchant silicon, network dis-aggregation and on open standards like TIP (Telecom Infra Project) and OCP (Open Compute Project). The 5G Transport products include Fronthaul Gateway, Cell Site Router, Distributed and Centralised Aggregation Routers.

Global System Integration Services

The scope of Global System Integration Services is to be a strategic partner to Communication Service Providers and Enterprise customers to enable their digital transformation journey. HFCL is investing in a focused set of Digital Engineering Services at the convergence of network and IT. These Digital Engineering Services include:

- **Product Attached Services:** End to End Solution Provider for 5G networks by integration of HFCL Products with products from eco-system partners and managed through a common management and orchestration platform.
- **Telco Cloud:** Managed Service Provider for Telco Cloud, End to End life cycle services for Telco Cloud that includes integration services, migration of workloads (RAN, Core and OSS/BSS) to Telco Cloud and on-going operations and assurance.
- **5G autonomous operations enabled by Data, Analytics & AI:** Realization of 5G Use cases for autonomous operations to improve customer care experience, improve service experience and improve overall customer experience through a consistent Omni-channel experience.
- **5G Private Networks:** Focus is on select industry verticals where HFCL has significant domain knowledge that include Manufacturing, Defense, Railways, Smart City, and Security & Surveillance. HFCL is investing in building solutions and capabilities as a managed service provider for 5G Private Networks. In addition, HFCL will build industry solutions for 5G use cases that can be delivered in an As-a-Service model.
- **Cloud Transformation:** Help Communication Service Providers and Enterprise customers with their cloud transformation journey. Help these customers to migrate their workloads to Cloud that include Network Applications, OSS/BSS Applications, IT Applications and Enterprise Applications.

Innovation on 5G and 6G:

HFCL will invest in technology creation, research and standards contribution, patent portfolio and strong indigenous R&D capability. The focus areas of innovation in 5G include RF Front End, Antenna design, hybrid beamforming, autonomous operations of 5G networks, cloud native architecture, edge computing, security, energy efficiency, integration of licensed and unlicensed radio (3GPP and Wi-Fi), usability and enhanced user experience. HFCL will collaborate closely with leading academic and research institutes in India. In addition, HFCL is also investing in a 6G Taskforce to study the various aspects of 6G like new waveforms, design considerations to operate over 100 GHz spectrum band, convergence of terrestrial and satellite communication, human centric network and also design considerations to realize the 6G new use cases like holographic presence, tactile internet, realistic haptics and cyber-physical systems.

Railway Communication & Signalling

HFCL aims to become lead supplier for communication system in Metro Rail and Main Line Rail Projects. To achieve this, the Company is leveraging and blending its portfolio of next generation telecom products and technology solutions towards modernization of the antiquated communication and signalling systems of Indian Railways. HFCL is also enhancing its value proposition for the railway sector by pursuing meaningful collaboration and co-development opportunities with Indian as well as foreign entities. The Railway Business Vertical had 10 significant orders with a combined contract value of ₹942 Crores.

During FY21, HFCL continued to implement communication networks for greenfield domestic railway freight corridor projects awarded by L&T and Alstom which includes Eastern and Western Dedicated Freight Corridors. The projects are expected to be operational by FY22. The Company is also progressing well as per plan in executing two overseas projects awarded by L&T. The projects include setting up telecommunication systems including OFC networks for Dhaka Metro and Mauritius Metro worth ₹138.85 Crores and ₹51 Crores respectively. During the year under review, HFCL won contract of Kanpur Metro and Agra Metro Rail projects worth ₹260.97 Crores, which was awarded directly by Uttar Pradesh Metro Rail Corporation Limited (UPMRC). The Company has already initiated implementing telecommunications systems for both the projects.

The 4G long term evolution technology system specific to railways which is called 4G LTER will be used for modernizing signalling and for ensuring train protection, safety, while also maintaining constant communication between local pilots and guards. HFCL will continue to explore newer opportunities in telecom and signaling networks for mainline and Metro/Urban railways.

Defence

HFCL continue to innovate its product pipelines and focus on providing high-technology defence products and solutions. HFCL has made significant progress in research and development, production of samples and consequent field trials of various products by collaborating with technology partners.

HFCL is the only Indian company to have developed electronic fuses for artillery ammunition with own Intellectual Property Rights (IPRs). Electronic Fuses of HFCL are NATO (North Atlantic Treaty Organisation) certified resulting in access to a wider customer base among NATO countries and meet the most stringent requirements of armed forces across the globe. The Company has also participated in a bid for supply of 5 million Electronic Fuses for Indian Army over 10 years. The Company has successfully cleared the technical evaluation and would be shortly going in for user trials with Indian Army. 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.

HFCL has diverse portfolio of Electro-Optics Products and a proven field trial expertise. The power to penetrate the darkness amid the weather inflicted imbalances, capable of seeing with clarity and sighting with precision, our Night Vision Devices enabled with thermal imaging technology give Defence forces their impeccable third eye for sighting and neutralising adversaries anytime and every time, anywhere and everywhere!

HFCL is proud to announce that it's Night Vision Devices have successfully passed extensive Army tests in extreme weather conditions and high altitude and experienced the initial success by winning the first two orders of supply of Night Vision Devices from the Indian Army.

The Company is also developing Ground Surveillance Radars and Software Defined Radios for Defence. The Company has already been selected for the development of Software Defined Radio (SDR) by the Indian Army. In order to meet the qualitative requirements of the users and understand their operational imperatives as well as to grab new opportunities, HFCL has in place a dedicated department consisting of experienced personal who have army background with great service record and experience.

Security & Surveillance

HFCL provides best in class customized and diversified solutions spanning across hardware and software data and analytics. The major focus areas include Border and Perimeter security, Safe City Projects, City Surveillance, Smart City Solutions, Traffic Enforcement, Critical Infrastructure Protection.

The Company has successfully executed various projects and continue to focus on providing innovative solutions through value-added products and services. CCTV Surveillance, Sensors and Radar based perimeter surveillance, Command and Control Centers, ICT Infrastructure, Anti-Drone system, intelligent traffic management system forms the core strength of HFCL's security and surveillance solutions. HFCL has widened its capabilities line with **"Make in India"** initiative by in-house development of Video Management System (VMS), Video Analytics and other network components.

HFCL has successfully executed the first safe city project at Ludhiana for Reliance Jio. The Project has been operational since November 2016. The basic aim of the project is to equip Ludhiana Police with Surveillance System along with Traffic Enforcement System and ITMS (with e-challan application) by installing Surveillance Cameras in various parts of the City. The command and control room along with 150+ field locations have been equipped with 1,400+ CCTV cameras, keeping hawk's eye view on all the significant spots of the City monitored via the control room at Police Lines. HFCL was engaged in O&M of the safe city system post installation.

HFCL has recently won the competitive bidding for further maintenance and expansion of the system and received the Letter of Acceptance for ₹36 Crores to maintain Ludhiana Safe City System for next five years and expansion and integration of the same with Smart City System. The Ludhiana Smart City System involves the addition of 300+ cameras at 100 locations along with Command & Control Centre and Data Centre for Municipal Corporation of Ludhiana.

HFCL has been declared L1 by NTPC for the project of providing perimeter security along with access management, gate security and integrated command & control centre at their five power generation plants.

Increased push from the Governments and law enforcement agencies, wider proliferation of AI (artificial intelligence) across the surveillance touch points – cameras, control room, alarm – would drive demand for the next generation surveillance products and solutions. The Company is all set to leverage its experience of already executed surveillance projects, in-house product development and strong system integration capabilities to enhance its value proposition in the surveillance market.

RESEARCH & DEVELOPMENT (R&D)

The Company has in-house Centre for Excellence in Research located at Gurugram & Bengaluru. HFCL has also invested in R&D Houses and other collaborators in India and abroad to innovate futuristic range of technology products and solutions. The Company's focus is on developing and designing new generation telecom and defense products by its own R&D and IPRs. The Company spent approximately ₹45 Crores for R&D in FY21. The Company has inaugurated a new R&D center in Bengaluru in June 2021, dedicated solely for the development of 5G and Wi-Fi products. Some of the newly developed products through in-house R&D are Wi-Fi Systems, Unlicensed Band Radios, Switches, Electronic Fuses, Electro Optic Devices, Cloud Management Systems and Video Management Systems. There is a suite of products under development, which include Software Defined Radios, Routers, Passive Optical Network (PON), Small cell and Macro cell for 5G, Intelligent Antenna Systems and Ground Surveillance Radars among others.

FINANCIAL REVIEW (Consolidated)

Revenue from Operations: The net sales during FY21 stood at ₹4,422.96 Crores as compared to ₹3,838.91 Crores in FY20 representing an increase by 15% year on year. The net revenue from the Turnkey Contracts and Services increased to ₹3,217.50 Crores in FY21 from ₹2,991.99 Crores in the previous year contributing 73% of total consolidated revenue in FY21. The net sales from Telecom Products increased to ₹1,205.46 Crores in FY21 from ₹846.92 Crores in the previous year contributing 27% of total consolidated revenue in FY21.

Operating Expenses: The total operating expenses for FY21 stood at ₹3,450.75 Crores as against ₹2,961.77 Crores in FY20.

EBITDA: During FY21, EBITDA stood at ₹585.71 Crores as against ₹516.17 Crores in FY20.

Net Profit: Net Profit in FY21 stood at ₹246.24 Crores as against ₹237.34 Crores recorded in FY20. The Net Profit margin for the year under review decreased to 5.57% from 6.18% in FY20 majorly due to high finance cost. The Earnings Per Share for FY21 stood at ₹1.87 per share as against ₹1.76 in the previous year.

Dividend: The Company has announced a final dividend @15% i.e. ₹0.15 (Fifteen Paisa) per equity share of ₹1/- each for FY21.

Net Worth: The Net Worth of the Company increased to ₹1,916.21 Crores from ₹1,668.44 Crores in the previous year.

Gross Debt: The total Debt in FY21 stood at ₹920 Crores as against ₹712 Crores in FY20.

Order Book: The Company has a healthy consolidated order book of ₹6,875 Crores as on March 31, 2021 which is equivalent to ~1.6 times FY21 revenue, thereby providing clear visibility of earnings for the coming years. The order book comprises high margin O&M contract orders worth ₹1,534 Crores.

CAPITAL STRUCTURE

Authorized Share Capital:

As on March 31, 2021, the Authorized Share Capital of the 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 Crores 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 March 31, 2021, the Paid-up Equity Share Capital of the Company stood at ₹128.44 Crores comprising of 1,28,43,77,194 equity shares of face value of ₹1/- each.

Further, HFCL, on July 15, 2021, had allotted 49,34,300 equity shares of face value of ₹1/- each, to HFCL Employees' Trust in lieu of the vested Employee Stock Options (ESOPs) granted to eligible employees of the Company, pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014.

Consequent to the above, the paid up equity share capital stood increased from ₹128.44 Crores to ₹128.93 Crores comprising of 1,28,93,11,494 equity shares of face value of ₹1/- each, as on the reporting date.

There are no convertible warrants in the Company as on March 31, 2021.

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

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 ratio are mentioned hereunder:

S. No	Financial Ratios	FY21	FY20	Reason for variations more than 25% during FY21
1	Debtors Turnover	1.85	2.33	NA
2	Inventory Turnover	8.74	9.65	NA
3	Interest Coverage	2.94	4.12	Increase in finance charges.
4	Current	1.39	1.60	NA
5	Debt Equity	0.48	0.43	NA
6	Operating Profit Margin (%)	13.24%	13.42%	NA
7	Net Profit Margin (%)	5.57%	6.18%	NA
8	Return on Net Worth	13.71%	15.31%	NA

BUSINESS OUTLOOK

There appears to be a great opportunity in terms of expansion of existing 4G network & roll out of 5G, upgradation (Fiberisation) of existing 2G & 3G towers in the network to 4G & 5G, FTTH role out of private players like Jio & Airtel along with Government impetus of providing high quality fiber network and Wi-Fi (Internet) access across the country including Rural India via PM-WANI & BharatNet schemes. These shall drive demand for HFCL's core portfolio offering of OFC (Fiber Cables & FTTH), Telecom and turnkey Services outplay and newly developed 5G Network products such as Wi-Fi 6 & high frequency radios. Further, with the Government's increased impetus of safe and smart cities, to enhance indigenous procurement for the defence segment and also modernize the Indian Railways, there is a vast opportunity in these segments. The need of providing surveillance at every nook and corner of the Country will keep the security and surveillance business growing at good pace.

Further, OFC connectivity being the most efficient way of networking will provide immense potential for HFCL to develop or redevelop communication infra.

With sharp focus on new products, new customers and new geographies, the Company is excited about the growth trajectory going forward. Additionally, the Company's emphasis in order to design and develop new generation telecom and defence products with in-house R&D, adds further impetus to opportunities from the telecom, railways and defence space. The Company sees India as the next innovation and manufacturing hub for telecom products. HFCL with its proven track record, healthy order book, strong system integration acumen in telecom, defence, Railway security & Survilliance sectors and cutting edge technologies is well placed to serve the needs of its customers in India and abroad.

RISK MANAGEMENT

Effective risk management has the potential to minimize the impact of risks and prepare the Company to face challenges and strengthen its processes. The Company is cognizant of the various risks inherent to the business and has adopted a Risk Management Policy as a part of its Risk Management Framework, which aims at timely identification, evaluation and pre-emption of potential risks. Appropriate risk mitigation measures are established to overcome adverse situations, which may arise on account of foreseeable risks. A few inherent risks associated with the Company are discussed herein.

Economic Risk: HFCL's business depends on Capex by the telecommunication sector, which includes investments in backhaul, rollout of a new generation of mobile network and investment in fiber infrastructure and deployment. Any slowdown in the economy or industry may impact the fundamentals of the Company.

Mitigation: HFCL has diversified its business portfolio beyond telecom operators to defence, railways, and smart city segments. This expansion coupled with strong order book and the healthy balance sheet shields the Company from any slowdown in the economy or sector.

Competition Risk: The Company operates in a highly competitive environment and might receive stiff competition from its peers in winning orders.

Mitigation: Being a total solution provider with proven track record among its customers, HFCL always strives to stay ahead of its competitor. The Company has successfully launched new telecom products and also implemented turnkey projects, which help in getting repeat orders from the same and new customers.

Risk of Delay in completion of Order: The Company might face delay in the completion of orders due to various reasons which would result in the imposition of penalties.

Mitigation: HFCL is undertaking various large-scale, end-to-end projects. The Company has implemented strong Project Management Frameworks, which are supported by digital tools and applications along 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 exposed to currency fluctuations leading to forex losses.

Mitigation: The Company closely monitors the currency movements and undertakes timely measures like forwarding contracts and hedging activities to mitigate such risk.

Technology/Obsolescence Risk: Failure or delay in achieving the required level of technological sophistication or assessing market needs properly could have a negative impact on the Company's performance and financial position.

Mitigation: The Company has consistently delivered cutting-edge technology products with enhanced R&D capabilities. The Company undertakes R&D initiatives to meet the needs of advanced technologies and products, based on a precise understanding of the market needs. It has in-house R&D centres to remain upbeat with the global trends. The Company has also invested in outside R&D Houses and other collaborators in India and abroad to innovate futuristic range of technology products and solutions.

Government Policy Risk: HFCL closely works with various Government projects and any change in policies might impact the Company's revenue and profitability.

Mitigation: The incumbent Governments 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 the Company.

INTERNAL CONTROL SYSTEMS

HFCL has an effective and reliable internal control system in place. In line with the business operations, the Company has well-planned internal control framework, which covers various aspects of governance, compliances, audits, controls and reporting. HFCL has ensured adherence to statutory requirements for orderly and efficient conduct of business, safeguarding of assets, the detection and prevention of frauds and errors, adequacy and completeness of accounting records and timely preparation of reliable financial information. 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.

The internal financial controls are periodically reviewed by the management, external and internal auditors, to ensure adequacy and efficiency of the internal control system. 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 Company's Audit Committee reviews the internal control system and looks into the observations of the statutory and internal auditors. This includes review of policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business and fixing responsibility against all the controls.

HFCL has in place the policies to ensure uniform accounting treatment for the subsidiary companies as well. The accounts of the subsidiaries and the associates are audited and certified by their respective Statutory Auditors for consolidation.

During the year under review, the Company has evaluated the effectiveness of internal control systems and have not come across any reportable deficiencies in the design or operation of such internal controls. Accordingly, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY21.

OUR COVID-19 RESPONSE

The Company considered health and safety of the employees, partner employees and all of their dependent family members as the first priority. A series of steps were taken during the first wave of COVID-19 at the beginning of the FY21 to ensure the impact is felt as less as possible. These included – announcing work from home, deep sanitization of all work stations, monitoring for COVID symptoms, ensuring COVID protocols at work place, regular and random testing of employees, rotational shift working, providing medicines and vitamins etc. were immediately put in place. As an organisation, HFCL was also very responsive to the needs of the extended family members by ensuring access to the Company's medical infrastructure, testing and other facilities. The Company borne the cost of vaccination for each of our employee and their dependent family members. The Company added another shield of welfare measure in the form of financial support for the families of deceased employees who succumbed to death because of COVID-19.

Moreover, the Company has quickly implemented business continuity plan and ensured adherence to prescribed guidelines from the Government and regulatory authorities. The management has evaluated the possible impact of the pandemic on the business operations and the financial position of the Company and no material adverse impact on sustainability has been found.

The disruptions caused by COVID-19 pandemic has increased the demand for home and industrial Internet of Things (IoT) devices and applications. There was tremendous surge in demand of broadband equipment as businesses shift to remote working amid COVID-19 pandemic. The demand for FTTH cable has also increased significantly post easing of lockdown. The pandemic has intensified the digital shift and the Company is well prepared with an ever updating and expanding suite of products and solutions. These along with the business expansion, initiatives such as 5G and system integration exports, the Company will continue to grab the opportunity landscape better and sustain value creation drive for all stakeholders.

HUMAN RESOURCE DEVELOPMENT

HFCL believes that employees are the best differentiator in providing world class services and products for the customers. During the year under review, the Company has put in place a holistic employee life cycle management program that aims to provide a positive employee experience throughout their association.

Recruitment and Onboarding: HFCL recruited 791 new employees in FY21 either on roll or in off roll/contingent capacities to meet the needs of the business. Each of these recruitments were done following stringent selection practices. This also included 24 campus recruits from reputed engineering and MBA schools across the Country. Being an equal opportunity employer, the Company values diversity within the work place and ensures to maintain work force mix to encourage innovation, continuous improvement and excellence at work place.

Employee Development: In an era of changing technologies and rapid advancement of processes, HFCL enhanced investments in strengthening the competencies of employees. The Company provide learning platforms that encourage both self-nominated and manager nominated learning programs through a mix of online, classroom and on-the-job training. Due to the pandemic, most of the learning was delivered virtually in FY21, with employees completing 11,520 hours of learning through 400 licenses of Udemy – a world leading online learning platform. For the Plant employees, the Company also created several hundred hours of virtual video-based learnings on all products and manufacturing processes.

SPARK Program: HFCL is seeking to build a foundation of next generation talent to fuel the organisation's growth in the coming years and one of critical components of this effort is the Spark program that focuses on talent coming from reputed engineering and MBA campuses of the Country. These campus recruits undergo a unique development program that involves rotations to various plants and functions, projects, learning programs and mentoring from senior leaders to groom them to take on critical roles across the Company. During the year under review, recruits underwent rotations in the manufacturing plants at Goa, Hyderabad, Chennai and also worked as part of projects in all the other businesses and functions.

Employee Engagement: COVID-19 pandemic has fundamentally shifted the engagement paradigm as many contact programs that were deployed had to be taken to a virtual medium. The HR Team continued to innovate on mechanisms to bring employees closer to organisation and enhance their belongingness. In order to encourage employee participation, 'Engagement Champions' (a cross-functional team of 15 volunteers) was created to organize and conducted various events like International Women's Day, Badminton League, Republic Day, Virtual Diwali Talent Fiesta, Independence Day, Christmas and also celebration of monthly birthdays through chocolate, card and desk decoration. Many of the virtual events involved not only employees but their family members as well. A brand-new employee recognition program that seeks to reward and recognize individual (Pinnacle Performer) and Team Excellence (Ace Alliance) was initiated. So far, 202 employees have been awarded through this program. The Managing Director, business and function heads started "Coffee-Connect" – held on a monthly basis to provide a small group connect to encourage employee participation in organisational progress and recognise their achievements. Other engagement initiatives that were also kicked off included "1 on 1"s between managers and employees and daily circulation of motivation and inspirational messages promoting positivity and optimism.

Employee Communication: Communication from leadership plays an important role in binding the organisation and creating a tight alignment between organisational and employee aspirations.

"Managing Director's Townhall" – a quarterly communication initiative was started. This virtual all-location all-hands meet brings organisation's leadership to the employees – providing insights on organisational performance, goals, new initiatives and a platform for employees to ask questions and seek information directly from the management. The Managing Director also started a monthly "MD's Newsletter" initiative informing all employees about organisational performance and other perspectives on business, economy and new developments within the Company.

HR Digitization: In order to provide a strong foundation for all these initiatives and strengthen the HR processes, HFCL also kick started the HR Digitization.

The platform chosen is a cloud and mobile platform that will enable 24*7 real-time any-where access to HR data and information to managers and employees. This will speed up the delivery of HR processes to the Company's employees.

The Company has employed a total of 2,563 employees (On-Rolls/ Off-Rolls) including 131 female employees as on March 31, 2021.

CORPORATE SOCIAL RESPONSIBILITY

HFCL aims at creating economic value and is committed to actively contribute toward the development of a sustainable society. With an aim to empower the marginalized and also to impart an inclusive socio-economic impact in the society, several Corporate Social Responsibility ("CSR") projects are being run by the Company throughout the Country.

The Company has a Corporate Social Responsibility ("CSR") Committee in place to formulate and recommend CSR Policy to the Board.

The Company is undertaking CSR activities through its Registered Society i.e. HFCL Social Services Society ("HSSS") established in the year 1996. The aim is to establish the Company image as a reliable, credible, responsible business partner by making a positive difference in the society, where the Company operates its business.

The CSR interventions majorly focuses on 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 organisations, charitable trust, and educational institutions to implement the CSR Projects/Programs.

During the year under review, the Company has spent an amount of ₹9.78 Crores towards CSR activities, pertaining to preventive/advance health care, education, skill development, disaster management, environmental protection – say no to plastic, clean water resources etc. During the COVID-19 pandemic, the Company also supplied survival kits and contributed for old age home and old age care. The full details of the Company's various CSR projects/programmes and other relevant details are given in Directors' Report which forms the part of the Annual Report.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis of the Company describing the Company's objectives, expectations or predictions may be forward-looking within the meaning of applicable laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Thus, the Company's actual performance/results could differ from the projected estimates in the forward-looking statements. The discussions on our financial condition and result of operations should be read together with our audited, consolidated Financial Statements and the notes to these statements included in the Annual Report.

DIRECTORS' REPORT

Dear Members,

Your Board of Directors has pleasure in presenting the 34th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the financial year ended March 31, 2021.

FINANCIAL HIGHLIGHTS

Your Company's financial performance (standalone and consolidated) for the financial year ended March 31, 2021 is summarized below:

(₹ in Crores)

Particulars	Standalone		Consolidated	
	2020-21	2019-20	2020-21	2019-20
Revenue from Operations (Net)	4,105.87	3,547.30	4,422.96	3,838.91
Other Income	33.22	20.94	36.13	22.08
Total Income	**4,139.09**	**3,568.24**	**4,459.09**	**3,860.99**
Operating Expenses	3,450.75	2,961.77	3,656.77	3,158.60
Other Expenditure	186.50	158.31	216.61	186.22
Depreciation and Amortization expenses	53.59	30.13	68.63	41.95
Total Expenses	**3690.84**	**3,150.21**	**3,942.01**	**3,386.77**
Profit before Finance Cost and Tax	**448.25**	**418.03**	**517.08**	**474.22**
Finance Cost	148.25	90.10	176.09	114.82
Share of net profits of joint ventures accounted for using equity method	-	-	-	(1.05)
Exceptional Item	4.13	-	4.13	-
Profit before Tax (PBT)	**295.87**	**327.93**	**336.86**	**358.35**
Tax Expense Net of MAT Credit Entitlement	73.01	124.10	90.62	121.01
Profit after Tax (PAT)	**222.86**	**203.83**	**246.24**	**237.34**
Attributable to:				
Shareholders of the Company	-	-	239.00	227.25
Non-Controlling Interests	-	-	7.24	10.09
Opening Balance of Retained Earnings	1,062.12	872.09	1,082.00	868.55
Impact on account of Change in Accounting Policy - Adoption of Ind AS-115	**-**	**(1.13)**	**-**	**(1.13)**
Total Comprehensive Income for the year	222.87	203.83	239.00	-
Transfer to Retained Earnings (out of DRR)	124.75	2.81	124.72	2.81
Amount available for appropriation	**1,160.24**	**1077.60**	**1,196.28**	**1,097.48**
Appropriations :				
Dividend on Equity Shares (Previous Year)	-	15.48	-	15.48
Closing Balance of Retained Earnings	**1,160.24**	**1,062.12**	**1,196.28**	**1,082.00**

During the FY21, total Consolidated Income of your Company is ₹4,459.09 Crores as compared to ₹3,860.99 Crores during the previous year, showing an increase of 15.49%.

Your Company has achieved Consolidated EBIDTA of ₹585.71 Crores in FY21 from ₹516.17 Crores in the previous year, recording a growth of 13.47%. Profitability, i.e., Consolidated PBT has declined by 5.9% to ₹336.86 Crores in FY21 from ₹358.35 Crores during the previous year.

In FY21, your Company has a Consolidated PAT of ₹246.24 Crores from ₹237.34 Crores in the previous year, recording a growth of 3.75%.

Net Worth

The net worth of your Company has increased during the year under review to ₹1,916.21 Crores from ₹1,668.44 Crores in the previous year.

Gross Debt

The consolidated Debt in FY21 stood at ₹920 Crores as against ₹712 Crores in FY20.

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 **"SEBI Listing Regulations"**) and applicable Indian Accounting Standards, the Audited Consolidated Financial Statements of the Company for the FY21, 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 FY21, under Retained Earnings and has not transferred any amount to the General Reserves, during the year under review.

DIVIDEND

In the wake of COVID-19 pandemic, each of the business sectors in the economy has been affected, however despite this, your Board of Directors, at its meeting held on May 10, 2021, has recommended a Dividend @15% i.e., ₹0.15/- (Fifteen Paisa) per equity share of ₹1/- each, aggregating to ₹19.26 Crores for the financial year ended March 31, 2021, subject to approval of shareholders at the ensuing annual general meeting **(AGM)** of the Company. The above decision is in accordance with the Company's Dividend Distribution Policy.

The dividend shall be subject to deduction of TDS before payment to shareholders, as per applicable provisions of Income Tax Act, 1961.

Dividend Distribution Policy

As per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, top 1000 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 setting 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**.

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, 2021)
2017-18	0.06	September 29, 2018	December 04, 2025	10,36,599.60
2018-19	0.10	September 28, 2019	December 03, 2026	16,40,858.90

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, Senior 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 March 31, 2021, 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 FY21, 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 March 31, 2021, 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 March 31, 2021, the 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.

Further, your Company had allotted 49,34,300 equity shares of face value of ₹1/- each, to HFCL Employees' Trust for implementing the benefits of HFCL Employees' Long Term Incentive Plan – 2017, in lieu of the vested Employee Stock Options (ESOPs) granted to eligible employees of the Company, pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014.

Consequent to the above, the paid up equity share capital stood increased from ₹128.44 Crores to ₹128.93 Crores comprising of 128,93,11,494 equity shares of face value of ₹1/- each, as on the reporting date.

There are no convertible warrants in the Company, 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 SEBI 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 the SEBI Listing Regulations are duly complied with.

A detailed report on the Corporate Governance pursuant to the requirements of the SEBI 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 the SEBI Listing Regulations, is provided in the Report on Corporate Governance which forms part of the Corporate Governance Report.

BUSINESS RESPONSIBILITY REPORT

As stipulated under Regulation 34(2)(f) of the SEBI 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 SBEB 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 August 26, 2017, which was further approved by the members of the Company, in their 30th Annual General Meeting held on September 25, 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 March 31, 2021, your Company has not granted any ESOPs and RSUs in terms of the HFCL Plan 2017.

Further, the Company had allotted 49,34,300 equity shares of face value of ₹1/- each, to HFCL Employees' Trust for implementing the benefits of HFCL Employees' Long Term Incentive Plan – 2017, in lieu of the vested Employee Stock Options (ESOPs) granted to eligible employees of the Company, pursuant to the SEBI SBEB Regulations, on July 15, 2021 and the same have also been listed on the stock exchanges, viz. NSE and BSE.

Applicable disclosures as stipulated under the SEBI SBEB Regulations with regard to the HFCL Plan 2017, are provided as **Annexure– A** 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 SBEB Regulations and the resolution passed by the members in their 30th Annual General Meeting held on September 25, 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 March 31, 2021, 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.

The Company regularly monitors the performance of these companies.

Further, the Company has incorporated a new wholly-owned subsidiary company, namely, HFCL Technologies Private Limited, on June 26, 2021.

The Company also has an associate company, namely, Nimpaa Telecommunications Private Limited w.e.f. June 14, 2021.

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 SEBI Listing Regulations.

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

The Company has amended the Policy for Determining Material Subsidiaries, in its meeting held on July 12, 2021, in line with the amendments to the SEBI Listing Regulations, notified on May 05, 2021.

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 one material subsidiary company viz. HTL Limited, as on March 31, 2021.

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. Ranjeet Mal Kastia (DIN: 00053059), Director (Non-Executive), is liable to retire by rotation at the ensuing AGM and being eligible offers himself for re-appointment. The brief resume of him and other related information are being given in the Notice convening the 34th AGM of your Company.

Your Directors recommend his re-appointment as a Non-Executive Director of your Company.

During the FY21, the Board of Directors appointed Mr. Ramakrishna Eda (DIN: 07677647) as a Nominee Director of IDBI Bank Limited w.e.f. February 22, 2021 in place of Mr. Ranjeet Anandkumar Soni. Mr. Ramakrishna Eda is proposed to be appointed as a Nominee Director (Non-Executive), liable to retire by rotation at the ensuing AGM.

The Board of Directors at its meeting held on July 12, 2021 and on the recommendation of the Nomination, Remuneration and Compensation Committee has re-appointed Mr. Mahendra Nahata as the Managing Director of the Company for a further period of 3 (three) years with effect from October 01, 2021 subject to approval of shareholders at the ensuing AGM, as his current term of office is expiring on September 30, 2021.

The Nomination, Remuneration and Compensation Committee, on the basis of performance evaluation of Independent Directors and taking into account the external business environment, the business knowledge, acumen, experience and the substantial contribution made by Mr. Surendra Singh Sirohi (DIN: 07595264) and Dr. (Ms.) Tamali Sengupta (DIN: 00358658) during their tenure, has recommended to the Board that continued association of Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta as Independent Directors would be beneficial to the Company. Based on the above and the performance evaluation of Independent Directors, the Board recommends re-appointment of:

(i) Mr. Surendra Singh Sirohi for a second term of consecutive three years, commencing from August 27, 2021 to August 26, 2024; and

(ii) Dr. (Ms.) Tamali Sengupta for a second term of consecutive three years, commencing from December 24, 2021 to December 23, 2024;

to hold office as Independent Directors of the Company, not liable to retire by rotation on the Board of the Company. The Company has received the requisite Notices in writing under Section 160 of the Act, from Members of the Company, proposing their appointment as Directors.

Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta have given their consent, in prescribed form DIR-2, to act as Directors and also declared that they are not disqualified to be appointed as Directors, in prescribed form DIR-8.

Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta have registered their names 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 declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 SEBI 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 FY21, IDBI Bank Limited ("IDBI") vide its letter no. LCG-SSCB.53/35/Nom.8 dated February 01, 2021 has withdrawn the nomination of Mr. Ranjeet Anandkumar Soni (DIN: 07977478) from the Board of Directors of the Company and accordingly, Mr. Ranjeet Anandkumar Soni has ceased as a Nominee Director of the Company w.e.f. February 22, 2021.

Further, Board of Directors places on record its sincere appreciation for the support and valuable guidance given by Mr. Ranjeet Anandkumar Soni during his tenure as Non-Executive Director of the Company.

Mr. Mahendra Pratap Shukla, Non-Executive Chairman of the Company, succumbed to COVID-19 and ceased to be Non-Executive Chairman of the Company w.e.f. May 04, 2021.

Your Board of Directors places on record active and selfless role of Mr. Mahendra Pratap Shukla in the establishment of the Company and contribution in the growth of the Company. The Company benefitted immensely from his vision and guidance during his association with the Company. The demise of Mr. Mahendra Pratap Shukla has left a void that will be impossible to fill in.

Key Managerial Personnel

During the year under review, Mr. Mahendra Nahata, Managing Director, Mr. Vijay Raj Jain, Chief Financial Officer and Mr. Manoj Baid, Senior 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 March 31, 2021.

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 SEBI 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 SEBI 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 SEBI 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.**

Separate Meeting of Independent Directors

In terms of requirements of Schedule IV to the Act and Regulation 25 of the SEBI Listing Regulations, a separate meeting of the Independent Directors was held on March 30, 2021 for the FY21.

The meeting of the Independent Directors was attended by all the three independent directors, namely, Mr. Bharat Pal Singh, Mr. Surendra Singh Sirohi and Dr. (Ms.) Tamali Sengupta.

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–B** 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 SEBI 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 SEBI 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 including criteria for determining qualifications, positive attributes, independence of a director, 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

Four meetings of the Board of Directors were held during the FY21.

The intervening gap between any two consecutive meetings of the Board was within the stipulated time frame prescribed under the Act and the SEBI Listing Regulations.

Details of meetings held and attendance of directors are mentioned in Corporate Governance Report, which forms part of this Report.

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 March 31, 2021, your Board has 05 (five) mandatory Committees, namely,

1) Audit Committee,
2) Nomination, Remuneration & Compensation (NRC) Committee;
3) Stakeholders' Relationship Committee (SRC)
4) Corporate Social Responsibility (CSR) Committee; 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 FY21 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 March 31, 2021, 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 SEBI Listing Regulations and the Circular issued by SEBI on January 05, 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 FY21.

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 agenda items, technical knowledge on the subject matter, 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 September 25, 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 May 07, 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 FY21.

The Secretarial Audit Report in prescribed form MR-3, issued by the Secretarial Auditor is annexed herewith as **Annexure–C** 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 accounts and records as specified by the Central Government under sub-section (1) of Section 148 of the Act and the relevant rules made thereunder.

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

INSOLVENCY AND BANKRUPTCY CODE, 2016

There is no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the FY21.

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 SEBI 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 Codes of Conduct for the Directors and the Senior Management Personnel.

During FY21, 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 December 07, 2020, has re-affirmed the credit rating for the Long Term Bank facilities of the Company to CARE A Minus; (Single A Minus) with Outlook "Negative".

The credit rating for the short term bank facilities were revised to CARE A2 (A Two) from CARE A2+ (A Two Plus).

ANNUAL RETURN

The Annual Return of the Company as on March 31, 2020, in prescribed e-form MGT-7 in accordance with Section 92(3) of the Act, read with Section 134(3)(a) of the Act, is available on the Company's website at **https://www.hfcl.com/wp-content/uploads/2021/08/Annual-Retrun -2019-20.pdf**.

Further the Annual Return (i.e. e-form MGT-7) for the FY21 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**.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments, as on March 31, 2021, 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	29.50
Guarantees given	154.16
Investments made	65.19

Loans given, Guarantees provided and Investments made during the FY21:

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 by the recipient
Nimpaa Tele-communications Private Limited	Unrelated	3.00	Loan with interest @ 10% p.a.	For Capex & Opex Requirements.
HTL Limited	Subsidiary	14.00	Corporate Guarantee	Collateral Security for various credit facilities sanctioned by Yes Bank Limited to HTL Limited.
Nivetti Systems Private Limited	Unrelated	11.96	Investment in Equity Shares	Product R&D and Business Development

For more details, please refer Note No. 8.1, 18, 47(c) and 51 to the Standalone Financial Statements for FY21 of the Company.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

Your Company has adopted a "Policy on Dealing with and Materiality of Related Party Transactions", in accordance with the provisions of the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations, inter-alia, providing a framework for governance and reporting of Related Party Transactions including material transactions and 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 prescribed 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 51 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 - D** 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 FY21, in the format, prescribed under Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as **Annexure - E**.

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 FY21.

B. Material changes and commitments, if any, 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 FY21 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 05, 2020, has already disclosed the impact of COVID-19 on business, performance and finance of the Company.

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.

The Company has considered the possible effects that may result from the pandemic of COVID-19 in the preparation of the financial statements including their coverability of carrying amounts of financial and non-financial assets. Further the impact assessment does not indicate any adverse impact on the ability of the Company to continue as a going concern. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company has, at the date of approval of the financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

The impact of COVID-19 is also mentioned at Note No. 41 to the Standalone Financial Statements for FY21.

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.

Internal Complaints Committee(s) **(ICCs)** at each workplace of the Company, have 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 2020 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 FY21.

SIGNIFICANT DEVELOPMENTS

The Company has achieved various milestones which have already been set out in the Management Discussion and Analysis (MDA) Report forming part of the Annual Report.

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 March 31, 2021 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 FY22 to the BSE and the NSE.

DEPOSITORY SYSTEMS

Your Company's Scrip has come under compulsory dematerialization w.e.f. November 29, 1999 for Institutional Investors and w.e.f. January 17, 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 April 01, 2020 to March 31, 2021. 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 Goa, Government of Telangana, Government of Himachal Pradesh, IDBI Bank Limited, State Bank of India, Punjab National Bank, erstwhile Oriental Bank of Commerce & United Bank of India, Bank of Baroda, Union Bank of India, Yes Bank Limited, ICICI Bank Limited, Indian Bank 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 Nahata
Managing Director
DIN: 00052892

Arvind Kharabanda
Non-Executive Director
DIN: 00052270

Place: New Delhi
Date: September 3, 2021

Annexure (A) to Directors' Report

DISCLOSURES PURSUANT TO REGULATION 14 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014 READ WITH SEBI CIRCULAR DATED JUNE 16, 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. 56** to the Standalone Financial Statements for FY21, 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:

₹1.74/- (Rupee One and Paisa Seventy Four only) as on March 31, 2021.

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: August 26, 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 ESOs.

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. October 15, 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	67,09,000	67,09,000
Number of Options/RSUs granted during the year	NIL	NIL
Number of Options/RSUs forfeited/lapsed during the year	3,72,000	7,01,000
Number of Options/RSUs vested during the year	18,51,000	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	63,37,000	60,08,000
Number of Options/RSUs exercisable at the end of the year	45,34,600	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:

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, 2021 neither any further Options/RSUs have been granted by the Company pursuant to the HFCL Plan 2017 nor exercised by the holders of Options granted in the previous years.

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, 2021	
	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	:	August 26, 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	
(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 (B) 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 FY21 is as follows:-

S. No.	Name of Director	Category	Total Remuneration (₹)	Ratio of remuneration of Director to the Median remuneration
1.	Mr. Mahendra Pratap Shukla *	Non-Executive Director	5,00,000	0.70
2.	Mr. Mahendra Nahata	Managing Director	5,78,00,004	81.98
3.	Mr. Arvind Kharabanda	Non-Executive Director	12,50,000	1.77
4.	Dr. (Mr.) Ranjeet Mal Kastia	Non-Executive Director	6,00,000	0.85
5.	Mr. Ranjeet Anandkumar Soni **	Non-Executive Director	1,00,000	0.14
6.	Mr. Bharat Pal Singh	Independent Director	8,00,000	1.13
7.	Mr. Surendra Singh Sirohi	Independent Director	8,50,000	1.21
8.	Dr. (Ms.) Tamali Sengupta	Independent Director	6,50,000	0.92
9.	Mr. Ramakrishna Eda #	Non–Executive Director	NA	NA

* Deceased on May 04, 2021.

** Ceased as Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

Appointed as Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021, no meeting held since then.

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 ₹7,05,000/- for the FY21.

II. Percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer, other Executive Directors and Company Secretary during the FY21:-

S. No.	Name	Designation	Remuneration (₹)		Increase (%)
			2020-21	2019-20	
1.	Mr. Mahendra Nahata	Managing Director	5,98,44,254	7,04,05,000	(15.00) *
2.	Mr. Vijay Raj Jain	Chief Financial Officer	3,07,27,397	2,21,86,881	38.49
3.	Mr. Manoj Baid	Senior Vice–President (Corporate) & Company Secretary	88,99,512	49,01,248	81.58 **

* Reduction in remuneration to the extent of 30% in the fixed salary of Mr. Mahendra Nahata, Promoter and Managing Director, for the period April 01, 2020 to September 30, 2020, on account of voluntary forgo of the fixed remuneration by him due to COVID-19 pandemic, in order to make his possible contribution in the financial health of the Company.

** The percentile increase in remuneration is in line with performance of the Company, prevailing industry pay scale and appropriate market correction. There is no exceptional circumstance for increase in remuneration.

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 FY21:

Particulars	Remuneration (₹)		Increase (%)
	2020-21	2019-20	
Median remuneration of all employees per annum	7,05,000	6,87,219	2.59

IV. Number of permanent employees on the rolls of the Company as on March 31, 2021:

The number of permanent employees on the rolls of the Company as on March 31, 2021 were 1,753. Besides, the Company has 810 personnel also, on off-roll or contractual basis as on March 31, 2021.

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 (₹)		Increase (%)
	2020-21	2019-20	
Average salary of all employees (other than Key Managerial Personnel)	11,14,537	10,38,950	7.28
Average Salary of Managing Director	5,98,44,254	7,04,05,000	(15.00)
Average Salary of CFO and Company Secretary	1,98,13,455	1,35,44,065	46.29*

*The percentile increase in remuneration is in line with performance of the Company and prevailing industry pay scale. There is no exceptional circumstance for increase in 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 FY21 and were paid remuneration not less than ₹1,02,00,000/-:

S. No.	Name	Remuneration received (₹)	Nature of employment	Designation	Qualifications & Experience	Date of commencement of employment	Age (Years)	Last employment held
1.	Mr. Mahendra Nahata	5,78,00,004	Contractual	MD	B.Com. (Hons.) 37 years	01.10.1992	61	Himachal Telematics Ltd. Vice Chairman
2.	Mr. Vijay Raj Jain	2,96,98,632	Permanent	CFO	CA, CS 33 years	15.07.2011	56	Teracom Ltd. CFO
3.	Mr. Jitendra Singh Chaudhary	1,40,58,664	Permanent	Executive President	B.E. 25 years	01.04.2017	47	DragonWave HFCL India Pvt. Ltd.- CEO
4.	Mr. Prakash Chand Gulgulia	1,30,84,844	Contractual	Vice-President	B.Com, 41 years	01.04.2016	62	Infotel Business Solution Ltd. Vice President
5.	Mr. Subodh Kumar Garg	1,21,20,463	Contractual	Senior President	B.E., M. Tech. 45 years	01.10.2015	69	Infotel Business Solution Ltd. Chief Project Officer
6.	Mr. Sushil K Wadhwa	1,13,65,818	Permanent	Senior Vice-President	ICWA, 39 years	21.07.2011	60	Aircel Ltd. Commercial Head
7.	Mr. Harshwardhan Pagay	1,03,56,161	Permanent	Executive President	B.E, MBA 25 years	22.10.2012	49	Teracom Ltd. CEO
8.	Mr. Karan Bamba	1,01,54,305	Permanent	Vice-President	BE, MBA, 30 years	01.03.2012	52	Nokia Siemens Network Ltd. Transformation Program Manager
9.	Mr. Sunil Kumar Kulshrestha	92,18,245	Permanent	Executive President	B.Sc. (H), M.A. 44 years	01.01.2015	67	Parmesh Finlease Ltd. Director
10.	Mr. Manoj Baid	82,52,437	Permanent	Senior Vice–President (Corporate) & Company Secretary	B.Com, CS 27 years	02.05.1994	52	HFCL Trade Invest Ltd. Company Secretary

II. Names of the employees who were employed for a part of FY21 and were paid remuneration not less than ₹8,50,000/- per month:

S. No.	Name	Remuneration received (₹)	Nature of employment	Designation	Qualifications & Experience	Date of commencement of employment	Age (Years)	Last employment held
1.	Mr. Ashwani Gupta	7,60,87,637*	Permanent	Executive Director	B. Tech, MBA. 39 years	18.05.2015	62	Crompton Greaves Ltd. President
2.	Mr. Devender Kumar	1,19,41,982	Permanent	Executive President	B.E. 34 years	18.05.2020	55	Ericsson India Ltd. Head-Network Operation
3.	Mr. Nand Lal Garg	71,96,322	Permanent	President	B.E. 35 years	15.07.2020	56	Indus Tower. Head – Contract Management
4.	Mr. Sanjay Vithalrao Jorapur	67,20,936	Permanent	President	B.E., MBA, 26 Years	01.08.2020	51	Exicom Tele-systems Ltd. CHRO

* The remuneration paid to him upto the date of his relieving includes his gross salary, variable pay, notice pay and leave encashment (accumulated from 2016 to 2020).

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 (C) to Directors' Report

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2021

[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 March 31, 2021. The secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 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 March 31, 2021 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 2020-21**;

(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; **(Not applicable to the Company during the Financial Year 2020-2021)**

(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 2020-2021)**;

(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 2020-2021)**;

(h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Financial Year 2020-2021)**;

(i) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 2018 **(Not applicable to the Company during the Financial Year 2020-2021)**;

(j) The Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2018; **(Not applicable to the Company during the Financial Year 2020-2021)**;

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

(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 2020-2021)**.

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) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013;

n) 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.

Name : CS BALDEV SINGH KASHTWAL
FCS No : 3616
C P No. : 3169
ICSI-UDIN : F003616C000235111

Date: May 04, 2021
Place: Delhi

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 March 31, 2021 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 of the scanned copies 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 some parts of the country, the physical verification of some of the original documents could not be done. However, scanned copies of all relevant documents and registers were provided by the Company through digital modes.

Name	**:**	**CS BALDEV SINGH KASHTWAL**
FCS No	**:**	**3616**
C P No.	**:**	**3169**
ICSI-UDIN	**:**	**F003616C000235111**

Date : May 04, 2021
Place: Delhi

Annexure (D) 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 been taken wherever possible. Efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

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

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

(B) TECHNOLOGY ABSORPTION:

(i) the efforts made towards technology absorption:

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

i. Upgraded their Wireless access and backhaul solutions to higher capacities and improved security features.

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 $\pm 180^0$ on horizontal plane and $\pm 10^0$ 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) **Access 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. The Access Point Portfolio is also integrated with Telecom Infra Project OpenWiFi that enables HFCL to be part of open source community.

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.

c) **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 developed/under development 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 for artillery ammunition have been designed and developed in-house, with collaboration from foreign engineers, with ownership of the IPR and the product in compliance with various guidelines of GOI. The products 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 are 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)	**The details of technology imported:**	Low Power 2G BSS
(b)	**The 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:**	NA

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

(₹ in Crores)

(a)	**Capital**	26.78
(b)	**Recurring**	17.83
(c)	**Total**	44.61
(d)	**Total R & D expenditure as a percentage of total Turnover**	1.08

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Crores)

Particulars	Financial Year ended 31.03.2021	Financial Year ended 31.03.2020
Foreign exchange earned in terms of actual inflows	187.81	102.29
Foreign exchange outgo in terms of actual outflows	768.66	398.65

Annexure (E) to Directors' Report

Annual Report on CSR Activities

1. **Brief outline on CSR Policy of the Company**

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

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

(i) Promoting preventive health care.

(ii) Sanitation and making available safe drinking water.

(iii) Eradicating hunger, poverty and malnutrition.

(iv) To arrange establish, run, manage, control, look after and supervise the widows homes, old age homes, orphanages, child welfare centre and to provide medical relief and/or aid to the suffering human body.

(v) To establish sponsor, administer and provide funds, stipends, scholarships and study grants to enable poor deserving and / or meritorious students and teachers to pursue their studies, research and training in any fields in India.

(vi) Rural Development Projects.

2. **The composition of the CSR Committee:**

The composition of the CSR Committee during the financial year ended March 31, 2021, is as under:

S. No.	Name of Director	Designation	Position	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Mahendra Nahata	Managing Director	Chairman	01	01
2.	Mr. Mahendra Pratap Shukla #	Chairman (Non-Executive)	Member	01	01
3.	Mr. Surendra Singh Sirohi	Independent Director	Member	01	01
4.	Mr. Ramakrishna Eda *	Nominee Director (IDBI Bank Limited)	Member	NA	NA
5.	Mr. Ranjeet Anandkumar Soni **	Nominee Director (IDBI Bank Limited)	Member	01	01

\# Deceased on May 04, 2021

* Appointed w.e.f. February 22, 2021, consequent to cessation of Mr. Ranjeet Anandkumar Soni as Nominee Director and members of CSR Committee w.e.f. February 22, 2021.

** Ceased to be a Director w.e.f. February 22, 2021.

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

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:**

- Composition of CSR committee: **http://www.hfcl.com/wp-content/uploads/2021/02/HFCL-Composition-of-Board-Committees.pdf**
- CSR Policy: **http://www.hfcl.com/wp-content/uploads/2017/11/CSR-Policy.pdf**
- CSR projects approved by the Board: **https://www.hfcl.com/wp-content/uploads/2021/05/HFCL-Ongoing-CSR-Projects.pdf**.

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report):**

Not applicable.

5. **Details of the amount available for set-off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:**

S. No.	Financial Year	Amount available for set-off from preceding financial years (₹)	Amount required to be set-off for the financial year, if any (₹)
Not applicable.			

6.	**Average Net Profit of the company as per Section 135(5):**	₹280.20 Crores
7.	**(a) Two percent of average net profit of the company as per Section 135(5):**	₹5.60 Crores
	(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years:	Nil
	(c) Amount required to be set off for the financial year, if any:	N.A.
	(d) Total CSR obligation for the financial year (7a+7b-7c):	₹5.60 Crores

8. (a) CSR amount spent or unspent for the financial year

Total Amount Spent for the Financial Year (₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
9,77,92,397 *	Nil	Nil	Nil	Nil	Nil

** Includes ₹4,17,51,174 /- being carried forward unspent CSR amount of previous financial year 2019-20.*

8. (b) Details of CSR amount spent against ongoing projects for the financial year:

1	2	3	4	5		6	7	8	9	10	11	
S. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project	Amount spent in the current financial Year *	Amount transferred to Unspent CSR Account for the project as per Section 135(6)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District		₹	₹	₹		Name	CSR Registration number
1.	Balvantray Mehta Vidya Bhawan	Education	Yes	Delhi	Delhi	39 Months	59,49,706	13,13,620	N/A	No	Servants of the People Society	Registration in process
2.	Computer Learning Centre	Skill Development	Yes	Uttar Pradesh	Ghazipur	40 Months	1,75,50,000	57,75,000	N/A	No	Hari Prem Society	Registration in process
3	MMU- Sardarshahar	Health Care	Yes	Rajasthan	Sardarshahar	76 Months	1,89,52,689	13,31,362	N/A	No	HelpAge India	CSR00000901
4.	Individual Higher Education Grant	Education	Yes	Telangana	Hyderabad	36 Months	3,75,000	1,25,000	N/A	No	HFCL Social Services Society	N/A
5.	Medi-Dialysis Centre	Advance Health Care	Yes	Delhi	Delhi	24 Months	2,50,00,000	2,50,00,000	N/A	No	Bhagwan Mahavir Relief Foundation Trust	Registration in process
6.	St. Stephen's Hospital	Advance Health Care	Yes	Delhi	Delhi	24 Months	28,00,000	12,00,000	N/A	No	St. Stephen's Hospital Patients Welfare Society	Registration in process
7.	MMC- Ghazipur	Health Care	Yes	Uttar Pradesh	Ghazipur	72 Months	1,92,42,000	19,98,000	N/A	No	Wockhardt Foundation	CSR00000161
8	MMC- Hyderabad	Health Care	Yes	Telangana	Hyderabad	72 Months	1,54,91,016	14,22,000	N/A	No	Wockhardt Foundation	CSR00000161
9.	Health Care Support	Health Care	Yes	Gujarat	Ahmedabad	24 Months	1,25,00,000	1,25,00,000	N/A	No	Shah Foundation	Registration in process
10.	Education Support Grant	Education & Literacy	Yes	Delhi	Delhi	24 Months	2,00,00,000	2,00,00,000	N/A	No	Foundation for Pluralistic Research and Empowerment	Registration in process
11.	Namami Gange	Ganga Ghat Development	Yes	Uttar Pradesh	Ghazipur	36 Months	26,01,192	1,35,606	N/A	No	Beyond Built Pvt. Ltd.	N/A
			Total				**14,04,61,603**	**7,08,00,588**				

8. (c) **Details of CSR amount spent against other than ongoing projects for the financial year:**

1	2	3	4	5		6	7	11	
S. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (₹)	Mode of Implementation- Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1.	Old Age Home	Old Age Care	Yes	Delhi	Delhi	10,00,000	No	Amritum	N.A.
2.	RCBHCT Building Fund	Health Care	Yes	Karnataka	Bengaluru	5,00,000	No	Asparsh Hospice	N.A.
3.	COVID Support	Old Age Care/ COVID-19 Support	Yes	Delhi	Delhi	1,40,370	No	HFCL Social Services Society	N.A.
4.	CSR Week 2021	Health Care	Yes	Himachal Pradesh	Solan	75,000	No	HelpAge India	CSR00000901
5.	Gandhi Vidya Mandir (GVM)	Education	Yes	Rajasthan	Sardarshahar	3,00,000	No	HFCL Social Services Society	N.A.
6.	Survival Kits	COVID-19 Support	Yes	Himachal Pradesh	Solan	5,41,475	No	HelpAge India	CSR00000901
7.	Survival Kits	COVID-19 Support	Yes	Rajasthan	Sardarshahar	3,75,000	No	HFCL Social Services Society	N.A.
8.	Jan Sadharan Jal Mahal	Clean Water	Yes	Telangana	Hyderabad	67,373	Yes	N.A.	N.A.
9.	Support to Special Need Children	Improving Maternal Health	Yes	Haryana	Gurugram	2,00,000	No	M. S. Welfare Society	N.A.
10.	Blanket Distribution to underprivileged residing on streets	Disaster Management	Yes	Delhi	Delhi	55,285	No	HFCL Social Services Society	N.A.
11.	Individual Education Grant	Education	Yes	All India		4,80,000	No	Teach to Lead	N.A.
12.	Say No to Plastic	Environment	Yes	Delhi	Delhi	4,05,920	No	HFCL Social Services Society	N.A.
		Total				**41,40,423**			

8. (d) **Amount spent in Administrative Overheads:** ₹28,02,061/-

(e) **Amount spent on Impact Assessment, if applicable:** Not applicable.

(f) **Total amount spent for the Financial Year (8b+8c+8d+8e):** ₹7,77,43,072/- *

* During the FY21, out of total CSR amount spent of ₹9.78 Crores, ₹3.54 Crores have been spent directly by the Company on various CSR projects/programmes and ₹4.23 Crores have been spent by HSSS, leaving a credit balance of ₹2.01 Crores with HSSS towards future commitments.

(g) **Excess amount for set-off, if any:**

S. No.	Particulars	Amount (₹)
(i)	Two percent of average net profit of the company as per section 135(5)	5,60,41,223
(ii)	Total amount spent for the Financial Year	5,60,41,223
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. (a) Details of Unspent CSR amount for the preceding three financial years:

S. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135(6) (₹)	Amount spent in the reporting Financial Year (₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (₹)
				Name of the Fund	Amount (₹)	Date of transfer	
1.	2019-20	N.A.	4,17,51,174	N.A.	N.A.	N.A.	N.A.
	Total		**4,17,51,174**				

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

S. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (₹)	Amount spent on the project in the reporting Financial Year (₹)	Cumulative amount spent at the end of reporting Financial Year (₹)	Status of the project - Completed/ Ongoing
1.	HFCL0001	SMMU -Solan	Mar-16	67 Months	2,05,49,196	0	1,66,49,194	Ongoing
2.	HFCL0002	MMU-Goa	Mar-16	76 Months	1,76,57,347	0	1,22,66,576	Ongoing
3.	HFCL0003	MMU-Sardarshahar	Sep-16	76 Months	1,89,52,689	13,31,362	1,18,94,133	Ongoing
4.	HFCL0004	MMC-Ghazipur	Oct-17	72 Months	1,92,42,000	14,22,000	1,05,52,000	Ongoing
5.	HFCL0005	MMC-Hyderabad	Feb-18	60 Months	1,27,65,016	19,98,000	93,73,016	Ongoing
6.	HFCL0010	IIT – Madras	Aug-17	48 Months	60,00,000	0	60,00,000	Ongoing
7.	HFCL0011	Computer Learning Centre	Apr-18	40 Months	1,75,50,000	57,75,000	1,53,00,000	Ongoing
8.	HFCL0023	Education for Special need Children	Apr-17	50 Months	6,00,000	2,00,000	6,00,000	Ongoing
9.	HFCL0027	Jan Sadharan Jal Mahal	Jun-19	32 Months	5,49,813	67,373	5,49,813	Ongoing
10.	HFCL0028	Individual Education Grants	Apr-18	36 Months	6,75,000	1,25,000	6,07,500	Ongoing
11.	HFCL0030	Ganga Ghat Development	Feb-18	40 Months	26,01,192	1,35,606	25,19,158	Ongoing
12.	HFCL0037	Say No to Plastic	Nov-19	72 Months	6,98,400	4,05,920	6,98,400	Ongoing
		Total			**11,78,40,653**	**1,14,60,261**	**8,70,09,790**	

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:

(Asset-wise details)

(a) Date of creation or acquisition of the capital asset(s): N.A.

(b) Amount of CSR spent for creation or acquisition of capital asset: N.A.

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: N.A.

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): N.A.

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per Section 135(5): Not applicable.

Place: New Delhi
Date: May 10, 2021

Mahendra Nahata
Managing Director & Chairman – CSR Committee

CORPORATE GOVERNANCE REPORT

The Corporate Governance report for the Financial Year 2020-21 **("FY21")**, which forms part of the 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 (the **"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 March 31, 2021, the Company had 8 (eight) Directors on the Board with an optimum mix of Executive, Non-Executive and Independent Directors.

As on March 31, 2021, 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**.

During the year under review, the Company had a Non-Executive Director as the Chairman of the Board. Shri Mahendra Pratap Shukla, Non–Executive Chairman of the Board left for his heavenly abode on May 04, 2021.

Further, the Company is in the process of identifying a new Chairperson of the Board, who through his position and role would provide a balance to the structuring of the Board and would further strengthen its functioning.

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 March 31, 2021, 4 (four) Board Meetings were held on June 05, 2020, August 17, 2020, October 10, 2020 and January 14, 2021.

The requisite quorum was present for all the meetings held during the year review.

The last Annual General Meeting (AGM) was held on September 28, 2020.

Mr. Mahendra Nahata, Managing Director of the Company and Chairman of the CSR Committee, Mr. Arvind Kharabanda, Non-Executive Director, member of the Audit Committee, Stakeholders' Relationship Committee and Nomination, Remuneration & Compensation Committee and Mr. Surendra Singh Sirohi, Independent Director, Chairman of Nomination, Remuneration & Compensation Committee and member of Audit and CSR Committee were present at the last AGM of the Company.

Mr. Bharat Pal Singh, Independent Director, Chairman of the Audit Committee and member of Nomination, Remuneration & Compensation Committee, Dr. (Ms.) Tamali Sengupta, Independent Director, member of the Audit and Stakeholders' Relationship Committee, Dr. (Mr.) Ranjeet Mal Kastia, Non-Executive Director and member of Stakeholder's Relationship Committee and Mr. Ranjeet Anandkumar Soni, Nominee Director of IDBI Bank Limited and member of CSR Committee attended the last AGM of the Company through video conferencing.

The attendance of each Director at the meetings of the Board of Directors held during the financial year under review as well as in the last AGM and the number of directorships held by them, as at March 31, 2021, are as under:-

Name of the Director	DIN	Category	Total No. of Directorships $	No. of Board Meetings		Attended last AGM (September 28, 2020)	Shareholding in the Company
				Held	Attended		
Mr. Mahendra Pratap Shukla *	00052977	NED	02	4	3	No	Nil
Mr. Mahendra Nahata	00052898	PD [MD]	08	4	4	Yes	45,60,091
Mr. Arvind Kharabanda	00052270	NED	04	4	4	Yes	Nil
Dr. (Mr.) Ranjeet Mal Kastia	00053059	NED	06	4	4	Yes	Nil
Mr. Ranjeet Anandkumar Soni (Nominee – IDBI Bank Limited) #	07977478	NED	01	4	2	Yes	Nil
Mr. Surendra Singh Sirohi	07595264	NEID	01	4	4	Yes	Nil
Mr. Bharat Pal Singh	00739712	NEID	01	4	4	Yes	Nil
Dr. (Ms.) Tamali Sengupta	00358658	NEID	07	4	4	Yes	Nil
Mr. Ramakrishna Eda ##	07677647	NED	02	-	-	NA	Nil

$ The number of directorships held by the Directors as mentioned above does not include directorship of foreign companies, Section 8 companies, if any.

* Deceased on May 04, 2021.

Ceased as a Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

Appointed as a Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

[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 March 31, 2021:-

S. No.	Name of the Director	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. Ramakrishna Eda ## Non-Executive (Nominee-IDBI Bank)	HFCL Limited – Non-Executive Jaiprakash Power Ventures Limited- Non-Executive	Jaiprakash Power Ventures Limited	Audit Committee	Member
6	Mr. Surendra Singh Sirohi (Independent)	HFCL Limited – Independent	HFCL 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 Asian Hotels (West) Limited-Independent	Aria Hotels & Consultancy Services Private Limited @	Audit Committee	Chairperson
8	Mr. Bharat Pal Singh (Independent)	HFCL Limited – Independent	HFCL Limited	Audit Committee	Chairman

* Audit Committee and Stakeholders' Relationship Committee positions only are considered.

Deceased on May 04, 2021.

Appointed as a Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

@ Deemed Public Company.

None of the Directors on the Board holds directorships in more than ten public companies and memberships in more than ten committees and none of them acts as chairperson of more than five committees across all public limited companies in which he/ she is director, in terms of the limits stuipulated under the Act and the Listing Regulations.

None of the Directors serves as a director or independent director in more than seven listed entities.

Necessary disclosures have been made by all the Directors regarding their board / committee positions.

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 holds any share or convertible instrument in the Company as on March 31, 2021.

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 Act 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 January 05, 2017 published by SEBI, questionnaires were 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 included 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 included 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.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in the Listing Regulations and 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.

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 convening the ensuing AGM.

No independent director has resigned from the Board of Directors of your Company during the year under review.

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.

During the financial year ended March 31, 2021, 1 (one) meeting of the Independent Directors was held on March 30, 2021.

The meeting of the Independent Directors was attended by all the three independent directors namely, Mr. Surendra Singh Sirohi, Dr. (Ms.) Tamali Sengupta and Mr. Bharat Pal Singh.

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.

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: **https://www.hfcl.com/wp-content/uploads/2021/04/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. Ramakrishna Eda **
	Accounting and Finance	Yes	Mr. Bharat Pal Singh
			Mr. Arvind Kharabanda
			Mr. Ramakrishna Eda **
	Compliance and Risk	Yes	Mr. Surendra Singh Sirohi
			Mr. Bharat Pal Singh
			Dr. (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

* Deceased on May 04, 2021.

** Appointed as a Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

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 **https://www.hfcl.com/wp-content/uploads/2021/05/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 Crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/investments.
- To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders, if any, from time to time.

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 Audit 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 March 31, 2021, the Audit Committee met 7 (seven) times on June 04, 2020, June 05, 2020, August 17, 2020, October 10, 2020, December 10, 2020, January 14, .2021 and March 26, 2021.

The composition of the Audit Committee and details of meetings attended by its members during the financial year ended March 31, 2021, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Bharat Pal Singh	Chairman	7	7
Mr. Surendra Singh Sirohi	Member	7	7
Dr. (Ms.) Tamali Sengupta	Member	7	7
Mr. Arvind Kharabanda	Member	7	7

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 NRC Committee. The Company Secretary acts as Secretary to the Committee.

During the financial year ended March 31, 2021, the Nomination, Remuneration and Compensation Committee met 4 (four) times on June 05, 2020, August 17, 2020, October 10, 2020 and January 14, 2021.

The composition of the NRC Committee and details of meetings attended by its members during the financial year ended March 31, 2021, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Surendra Singh Sirohi	Chairman	4	4
Mr. Mahendra Pratap Shukla*	Member	4	3
Mr. Arvind Kharabanda	Member	4	4
Mr. Bharat Pal Singh	Member	4	4

* Deceased on May 04, 2021.

Dr. (Mr.) Ranjeet Mal Kastia, Non Executive Director has been inducted as a member of NRC Committee w.e.f. May 10, 2021.

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 implemented 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, if any, are recommended by the Nomination, Remuneration and Compensation (NRC) Committee within the salary scale approved by the Board and Shareholders 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 net profits for the financial years and within the ceilings prescribed under the Act, considering the criteria such as the market standards, financial performance, liquidity etc. of the Company.

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 March 31, 2021. 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 the annual financial results for the relevant financial year.

No profit based commission has been paid to the Managing Director for the financial year 2020-21.

Remuneration to Executive Director paid during FY 21:

Name of Director	Salary	Perquisites & Allowances	Contribution to PF	Net Profit based Commission	Total (₹)
Mr. Mahendra Nahata Managing Director	4,25,00,004	1,02,00,000	51,00,000	0	5,78,00,004 *

* Reduction in remuneration to the extent of 30% in the fixed salary of Mr. Mahendra Nahata, Promoter and Managing Director, for the period April 01, 2020 to September 30, 2020, on account of voluntary forgo of the fixed remuneration by him due to Covid-19 pandemic, in order to make his possible contribution in the financial health of the Company.

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.

Remuneration of Non-Executive Directors

During the year under review, the Company paid sitting fees @ ₹50,000/- per meeting to its Non-Executive Directors, including Independent Directors, for attending meetings of the Board and/or the Committees thereof.

In case of Nominee Director, sitting fee is paid directly 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 September 28, 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 April 01, 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 such Directors for the FY21.

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 FY21 are given below:

Remuneration to Non-Executive / Independent Directors paid during FY 21:

Name of Director	Sitting Fee	Total (₹)
Nominee Director IDBI Bank Limited (Non-Executive)		
Mr. Ranjeet Anandkumar Soni *	1,00,000	1,00,000
Mr. Ramakrishna Eda #	-	-
Non-Executive Directors		
Mr. Mahendra Pratap Shukla, Chairman	5,00,000	5,00,000
Dr. (Mr.) Ranjeet Mal Kastia	6,00,000	6,00,000
Mr. Arvind Kharabanda	12,50,000	12,50,000
Independent Directors		
Mr. Surendra Singh Sirohi	8,50,000	8,50,000
Dr. (Ms.) Tamali Sengupta	6,50,000	6,50,000
Mr. Bharat Pal Singh	8,00,000	8,00,000
Total		**47,50,000**

* Ceased as a Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

Appointed as a Non-Executive Director (Nominee –IDBI Bank Limited) w.e.f. February 22, 2021.

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 **https://www.hfcl.com/wp-content/uploads/2019/06/Remuneration-Policy.pdf**.

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 – A** to the Directors' Report and for the sake of brevity, the 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, which, inter-alia includes:

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 March 31, 2021, the Stakeholders' Relationship Committee met 01 (One) time on July 06, 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 was the Chairman of the SRC Committee. Consequent to demise of Mr. Mahendra Pratap Shukla, Mr. Arvind Kharabanda, Non–Executive Director and member of the SRC has been designated as the Chairman of the SRC Committee w.e.f. May 10, 2021. 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 March 31, 2021, are given below:-

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

* Deceased on May 04, 2021.

Designated as Chairman of the SRC Committee w.e.f. May 10, 2021.

Nature of Complaints and Redressal Status

During the FY21, 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 FY21 are given below:

Number of Shareholders' complaints received during the FY21	22
Number of complaints not resolved to the satisfaction of shareholders as on March 31, 2021	NIL
No. of pending complaints as at March 31, 2021	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 FY21 except in cases which are constrained by disputes and legal impediments.

There were no investor grievances remaining unattended/pending as at March 31, 2021.

The Board, in its meeting held on October 31, 2006, has designated Mr. Manoj Baid, Senior 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 **https://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–E** to the Directors' Report.

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

One meeting of CSR Committee was held during the financial year ended March 31, 2021. The CSR Committee met on June 05, 2020 inter-alia to consider and approve CSR activities for the Financial Year 2020-21.

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 March 31, 2021, is given below:-

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

* Deceased on May 04, 2021.

** Ceased as member of the CSR Committee w.e.f. February 22, 2021.

Inducted as member of the CSR Committee w.e.f. February 22, 2021.

3.5 Risk Management Committee

The Risk Management Committee (RMC) 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:

(1) To formulate a detailed risk management policy which shall include:

a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

b. Measures for risk mitigation including systems and processes for internal control of identified risks.

c. Business continuity plan.

(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

(3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

(6) To appoint, removal and decide terms of remuneration of the Chief Risk Officer (if any).

(7) Any other role / function as may be specified under the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, from time to time.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

During the financial year ended March 31, 2021, 02 (two) meetings of the Risk Management Committee were held on June 05, 2020 * and March 26, 2021.

* *(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. Accordingly, RMC meeting dated June 05, 2020 is pertaining to FY20).*

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 March 31, 2021, are given below:-

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Mahendra Nahata	Chairman	2	2
Mr. Mahendra Pratap Shukla *	Member	2	2
Mr. Arvind Kharabanda	Member	2	2
Mr. Bharat Pal Singh #	Member	NA	NA

* Deceased on May 04, 2021.

Inducted as member of the RMC w.e.f. May 10, 2021.

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
2019-20	28-09-2020	Plot No. 32 Sector 32, Gurugram*	11:00 A.M.
2018-19	28-09-2019	Mushroom Centre, Solan	11:00 A.M.
2017-18	29-09-2018	Mushroom Centre, Solan	11:00 A.M.

* *In view of the COVID-19 pandemic, the 33rd AGM was conducted through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM") without the presence of the members at a common venue in due compliance with applicable provisions of the Companies Act, 2013, the rules made thereunder read with MCA's General Circular numbered 14/2020, 17/2020, 20/2020 dated April 08, 2020, April 13, 2020 and May 5, 2020 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with SEBI Circular numbered SEBI/HO/CFD/CM01/CIR/P/2020/79 dated May 12, 2020.*

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
2019-20	28-09-2020	• To appoint a Director in place of Mr. Mahendra Pratap Shukla (DIN: 00052977), who retires by rotation at this Annual General Meeting and being eligible offers himself for re- appointment.
2018-19	28-09-2019	• To approve Change of Name of the Company.
2017-18	29-09-2018	• 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.

4.3 Postal Ballot

No special resolutions was put through Postal Ballot during the FY21.

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 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

Thursday, September 30, 2021 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

April 01, 2020 to March 31, 2021.

6.3 Dividend Payment Date

The Board of Directors of your Company has recommended a dividend @ 15% i.e. ₹0.15 (Fifteen Paisa) per equity share of ₹1/-, for FY21. Dividend, if declared, in the ensuing AGM, will be paid within the statutory time limits i.e. 30 days from the date of AGM.

6.4 Date of Book Closure

From Friday, September 24, 2021 to Thursday, September 30, 2021 (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 FY22.

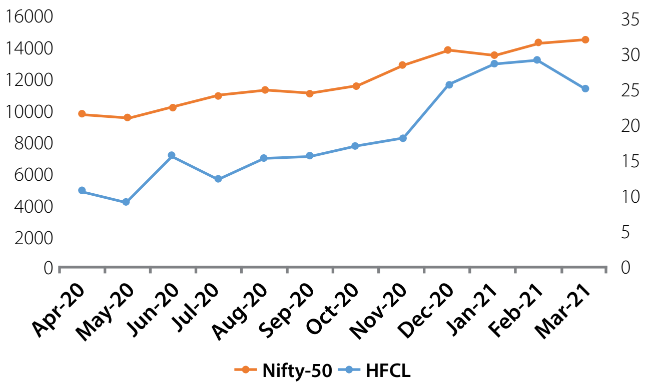
6.12 Stock Codes

BSE: 500183
NSE: HFCL

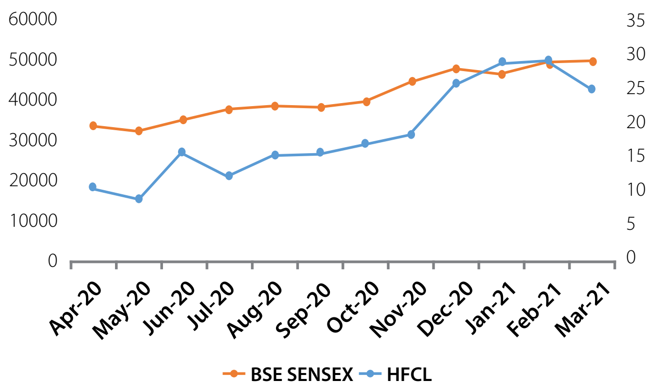
6.13 (a) Stock Market Price Data on NSE and BSE and Performance in comparison to broad-based indices

Month	NSE (₹)		BSE (₹)		NIFTY INDEX		BSE SENSEX	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
April, 2020	12.75	8.65	12.80	8.65	9889.05	8055.80	33887.25	27500.79
May, 2020	11.00	8.70	10.98	8.70	9598.85	8806.75	32845.48	29968.45
June, 2020	16.80	9.70	16.90	9.75	10553.15	9544.35	35706.55	32348.10
July, 2020	16.50	11.30	16.50	11.30	11341.40	10299.60	38617.03	34927.20
August, 2020	18.70	12.05	18.66	12.05	11794.25	10882.25	40010.17	36911.23
September, 2020	18.30	13.70	18.20	13.35	11618.10	10790.20	39359.51	36495.98
October, 2020	17.95	15.70	18.10	15.70	12025.45	11347.05	41048.05	38410.20
November, 2020	19.80	16.75	19.80	16.20	13145.85	11557.40	44825.37	39334.92
December, 2020	27.25	18.40	27.25	18.00	14024.85	12962.80	47896.97	44118.10
January, 2021	34.65	25.60	34.75	25.60	14753.55	13596.75	50184.01	46160.46
February, 2021	31.85	25.80	31.85	25.85	15431.75	13661.75	52516.76	46433.65
March, 2021	31.10	25.00	31.00	25.00	15336.30	14264.40	51821.84	48236.35

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



6.13 (c) Performance of Share Price in Comparison to BSE 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 Transfer, Transmission, Dividend etc.

Share transfer, 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 April 01, 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 FY21:-

Number of Request	02
Number of Shares	220

6.17 Distribution of Equity Shareholdings as on March 31, 2021:

Range of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Up to 5000	2,45,847	95.39	14,75,32,159	11.49
5001 – 10000	6,010	2.33	4,64,72,414	3.62
10001 – 20000	2,844	1.10	4,23,00,209	3.29
20001 – 30000	1,052	0.41	2,64,63,327	2.06
30001 – 40000	454	0.18	1,62,24,710	1.26
40001 – 50000	373	0.15	1,75,50,833	1.37
50001 – 100000	568	0.22	4,18,56,254	3.26
Above 100000	574	0.22	94,59,77,288	73.65
Total	**2,57,722**	**100.00**	**1,28,43,77,194**	**100.00**

6.18 Categories of Equity Shareholding as on March 31, 2021:

S. No.	Category	No. of Shares	% Shareholding
A	**Promoters Holding**		
1	Indian Promoters	54,00,93,812	42.05
2	Foreign Promoters	-	-
	Sub Total (A)	**54,00,93,812**	**42.05**
B	**Public Shareholding**		
1	Institutional Investors		
	a) Mutual Funds/UTI	3,77,433	0.03
	b) Venture Capital Funds	-	-
	c) Alternate Investment Funds	-	-
	d) Foreign Venture Capital Investors	-	-
	e) Foreign Portfolio Investors	2,80,55,686	2.18
	f) Financial Institutions and Banks	2,150	0.00
	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)	**2,89,72,394**	**2.26**
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	45,21,21,424	35.2
	b) NBFCs Registered with RBI	5,85,169	0.05
	c) Employee Trusts	-	-
	d) Overseas Depositories (holding DRs)	-	-
	e) Any Other		
	(i) Bodies Corporates	23,53,50,064	18.32
	(ii) OCBs	38250	0.00
	(iii) NRIs	2,70,22,052	2.1
	(iv) Societies	520	0.00
	(v) Trusts	1,88,509	0.01
	Sub Total (B3)	**71,53,05,988**	**55.69**
	Total Public Shareholding (B = B1+B2+B3)	**74,42,83,382**	**57.95**
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 March 31, 2021, 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 March 31, 2021	No. of Shares	Percentage
In Physical Form	4,68,085	0.04%
In Dematerialized Form	1,283,909,109	99.96%
Total	**1,284,377,194**	**100.0%**

No. of shareholders whose shares as on March 31, 2021 are in Physical and Demat form:	No. of Shareholders	Percentage
In Physical Form	3,591	1.40%
In Dematerialized Form	2,54,131	98.60%
Total	**2,57,722**	**100.0%**

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 has not issued any Global Depository Receipts or American Depository Receipts or any other convertible instruments, 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 FY21, 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. 59 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

Plot No. S9, E-City
Raviryala, Rangareddy
Hyderabad – 501 359
Telangana
Tel: +91-832-6697000
Fax: +91-832-2783444

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

The FTTH Cable manufacturing Plant has been commissioned from December 16, 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
Senior 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 March 26, 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 December 07, 2020, has re-affirmed the credit rating for the Long Term Bank facilities of the Company to CARE A Minus; (Single A Minus) with Outlook "Negative".

The credit rating for the short term bank facilities were revised to CARE A2 (A Two) from 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. 51 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 March 29, 2019 and Order No. ORDER SRP/HKS/2019-20/2623 passed on April 05, 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 January 01, 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 stipulated under Section 177(9) of the Act and 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**.

The Board, in its meeting held on July 12, 2021, has amended the "Policy on Determining Material Subsidiary" of the Company to incorporate the amended provision pertaining to disposal of stake/control in the material subsidiary, if any, of the Company.

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.

As on March 31, 2021, HTL Limited has become a material subsidiary of the Company.

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**.

7.7 Code of conduct for Board Members and Senior Management Personnel

Pursuant to Regulation 17(5) 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 FY21.

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 the Insider Trading Code with the objective 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 April 01, 2019 and subsequently amendments pursuant to the SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019 were made effective from December 26, 2019.

SEBI, vide its Notification No. SEBI/LAD-NRO/GN/2020/23 dated July 17, 2020, introduced the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2020, which inter-alia provided that the Code shall specify that in case it is observed by the Company, that there has been a violation of the SEBI PIT Regulations, it shall promptly inform the stock exchange(s) where the concerned securities are traded, in such form and such manner as may be specified by SEBI from time to time.

Previously, any such violation was required to be reported to the SEBI.

These amendments had become effective w.e.f. July 17, 2020.

SEBI vide its Circular No. SEBI/HO/ISD/ISD/CIR/P/2020/135 dated July 23, 2020, had prescribed the revised standard format for reporting of violations related to the Code.

In view of the aforesaid amendments to the SEBI PIT Regulations, necessary changes have been made in the existing Insider Trading Code of the Company.

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 FY21 are given below:

S. No.	Name of Entity	Relationship with HFCL	Name of Auditors' Firm	Details of Services	Amount (₹)
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	50,367
			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	11,42,000
				Travel & Boarding Expenses	1,21,200
2	HTL Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)		18,88,447
3	Polixel Security System Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	5,00,000
4	HFCL Advance Systems Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	23,600
5	Raddef Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	1,00,000
			TOTAL		**1,40,25,614**

7.10 Secretarial Auditor

Pursuant to the provisions of Section 204 of the Act read with relevant 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 FY21.

A Secretarial Audit Report given by the Secretarial Auditor in Form No. MR-3 is annexed as **Annexure–C** to the 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 February 08, 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 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 March 31, 2021 and the same has already been filed with BSE and NSE, stock exchanges, where the shares of the Company are listed and also published on the website of the Company at **https://www.hfcl.com/wp-content/uploads/2021/05/HFCL-Annual-Secretarial-Compliance-Report_31.03.2021.pdf.**

7.11 Secretarial Certificates

(i) Pursuant to Regulation 40(9) of the Listing Regulations, certificates on half- yearly basis, have been issued by a Company Secretary in-Practice certifying that all certificates have been issued within 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 (POSH Act)

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(s) **("ICCs")** have been set up at each workplace 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 2020 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 FY21:

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

Further, the Company also organises and conducts various training programmes, from time to time, for awareness on the provisions of POSH Act.

7.14 Financial Calendar 2021-22 (tentative and subject to change):

- Financial Reporting for the first quarter ending June 30, 2021: On or before July 15, 2021.
- Financial Reporting for the second quarter and half year ending September 30, 2021: On or before November 14, 2021.
- Financial Reporting for the third quarter ending December 31, 2021: On or before February 14, 2022.
- Audited Accounts for the year ending March 31, 2022: On or before May 30, 2022.
- Annual General Meeting for the year ending March 31, 2022: On or before September 30, 2022.

7.15 Where the board had not accepted any recommendation of any committee of the board which is mandatorily required, in the relevant financial year, the same to be disclosed along with reasons thereof

During the year under review, the Board has accepted all the recommendations made by various committees of the Board, which is mandatorily required.

7.16 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 Listing Regulations are as follows:

a) The Board:

The Chairman of the Company was Non-Executive. He was entitled to maintain a Chairperson's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties. Further, the Non-Executive Chairman of the Company had left for his heavenly abode on May 04, 2021.

b) Shareholder Rights:

Financial Performance are published in newspapers, uploaded on the Company's website www.hfcl.com and submitted to the Stock Exchanges (BSE & NSE), instead of sending to each household of the shareholders. Further, all significant events are also disclosed to the Stock Exchanges and published on the website of the Company, instead of sending to each household of the shareholders.

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 Codes of Conduct for all the Board Members and the Senior Managerial Personnel of the Company, which have also been posted on the website of the Company viz. www.hfcl.com. Pursuant to the above, the Company has received 'Affirmation of Compliance' from the Board Members and the 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 respective Codes of Conduct during the Financial Year 2020-21.

Place: New Delhi
Date: May 09, 2021

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 March 31, 2021, 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 to 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 to 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.

Name : CS BALDEV SINGH KASHTWAL
FCS No. : 3616
C P No. : 3169
ICSI – UDIN: F003616C000805615

Date : August 19, 2021
Place: Delhi

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 – 173213 (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 – 173213 (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 March 31, 2021, 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:

S. 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. Ramakrishna Eda ##	07677647	22/02/2021
7.	Mr. Surendra Singh Sirohi	07595264	27/08/2018
8.	Dr. (Ms.) Tamali Sengupta	00358658	24/12/2018
9.	Mr. Bharat Pal Singh	00739712	21/01/2020

* Deceased on May 04, 2021.

Ceased as a Non-Executive Director (Nominee– IDBI Bank Limited) w.e.f. February 22, 2021.

Appointed as a Non-Executive Director (Nominee– IDBI Bank Limited) w.e.f. February 22, 2021.

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
FCS No. : 3616
C P No. : 3169
ICSI – UDIN : F003616C000234451

Place: New Delhi
Date : May 04, 2021

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 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, OFC and optical transport network, routing network, microwave radio network, satellite communications, wireless spectrum management, fiber monitoring & management system. The Company has implemented over 25,000 2G/3G/4G cell sites and rolled out over 100,000 kilometres of optical fibre 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 other business domains such as defence, railway communication, smart cities and surveillance areas and global system integration services. HFCL has developed new products by its own R&D for Telecom, Defence, Smart Cities and Surveillance applications. This includes Wi-Fi Systems, Unlicensed Band Radios, Switches, Electronic Fuses, Electro Optic Devices, Cloud Management Systems and Video Management Systems.

The Company has state of the art technology driven manufacturing facilities comprising of Optical Fibre and Optical Fibre Cable manufacturing facility at Hyderabad, OFC manufacturing facility at Goa and a Telecom Equipment manufacturing facility at Solan.

The Company is presenting its fifth Business Responsibility Report (BRR) forming part of its Annual Report 2020-21 hereunder:

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

<table>
<tr><th>S. No</th><th>Particulars</th><th>Remarks</th></tr>
<tr><td>1.</td><td>Corporate Identity Number (CIN) of the Company</td><td>L64200HP1987PLC007466</td></tr>
<tr><td>2.</td><td>Name of the Company</td><td>HFCL Limited
(formerly Himachal Futuristic Communications Limited)</td></tr>
<tr><td>3.</td><td>Registered Address</td><td>8, Electronics Complex, Chambaghat, Solan – 173 213, Himachal Pradesh
T: +91-1792-230644</td></tr>
<tr><td>4.</td><td>Website</td><td>www.hfcl.com</td></tr>
<tr><td>5.</td><td>E-mail id</td><td>secretarial@hfcl.com</td></tr>
<tr><td>6.</td><td>Financial Year reported</td><td>2020-21</td></tr>
<tr><td>7.</td><td>Sector(s) that the Company is engaged in (industrial activity code wise):
[Source: National Industrial Classification Code (NIC)]</td><td>Optical Fiber Cable-27310 *
Turnkey Contracts and Services-42202 *</td></tr>
<tr><td>8.</td><td>List three key products / services that the Company manufactures / provides (as in balance sheet)</td><td>The Company is engaged into the manufacturing of Optical Fiber, Optical Fiber Cables and high end transmission and access equipment.

The Company is providing turnkey solutions to telecom service providers, railways, defense, smart city and surveillance projects.</td></tr>
<tr><td>9.</td><td>Total number of locations where business activity is undertaken by the Company</td><td>National locations:

Manufacturing Facilities located at Solan (Himachal Pradesh), Salcete (Goa) and Telangana (Hyderabad).

Turnkey contracts and services are provided on PAN India basis.

International locations:

<table><tr><td>Branch Office -</td><td>Mauritius</td><td>Dhaka</td><td>United Kingdom</td></tr><tr><td>Representative Office -</td><td>Dubai</td><td></td><td></td></tr></table></td></tr>
<tr><td>10.</td><td>Markets served by the Company – Local / State / National / International</td><td><table><tr><td>Local</td><td>State</td><td>National</td><td>International</td></tr><tr><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr></table></td></tr>
</table>

*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 (Comprising 128,43,77,194 equity shares of ₹1/- each)	
2.	**Total Turnover (INR)**	4,105.87 Crores	
3.	**Total profit after taxes (INR)**	222.86 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	Providing Advance Medical Relief through Corrective Surgeries, Delhi
		vii	Providing Medical relief to the underprivileged communities, Gujarat
		viii	Providing Individual Critical Illness Support Grant
		ix	Providing quality education through new age digital learning solutions in Ghaziabad and Ghazipur districts of Uttar Pradesh and Sardarshahar in Churu district of Rajasthan
		x	Sponsoring higher education at IIT, Madras.
		xi	Providing Individual Higher Education Grant
		xii	Supporting Anganwadis to provide basic quality education and nutrition to the children, Gujarat
		xiii	Providing inclusive education to special children, Delhi
		xiv	Providing Grant to enhance Education & Literacy, Delhi
		xv	Providing computer skill training to under privileged youth in Ghazipur, Uttar Pradesh
		xvi	Ensuring environment sustainability by practicing SAY NO TO PLASTIC
		xvii	Redeveloping Ghanga Ghat in Ghazipur, Uttar Pradesh
		xviii	Disaster relief and rehabilitation
		xix	Old Age Care, Delhi

SECTION C: OTHER DETAILS

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

As on March 31, 2021, the Company has 06 (six) subsidiary companies, as follows:

i) HTL Limited
ii) Moneta Finance Private Limited
iii) HFCL Advance Systems Private Limited
iv) Polixel Security Systems Private Limited
v) DragonWave HFCL India Private Limited
vi) Raddef Private Limited

Further, the Company has incorporated a new wholly-owned subsidiary company, namely, HFCL Technologies Private Limited, on June 26, 2021.

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	00052977	07595264
2.	Name	Mr. Mahendra Pratap Shukla *	Mr. Surendra Singh Sirohi **
3.	Designation	Chairman	Independent Director

* Deceased on May 04, 2021.

** Designated w.e.f. September 03, 2021.

b Details of BR head

S. No.	Particulars	Details
1.	DIN (if applicable)	-
2.	Name	Mr. Manoj Baid
3.	Designation	Senior 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 P1	Product responsibility P2	Wellbeing of Employees P3	Stakeholders' Engagement P4	Human Rights P5	Environment P6	Public Policy P7	Inclusive Growth P8	Consumers 'Relations 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	-	-	-	-	-	-	-	-	-
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, BRR is published annually as part of the Annual Report. The first BRR was published in the Annual Report of FY 2016-17.

The BRR for all the five years including this FY 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.

The Company 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 do not contain substances which are identified in the "candidate List of substances of very High concern" published by ECHA on 19/01/2021 as a part of REACH Regulation. HFCL supplies products compliant with the latest RoHS and REACH directives applicable w.e.f. 22/07/2019 and 19/01/2021 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, conventional micro cables are further reduced and developed as ultra-low diameter micro cables. 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. The 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.

i. HFCL has always been concerned for the safety of its employees and hence fully automatic Fire detection and suppression system of Novec 1230 and CO_2 has been installed at our Goa Factory in UPS rooms, Battery rooms and Server room for human and equipment safety. Oxygen level monitoring system was installed in Fiber Coloring and Ribbon rooms for human safety. New 64-camera CCTV surveillance system installed at Goa plant.

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 Powers 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.

We have used Solar Power at all the 569 BTS sites in LWE project thereby avoiding the use of Diesel Generators which are normally used as backup power supply for the BTS and Microwave radios. In our case, we have EB supply at 147 sites and balance sites have no electricity supply from State Electricity Boards so far. We are running the network using mainly Solar Power only.

At 147 sites, approx. 20% charging may be through EB supply (when it is cloudy and no sun shine) and 80% through solar charging.

Each site needs approx. 350 watts of power. Assuming a 12 hour consumption of this power per day, we are saving about 126 KWHr energy per month per site at 422 sites and approx. 100.80 KWHr energy per site at 147 sites.

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, 2021, the Company employed 1,753 people on its rolls.

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

A total of 810 employees were hired on temporary/contractual/ casual basis.

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

As on March 31, 2021, the Company had total 131 women employees, including 07 off-role 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 1,753 workforce, about 2.45% (43 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 FY21. There are no such pending cases as on March 31, 2021.

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, from time to time.

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 and Hyderabad have been taken under the Company's CSR activities under the preventive healthcare programs. The Company's CSR activities also include advance healthcare, education, 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 an impact assessment mechanism in place. The details of Company's Community Development Initiatives are provided in the CSR section as an **Annexure 'E'** 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 the 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 Fibre and Optical Fibre Cables at Hyderabad is also in line with the Company's environment policy. All the raw materials used in fibre 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, optimizing natural light through efficient roof sky lighting and rain water harvesting. 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 is 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 fibre 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. Fibre plant focuses on reduce, recycle and reuse approach towards achieving sustainable manufacturing processes. In view of the same, plant recycles the key packaging material for re-use in the process thus reducing waste generation in the environment.

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 FY21.

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 India (ASSOCHAM), Federation of Indian Chamber of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), Telecom Equipment Manufacturers Association of India (TEMA), Goa Chamber of Commerce & Industry and 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 in 1996. Preventive healthcare, medical relief and quality education are 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 - E**" 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 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, Amrutam, Utkal Bipanna Sahayata Samiti (UBSS), Gogirl Foundation, Saha Foundation, The Bhagwan Mahavir Relief Foundation Trust, Foundation for Pluralistic Research and Empowerment and All India Heart Foundation.

   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 and installed a reverse vending machine for the collection and recycle of plastic bottles;

   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 and Specialized Medical Camps, from time to time, distributed Covid-19 support kits, encouraged Covid testing and vaccination, arranged on-call medical support service to the underprivileged communities in Solan during pandemic of Covid -19; 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 had 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 are being 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 five 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, 2021.

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 behaviour as on March 31, 2021.

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

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, 2021, 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, and based on the consideration of reports of the branch auditors, 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, 2021, and profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

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 obtained by us along with the consideration of audit reports of the branch auditors referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of Matter

We draw attention to Note 41 of the standalone financial statements which describes management's assessment of the impact 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.

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, 2021, revenue from customer contracts amounts to INR 4,105.87 Crores whereas as at March 31, 2021, contract assets amount to INR 20.63 Crores, contract liabilities to INR 30.11 Crores, the balance of work in progress (WIP) amounts to INR 101.26 Crores and retention amounts to INR 272.38 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 Note 31 to the Standalone Financial Statements. During order fulfillment, contractual obligations may need to be reassessed. In addition, change orders or cancellations 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.	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. 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.

S.No.	Key Audit Matters	Response to Key Audit Matters
	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.	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 2,972.81 Crores as of March 31, 2021 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 9.93 crores as at March 31, 2021. 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, 2021, current financial assets include INR 399.84 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.
4	**Recoverability relating to Goods and Services Tax recoverable:** As at March 31, 2021, under other current assets, indirect taxes recoverable include INR 140.25 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.

S.No.	Key Audit Matters	Response to Key Audit Matters
5	**Recoverability and Contingencies relating to other Indirect tax matters** As at March 31, 2021, "Indirect Tax Recoverable" includes INR 18.23 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.

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.

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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Foreign branches of the Company. We are responsible for the direction, supervision and performance of the audit of the standalone financial statements of the Company of which we are the independent auditors. For the branches included in the standalone financial statements, which have been audited by other auditors, such branch auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in the section titled 'Other Matters' in this audit report.

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.

Other Matter

The Standalone Financial Statements includes financial performance of two foreign branches which reflects total assets of INR 3.23 Crore, total revenue of INR NIL Crore and net cash inflow amounting to INR 1.19 Crore for the year ended on 31st March 2021, which were audited by independent auditors in accordance with the regulations of such foreign countries and whose reports have been furnished to us and has been considered in the Standalone financial statements solely based on such audited financial statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

A. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the **"Annexure-A"** a statement on the matters specified in paragraphs 3 and 4 of the Order.

B. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The reports on the accounts of foreign branch offices audited by independent branch auditors of the Company have been sent to us and have been properly dealt with by us in preparing this report.

(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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 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 47 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 47 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: 21072625AAAABF5430	UDIN: 21054645AAAAAS2924
Place: Jaipur	Place: New Delhi
Date: May 10, 2021	Date: May 10, 2021

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/-	20,39,482/-	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. 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. According to the information and explanations given to us, the Company has granted unsecured loans to two bodies corporate, covered in the register maintained under Section 189 of the Companies Act, 2013, in respect of which:

a) During the year the Company has not granted any loan to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013

b) In respect of opening balances of such loans granted to body corporates in the previous years, 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 year-end.

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. The Central Government has specified maintenance of Cost Records under section 148 (1) of the act for certain manufacturing activities of the Company. We have broadly reviewed the books of account and records maintained by the Company relating to manufacturing of relevant products, and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the same 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, 2021 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. The 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. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

15. According to the information and explanation given to us and the books of accounts verified by us, the Company has not entered into any non-cash transaction with directors or persons connected with him 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: 21072625AAAABF5430

Place: Jaipur
Date: May 10, 2021

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 21054645AAAAAS2924

Place: New Delhi
Date: May 10, 2021

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, 2021.

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, 2021 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, 2021, 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: 21072625AAAABF5430	UDIN: 21054645AAAAAS2924
Place: Jaipur	Place: New Delhi
Date: May 10, 2021	Date: May 10, 2021

Balance Sheet as at March 31, 2021

(₹ in Crore)

Particulars	Note No(s)	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	331.03	323.12
(b) Capital work-in-progress	4	3.73	12.87
(c) Right-of-use-assets	43	20.13	19.78
(d) Intangible assets (other than Goodwill)	5	16.42	19.42
(e) Intangible assets under development	6	23.34	18.01
(f) Investment in subsidiaries, associates/ joint ventures	7	26.70	24.03
(g) Financial Assets			
(i) Investments	8	32.88	53.75
(ii) Trade receivables	15	444.78	119.87
(iii) Loans	9	26.50	26.50
(iv) Others	10	80.33	97.69
(h) Deferred tax assets (net)	11	10.57	8.74
(i) Other non-current assets	12	15.89	4.13
Total Non Current Assets		**1,032.30**	**727.91**
Current Assets			
(a) Inventories	13	306.25	272.38
(b) Financial Assets			
(i) Investments	14	5.61	2.40
(ii) Trade receivables	15	2,528.03	1,545.72
(iii) Cash and cash equivalents	16	19.79	12.72
(iv) Bank balances other than (iii) above	17	273.95	167.83
(v) Loans	18	3.00	6.75
(vi) Others	19	457.26	562.57
(c) Current Tax Assets (net)	20	74.91	95.64
(d) Contract Assets		20.63	18.16
(e) Other current assets	21	215.48	221.86
Total Current Assets		**3,904.91**	**2,906.03**
Total Assets		**4,937.21**	**3,633.94**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	128.44	128.44
(b) Other Equity	22	1,748.05	1,516.62
Total Equity		**1,876.49**	**1,645.06**
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	197.43	149.89
(ii) Lease liabilities	43	18.43	16.72
(b) Provisions	24	32.19	27.65
Total Non Current Liabilities		**248.05**	**194.26**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	530.95	423.04
(ii) Lease Liabilities	43	3.58	4.87
(iii) Trade payables	26		
- total outstanding dues of micro enterprises and small enterprises		166.56	76.39
- total outstanding dues to other than micro enterprises and small enterprises.		1,485.20	705.62
(iv) Other financial liabilities	27	474.06	493.80
(b) Current Tax liabilities (Net)	28	42.33	-
(c) Other current liabilities	29	68.13	47.45
(d) Contract liabilities	31	30.11	33.16
(e) Provisions	30	11.75	10.29
Total Current Liabilities		**2,812.67**	**1,794.62**
Total Liabilities		**3,060.72**	**1,988.88**
Total Equity and Liabilities		**4,937.21**	**3,633.94**

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

Arvind Kharabanda
Director
DIN: 00052270

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
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

Statement of Profit and Loss for the year ended March 31, 2021

(₹ in Crore)

	Particulars	Note No(s)	For the year ended March 31, 2021	For the year ended March 31, 2020
I	**INCOME**			
	Revenue from operations	31	4,105.87	3,547.30
	Other Income	32	33.22	20.94
	Total Revenue (I)		**4,139.09**	**3,568.24**
II	**EXPENSE**			
	Cost of Material Consumed	33	490.35	391.48
	Other Direct Cost	34	971.87	1,622.22
	Purchases of stock-in trade		1,744.89	849.35
	Change in inventories of finished goods, work-in progress and stock-in trade	35	27.95	(95.05)
	Employee benefits expense	36	215.69	193.77
	Finance Costs	37	148.25	90.10
	Depreciation & amortization expenses	3,5,43	53.59	30.14
	Other Expenses	38	186.50	158.31
	Total Expenses (II)		**3,839.09**	**3,240.32**
III	**Profit before exceptional items and income tax (I-II)**		**300.00**	**327.92**
IV	Exceptional item	50	4.13	-
V	**Profit before tax (III - IV)**		**295.87**	**327.92**
VI	**Tax expenses**			
	- Current tax		75.70	53.43
	- Deferred Tax		(2.69)	70.67
VII	**Profit for the year (V-VI)**		**222.86**	**203.82**
VIII	**Other comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		3.43	2.26
	(ii) Income tax on above item		(0.86)	(0.79)
	(iii) Gain/(Loss) on Equity Instruments designated through OCI		2.56	(2.13)
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.45)	(0.08)
	Total Other comprehensive income/(loss) for the year		**4.68**	**(0.74)**
IX	**Total comprehensive income for the year (VII + VIII)**		**227.54**	**203.08**
X	**Earnings per share from continuing and total operations attributable to the equity holders of the Company**	39		
	- Basic (₹)		1.74	1.59
	- Diluted (₹)		1.74	1.61

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

Arvind Kharabanda
Director
DIN: 00052270

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
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

Statement of Cash Flow for the year ended March 31, 2021

(₹ in Crore)

Particulars		For the year ended March 31, 2021	For the year ended March 31, 2020
I. Cash flow from Operating Activities :			
Net Profit before taxes		**295.87**	**327.92**
Adjustments for :			
Depreciation, Impairment and Amortization expenses	53.59		30.14
(Gain)/Loss on disposal of property, plant and equipment	0.03		0.15
Financial Guarantee income	(2.89)		(2.93)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	3.98		4.63
Employee Share based payments expenses	3.69		7.15
Dividend and interest income classified as investing cash flows	(2.33)		(4.98)
Finance costs (net)	148.25		90.10
		204.32	**124.26**
Change in operating assets and liabilities :			
(Increase) in Trade and other receivables	(1,311.20)		(144.59)
(Increase) in Inventories	(33.86)		(80.74)
Increase in Trade payables	869.75		41.04
(Increase)/ Decrease in other financial assets	(11.27)		(74.19)
(Increase)/ Decrease in other non-current assets	17.36		8.10
(Increase)/ Decrease in other current assets	3.91		(75.89)
Increase in provisions	1.46		3.17
Increase in other non-current liabilities	7.97		6.19
Increase/(Decrease) in other current liabilities	(36.69)		164.12
		(492.57)	**(152.79)**
Cash generated from operations		**7.62**	**299.39**
Income taxes paid/refund (net)		(12.63)	(91.31)
Net cash inflow from /(used in) operating activities		**(5.01)**	**208.08**
II Cash flow from Investing activities			
Payment for acquisition of subsidiaries & other investments		(12.96)	(9.85)
Payments for property, plant and equipment including CWIP		(56.90)	(146.89)
Payments for Intangible Assets		(7.73)	(10.32)
Payment for loan to body corporate		3.75	(2.00)
Proceeds from sale of property, plant and equipment		2.14	0.04
Proceeds from sale of Investment		33.13	-
Dividends received		-	0.02
Interest received		10.20	5.79
Net Cash flow from / (used in) investing activities		**(28.37)**	**(163.21)**

Statement of Cash Flow for the year ended March 31, 2021

(₹ in Crore)

Particulars		For the year ended March 31, 2021	For the year ended March 31, 2020
III	**Cash flow from Financing Activities**		
	Proceeds from issues of Warrants	-	7.50
	Proceeds from borrowings	262.98	149.77
	(Repayment) of borrowings	(70.43)	(91.01)
	(Repayment) of lease liabilities	(7.59)	(7.20)
		184.96	**59.06**
	Less:		
	Finance Costs paid	(144.51)	(82.54)
	Dividend & tax thereon paid	-	(15.48)
		-	-
	Net Cash flow from/ (used in) financing activities	**40.45**	**(38.96)**
IV	**Net increase/(decrease) in cash & cash equivalents (I + II + III)**	**7.07**	**5.91**
V	**Cash and cash equivalents at the beginning of the financial year**	**12.72**	**6.81**
VI	**Cash and cash equivalents at end of the year**	**19.79**	**12.72**
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	0.09	0.27
	Balances with Scheduled banks in	-	-
	Current accounts*	17.16	10.24
	Fixed Deposits with Bank	2.54	2.21
	Balances per statement of cash flows	**19.79**	**12.72**
4	**Analysis of movement in borrowings**		
	Borrowings at the beginning of the year	610.28	551.53
	Movement due to cash transactions as per the Statement of Cash Flows	192.55	58.76
	Borrowings at the end of the year	**802.83**	**610.29**
	* ₹ 0.27 crore (Previous year ₹ 0.27 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 S. Bhandari & Co.
Chartered Accountants
Firm Reg. No. 000560C

P. D. Baid
Partner
M.No. 072625

Jaipur, 10th May, 2021

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

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, 10th May, 2021

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Mahendra Nahata
Managing Director
DIN: 00052898

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

New Delhi, 10th May, 2021

Statement of Changes in Equity for the year ended March 31, 2021

A. Equity Share Capital

(₹ in Crore)

Particulars	Amount
Balance as at April 1, 2019	**127.44**
Changes in equity share capital	1.00
Balance as at March 31, 2020	**128.44**
Changes in equity share capital	-
Balance as at March 31, 2021	**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	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve	
Balance as at April 1, 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 115	-	-	-	-	-	(1.12)	-	-	-	(1.12)
Restated balance as at April 1, 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	-	-	-	-
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**
Impact on account of adoption of Ind AS 116 (refer note No 42)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Restated 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**
Total Comprehensive Income for the year	-	-	-	-	-	222.87	2.56	2.57	(0.45)	227.55
Warrant subscription price equivalent to 75% of the issue price*	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	(2.81)	(124.75)	127.56	-	-	-
Dividends paid for the previous year (Including tax on dividend)	-	-	-	-	-	-	-	-	-	-
Employee Share Options outstanding $	-	3.88	-	-	-	-	-	-	-	3.88
Conversion of warrants into equity share	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2021	**-**	**15.58**	**467.62**	**80.50**	**2.81**	**1,160.24**	**8.82**	**13.01**	**(0.53)**	**1,748.05**

$ Refer note no. 22(B)(iii)

* Refer note no. 22(B)(iv)

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

Notes forming part of Financial Statements for the year ended March 31, 2021

(All amounts are in ₹)

1. Corporate information

HFCL Limited (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-173213, Himachal Pradesh. The Company's shares are listed and traded on National Stock Exchanges 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 May 10, 2021.

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. 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 derecognised 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 Fibre Cable, Optical Fibre 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, 2019	**259.15**	**35.35**	**27.10**	**15.12**	**7.75**	**3.78**	**18.13**	**14.93**	**8.83**	**0.88**	**391.02**
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**	**87.87**	**27.10**	**29.89**	**10.18**	**7.66**	**20.06**	**15.46**	**8.83**	**0.88**	**588.50**
Additions	19.88	25.80	-	1.79	0.97	0.78	3.04	0.78	-	-	53.04
Disposals / Adjustments	1.16	0.44	-	0.26	0.24	0.01	0.49	1.57	-	-	4.17
Balance as at March 31, 2021	**399.29**	**113.23**	**27.10**	**31.42**	**10.91**	**8.43**	**22.61**	**14.67**	**8.83**	**0.88**	**637.37**
Accumulated depreciation and impairment											
Balance as at April 1, 2019	**219.16**	**8.81**	**8.21**	**12.62**	**5.72**	**3.35**	**14.67**	**10.66**	**-**	**0.21**	**283.41**
Depreciation for the year	12.45	1.15	0.83	1.47	0.61	0.58	2.37	1.39	-	0.01	20.86
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**	**6.32**	**3.93**	**16.20**	**11.93**	**-**	**0.22**	**265.39**
Depreciation for the year	27.83	2.61	0.83	4.79	1.01	1.76	2.55	1.11	-	0.01	42.50
Impairment during the year	0.45	-	-	-	-	-	-	-	-	-	0.45
Disposals / Adjustments	0.20	-	-	0.01	0.01	0.01	0.46	1.31	-	-	2.00
Balance as at March 31, 2021	**224.07**	**12.57**	**9.87**	**16.58**	**7.32**	**5.68**	**18.29**	**11.73**	**-**	**0.23**	**306.34**
Net Carrying Value											
Balance as at April 1, 2019	39.99	26.54	18.89	2.50	2.03	0.43	3.46	4.27	8.83	0.67	107.61
Balance as at March 31, 2020	184.58	77.91	18.06	18.09	3.86	3.73	3.87	3.53	8.83	0.66	323.12
Balance as at March 31, 2021	**175.22**	**100.66**	**17.23**	**14.84**	**3.59**	**2.75**	**4.32**	**2.94**	**8.83**	**0.65**	**331.03**

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 has set up a new Optical Fiber Cables for Fiber-to-the-Home (FTTH) & allied product manufacturing facility at Hyderabad on the same parcel of 20 acre land adjoining its Fiber manufacturing facility with annual capacity of 3.6 L CKM. Facility for manufacturing of Fiber-to-the-Home cable (FTTH) has been started w.e.f. 16th December, 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, Rangareddi, 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, 2021 has submitted its claims before the respective authorities for sanctioning the claim , 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 25 for details of assets pledged.

4 Capital works-in-progress

(₹ in Crore)

Particulars	Buildings	Plant & Machinery	Electrical Installation	Total
Balance as at April 1, 2019	**37.84**	**22.58**	**1.81**	**62.23**
Additions	5.73	0.47	0.25	6.45
Disposals / Adjustments	31.42	22.58	1.81	55.81
Balance as at March 31, 2020	**12.15**	**0.47**	**0.25**	**12.87**
Additions	0.67	1.00	0.10	1.77
Disposals / Adjustments	10.44	0.47	-	10.91
Balance as at March 31, 2021	**2.38**	**1.00**	**0.35**	**3.73**

Notes:

The Company has set up a new Optical Fiber Cables Fiber-to-the-Home (FTTH) & allied product manufacturing facility at Hyderabad on the same parcel of 20 acre land adjoining its Fiber manufacturing facility at Hyderabad with annual capacity of 3.6 L CKM. The Company is also expanding its capacity for various FTTH variants and accordingly, capital expenditure amounting to ₹3.22 crore which is shown under the head Capital work-in-progress.

5 Intangible Assets (other than goodwill)

(₹ in Crore)

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2019	**17.50**
Additions	13.82
Disposals / Adjustments	-
Balance as at March 31, 2020	**31.32**
Additions	2.40
Disposals / Adjustments	-
Balance as at March 31, 2021	**33.72**
Accumulated depreciation and impairment	
Balance as at April 1, 2019	**8.17**
Depreciation for the year	3.73
Disposals / Adjustments	-
Balance as at March 31, 2020	**11.90**
Depreciation for the year	5.40
Disposals / Adjustments	-
Balance as at March 31, 2021	**17.30**
Net Carrying Value	
Balance as at April 1, 2019	9.33
Balance as at March 31, 2020	19.42
Balance as at March 31, 2021	**16.42**

6 Intangible assets under development

(₹ in Crore)

Particulars	Product Development
Balance as at April 1, 2019	**21.51**
Additions	8.74
Disposals / Adjustments	12.24
Balance as at March 31, 2020	**18.01**
Additions	5.33
Disposals / Adjustments	-
Balance as at March 31, 2021	**23.34**

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, 2021	As at March 31, 2020
Unquoted Investments (At Cost)		
Investment in Equity Instruments		
Subsidiaries	26.70	24.03
Total	**26.70**	**24.03**

7.1 Investment in subsidiaries

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2021		As as March 31, 2020	
		No. of Shares	Amount	No. of Shares	Amount
Investment in Equity Instruments - Equity Shares					
HTL Ltd.* $	100	11,10,000	6.45	11,10,000	3.78
Polixel Security Systems Pvt. Ltd.	10	1,80,856	12.05	1,80,856	12.05
Moneta Finance Pvt. Ltd.	10	10,20,000	2.35	10,20,000	2.35
HFCL Advance Systems Pvt. Ltd.	10	1,00,000	0.10	1,00,000	0.10
Raddef Pvt. Ltd.	10	9,000	0.01	9,000	0.01
DragonWave HFCL India Pvt. Ltd.	10	70,00,000	5.74	70,00,000	5.74
Total investments carrying value			**26.70**		**24.03**
Aggregate carrying value of unquoted investments			26.70		24.03
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, 3,58,500 Shares (Previous year: 3,58,500) are held as security for the Working Capital /Term Loan facility sanctioned by Yes Bank Ltd to HTL Ltd.

7.2 Additional details of subsidiaries and joint venture entity

Name of Entity	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by HFCL Ltd.	
			As at March 31, 2021	As at March 31, 2020
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/ Telecom Equipment	India	100.00%	100.00%
DragonWave HFCL India Pvt. Ltd.#	Radio Communication Systems	India	100.00%	100.00%
Raddef Pvt. Ltd.	Radio Communication Systems	India	90.00%	90.00%

* 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, 2021	As at March 31, 2020
Unquoted		
Investments - Others		
Investments in Equity instruments	32.88	53.75
Total	**32.88**	**53.75**

8.1 Detail of Non Current Financial Assets - Other Investments

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2021		As as March 31, 2020	
		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	6,30,223	16.77	6,30,223	16.77
AB Corp Ltd.	10	-	-	1,32,50,000	32.90
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.06	4,000	0.07
HFCL Bezeq Telecom Ltd.	10	100	-	100	-
Nivetti Systems Pvt Ltd.	1	2,17,594	16.05	54,398	4.01
Total Investment FVTOCI			**32.88**		**53.75**
Aggregate carrying value of unquoted investments			32.88		53.75
Aggregate amount of impairment in value of investments			-		-

9 Non-Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered Good		
Loans to related parties (refer note 51)	26.50	26.50
Total	**26.50**	**26.50**

10 Non-Current Financial Assets - Others

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered Good		
Fixed Deposits with Bank (maturity more than 12 months)*	6.85	25.48
Advances to related parties (refer note 48 & 51)	72.00	72.00
Security Deposit	1.48	0.21
Total	**80.33**	**97.69**

* 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, 2019	**9.27**	**(0.09)**	**16.34**	**54.30**	**79.82**
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)	(9.18)	(6.66)	(54.30)	(70.67)
- to other comprehensive income	(0.79)	-	-	-	(0.79)
As at 31 March, 2020	**7.95**	**(9.27)**	**10.06**	**-**	**8.74**
(Changed)/Credited:					
- to Statement of profit and loss	1.95	3.41	(2.67)	-	2.69
- to other comprehensive income	(0.86)	-	-	-	(0.86)
As at 31 March, 2021	**9.04**	**(5.86)**	**7.39**	**-**	**10.57**

* 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. The management has assessed that it is beneficial to opt for the option of availing revised income tax rate from current financial year.

12 Other Non-Current Assets

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered Good		
Capital Advances	15.89	4.13
Total	**15.89**	**4.13**

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

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Inventories (As Certified and valued by the management)		
Raw Materials	47.95	34.87
Raw Materials in transit	2.90	0.06
	50.85	**34.93**
Work-in-progress	113.18	125.46
Finished goods	25.55	47.46
Stock-in-trade	65.35	59.11
Stock in trade in transit	45.92	-
Stores and Spares	3.95	4.39
Loose tools	0.51	0.31
Others (Packing Material)	0.94	0.72
Total	**306.25**	**272.38**

Note:

Work in progress includes contract work in progress of ₹101.26 crore (Previous year: ₹ 119.26 crore)

14 Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Quoted Investments		
(i) Investments in Mutual Funds	2.99	1.86
(ii) Investments in Equity Instruments -other	2.62	0.54
Total	**5.61**	**2.40**

14.1 Detail of Current Financial Assets - Investments

(₹ in Crore)

Particulars	Face value	As at March 31, 2021		As as March 31, 2020	
		No. of Shares / Units	Amount	No. of Shares / 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	1.86	9,398	1.80
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.07	50,000	0.04
Union Bank Medium duration fund Regular	10	4,99,975	0.51		
Union Hybrid Equity Fund-Growth	10	4,99,975	0.53		
Principal Cash Management fund - Dividend reinvestment plan	1000	235	0.02	228	0.02
Total Investment FVTPL			**2.99**		**1.86**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	64,08,000	-	64,08,000	-
Mavens Biotech Ltd.	1	17,000	-	17,000	-
Sumedha Fiscal Services Ltd.	10	18,200	0.04	18,200	0.03
Valiant Communications Ltd.	10	8,700	0.06	8,700	0.02
Magma Fincorp Ltd	2	1,52,830	1.68	1,52,830	0.26
Media Matrix Worldwide Ltd.	1	4,750	-	4,750	-
Sahara One Media and Entertainment Ltd.	10	2,50,950	0.84	2,50,950	0.23
			2.62		**0.54**
(iii) Investment in equity instruments - Un-Quoted Equity Shares					
Optimates Textile Industries Ltd.	2	13,02,500	-	13,02,500	-
Rashel Agrotech Ltd.	10	4,78,500	-	4,78,500	-
			-		-
Total Investment FVTOCI			**2.62**		**0.54**
Total Current Financial Investments			**5.61**		**2.40**
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, 2021		As as March 31, 2020	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good	444.78	2,518.65	119.87	1,535.07
Which have significant increase in credit risk	-	19.31	-	18.00
Less: expected credit loss allowance	-	(9.93)	-	-7.35
Total	**444.78**	**2,528.03**	**119.87**	**1,545.72**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	7.35	-	4.75
Add: Provided during the year	-	2.79	-	6.25
Less: Amount written off	-	0.21	-	3.65
Balance at the end of the year	**-**	**9.93**	**-**	**7.35**

15.1 The credit period towards trade receivables related to turnkey projects 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 51).

16 Current Financial Assets - Cash & cash equivalents

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash & Cash Equivalents		
Balance with banks;		
- in current account	16.89	9.97
- in dividend account**	0.27	0.27
Cash on hand;	0.09	0.27
Fixed Deposits with Bank (maturity less than 3 months)*	2.54	2.21
Total	**19.79**	**12.72**

* Above fixed deposits are held as margin money/securities with banks.
** ₹ 0.27 crore (Previous year ₹ 0.27 crore) has restricted use.

17 Current Financial Assets - Other Bank Balances

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Fixed Deposits with Bank (Maturity less than 12 months)*	273.95	167.83
Total	**273.95**	**167.83**

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

18 Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Other Loans	3.00	6.75
Total	**3.00**	**6.75**

19 Current Financial Assets -Other Assets

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Advances other than capital advances		
- Security Deposits	17.04	21.34
- Advance to related parties - Subsidiaries	-	-
- Other project advances	399.84	523.52
Interest Receivables	7.25	17.71
Receivables for sales of Investments	33.13	-
Total	**457.26**	**562.57**

20 Current Tax Assets / Liabilities

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	74.91	95.64

21 Other Current Assets

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Indirect tax recoverable	158.48	155.65
Prepaid Expenses	29.19	38.22
Export Incentive receivable	2.07	1.19
Other receivables	1.98	1.97
Assets recognised from cost incurred to fulfill a contract	23.76	24.83
Total	**215.48**	**221.86**

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, 2019	**5,10,00,00,000**	**510.00**	**2,50,00,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2020	**5,10,00,00,000**	**510.00**	**2,50,00,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2021	**5,10,00,00,000**	**510.00**	**2,50,00,000**	**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, 2019	**1,27,43,77,194**	**127.44**	**-**	**-**
Add: Shares issued during the year	1,00,00,000	1.00	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 2020	**1,28,43,77,194**	**128.44**	**-**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeemed during the year	-	-	-	-
As at March 31, 2021	**1,28,43,77,194**	**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 had made allotment of 75,00,000 & 2,75,00,000, 52,08,333 and 47,91,667 equity shares of the face value of Re.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 had increased from ₹123.94 Crore (Rupees One Hundred Twenty Three Crore Ninety Three Four Lakh Only) comprising of 1,23,93,77,194 equity shares of the face value of Re.1/- each to ₹128.44 Crore (Rupees One Hundred Twenty Eight Crore Forty Four Lakh Only) comprising of 1,28,43,77,194 equity shares of the face value of Re.1/- each.

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

Name of Shareholder	As at March 31, 2021		As as March 31, 2020	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures (P) Ltd	28,96,40,000	22.55%	24,58,90,000	19.14%
Nextwave Communications (P) Ltd	21,98,65,000	17.12%	21,98,65,000	17.12%

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

The Company has issued equity share of Re.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, 2021	As at March 31, 2020
(i) Retained Earnings	1,160.24	1,062.12
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	8.82	(121.30)
b. Remeasurement of defined benefit plans	13.01	10.44
c. Foreign currency translation reserve	(0.53)	(0.08)
(iii) Other Reserves *	-	-
a. Securities Premium	467.62	467.62
b. Debenture Redemption Reserve	2.81	5.62
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	15.58	11.70
Total	**1,748.05**	**1,516.62**

*** 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. 80,50,000 (previous year 80,50,000) 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 56).

(i) Retained Earnings

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	1,062.12	872.09
Change in accounting policy (refer note 42)	-	(1.12)
Restated balance at the beginning of the reporting period	**1,062.12**	**870.97**
Add: Net profit for the period	222.87	203.82
Add/Less: adjustments for-		
Equity Instruments through OCI	(127.56)	
Transfer from Debenture redemption reserve	2.81	2.81
Transfer into Capital redemption reserve	-	-
Dividend paid on Equity shares (including tax on dividend)	-	(15.48)
Closing Balance	**1,160.24**	**1,062.12**

(ii) **Components of Other Comprehensive Income** (₹ in Crore)

Particulars	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2019	**(119.17)**	**8.97**	**-**
Increase during the year	-	1.47	-
Decrease during the year	2.13	-	0.08
As at March 31, 2020	**(121.30)**	**10.44**	**(0.08)**
Increase during the year	2.56	2.57	-
Decrease during the year	127.56	-	0.45
As at March 31, 2021	**8.82**	**13.01**	**(0.53)**

(iii) **Other Reserves** (₹ in Crore)

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve
As at April 1, 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**
Increase during the year	-	-	-	3.88
Decrease during the year	-	2.81	-	-
As at March 31, 2021	**467.62**	**2.81**	**80.50**	**15.58**

(iv) **Money received against convertible warrants** (₹ in Crore)

Particulars	Amount
As at April 1, 2019	**8.50**
Increase during the year	7.50
Decrease during the year	(16.00)
As at March 31, 2020	**-**
Increase during the year	-
Decrease during the year	-
As at March 31, 2021	**-**

23 Non-Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Borrowings		
Non- Convertible Debentures	11.24	22.49
Term Loans		
(i) from Banks*	169.30	161.77
Vehicle Loans		
(i) from Banks	2.35	2.92
(ii) from others	-	0.07
	182.89	**187.25**
Un-Secured		
Borrowings		
from other parties - Inter Corporate Deposit	88.98	-
	88.98	**-**
Less : Current maturities of long term debt - Term Loans	(61.99)	(25.00)
Less : Debentures redeemable in next 12 months	(11.24)	(11.24)
Less : Current maturities of long term debt - Vehicle Loans	(1.21)	(1.12)
Total	**197.43**	**149.89**

* Net off of ₹1.37 crores (Previous year ₹1.76 Crores) as finance charge

Notes:

a) Company had issued 33,72,750 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 & Second installment of 33.33% of each year being 22,48,444 NCDs have been redeemed on time.

b) Term Loan of ₹25.00 crore (Previous year ₹50.00 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 ₹124.41 crore (Previous year ₹111.77 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 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 incitements over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

d) Working Capital Term loan (Covid -19 Emergency Credit line) of ₹19.23 crore and FITL under Covid-19 scheme of ₹ 0.65 crore are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

e) Other Vehicle Loans of ₹2.35 crore (Previous Year ₹2.99 crore) from banks and others are secured by way of hypothecation of respective assets.

f) Term and other Loans - Repayment schedule and rate of interest -

(₹ in Crore)

Particulars	Term Loan	Term Loan	Term Loan	Vehicle Loan
Secured				
Rate of Interest	10.75%	10.25%	7.40%	8.90% to 10.30%
Outstanding amount	25.00	124.41	19.89	2.35
Repayment Due				
FY 2021-22	25.00	20.13	16.85	1.21
FY 2022-23	-	20.13	3.04	0.58
FY 2023-24	-	20.13	-	0.25
FY 2024-25 to 2027-28	-	64.01	-	0.31
Un-Secured				
Rate of Interest	9.00%			
Outstanding amount	88.98			
Repayment Due				
FY 2023-24	50.00			
FY 2024-25 to 2027-28	38.98			

g) Unsecured Inter Corporate Deposits are having a maturity by April 2025 payable in five half yearly installments starting form April 23 and carry interest rate 9.00%.

24 Non-Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Provisions for Employee Benefits (refer note 45)		
Provision for Gratuity	14.88	16.06
Provision for Leave Encashment	17.31	11.59
Total	**32.19**	**27.65**

25 Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	342.45	250.06
(ii) from banks - Trade Receivable bills discounting*	49.81	50.00
Unsecured		
(i) from banks - Vendors bills discounting	70.54	20.99
(ii) from other parties - Inter Corporate Deposit #	68.15	101.99
Total	**530.95**	**423.04**

Notes:

* a) Working Capital Loans from banks aggregating to ₹222.52 crore (Previous year: ₹200.23 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

b) Working Capital Loans from banks aggregating to ₹ 49.14 crore (Previous year: ₹ 49.83 crore) and Inland bills discounting limit of ₹ 49.81 crore (Previous year ₹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.

c) Working Capital Loans from banks aggregating to ₹ 70.80 crore (Previous year: ₹NIL) are secured by way of first pari passu charge on all current assets, moveable & immoveable fixed assets (Present & future) of IPMLS back bone Project for Network for Spectrum (NFS). 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%.

26 Current Financial Liabilities - Trade Payables

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Due to Micro and Small Enterprises (refer note no. 46)	166.56	76.39
Others	1485.20	705.62
Total	**1651.76**	**782.01**

27 Other Current Financial Liabilities

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Retention Money*	272.38	309.99
Other Financial Liabilities		
Current maturities of long-term debts; (refer note 23)	63.20	26.11
Non Convertible Debentures (refer note 23)	11.24	11.24
Interest accrued but not due	-	1.26
Security deposit	4.78	4.71
Creditors for Capital Goods	11.56	12.81
Expenses Payables	100.01	122.00
Other Employees related liabilities	10.62	5.41
Unpaid Dividends & Tax their on	0.27	0.27
Total	**474.06**	**493.80**

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

28 Current Tax Liabilities (Net)

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	42.33	-
Total	**42.33**	**-**

29 Other Current Liabilities

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Liabilities payable	41.01	30.17
Advances from Customers	27.12	17.28
Total	**68.13**	**47.45**

30 Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Provisions for Employee Benefits (refer note 45)		
Provision for Gratuity	2.13	1.95
Provision for Leave Encashment	1.61	2.02
Provisions - Others	8.01	6.32
Total	**11.75**	**10.29**

31 Revenue from operations

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale and Services		
- Manufacturing and trading activities	885.81	549.81
- Turnkey project related activities	3,216.64	2,993.91
Other Operating Revenues		
- Scrap sale	1.06	1.22
- Export Incentives	2.36	2.36
Total	**4,105.87**	**3,547.30**

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 ₹ 30.11 crore (Previous year ₹33.16 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, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	**18.16**	**3.34**
Revenue recognised during the year	19.41	18.16
Invoices raised during the year	16.94	3.34
Balance at the end of the year	**20.63**	**18.16**

(b) Changes in contract liabilities (Unearned revenue) are as follows -

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	**33.16**	**49.52**
Increase due to invoicing during the year	-	2.14
Revenue recognised that was included in the unearned and deferred revenue	3.05	18.50
Balance at the end of the year	**30.11**	**33.16**

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, 2021	For the year ended March 31, 2020
Other non-operating income		
Interest Income	14.30	17.86
Dividend Income	-	0.02
Financial Guarantee Income	2.89	2.93
Exchange Fluctuation Income (Net)	15.63	-
Others	0.40	0.13
Total	**33.22**	**20.94**

33 Cost of Material Consumed

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening Balance	34.87	39.95
Add : Purchases during the year	503.43	386.40
	538.30	**426.35**
Less: Closing Stock	47.95	34.87
Total material consumed	**490.35**	**391.48**

34 Other Direct Costs

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Project and labour service charges	939.74	1,602.77
Consumption of Packing Material	19.65	14.64
Consumption of stores and spares parts	12.28	4.69
Loose Tools written off	0.20	0.12
Total	**971.87**	**1,622.22**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Closing Stock		
Finished Goods	25.55	47.46
Stock in Trade- Goods	65.35	59.11
Work in process	113.18	125.46
	204.08	**232.03**
Opening 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**
Total	**27.95**	**(95.05)**

36 Employee benefits expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, bonus and allowances	198.84	173.34
Contribution to Provident and other funds	9.07	8.64
Staff welfare expenses	4.09	4.64
Share Based payments to Employees (refer note 56)	3.69	7.15
Total	**215.69**	**193.77**

37 Finance costs

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Bank Loan Interest	62.62	42.42
Other Interest (net)	13.94	11.46
Bank Charges and loan processing fee	69.27	34.26
Interest on lease liabilities (refer note 43)	2.42	1.96
Total	**148.25**	**90.10**

38 Other expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	3.78	4.11
Rates and Taxes	2.55	1.33
Auditors' Remuneration		
- Audit Fees	0.90	0.90
- In Other Capacity	0.23	0.25
- Out of pocket expenses	0.02	0.14
Legal and Professional Charges	42.33	37.70
Communication Expenses	2.06	2.24
Travelling and Conveyance Expenses	29.46	33.30
Power and Fuel & Water Charges	15.62	8.59
Repairs and Maintenance	4.03	6.33
Insurance Expenses	11.13	9.75
Selling and Distribution Expenses	28.10	14.23
Bad debts, Loans and Advances, other balances written off (net)	1.19	2.03
Provision for doubtful debts	2.79	2.60
Inventory written off (Non-Moving/ obsolete technology)	-	33.71
Less: Provision for non-moving inventories reversed	-	(33.71)
Sitting Fees to non-executive directors	0.47	0.38
Liquidated Damages on Sales	8.87	1.30
Research & Product Development Expenses	8.67	5.73
Exchange Fluctuation Loss (Net)	-	13.90
Corporate Social Responsibility Expenses (refer note 53)	9.78	-
Miscellaneous Expenditure	14.52	13.50
Total	**186.50**	**158.31**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Basic & Diluted Earnings per share :		
Profit & Loss for the year	222.86	203.82
Profit attributable to ordinary shareholders (A)	222.86	203.82
Weighted average number of ordinary shares (B)	1,28,43,77,194	1,28,38,83,683
(used as denominator for calculating basic EPS)		
Potential equity shares	1,20,16,000	1,34,18,000
Weighted average number of ordinary shares (C)	1,29,63,93,194	1,29,73,01,683
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share (₹)	1.00	1.00
Earnings per share - Basic (A/B) (₹)	1.74	1.59
Earnings per share - Diluted (A/C) (₹)	1.74	1.61

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 45.

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

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of the financial statements including there coverability of carrying amounts of financial and non financial assets. Further the impact assessment does not indicate any adverse impact on the ability of the company to continue as a going concern. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company has, at the date of approval of the financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

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).

43 Leases

The details of the right-of-use asset held by the Company is as follows: (₹ in Crore)

Particulars	Addition for the year ended March 31, 2021	Net carrying amount as at March 31, 2021	Addition for the year ended March 31, 2020	Net carrying amount as at March 31, 2020
Land	-	0.09	-	0.09
Buildings	5.59	20.04	15.21	19.69
Total	**5.59**	**20.13**	**15.21**	**19.78**

Depreciation on right-of-use asset as follows: (₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Land	-	-
Buildings	5.24	5.54
Total	**5.24**	**5.54**

The details of the Lease Liabilities of the Company is as follows: (₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Current Liabilities	3.58	4.87
Non-Current Liabilities	18.43	16.72
Total	**22.01**	**21.59**

Interest on lease liabilities is ₹2.41 crore and ₹1.97 crore for the year ended March 31, 2021 and March 31, 2020 respectively.

The Company incurred ₹ 0.98 crore and ₹ 0.81 crore for the years ended March 31, 2021 and March 31, 2020, respectively, towards expenses relating to short-term leases and leases of low-value assets.

The total cash outflow for leases is ₹ 0.90 crore and ₹ 0.21 crore for the years ended March 31, 2021 and March 31, 2020, respectively, including cash outflow for short term and low value leases

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.

44 Business Combination

(i) During the Previous Year, the Company acquired 90% (9,000 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.

45 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, 2021	For the year ended March 31, 2020
Employer's Contribution to Provident Fund	9.02	8.57

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, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)				
Discount rate (per annum)	6.80%	6.80%	6.80%	6.80%
Rate of increase in Compensation levels	6.80%	6.80%	6.80%	6.80%
Average remaining working lives of employees (Years)	18.30	18.30	18.16	18.16

Table showing changes in present value of obligations :

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Present value of obligation as at the beginning of the year	20.08	17.13	13.61	11.47
Acquisition adjustment	Nil	Nil	Nil	Nil
Interest Cost	1.37	1.31	0.93	0.88
Past service cost (Vested Benefit)	-	-	5.00	0.97
Current Service Cost	2.83	2.91	4.03	3.26
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(3.06)	(0.70)	(3.22)	(1.17)
Actuarial (gain)/ loss on obligations	(1.75)	(0.59)	(1.42)	(1.81)
Present value of obligation as at the end of the period	19.47	20.06	18.93	13.60

Table showing changes in the fair value of plan assets :

Fair value of plan assets at beginning of the year	2.06	2.04	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Actual return of plan assets	0.14	0.16	N.A.	N.A.
Employer contribution	-	-	Nil	Nil
Benefits paid	-	-	Nil	Nil
Actuarial gain/ (loss) on obligations	0.26	(0.14)	Nil	Nil
Charges deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.46	2.06	Nil	Nil

Other Comprehensive Income

Actuarial (gain) / loss for the year - Obligation	(1.75)	(0.59)	(1.42)	(1.81)
Actuarial (gain) / loss for the year - Plan assets	(0.26)	0.14	Nil	Nil
Total (gain) / loss for the year	(2.01)	(0.45)	(1.42)	(1.81)
Actuarial (gain) / loss recognized in the year	(2.01)	(0.45)	(1.42)	(1.81)
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	19.47	20.06	18.93	13.60
Fair value of plan assets as at the end of the year	2.46	2.06	Nil	Nil
Funded Status	(17.01)	(18.00)	(18.93)	(13.60)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(17.01)	(18.00)	(18.93)	(13.60)

Expenses recognised in Statement of Profit and Loss :

(₹ in Crore)

Current service cost	2.83	2.91	4.03	3.26
Past service cost (Vested Benefit)	-	-	5.00	0.97
Interest Cost	1.37	1.31	0.93	0.88
Actual return on plan assets	(0.14)	(0.16)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Statement of Profit and Loss	4.06	4.06	9.96	5.11

Sensitivity analysis of the defined benefit obligation:

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	19.47	20.06	18.93	13.60
Impact due to increase of 0.5%	(1.06)	(1.10)	(1.52)	(0.92)
Impact due to decrease of 0.5%	0.98	1.01	0.74	0.83
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	19.47	20.06	18.93	13.60
Impact due to increase of 0.5%	1.00	1.04	(1.56)	(0.95)
Impact due to decrease of 0.5%	(1.09)	(1.13)	0.76	0.86

Sensitivities due to mortality & withdrawals are insignificant & hence ignored.

Maturity profile of defined benefit obligation:

March 2020 to March 2021	0.65	1.42	2.74	1.68
March 2021 to March 2022	0.68	0.21	0.61	0.06
March 2022 to March 2023	1.00	0.75	0.43	0.37
March 2023 to March 2024	0.61	0.95	0.40	0.29
March 2024 to March 2025	0.76	0.58	0.40	0.34
March 2025 to March 2026	1.03	0.93	0.50	0.33
March 2026 onwards	14.74	15.22	13.84	10.53

Investment Details

HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.46	2.06	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.

46 Disclosure as required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act):

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Principal amount due to micro & small enterprises*	166.56	76.39
Interest due on above	1.72	5.02
Interest paid during the period beyond the appointed day	0.02	0.73
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	8.01	6.32
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprises for the purpose of disallowance as a deductible expenditure under Sec.23 of the Act	Nil	Nil

Note: The above information and that given in Note No. 26 'Trade Payables' regarding Micro and Small Enterprises has been determined on the basis of information available with the Company and has been relied upon by the auditors.

*Includes amount of ₹126.18 crore (Previous year ₹28.87 crore) outstanding, but not overdue to micro, small and medium enterprises as on 31 March 2021.

47 Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Unexpired Letters of Credit (margin money paid ₹56.06 crore; Previous year ₹18.01 crore)	364.87	108.97
(ii) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits of ₹145.69 crore; Previous year ₹130.17 crore)	777.21	854.04
(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)	17.41	21.41

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 Honorable 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) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come in to effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period when the Code becomes effective.

vi) As at March 31, 2021 the Company has outstanding term derivative contracts as referred in Note 58.

(b) Capital Commitments

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	65.73	16.20
Uncalled capital commitment pertaining to investments	23.50	14.46

(c) Financial Guarantees

(₹ in Crore)

Issued in favour of	Issued to	Amount of guarantee	Purpose
Microwave Communications ltd.	Credit Lyonnais bank	9.60	Ad-hoc L/C
Microwave Communications ltd.	The Vysya Bank Ltd	4.06	Working Capital
Exicom Tele-systems Ltd	Punjab National Bank	6.50	Working Capital
HTL Ltd.	Yes Bank Ltd.	134.00	Term loan / Working Capital

48 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.

49 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.

50 In view of the limited scale of operations at the Company's Solan (Himachal Pradesh) Facilities and as a step towards cost optimization, the Board in its meeting held on January 20, 2020, had decided to shift the Plant and Machinery of Solan Facilities and operations thereof to the Company's Manufacturing Facility located in Hyderabad. Further, in order to ensure continuity of the job of the employees currently based at Solan, the

Company also considered to offer the continued employment either at Hyderabad or at such other places where the project works are being got executed. The Company introduced a Voluntary Retirement Scheme (VRS) to those employees who are finding it difficult to relocate to Hyderabad/ other locations. Consequently, VRS compensation paid during the year amounting to ₹4.13 crores has been disclosed as an exceptional item. Further, the management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery at its Hyderabad Plant.

51 "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.
	DragonWave HFCL India Pvt. Ltd.
(c) Key management personnel :	Mr. Mahendra Nahata (Managing Director)
	Mr. Vijay Raj Jain (Chief Financial Officer)
	Mr. Manoj Baid (Senior 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 Ltd.
	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, 2021 are as under:

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Purchases/receiving of Goods & services		
HTL Ltd.	196.35	114.14
Polixel Security Systems Pvt. Ltd.	4.99	19.67
Raddef Pvt. Ltd.	2.13	0.36
DragonWave HFCL India Pvt. Ltd.	-	0.50
Exicom Tele-systems Ltd.	6.05	18.34
Sales/rendering of Goods and Materials		
HTL Ltd.	130.06	26.15
Exicom Tele-systems Ltd.	2.47	0.13
Investments		
HFCL Advance Systems Pvt. Ltd.	-	0.09
Income - Rent /Other expenses		
Exicom Tele-systems Ltd.	0.21	-
HFCL Advance Systems Pvt. Ltd.	0.01	0.01

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Income - Interest on loan given		
HTL Ltd.	9.97	10.95
Raddef Pvt. Ltd.	0.18	0.19
Expenses - Rent /Other expenses		
HTL Ltd.	-	0.02
Exicom Tele-systems Ltd.	0.84	0.84
Satellite Finance Pvt. Ltd.	0.35	0.35
Shankar Sales Promotion Pvt. Ltd.	0.73	0.73
Vinson Brothers Pvt. Ltd.	0.77	0.76
Advances		
Raddef Pvt. Ltd.	2.90	1.18
Closing Balances of Loans & Advances and Receivables		
HTL Ltd.	13.00	37.60
Exicom Tele-systems Ltd.	0.73	6.16
Satellite Finance Pvt. Ltd.	0.16	0.19
Raddef Pvt. Ltd.	4.41	3.74
HFCL Advance Systems Pvt. Ltd.	0.01	0.01
Closing Balances of Trade payables		
Polixel Security Systems Pvt. Ltd.	4.44	2.87
Shankar Sales Promotion Pvt. Ltd.	0.32	0.38
Vinson Brothers Pvt. Ltd.	0.35	0.34
DragonWave HFCL India Pvt. Ltd.	-	0.54
Contribution towards ESOP Trust		
HFCL Employees Trust	-	0.02
Guarantees and collaterals		
Exicom Tele-systems Ltd.	6.50	6.50
HTL Ltd.	134.00	120.00
Advances of Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	0.39	-
Mr. Vijay Raj Jain (Chief Financial Officer)	1.20	-
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.09	-
Remuneration of Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	5.78	6.80
Mr. Vijay Raj Jain (Chief Financial Officer)	2.97	1.97
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.83	0.43
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.25	0.35
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.11	0.16

52 Segment Reporting

The Company publishes the Standalone financial statements of the Company along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

53 Corporate social responsibility expenses:

(₹ in Crore)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Gross amount to be spent by the Company during the year	5.60	4.18
Amount spent during the year:		
Contribution on acquisition of assets	-	-
On other purposes	9.78	-

54 Interest charges on loans is net of Interest income from loans and advances amounting to ₹18.16 crore (Previous year ₹21.37 crore) .

55 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.

56 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 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 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, 2021 and March 31, 2020 is as follows:

	Shares arising out of options*	
Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**
Employee Stock Options (ESOPs)		
Outstanding at the beginning	67,09,000	68,61,000
Granted	-	-
Exercised	-	-
Forfeited and expired	3,72,000	1,52,000
Outstanding at the end	63,37,000	67,09,000
Exercisable at the end	45,34,600	26,83,600
Restricted Stock Units (RSUs)		
Outstanding at the beginning	67,09,000	68,61,000
Granted	-	-
Exercised	-	-
Forfeited and expired	7,01,000	1,52,000
Outstanding at the end	60,08,000	67,09,000
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, 2021 are as follows:

Range of excise price per share	Options outstandings		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
20-25 (ESOPs)	60,08,000	3	20.65
0 - 5 (RSUs)	60,08,000	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, 2021	
	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.

57 Details of business advances outstanding from Subsidiary for the year ended March 31, 2021 - Disclosure required under Regulation 34(3) SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

(₹ in Crore)

Particulars	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
HTL Ltd	72.00	72.00	72.00	72.00
Raddef Pvt. Ltd.	2.07	1.57	3.98	1.57
HFCL Advance Systems Pvt. Ltd.	-	-	-	0.02

58 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.

58.1 Financial Instruments by category

(₹ in Crore)

Particulars	As at March 31, 2021			As at March 31, 2020		
	FVTPL	FVTOCI	Amortized Cost	FVTPL	FVTOCI	Amortized Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	32.88	-	-	53.75	-
ii) Structured entity (current assets)						
a) Sumedha Fiscal Services Ltd.	-	0.04	-	-	0.03	-
b) Valiant Communications Ltd.	-	0.06	-	-	0.02	-
c) Magma Fincorp Ltd	-	1.68	-	-	0.26	-
d) Sahara One Media and Entertainment Ltd.	-	0.84	-	-	0.24	-
B) Mutual funds	2.99	-	-	1.86	-	-
C) Debentures & Bonds	-	-	-	-	-	-
II) Trade receivables	-	-	2,972.81	-	-	1,665.59
III) Bank deposits	-	-	6.85	-	-	25.48
IV) Cash and Cash equivalents	-	-	19.79	-	-	12.72
V) Other Bank balances	-	-	273.95	-	-	167.83
VI) Security deposit for utilities and premises	-	-	17.04	-	-	21.34
VII) Other receivables	-	-	543.19	-	-	646.69
Total financial assets	**2.99**	**35.50**	**3,833.63**	**1.86**	**54.30**	**2,539.65**
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	659.09	-	-	484.35
B) From Others	-	-	68.15	-	-	102.05
II) Obligations under Finance Lease	-	-	22.00	-	-	21.59
III) Retention Money	-	-	272.38	-	-	309.99
IV) Trade payables	-	-	1,651.76	-	-	782.01
V) Other liabilities	-	-	202.84	-	-	170.34
Total Financial liabilities	**-**	**-**	**2,876.22**	**-**	**-**	**1,870.33**

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, 2021 (₹ in Crore)

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2021	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	2.99	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	14	0.04	-	-
b) Valiant Communications Ltd.	14	0.06	-	-
c) Magma Fincorp Ltd	14	1.68	-	-
d) Sahara One Media and Entertainment Ltd.	14	0.84	-	-
e) Exicom Tele-Systems Ltd.	8	-	-	16.77
f) AB Corp Ltd	8	-	-	-
g) The Greater Bombay Co-Op Bank Ltd.	8	-	-	0.06
h) Nivetti Systems Pvt Ltd.	8	-	-	16.05
Total Financial Assets		**5.61**	**-**	**32.88**

(b) 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	0.23	-	-
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.		-	-	4.01
Total Financial Assets		**2.40**		**53.75**

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."

58.2 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, 2021					
Trade payables	26	1,651.76	1,651.76	-	1,651.76
Retention Money	27	272.38	272.38	-	272.38
Other liabilities	23,25,27,43	952.07	736.21	215.86	952.07
As at March 31, 2020					
Trade payables	26	782.01	782.01	-	782.01
Retention Money	27	309.99	309.99	-	309.99
Other liabilities	23,25,27,43	778.33	611.72	166.61	778.33

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, 2021 and March 31, 2020.

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, 2021 would increase / decrease by ₹3.85 Crore (for the year ended March 31, 2020: increase / decrease by ₹5.61 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 ₹2.01 Crore loss for year ended March 31, 2021 (₹1.53 Crore loss for year ended March 31, 2020).

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	Year ended March 31, 2021	Year ended March 31, 2020
Debt	802.82	610.29
Less : Cash and Cash equivalents (Note 16)	(19.79)	(12.72)
Net Debt	**783.03**	**597.57**
Total Equity	1,876.49	1,645.06
Net Debt to Equity Ratio	**0.42**	**0.36**

59 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, 2021		As at March 31, 2020	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	48,06,387.00	36.04	6,41,164.00	4.91

c) Foreign Currency exposure

(₹ in Crore)

Particulars		As at March 31, 2021		As at March 31, 2020	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	5,99,08,295	438.35	2,74,83,099	210.36
	EUR/INR	8,16,532	7.02	4,09,748	3.47
	GBP/INR	7,76,485	7.84	7,60,190	6.95
	JPY/INR	-	-	3,47,76,000	2.49
Trade receivable	USD/INR	60,49,206	44.26	21,45,526	15.89
	EUR/INR	-	-	2,86,942	2.34
	GBP/INR	4,20,321	4.24	2,19,655	2.01
	AED/INR	1,09,09,213	21.73	-	-

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	As at March 31, 2021		As at March 31, 2020	
	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%
USD Impact	19.70	(19.70)	9.72	(9.72)
EURO Impact	0.35	(0.35)	0.06	(0.06)
GBP Impact	0.18	(0.18)	0.25	(0.25)
JPY Impact	-	-	0.12	(0.12)
AED Impact	(1.09)	1.09	-	-

60 Tax Reconciliation

(₹ in Crore)

Particulars	F.Y. 2020-21	F.Y. 2019-20
Net Profit as per Statement of Profit and Loss (before tax)	**295.87**	**327.92**
Current Tax rate @ 25.17% (34.944%)	**74.46**	**114.59**
Adjustment:		
MAT Adjustment	-	(48.10)
Depreciation & other adjustment	1.19	(13.12)
Dividend and Tax thereon	-	-
The amount of eligible / ineligible expenditure	0.04	0.06
The amount of income u/s 10 - dividend	-	(0.01)
Tax Provision as per Books	**75.69**	**53.42**

61 Recent Indian Accounting Standards (Ind AS)

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

62 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

63 The Board has recommended a dividend @15% i.e. Re. 0.15 per equity share for the financial year ended 31st March, 2021 subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) of the Company or other authorities wherever required. The dividend for the financial year ended 31st March, 2021, if any, declared at the ensuing AGM, will be paid to the Shareholders within 30 days from the date of declaration.

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, 10th May, 2021

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

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, 10th May, 2021

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Mahendra Nahata
Managing Director
DIN: 00052898

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

New Delhi, 10th May, 2021

INDEPENDENT AUDITORS' REPORT

To the Members of **HFCL Limited**
(formerly Himachal Futuristic Communications Limited)

Report on the Audit of the Consolidated Financial Statements

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, 2021, 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 and branches, 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.

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.

Emphasis of Matter

We draw attention to Note 40 of the consolidated financial statements which describes management's assessment of the impact of the 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.

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, 2021, revenue from customer contracts amounts to INR 4,422.96 Crores. As at March 31, 2021 contract assets amount to INR 20.70 Crores, contract liabilities to INR 30.11 Crores, the balance of work in progress (WIP) amounts to INR 101.26 Crores and retention amounts to INR 272.38 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 cancellations 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 2,972.81 crores as of March 31, 2021 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 9.93 crores as at March 31, 2021. Refer to the Note 14 – 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, 2021, current financial assets include INR 402.05 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 18 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, 2021, under other current assets, indirect taxes recoverable include INR 140.25 crores in respect of GST Input Tax credit receivables by parent Company. 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 20 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, 2021, "Indirect Tax Recoverable" includes INR 18.23 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 20 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.
	With Respect to Subsidiary Company - HTL Ltd.	
6	**Provision of Interest on Government of India (GOI) Loan** Pending the response to the subsidiary company's letter to GOI and also confirmation of balance from GOI, provision of interest on GOI loan has been made after adjustment of claim recoverable from BSNL. As on 31st March 2021, total loan outstanding is ₹ 624.20 lacs and Interest Accrued is ₹ 2,656.50 lacs. Refer Note 56(i) to the Consolidated Financial Statements	Principal Audit Procedures Obtained details of correspondence with Government of India for settlement of claim. Verified the reconciliation statements prepared by the management after adjustment of claim recoverable from BSNL against the interest portion of the outstanding loan from GOI.

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.

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.

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 skepticism 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.

Other Matters

a) We did not audit the financial statements/financial information of two subsidiaries included in the consolidated financial statement, whose financial statements/ financial information reflect total assets of ₹ 10.40 Crores as at March 31, 2021, total revenues of ₹ Nil, Net profit/(loss) after tax of ₹ (0.70) Crores and total comprehensive income/(loss) of ₹ (0.73) 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 four subsidiaries whose financial statements / financial information reflect total assets of ₹ 482.82 Crores as at March 31, 2021, total revenues of ₹ 651.03 Crores, Net profit/(loss) after tax of ₹ 26.57 Crores and total comprehensive income/(loss) of ₹ 26.88 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.

c) The Consolidated Financial Statements includes financial performance of two foreign branches which reflects total assets of ₹ 3.23 Crores as at March 31, 2021, total revenues of ₹ Nil, Net profit/(loss) after tax of ₹ (0.13) Crores and total comprehensive income/(loss) of ₹ (0.13) Crores for the year ended on that date, which was audited by independent auditors in accordance with the regulations of that country and whose report has been furnished to us and has been considered in the consolidated financial statements solely based on such audited financial statements.

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.

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) The reports on the accounts of foreign branch offices audited by independent branch auditors of the Group have been furnished to us and have been properly dealt with by us in preparing this report.

(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, 2021 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, 2021 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: 21072625AAAABG6320

Place: Jaipur
Date: May 10, 2021

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 21054645AAAAAT7418

Place: New Delhi
Date: May 10, 2021

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, 2021

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, 2021, 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 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, 2021, 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: 21072625AAAABG6320	UDIN: 21054645AAAAAT7418
Place: Jaipur	Place: New Delhi
Date: May 10, 2021	Date: May 10, 2021

Consolidated Balance Sheet as at March 31, 2021

(₹ in Crore)

Particulars	Note No(s)	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	443.35	436.93
(b) Capital work-in-progress	4	11.82	15.06
(c) Right-of-use-assets	42	20.32	20.11
(d) Goodwill		26.17	26.17
(e) Intangible assets (other than Goodwill)	5	17.97	20.82
(f) Intangible assets under development	6	24.20	18.71
(g) Financial Assets			
(i) Investments	7	34.82	55.69
(ii) Trade Receivables	14	444.83	119.87
(iii) Loans	8	6.50	6.50
(iv) Others	9	11.03	31.54
(h) Deferred tax assets (net)	10	6.70	12.15
(i) Other non-current assets	11	18.26	4.30
Total Non Current Assets		**1,065.97**	**767.85**
Current Assets			
(a) Inventories	12	435.26	343.68
(b) Financial Assets			
(i) Investments	13	5.79	2.50
(ii) Trade Receivables	14	2,610.99	1,609.82
(iii) Cash & cash equivalents	15	21.30	16.44
(iv) Bank balances other than (iii) above	16	285.14	175.41
(v) Loans	17	11.87	14.98
(vi) Others	18	461.81	557.50
(c) Current Tax Assets (net)	19	75.56	97.53
(d) Contract Assets		20.70	18.48
(e) Other current assets	20	221.41	224.77
Total Current Assets		**4,149.83**	**3,061.11**
Total Assets		**5,215.80**	**3,828.96**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	21	128.44	128.44
(b) Other Equity	21	1,787.77	1,540.00
Equity attributable to owners of the Company		**1,916.21**	**1,668.44**
Non-controlling interest		7.26	(0.05)
Liabilities			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	22	250.78	200.94
(ii) Lease liabilities	42	18.47	16.93
(b) Provisions	23	36.50	31.96
Total Non Current Liabilities		**305.75**	**249.83**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	24	587.64	467.60
(ii) Lease Liabilities	42	3.75	5.01
(iii) Trade Payables	25		
- total outstanding dues of micro enterprises and small enterprises		181.49	80.54
- total outstanding dues to other than micro enterprises and small enterprises		1,566.47	734.70
(iv) Other financial liabilities	26	487.41	527.12
(b) Current Tax liabilities (Net)	27	46.37	-
(c) Other current liabilities	28	71.22	51.93
(d) Contract liabilities		30.11	33.16
(e) Provisions	29	12.12	10.68
Total Current Liabilities		**2,986.58**	**1,910.74**
Total Liabilities		**3,292.33**	**2,160.57**
Total Equity and Liabilities		**5,215.80**	**3,828.96**

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

Arvind Kharabanda
Director
DIN: 00052270

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
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

Consolidated Statement of Profit and Loss for the year ended March 31, 2021

(₹ in Crore)

	Particulars	Note No(s)	For the year ended March 31, 2021	For the year ended March 31, 2020
I	**INCOME**			
	Revenue from operations	30	4,422.96	3,838.91
	Other Income	31	36.13	22.08
	Total Income (I)		**4,459.09**	**3,860.99**
II	**EXPENSES**			
	Cost of Materials Consumed	32	644.22	521.77
	Other Direct costs	33	973.23	1,625.08
	Purchases of stock-in trade		1,778.40	881.62
	Change in inventories of finished goods, work-in progress and stock-in trade	34	8.07	(94.21)
	Employee benefits expense	35	252.85	224.34
	Finance Costs	36	176.09	114.82
	Depreciation, Impairment and Amortization expenses	3, 5, 42	68.63	41.95
	Other Expenses	37	216.61	186.22
	Total Expenses (II)		**4,118.10**	**3,501.59**
III	**Profit / (loss) before Share of profit/ (loss) of joint venture, exceptional items and income tax (I-II)**		**340.99**	**359.40**
IV	Share of profit/ (loss) of a joint venture		-	(1.05)
V	**Profit / (loss) before exceptional items and income tax (III+IV)**		**340.99**	**358.35**
VI	Exceptional item	49	4.13	-
VII	**Profit / (Loss) before tax (V - VI)**		**336.86**	**358.35**
VIII	**Tax expense**			
	- Current tax		86.13	53.58
	- Deferred Tax		4.49	67.44
IX	**Profit/(loss) for the year (VII-VIII)**		**246.24**	**237.33**
X	**Other Comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		3.80	1.75
	(ii) Income tax on above item		(0.95)	(0.79)
	(iii) Gain/(Loss) on Equity Instruments designated through OCI		2.56	0.09
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.45)	(0.08)
	Other comprehensive income/(loss) for the year		**4.96**	**0.97**
XI	**Total comprehensive income for the year (IX+X)**		**251.20**	**238.30**
XII	**Profit attributable to:**			
	Owners of the Parent		239.00	227.25
	Non-controlling interest		7.24	10.09
XIII	**Total comprehensive income for the year attributable to:**			
	Owners of the Parent		243.89	228.38
	Non-controlling interest		7.31	9.94
XIV	**Earnings per share from continuing and Total operations attributable to the equity holders of the Holding Company during the year**	38		
	- Basic (₹)		1.86	1.77
	- Diluted (₹)		1.87	1.76

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

Arvind Kharabanda
Director
DIN: 00052270

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
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

Consolidated Statement of Cash Flow for the year ended March 31, 2021

(₹ in Crore)

Particulars			For the year ended March 31, 2021	For the year ended March 31, 2020
I.	**Cash Flow From Operating Activities**			
	Net Profit before Taxes and Exceptional Items		336.86	358.35
	Adjustments for			
	Depreciation, Impairment and Amortization expenses	68.63		42.85
	(Gain)/Loss on disposal of property, plant and equipment	0.03		0.19
	Financial Guarantee impairment	(0.40)		(0.40)
	Impairment loss, Bad Debts, advances and miscellaneous balances written off	4.66		6.59
	Employee Share based payments expenses	3.89		7.52
	Share of profit of joint ventures	-		1.05
	Dividend and interest income classified as investing cash flows	(3.77)		(5.12)
	Finance costs (net)	176.09		114.82
			249.13	**167.49**
	Change in operating assets and liabilities			
	(Increase)/Decrease in Trade and other receivables	(1,330.79)		(172.33)
	(Increase)/Decrease in Inventories	(91.59)		(79.15)
	Increase/(decrease) in Trade payables	932.72		(49.76)
	(Increase)/Decrease in other financial assets	(14.00)		(60.62)
	(Increase)/decrease in other non-current assets	20.91		(1.41)
	(Increase)/decrease in other current assets	1.17		(77.35)
	Increase/(decrease) in provisions	1.43		2.91
	Increase in other Non current liabilities	7.89		6.60
	Increase in other current liabilities	(39.12)		168.45
			(511.38)	**(262.66)**
	Cash generated from/(used in) operations		**74.61**	**263.19**
	Income taxes paid (net)		(17.79)	(90.83)
	Net cash inflow from/(used in) operating activities		**56.82**	**172.36**
II	**Cash flows from investing activities**			
	Payment for acquisition of subsidiaries & other investments		(13.03)	(3.41)
	Payments for property, plant and equipment including CWIP		(97.37)	(155.66)
	Payments for Intangible Assets		(8.70)	(12.22)
	Proceeds from sale of property, plant and equipment		2.15	0.07
	Payment for loan to body corporate		3.11	(1.02)
	Proceeds from sale of Investment		33.13	-
	Dividends received		-	0.02
	Interest received		3.77	5.35
	Net cash inflow from /(used in) investing activities		**(76.94)**	**(166.87)**

Consolidated Statement of Cash Flow for the year ended March 31, 2021

(₹ in Crore)

	Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
III	**Cash flows from financing activities**		
	Proceeds from issues of Warrants	-	7.50
	Proceeds from borrowings	280.95	181.45
	(Repayment) of borrowings	(73.83)	(61.62)
	Finance lease payments	(7.76)	(7.25)
		199.36	**120.08**
	Less:		
	Finance Costs paid	(174.38)	(111.34)
	Dividends paid to company's shareholders	-	(15.32)
	Net cash inflow from/(used in) financing activities	**24.98**	**(6.58)**
IV	**Net increase /(decrease) in cash and cash equivalents (I+II+III)**	**4.86**	**(1.09)**
V	Cash and cash equivalents at the beginning of the financial year	16.44	17.53
VI	**Cash and cash equivalents at end of the year**	**21.30**	**16.44**
Notes:			
1	The Statement of Cash flow has been prepared under the indirect method as set-out in the Ind AS - 7 "Statement of Cash Flow" as specified in the Companies (Indian Accounting Standards) Rules, 2015		
2	Figures in bracket indicate cash outflow.		
3	**Cash and cash equivalents (refer note 15)**		
	Cash on hand	0.10	0.28
	Balances with Banks		
	Current accounts*	18.67	13.95
	Fixed Deposits with Bank	2.53	2.21
	Balances per statement of cash flows	**21.30**	**16.44**
4	**Analysis of movement in borrowings**		
	Borrowings at the beginning of the year	685.93	566.09
	Movement due to cash transactions per the Statement of Cash Flows	207.12	119.84
	Borrowings at the end of the year	**893.05**	**685.93**
	* ₹ 0.27 crore (Previous year ₹ 0.27 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

Arvind Kharabanda
Director
DIN: 00052270

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
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

Consolidated Statement of Changes in Equity for the year ended March 31, 2021

A. Equity Share Capital (₹ in Crore)

Particulars	Amount
As at April 1, 2019	**127.44**
Changes in equity share capital	1.00
As at March 31, 2020	**128.44**
Changes in equity share capital	-
As at March 31, 2021	**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	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve			
Balance as at April 1, 2019	**8.50**	**4.19**	**452.62**	**80.50**	**8.43**	**-**	**868.54**	**(117.31)**	**8.76**	**-**	**1,314.23**	**(9.95)**	**1,304.28**
Impact on account of adoption of Ind AS 116 (refer note No 42)	-	-	-	-	-	-	(1.12)	-	-	-	(1.12)	-	(1.12)
Balance as at April 1, 2019	**8.50**	**4.19**	**452.62**	**80.50**	**8.43**	**-**	**867.42**	**(117.31)**	**8.76**	**-**	**1,313.11**	**(9.95)**	**1,303.16**
Total Comprehensive Income for the year	-	-	-	-	-	2.22	227.25	(2.13)	1.11	(0.08)	228.37	9.94	238.31
Business acquired during the year	-	-	-	-	-	-	-	-	-	-	-	(0.04)	(0.04)
Warrant subscription price equivalent to 75% of the issue price*	7.50	-	-	-	-	-	-	-	-	-	7.50	-	7.50
Transfer to retained earnings	-	-	-	-	(2.81)	-	2.81	-	-	-	-	-	-
Dividends paid for the previous year (Including tax on dividend)	-	-	-	-	-	-	(15.48)	-	-	-	(15.48)	-	(15.48)
Employee Share Options outstanding $	-	7.50	-	-	-	-	-	-	-	-	7.50	-	7.50
Conversion of warrants into equity share	(16.00)	-	15.00	-	-	-	-	-	-	-	(1.00)	-	(1.00)
Balance as at March 31, 2020	**-**	**11.69**	**467.62**	**80.50**	**5.62**	**2.22**	**1,082.00**	**(119.44)**	**9.87**	**(0.08)**	**1,540.00**	**(0.05)**	**1,539.95**
Total Comprehensive Income for the year	-	-	-	-	-	-	239.00	2.56	2.77	(0.45)	243.88	7.31	251.19
Transfer to retained earnings	-	-	-	-	(2.81)	-	(124.72)	127.53	-	-	-	-	-
Employee Share Options outstanding $	-	3.89	-	-	-	-	-	-	-	-	3.89	-	3.89
Balance as at March 31, 2021	**-**	**15.58**	**467.62**	**80.50**	**2.81**	**2.22**	**1,196.28**	**10.65**	**12.64**	**(0.53)**	**1,787.77**	**7.26**	**1,795.03**

$ Refer note no. 21(B)(iii)

* Refer note no. 21(B)(iv)

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

Arvind Kharabanda
Director
DIN: 00052270

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
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

Jaipur, 10th May, 2021

New Delhi, 10th May, 2021

New Delhi, 10th May, 2021

Notes forming part of Consolidated Financial Statements

for the year ended March 31, 2021

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 Exchanges 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 May 10, 2021.

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 except where otherwise stated.

2.1.3. 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 Fibre 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 employees' state insurance schemes:

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Group'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, 2019	**349.62**	**61.51**	**27.10**	**16.02**	**8.02**	**4.20**	**19.65**	**15.59**	**8.89**	**0.88**	**511.48**
Additions	180.63	56.11	-	19.54	2.58	4.06	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
Balance As at March 31, 2020	**494.45**	**117.62**	**27.10**	**33.27**	**10.61**	**8.79**	**22.25**	**16.12**	**8.89**	**0.88**	**739.98**
Additions	25.33	31.53	-	1.83	1.48	1.32	3.50	0.78	-	-	65.77
Disposals / Adjustments	1.16	0.45	-	0.26	0.24	0.01	0.53	1.57	-	-	4.22
As at March 31, 2021	**518.62**	**148.70**	**27.10**	**34.84**	**11.85**	**10.10**	**25.22**	**15.33**	**8.89**	**0.88**	**801.53**
Accumulated depreciation and impairment											
Balance As at April 1, 2019	**237.72**	**14.27**	**8.20**	**12.65**	**5.75**	**3.59**	**15.71**	**11.19**	**-**	**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	35.65	-	-	2.29	0.01	-	0.87	0.12	-	-	38.94
Balance As at March 31, 2020	**223.22**	**16.72**	**9.03**	**12.34**	**6.46**	**4.59**	**17.96**	**12.51**	**-**	**0.22**	**303.05**
Depreciation for the year	39.00	4.09	0.83	5.53	1.15	2.09	2.91	1.12	-	0.01	56.73
Impairment during the year	0.45	-	-	-	-	-	-	-	-	-	0.45
Disposals / Adjustments	0.20	-	-	0.01	0.01	0.01	0.49	1.33	-	-	2.05
As at March 31, 2021	**262.47**	**20.81**	**9.86**	**17.86**	**7.60**	**6.67**	**20.38**	**12.30**	**-**	**0.23**	**358.18**
Net Carrying Value											
Balance as at April 1, 2019	111.90	47.24	18.90	3.37	2.27	0.61	3.94	4.40	8.89	0.67	202.19
Balance as at March 31, 2020	271.23	100.90	18.07	20.93	4.15	4.20	4.29	3.61	8.89	0.66	436.93
Balance as at March 31, 2021	**256.15**	**127.89**	**17.24**	**16.98**	**4.25**	**3.43**	**4.84**	**3.03**	**8.89**	**0.65**	**443.35**

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 Holding Company has set up a new Optical Fiber Cables for Fiber-to-the-Home (FTTH) & allied product manufacturing facility at Hyderabad on the same parcel of 20 acre land adjoining its Fiber manufacturing facility with annual capacity of 3.6 L CKM. Facility for manufacturing of Fiber-to-the-Home cable (FTTH) has been started w.e.f. 16th December, 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, Rangareddi, 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, 2021 has submitted its claims before the respective authorities for sanctioning the claim , 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 22 and 24 for details of assets pledged.

4 Capital works-in-progress

(₹ in Crore)

Particulars	Buildings	Plant & Machinery	Electrical Installation	Total
Balance as at March 31, 2019	**38.09**	**24.11**	**1.81**	**64.01**
Additions	7.93	25.69	2.30	35.92
Disposals / Adjustments	33.30	47.72	3.85	84.87
Balance as at March 31, 2020	**12.72**	**2.08**	**0.26**	**15.06**
Additions	3.75	8.96	0.11	12.82
Disposals / Adjustments	13.85	2.21	-	16.06
Balance as at March 31, 2021	**2.62**	**8.83**	**0.37**	**11.82**

Notes:

The Holding Company has set up a new Optical Fiber Cables Fiber-to-the-Home (FTTH) & allied product manufacturing facility at Hyderabad on the same parcel of 20 acre land adjoining its Fiber manufacturing facility at Hyderabad with annual capacity of 3.6 L CKM. The Holding Company is also expending its capacity for various FTTH variants and accordingly, capital expenditure amounting to ₹3.21 Crore which is shown under the head Capital work-in-progress.

5 Intangible Assets (Other than Goodwill)

(₹ in Crore)

Particulars	Computer software
Gross Carrying Value	
Balance as at April 1, 2019	**19.25**
Additions	13.85
Acquisition of Subsidiary	1.16
Disposals / Adjustments	-
Balance as at March 31, 2020	**34.26**
Additions	3.21
Disposals / Adjustments	-
Balance as at March 31, 2021	**37.47**
Accumulated depreciation and impairment	
Balance as at April 1, 2019	**8.90**
Depreciation for the year	4.54
Disposals / Adjustments	-
Balance as at March 31, 2020	**13.44**
Depreciation for the year	6.06
Disposals / Adjustments	-
Balance as at March 31, 2021	**19.50**
Net Carrying Value	
Balance as at April 1, 2019	10.35
Balance as at March 31, 2020	20.82
Balance as at March 31, 2021	**17.97**

6 Intangible assets under development

(₹ in Crore)

Particulars	Product Development
Balance as at April 1, 2019	**21.51**
Additions	8.74
Acquisition of Subsidiary	1.88
Disposals / Adjustments	13.42
Balance as at March 31, 2020	**18.71**
Additions	5.49
Disposals / Adjustments	-
Balance as at March 31, 2021	**24.20**

Note : Includes Technology licence fee paid in the nature of advance till the date of actual utilisation of technology.

7 Non-Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	32.97	53.84
(ii) Investments in Debt instruments	1.85	1.85
Total	**34.82**	**55.69**

7.1 Detail of Non Current Financial Assets - Other Investments

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2021		As at March 31, 2020	
		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	6,30,223	16.77	6,30,223	16.77
AB Corp Ltd.	10	-	-	132,50,000	32.90
Midas Communication Technologies Pvt. Ltd.	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Ltd.	25	4,000	0.06	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	2,17,594	16.05	54,398	4.01
Total Investment in Equity Instruments measured at FVTOCI			**32.97**		**53.84**
(ii) Investment in Debt Instruments					
Atul Properties Pvt. Ltd. (OFCDs)	100	1,85,000	1.85	1,85,000	1.85
Total Investment in Debt Instruments measured at FVTOCI			**1.85**		**1.85**
Aggregate Carrying value of unquoted investments			**34.82**		**55.69**
Aggregate amount of impairment in value of investments			-		-

8 Non-Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Other Loans		
Unsecured, considered good	6.50	6.50
Which have significant increase in credit risk	0.21	0.21
Less: expected credit loss allowance	(0.21)	(0.21)
Total	**6.50**	**6.50**
Movement in the expected loss of Other Loans are as follows:		
Balance at the Beginning of the year	0.21	0.21
Add: Provided during the year	-	-
Less: Amount written off	-	-
Balance at the end of the year	**0.21**	**0.21**

9 Non-Current Financial Assets-Others

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Fixed Deposits with Bank (maturity more than 12 months)*	9.56	31.34
Security Deposit	1.47	0.20
Total	**11.03**	**31.54**

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

10 Deferred tax assets (net)

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

(₹ in Crore)

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	MAT credit entitlement*	Total
As at 1 April, 2019	**9.37**	**(0.10)**	**16.35**	**54.30**	**79.92**
Addition due to acquisition	0.08	-	-	-	0.08
Impact on account of adoption of Ind AS 116 (refer note No 41)	-	-	0.38	-	0.38
(Changed)/Credited:					
- to Statement of profit and loss	0.90	(18.80)	4.76	(54.30)	(67.44)
- to other comprehensive income	(0.79)	-	-	-	(0.79)
As at 31 March, 2020	**9.56**	**(18.90)**	**21.49**	**-**	**12.15**
(Changed)/Credited:					
- to Statement of profit and loss	1.67	7.93	(14.10)	-	(4.50)
- to other comprehensive income	(0.95)	-	-	-	(0.95)
As at 31 March, 2021	**10.28**	**(10.97)**	**7.39**	**-**	**6.70**

* 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. The management of the Group has assessed that it is beneficial to opt for the option of availing revised income tax rate from current financial year.

11 Other Non-Current Assets

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, Considered Good		
Capital Advances	18.26	4.30
Total	**18.26**	**4.30**

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

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Inventories (As Certified and valued by the management)		
Raw Material	114.78	76.07
Raw Materials in transit	13.07	0.06
	127.85	**76.13**
Work-in-progress	126.82	134.59
Finished goods	57.38	63.99
Stock-in-trade	67.52	61.21
Stock-in-trade in transit	45.92	-
Stores and spares	8.17	6.73
Loose tools	0.66	0.31
Others (Packing Material)	0.94	0.72
Total	**435.26**	**343.68**

Notes:

(i) Work in progress includes contract work in progress of ₹ 101.26 crore (Previous year: ₹ 119.26 Crore)

13 Current Financial Assets - Investments

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Quoted Investments		
(i) Investments in Mutual Funds	2.99	1.85
(ii) Investments in Equity Instruments -other	2.80	0.65
Total	**5.79**	**2.50**

13.1 Detail of Current Financial Assets - Investments

(₹ in Crore)

Particulars	Face value per share	As at March 31, 2021		As as March 31, 2020	
		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	1,000	9,398	1.86	9,398	1.79
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.07	50,000	0.04
Union Bank Medium duration fund Regular	10	4,99,975	0.51	-	-
Union Hybrid Equity Fund-Growth	10	4,99,975	0.53	-	-
Principal Cash Management fund - Dividend reinvestment plan	1,000	235	0.02	228	0.02
Total Investment FVTPL			**2.99**		**1.85**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Ltd.	1	64,08,000	-	64,08,000	-
Manvens Biotech Ltd.	1	17,000	-	17,000	-
Sumedha Fiscal Services Ltd.	10	18,200	0.05	18,200	0.03
Valiant Communications Ltd.	10	8,700	0.06	8,700	0.02
Magma Fincorp Ltd	2	1,52,830	1.68	1,52,830	0.26
Media Matrix Worldwide Ltd.	1	4,750	-	4,750	-
Sahara One Media and Entertainment Ltd.	10	2,50,950	0.84	2,50,950	0.24
			2.63		**0.55**
(iii) Investment in equity instruments - Unquoted Equity Shares					
Optimates Textile Industries Ltd.	2	13,02,500	-	13,02,500	-
Rashel Agrotech Ltd.	10	4,78,500	-	4,78,500	-
NSL Wind Power Company (Phoolwadi) Private Limited	10	1,70,795	0.17	1,01,595	0.10
			0.17		**0.10**
Total Investment FVTOCI			**2.80**		**0.65**
Total Current Financial Investments			**5.79**		**2.50**
Aggregate Carrying value of unquoted investments			**0.17**		**0.10**
Aggregate amount of impairment in value of investments			-		-

14 Current Financial Assets - Trade Receivables

(₹ in Crore)

Particulars	As at March 31, 2021		As as March 31, 2020	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good;	444.83	2,601.61	119.87	1,593.93
Credit Impaired	-	0.72	-	0.42
Which have significant increase in credit risk	-	19.31	-	23.24
Less: expected credit loss allowance	-	(10.65)	-	(7.77)
Total	**444.83**	**2,610.99**	**119.87**	**1,609.82**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	7.77	-	4.75
Add: Provided during the year	-	3.09	-	6.67
Less: Amount written off	-	0.21	-	3.64
Balance at the end of the year	**-**	**10.65**	**-**	**7.78**

14.1 The credit period towards trade receivables related to turnkey projects 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 .

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

15 Current Financial Assets - Cash & cash equivalents

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash & Cash Equivalents		
Balance with banks		
- in current account	18.40	13.68
- in dividend account**	0.27	0.27
Cash on hands	0.10	0.28
Fixed Deposits with Bank (maturity less than 3 months)*	2.53	2.21
Total	**21.30**	**16.44**

* Above fixed deposits are held as margin money/securities with banks.
** ₹ 0.27 Crore (Previous year ₹ 0.10 crore) has restricted use.

16 Current Financial Assets - Other Bank Balances

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Fixed Deposits with Bank (Maturity less than 12 months)*	285.14	175.41
Total	**285.14**	**175.41**

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

17 Current Financial Assets - Loans

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Other Loans	11.87	14.98
Total	**11.87**	**14.98**

18 Current Financial Assets -Other Assets

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Advances other than capital advances		
- Security Deposits	18.86	23.60
- Other Project advances	402.05	525.80
Interest Receivable	7.78	8.10
Receivables for sales of Investments	33.12	-
Total	**461.81**	**557.50**

19 Current Tax Assets (net)

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	75.56	97.53

20 Other Current Assets

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Indirect tax recoverable	160.06	157.54
Prepaid Expenses	32.69	39.20
Export Incentive receivable	2.87	1.18
Other Receivables	2.01	2.02
Assets recognised from cost incurred to fulfill a contract	23.78	24.83
Total	**221.41**	**224.77**

21 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, 2019	**5,10,00,00,000**	**510.00**	**2,50,00,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2020	**5,10,00,00,000**	**510.00**	**2,50,00,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2021	**5,10,00,00,000**	**510.00**	**2,50,00,000**	**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, 2019	**1,27,43,77,194**	**127.44**	**-**	**-**
Add: Shares issued during the year	1,00,00,000	1.00	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back during the year	-	-	-	-
As at March 31, 2020	**1,28,43,77,194**	**128.44**	**-**	**-**
Add: Shares issued during the year	-	-	-	-
Add: Bonus shares issued during the year	-	-	-	-
Less: Share bought back/redeem during the year	-	-	-	-
As at March 31, 2021	**1,28,43,77,194**	**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 75,00,000 & 2,75,00,000, 52,08,333 and 47,91,667 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 Ninety Three Lakh Seventy Seven Thousand One Hundred Ninety Four Only) comprising of 123,93,77,194 equity shares of the face value of ₹1/- each to ₹128.44 crore (Rupees One Hundred Twenty Eight Crore Forty Three Lakh Seventy Seven Thousand One Hundred Ninety Four Only) comprising of 128,43,77,194 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, 2021		As as March 31, 2020	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures (P) Ltd	28,96,40,000	22.55%	24,58,90,000	19.14%
Nextwave Communications (P) Ltd	21,98,65,000	17.12%	21,98,65,000	17.12%

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

The Holding Company has issued equity share of Re.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 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, 2021	As at March 31, 2020
(i) Retained Earnings	1,196.28	1,082.00
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	10.65	(119.44)
b. Remeasurement of defined benefit plans	12.64	9.87
c. Foreign currency translation reserve	(0.53)	(0.08)
(iii) Other Reserves*		
a. Securities Premium	467.62	467.62
b. Debenture Redemption Reserve	2.81	5.62
c. Capital Redemption Reserve	80.50	80.50
d. Employee Share based payment reserve	15.58	11.69
e. Capital reserve (on bargain purchase)	2.22	2.22
Total	**1,787.77**	**1,540.00**

* 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 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. 80,50,000 (previous year 80,50,000) 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).

(i) Retained Earnings

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	1,082.00	868.54
Change in accounting policy (refer note 41)	-	(1.12)
Restated balance at the beginning of the reporting period	**1,082.00**	**867.42**
Add: Net profit for the period	246.24	237.34
Add/Less: adjustments for-		
Changes in Fair Value of FVOCI Equity Instruments	(127.53)	-
Transfer from Debenture redemption reserve	2.81	2.81
Transfer into Capital redemption reserve	-	-
Dividend paid on Equity shares (including tax on dividend)	-	(15.48)
Non-Controlling Interest	(7.24)	(10.09)
Closing Balance	**1,196.28**	**1,082.00**

(ii) **Components of Other Comprehensive Income** (₹ in Crore)

Particulars	Changes in fair value of FVOCI equity instruments	Remeasurement of defined benefit plans	Foreign currency translation reserve
As at April 1, 2019	(117.31)	8.76	-
Increase during the year	-	1.11	-
Decrease during the year	2.13	-	0.08
As at March 31, 2020	**(119.44)**	**9.87**	**(0.08)**
Increase during the year	130.09	2.77	-
Decrease during the year	-	-	0.45
As at March 31, 2021	**10.65**	**12.64**	**(0.53)**

(iii) **Other Reserves** (₹ in Crore)

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment Reserve	Capital Reserve
As at April 1, 2019	452.62	8.43	80.50	4.19	-
Increase during the year	15.00	-	-	7.50	2.22
Decrease during the year	-	2.81	-	-	-
As at March 31, 2020	**467.62**	**5.62**	**80.50**	**11.69**	**2.22**
Increase during the year	-	-	-	3.89	-
Decrease during the year	-	2.81	-	-	-
As at March 31, 2021	**467.62**	**2.81**	**80.50**	**15.58**	**2.22**

(iv) **Money received against convertible warrants** (₹ in Crore)

Particulars	Amount
As at April 1, 2019	**8.50**
Increase during the year	7.50
Decrease during the year	(16.00)
As at March 31, 2020	**-**
Increase during the year	-
Decrease during the year	-
As at March 31, 2021	**-**

22 Non-Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Borrowings		
a) Non-Convertible Debentures	11.24	22.49
b) Term Loans		
(i) from Banks*	196.60	186.61
c) Vehicle Loans		
(i) from Banks	2.31	2.92
(ii) from others	0.04	0.07
	210.19	**212.09**
Unsecured		
Borrowings		
a) Term Loans		
(i) from other parties (Refer Note 56 (i))	6.24	6.24
(ii) Interest on Term Loan from other parties	26.57	25.72
b) Inter Corporate Deposit		
(i) from other parties	88.98	-
	121.79	**31.96**
Less : Current maturities of long term debt - Term Loans	(68.75)	(30.75)
Less : Debentures redeemable in next 12 months	(11.24)	(11.24)
Less : Current maturities of long term debt - Vehicle Loans	(1.21)	(1.12)
Total	**250.78**	**200.94**

* Net off of ₹1.37 Crores (Previous year ₹1.76 Crores) as finance charge

Regarding Holding Company:

a) Holding Company had issued 33,72,750 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) and 2021(FY 2021-22) respectively. First & Second installment of 33.33% of each year being 22,48,444 NCDs have been redeemed on time.

b) Term Loan of ₹25.00 crore (Previous year ₹50.00 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 Holding Company.

c) Term Loan of ₹124.41 crore (Previous year ₹111.77 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 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) Working Capital Term loan (Covid -19 Emergency Credit line) of ₹19.24 crore and FITL under Covid-19 scheme of ₹ 0.65 crore are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Holding Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

e) Other Vehicle Loans of ₹2.35 crore (Previous Year ₹2.99 crore) from banks and others are secured by way of hypothecation of respective assets.

f) Unsecured Inter Corporate Deposits are having a maturity by October 2024 payable in four half yearly installments starting form April 2023 and carry interest rate 9.00%.

Regarding Subsidiary Company:

g) 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 Company is regularly following and submitting all clarifications & additional information asked by GOI from time to time for obtaining the administrative approval so that the required formalities under the Companies Act can be taken up accordingly . In view of this, loans outstanding from GOI along with interest and advances/loan received from HFCL have been shown under Non-Current Financial Liability instead of Current Financial Liability.

h) Term Loan of ₹ 30.00 crore sanctioned and disbursed, outstanding as on 31.03.2021 is amounting to ₹ 20.59 crore (Previous year ₹ 24.84 crore) from Yes Bank Ltd and Term Loan of ₹ 30.00 crore sanctioned, outstanding as on 31.03.2021 is amounting to ₹ 6.70 crore (Previous year Nil) from State Bank of India 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 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 Chairman of the Company and Corporate Guarantee of M/s MN Ventures Private Limited. Repayment of term loan from Yes Bank Ltd 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 whereas repayment of term loan from State Bank of India would be made in 14 structured quarterly installments after moratorium period i.e. 6 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	Term Loan	Vehicle Loan
Rate of Interest	10.75%	10.25%	7.40%	14.50%	8.90% to 10.30%
Outstanding amount	45.59	124.41	19.89	6.70	2.35
Repayment Due					
FY 2021-22	30.80	20.13	16.85	0.96	1.21
FY 2022-23	5.86	20.13	3.04	1.91	0.58
FY 2023-24	5.93	20.13	-	1.91	0.25
FY 2024-25 to 2027-28	3.00	64.01	-	1.91	0.31
Un-Secured					
Rate of Interest	9.00%				
Outstanding amount	88.98				
Repayment Due					
FY 2023-24	50.00				
FY 2024-25	38.98				

23 Non-Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Provisions for Employee Benefits (refer note no. 45)		
Provision for Gratuity	17.95	19.11
Provision for Leave Encashment	18.55	12.85
Total	**36.50**	**31.96**

24 Current Financial Liabilities - Borrowings

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	379.10	287.38
(ii) from banks - Receivable bills discounting	49.81	50.00
Unsecured		
(i) from banks - Vendors bills discounting	70.54	20.99
(ii) from other parties - Inter Corporate Deposit**	74.65	109.23
(iii) Buyers credit	13.54	-
Total	**587.64**	**467.60**

Regarding Holding Company:

* a) Working Capital Loans from banks aggregating to ₹222.52 crore (Previous year: ₹200.23 crore) are secured on pari passu basis by way of hypothecation of stocks of raw materials, finished and semi- finished goods, stores and spares, book debts etc. as well as by way of second charge on immovable properties pertaining to Wireline, Wireless and Cable divisions of the Company and further secured by way of pledge of equity shares up to 51% (24,15,48,750 equity shares) of promoters and are also personally guaranteed by Managing Director of the Holding Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

b) Working Capital Loans from banks aggregating to ₹ 49.14 crore (Previous year: ₹ 49.83 crore) and Inland bills discounting limit of ₹ 49.81 crore (Previous year ₹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 Holding 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.

c) Working Capital Loans from banks aggregating to ₹ 70.80 crore (Previous year: ₹NIL) are secured by way of first pari passu charge on all current assets, moveable & immoveable fixed assets (Present & future) of IP-MPLS back bone Project for Network for Spectrum (NFS). The loan is further secured by second pari passu charge on moveable & immoveable fixed assets, personal guarantee by Managing Director of the Holding 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:

d) Working capital loan of ₹ 2.46 crore (Previous year: ₹ 2.43 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.

e) Working capital loan of ₹ 34.19 crore (Previous year: ₹ 34.89 crore) 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 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 Chairman 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%.

25 Current Financial Liabilities - Trade Payables

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Due to Micro & Small Enterprises (refer note no. 46)	181.49	80.54
Others	1,566.47	734.70
Total	**1,747.96**	**815.24**

26 Other Financial Liabilities

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Retention Money*	272.38	310.61
Other Financial Liabilities		
Current maturities of long-term debts (refer note no. 22)	69.96	31.86
Non Convertible Debentures (refer note no. 22)	11.24	11.24
Interest accrued but not due	0.78	2.36
Security deposit	4.78	4.71
Creditors for Capital Goods	11.70	32.56
Expenses Payables	102.57	125.80
Other Employees related liabilities	13.73	7.71
Unpaid Dividends & Tax their on	0.27	0.27
Total	**487.41**	**527.12**

* Retention money are due on completion of erection/contracts/final acceptance by the Group.

27 Current Tax Liabilities (Net)

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	46.37	-
Total	**46.37**	**-**

28 Other Current Liabilities

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Others		
Statutory Liabilities payable	43.91	34.26
Advance from Customers	27.31	17.67
Total	**71.22**	**51.93**

29 Current Liabilities - Provisions

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Provisions		
Provisions for Employee Benefits (refer note no. 45)		
-Provision for Gratuity	2.25	2.08
-Provision for Leave Encashment	1.78	2.27
Provisions - Others	8.09	6.33
Total	**12.12**	**10.68**

30 Revenue from operations

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale and Services		
- Manufacturing and trading activities	1,200.24	839.39
- Turnkey project related activities	3,217.22	2,995.48
Other Operating Revenues		
- Scrap sale	1.96	1.60
- Export Incentives	3.54	2.44
Total	**4,422.96**	**3,838.91**

(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 revalidation 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 ₹ 30.11 crore (Previous year ₹33.16 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, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	**18.48**	**3.49**
Revenue recognised during the year	19.47	18.39
Invoices raised during the year	17.25	3.40
Balance at the end of the year	**20.70**	**18.48**

(b) Changes in contract liabilities (Unearned revenue) are as follows -

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	**33.16**	**49.52**
Increase due to invoicing during the year	-	2.14
Revenue recognised that was included in the unearned and deferred revenue	3.05	18.50
Balance at the end of the year	**30.11**	**33.16**

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.

31 Other Income

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Other non-operating income		
Interest Income	16.76	19.85
Dividend Income	-	0.02
Financial guarantee Income	0.40	0.40
Exchange Fluctuation Income (Net)	15.76	-
Others	3.21	1.81
Total	**36.13**	**22.08**

32 Cost of Material Consumed

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening Stock	72.97	82.79
Add : Purchases during the year	686.03	511.95
	759.00	594.74
Less: Closing Stock	114.78	72.97
Total	**644.22**	**521.77**

33 Other Direct Costs

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Project and labour service charges	934.48	1,601.29
Consumption of Packing Material	19.65	14.64
Consumption of stores and spares parts	18.86	9.03
Loose Tools written off	0.24	0.12
Total	**973.23**	**1,625.08**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Closing Stock		
Finished Goods	57.38	63.99
Stock in Trade- Goods	67.52	61.21
Work in process	126.82	134.59
	251.72	**259.79**
Opening Stock		
Finished Goods	63.99	30.62
Stock in Trade- Goods	61.21	57.17
Work in process	134.59	77.79
	259.79	**165.58**
Total	**8.07**	**(94.21)**

35 Employee benefits expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, bonus and allowances	233.60	201.42
Contribution to Provident and other funds	10.24	9.79
Staff welfare expenses	5.12	5.62
Share Based payments to Employees (refer note no. 55)	3.89	7.51
Total	**252.85**	**224.34**

36 Finance costs

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Bank Loan Interest	69.30	48.36
Other Interest (net)	32.51	26.61
Bank Charges and loan processing fee	71.84	37.88
Interest on lease liabilities (refer note no. 42)	2.44	1.97
	176.09	**114.82**

37 Other expenses

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	3.78	4.10
Rates and Taxes	3.53	3.77
Auditors' Remuneration		
- Audit Fees	1.10	1.03
- In Other Capacity	0.31	0.30
- Out of pocket expenses	0.02	0.19
Legal and Professional Charges	45.39	40.02
Communication Expenses	2.30	2.37
Travelling and Conveyance Expenses	31.29	34.91
Power and Fuel & Water Charges	26.33	16.32
Repairs and Maintenance	4.83	7.16
Insurance Expenses	11.85	10.46
Selling & Distribution Expenses	35.38	19.37
Bad debts, Loans and Advances, other balances written off (net)	1.57	2.23
Provision for doubtful debts	3.09	4.36
Inventory written off (Non-Moving/ obsolete technology)	-	33.71
Less: Provision for non-moving inventories reversed	-	(33.71)
Sitting Fees to non-executive directors	0.48	0.39
Liquidated Damages on Sales	8.94	2.21
Research & Product Development Expenses	8.67	5.73
Exchange Fluctuation Loss (Net)	-	15.17
Corporate Social Responsibility Expenses (refer note 52)	10.44	0.06
Miscellaneous Expenditure	17.31	16.07
Total	**216.61**	**186.22**

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

(₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Basic & Diluted Earnings per share		
Profit/Loss for the year	246.24	237.33
Profit attributable to ordinary shareholders (A)	239.00	227.25
Weighted average number of ordinary shares (B)	1,28,43,77,194	1,28,38,83,683
(used as denominator for calculating basic EPS)		
Potential equity shares	1,20,16,000	1,34,18,000
Weighted average number of ordinary shares (C)	1,29,63,93,194	1,29,73,01,683
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share (amount in ₹)	1.00	1.00
Earnings per share basic (A/B) (amount in ₹)	1.86	1.77
Earnings per share diluted (A/C) (amount in ₹)	1.87	1.76

39 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.

40 Impact and future uncertainties relating to Global health pandemic from COVID-19

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of the financial statements including there coverability of carrying amounts of financial and non financial assets. Further the impact assessment does not indicate any adverse impact on the ability of the company to continue as a going concern. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group has, at the date of approval of the financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these financial statements.

41 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).

42 Leases

The details of the right-of-use asset held by the Group is as follows: (₹ in Crore)

Particulars	Addition for the year ended March 31, 2021	Net carrying amount as at March 31, 2021	Addition for the year ended March 31, 2020	Net carrying amount as at March 31, 2020
Land	-	0.09	-	0.09
Buildings	5.59	20.23	15.21	20.02
Total	**5.59**	**20.32**	**15.21**	**20.11**

Depreciation on right-of-use asset as follows: (₹ in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Land	-	-
Buildings	5.39	5.61
Total	**5.39**	**5.61**

The details of the Lease Liabilities payable by the Group is as follows: (₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Current	3.75	5.01
Non Current	18.47	16.93
Total	**22.22**	**21.94**

Interest on lease liabilities is ₹ 2.44 crore and ₹ 1.97 crore for the year ended March 31, 2021 and March 31, 2020 respectively.

The Group incurred ₹0.98 crore and ₹0.81 crore for the years ended March 31, 2021 and March 31, 2020, respectively, towards expenses relating to short-term leases and leases of low-value assets.

The total cash outflow for leases is ₹0.90 crore and ₹0.21 crore for the years ended March 31, 2021 and March 31, 2020, respectively, including cash outflow for short term and low value lease"

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	74%
Polixel Security Systems Private Limited	100%
Moneta Finance (P) Ltd.	100%
HFCL Advance Systems (P) Ltd.	100%
Raddef Private Limited (Subsidiary w.e.f. 15.05.2019)	90%
DragonWave HFCL India Private Limited (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)

Name of the Enterprises	Net assets i.e total assets minus total liabilities		Share in Profit & Loss	
	As % of Consolidated net assets	Amount (₹)	As % of Consolidated Profit/Loss	Amount (₹)
Parent				
HFCL Limited (formerly Himachal Futuristic Communications Limited)	97.56	1,876.50	90.56	227.54
Subsidiaries - Indian				
HTL Limited	1.81	34.84	7.40	18.60
Polixel Security Systems Private Limited	0.29	5.66	(0.23)	(0.57)
Moneta Finance Private Limited	0.02	0.35	0.01	0.02
HFCL Advance Systems Private Limited	-	(0.06)	-	(0.01)
Raddef Private Limited	(0.13)	(2.48)	(0.38)	(0.95)
DragonWave HFCL India Private Limited	0.07	1.40	(0.30)	(0.75)
Non-Controlling interest in all subsidiaries	0.38	7.26	2.91	7.31

44 Business Combination

(i) During the previous year, the Holding Company acquired 90% (9,000 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. The business acquisition was undertaken by acquiring equity stake of 90% for Cash consideration of ₹0.01 crore.

(ii) Holding 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 Holding Company acquired balance 50.10% (comprising of 35,07,000 equity shares of face value ₹ 10/- each). The Holding 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, 2021	For the year ended March 31, 2020
Employer's Contribution to Provident Fund	10.09	9.52

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, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy)				
Discount rate (per annum)	6.80%	6.80%	6.80%	6.80%
Rate of increase in Compensation levels	6.65%	6.80%	6.65%	6.80%
Average remaining working lives of employees (Years)	18.56	18.30	18.57	18.16
Table showing changes in present value of obligations :				(₹ in Crore)
Present value of obligation as at the beginning of the year	23.25	19.48	15.11	12.70
Acquisition adjustment	-	0.16	-	0.12
Interest Cost	1.58	1.48	1.02	0.97
Past service cost (Vested Benefit)	Nil	Nil	5.00	0.97
Current Service Cost	3.11	3.20	4.43	3.47
Curtailment cost / (Credit)	Nil	Nil	Nil	Nil
Settlement cost /(Credit)	Nil	Nil	Nil	Nil
Benefits paid	(3.38)	(0.97)	(3.60)	(1.33)
Actuarial (gain)/ loss on obligations	(1.91)	(0.10)	(1.63)	(1.79)
Present value of obligation as at the end of the period	22.66	23.25	20.33	15.11

(₹ in Crore)

Particulars	Gratuity (Funded)		Leave Encashment	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Table showing changes in the fair value of plan assets				
Fair value of plan assets at beginning of the year	2.06	2.04	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	0.14	0.16	N.A.	N.A.
Employer contribution	-	-	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	0.26	(0.14)	Nil	Nil
Changes deducted	-	-	Nil	Nil
Fair value of plan assets at year end	2.46	2.06	Nil	Nil
Other Comprehensive Income				
Actuarial (gain) / loss for the period - Obligation	(1.91)	(0.10)	(1.63)	(1.79)
Actuarial (gain) / loss for the period - Plan assets	(0.26)	0.14	-	-
Total (gain) / loss for the period	(2.16)	0.04	(1.63)	(1.79)
Actuarial (gain) / loss recognized in the period	(2.16)	0.04	(1.63)	(1.79)
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	22.66	23.25	20.33	15.12
Fair value of plan assets as at the end of the period	2.46	2.06	Nil	Nil
Funded Status	(20.20)	(21.19)	(20.33)	(15.12)
Unrecognised actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(20.20)	(21.19)	(20.33)	(15.12)
Expenses recognised in Consolidated Statement of Profit and Loss				
Current service cost	3.11	3.20	4.43	3.48
Past service cost (Vested Benefit)	Nil	Nil	5.00	0.97
Interest Cost	1.58	1.48	1.02	0.97
Expected return on plan assets	(0.14)	(0.16)	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	4.55	4.53	10.45	5.42
Sensitivity analysis of the defined benefit obligation				
Impact of the change in Discount Rate				
Present Value of Obligation at the end of the period	22.66	23.25	20.33	15.12
Impact due to increase of 0.5%	(1.30)	(1.38)	(1.64)	(1.06)
Impact due to decrease of 0.5%	1.25	1.26	0.88	0.96
Impact of the change in salary increase				
Present Value of Obligation at the end of the period	22.66	23.25	20.33	15.12
Impact due to increase of 0.5%	1.27	0.79	(1.68)	(1.08)
Impact due to decrease of 0.5%	(1.34)	(0.89)	0.90	0.98

Sensitivities due to mortality & withdrawals are insignificant & hence ignored.

Particulars	Gratuity: For the year ended March 31, 2021	Gratuity: For the year ended March 31, 2020	Leave Encashment: For the year ended March 31, 2021	Leave Encashment: For the year ended March 31, 2020
Maturity profile of defined benefit obligation				
March 2021 to March 2022	0.76	2.62	2.79	2.41
March 2022 to March 2023	0.73	0.26	0.64	0.08
March 2023 to March 2024	1.05	0.85	0.46	0.42
March 2024 to March 2025	0.66	1.00	0.43	0.31
March 2025 to March 2026	1.01	0.64	0.52	0.36
March 2026 to March 2027	2.46	0.97	1.02	0.35
March 2027 onwards	15.99	16.91	14.47	11.19
Investment Details				
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.46	2.06	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 as required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act):

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Principal amount due to micro & small enterprises*	181.49	80.54
Interest due on above	1.78	6.33
Interest paid during the period beyond the appointed day	0.02	0.73
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	8.09	6.33
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 25 ' 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.

*includes amount of ₹ 138.48 crore (previous year ₹ 31.94 crore) outstanding but not overdue to micro, small and medium enterprises as on 31st March 2021

47 Commitments and Contingencies

(a) Contingent Liabilities not provided for in respect of :

(₹ in Crore)

	Particulars	As at March 31, 2021	As at March 31, 2020
(i)	Unexpired Letters of Credit (margin money paid ₹57.05 crore; Previous year ₹18.01 crore)	371.44	109.45
(ii)	Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of ₹153.57 crore; Previous year ₹139.95 crore)	805.57	881.45
(iii)	Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹3.87 crore (previous year ₹ 3.87 crore) shown as recoverable advance)	64.79	66.61
(iv)	Custom Duty against import under EPCG scheme	4.60	5.41

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, 2021 the Group has outstanding term derivative contracts as referred in note no. 58

(b) Capital Commitments

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	78.68	16.82
Uncalled capital Commitment pertaining to investments	23.50	14.46

(c) Financial Guarantees

(₹ in Crore)

Issued in favour of	Issued to	Amount of guarantee (₹)	Purpose
Microwave Communications Ltd.	Credit Lyonnais Bank	9.60	Ad-hoc L/C
Microwave Communications Ltd.	The Vysya Bank Ltd	4.06	Working Capital
Exicom Tele-systems Ltd.	Punjab National Bank	6.50	Working Capital

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 In view of the limited scale of operations at the Company's Solan (Himachal Pradesh) Facilities and as a step towards cost optimization, the Board of Holding Company in its meeting held on January 20, 2020, had decided to shift the Plant and Machinery of Solan Facilities and operations thereof to the Holding Company's Manufacturing Facility located in Hyderabad. Further, in order to ensure continuity of the job of the employees currently based at Solan, the Holding Company also considered to offer the continued employment either at Hyderabad or at such other places where the project works are being got executed. The Holding Company introduced a Voluntary Retirement Scheme (VRS) to those employees who are finding it difficult to relocate to Hyderabad/other locations. Consequently, VRS compensation paid during the year amounting to ₹4.13 crores has been disclosed as an exceptional item. Further, the management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery at its Hyderabad Plant.

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- HFCL Ltd.
	Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Ltd.
	Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Ltd.
	Mr. G.S. Naidu, COO & Manager - HTL Ltd.
	Mr. C. D. Ponnappa Chief Finance Officer - HTL Ltd.
	Mr. S Narayanan, Company Secretary- HTL Ltd.
	Mr. Yogesh Gupta, Company Secretary- DragonWave HFCL India Pvt. Ltd. (upto 30.11.2020)
(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 Ltd.
	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, 2021 are as under:

(₹ in Crore)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Purchases/receiving of Goods & services		
Exicom Tele-systems Ltd.	6.05	18.34
Sales/rendering of Goods and Materials		
Exicom Tele-systems Ltd.	2.47	0.13
Income - Rent /Other Income		
Exicom Tele-systems Ltd.	0.21	-
Expenses - Rent /Other expenses		
Exicom Tele-systems Ltd.	0.84	0.84
Satellite Finance Pvt. Ltd.	0.35	0.35
Shankar Sales Promotion Private Ltd.	0.73	0.73
Vinson Brothers Pvt. Ltd.	0.77	0.76
Closing Balances of Loans & Advances and Receivables		
Exicom Tele-systems Ltd.	0.73	6.16
Satellite Finance Pvt. Ltd.	0.16	0.19
Closing Balances of Trade Payables		
Shankar Sales Promotion Pvt. Ltd.	0.32	0.38
Vinson Brothers Pvt. Ltd.	0.35	0.34
Contribution towards ESOP Trust		
HFCL Employees Trust	-	0.02
Guarantees and collaterals		
Exicom Tele-systems Ltd.	6.50	6.50
Advances of Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	0.39	-
Mr. Vijay Raj Jain (Chief Financial Officer)	1.20	-
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.09	-
Remuneration of Key Management Personnel's		
Mr. Mahendra Nahata, Managing Director- HFCL Ltd.	5.78	6.80
Mr. Vijay Raj Jain (Chief Financial Officer)	2.97	1.97
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.83	0.43
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	0.58	0.56
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd	0.51	0.49
Mr. S Narayanan, Company Secretary- HTL Ltd.	0.21	0.20
Mr. Yogesh Gupta, Company Secretary- DragonWave HFCL India Private Limited (upto 30.11.2020)	0.26	0.26
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.25	0.35
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.11	0.16
Mr. G.S. Naidu, COO & Manager - HTL Ltd.	0.12	0.14
Mr. C. D. Ponnappa Chief Finance Officer- HTL Ltd.	0.11	0.13

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	1,205.46	846.92	3,217.50	2,991.99	-	-	4,422.96	3,838.91
Segment Result	154.67	133.00	353.15	327.37	(1.10)	(2.50)	506.72	457.87
Unallocated Finance charges	-	-	-	-	-	-	176.09	114.81
Unallocated expenses	-	-	-	-	-	-	10.38	2.59
Unallocated Income	-	-	-	-	-	-	16.62	17.88
Profit before tax	-	-	-	-	-	-	336.86	358.35
Income tax (net)	-	-	-	-	-	-	90.62	121.01
Profit after tax	-	-	-	-	-	-	**246.24**	**237.34**
Other Information								
Segment assets	1,304.84	1,205.95	3,400.47	2,126.32	0.30	1.11	4,705.61	3,333.38
Unallocated other assets							510.17	495.59
Total assets	1,304.84	1,205.95	3,400.47	2,126.32	0.30	1.11	5,215.78	3,828.97
Segment liabilities	688.02	533.10	1,920.43	1,086.83	1.40	1.36	2,609.85	1,621.29
Unallocated other liabilities							682.47	539.29
Total liabilities	688.02	533.10	1,920.43	1,086.83	1.40	1.36	3,292.32	2,160.58
Depreciation	66.45	39.14	2.18	2.81	-	-	68.63	41.95
Capital Expenditure	65.13	265.49	3.42	14.91	0.45	2.33	69.00	282.73
Non-cash expenses other than Deprecation	1.29	0.62	1.42	7.32	-	0.42	2.71	8.36

(b) Secondary segment information

The Group caters mainly to the needs of Indian market and the export turnover being 4.54% (Previous year 3.19%) 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, 2021	Year ended March 31, 2020
Gross amount to be spent by the Group during the year	6.26	4.65
Amount spent during the year:		
Contribution on acquisition of assets		
On other purposes*	10.44	-

* Includes ₹ 0.65 Crore which the Group intends to spend in the future relating to and in addition to the amounts spent in the prior current year.

53 Interest charges on loans is net of Interest income from loans and advances amounting to ₹8.01 crore (Previous year ₹10.23 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, Holding 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 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 1,40,98,000 equity shares. Out of this, 70,49,000 equity shares will be issued against RSUs at par value and 70,49,000 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, 2021 and March 31, 2020 is as follows:

Particulars	Shares arising out of options*	
	Year ended March 31, 2021	Year ended March 31, 2020
Employee Stock Options (ESOPs)		
Outstanding at the beginning	67,09,000	68,61,000
Granted	-	-
Exercised	-	-
Forfeited and expired	7,01,000	1,52,000
Outstanding at the end	60,08,000	67,09,000
Exercisable at the end	44,86,000	26,83,600
Restricted Stock Units (RSUs)		
Outstanding at the beginning	67,09,000	68,61,000
Granted	-	-
Exercised	-	-
Forfeited and expired	7,01,000	1,52,000
Outstanding at the end	60,08,000	67,09,000
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, 2021 are as follows: (₹ in Crore)

Particulars	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
20-25 (ESOPs)	60,08,000	1	20.65
0 - 5 (RSUs)	60,08,000	3	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 for the year ended March 31, 2021	
	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 Crs (Previous year ₹ 6.24 Crs) together with interest accrued and due thereon of ₹ 30.03 Crs (Previous year ₹ 29.19 Crs) is due to Government of India (GOI). In addition to this, the Govt. of India has acceded the request to adjust ₹ 3.47 Crs 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 Company at Guindy Industrial Area, Chennai, land measuring 35.89 acres is held by the Company in the capacity of assignee in terms of assignment deed dated 3.12.1968 executed by Government of Tamil Nadu for Industrial Development of Guindy Industrial Area, Chennai. In order to give title of the above assigned land in favour of the Company, the Government of Tamil Nadu had required the Company to surrender back 4.90 acres of unutilised land to the Small Industries Department, Chennai. The Company had surrendered the vacant land measuring 4.90 acres to the Small Industries Department, Chennai in 2002. In respect of the remaining land measuring 30.99 acres, the name of the Company has been entered in the revenue records of the Government of Tamil Nadu. In respect of above said land, a Show Cause Notice (SCN) was issued on 08th June, 2020, by Office of the Revenue Divisional Officer, Guindy, Chennai, objecting on patta of assigned land entered in the revenue records of the Govt. Subsequently, interim stay on SCN was granted by Hon'ble Madras High Court on 19th June, 2020.

b) Claims of ₹ 3.47 crs 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 Company requested DoT vide letter no. 43.12 ETP dated 08.12.2003 to adjust the compensation amount of ₹ 3.47 crs 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 crs 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 crs 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 31.03.2021. In the financial statements, the company has adjusted the said claim receivable from the interest liability due to GOI, though a formal concurrence of adjustment & subsequent interest reconciliations is still ongoing. The Company 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 Crs 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 company is regularly following and submitting all clarifications & additional information asked by GOI from time to time for obtaining the administrative approval so that the required formalities under the Companies Act can be taken up accordingly . In view of this, loans outstanding from GOI along with interest and advances/loan received from HFCL 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, 2021			As at March 31, 2020		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	32.97	-	-	53.84	-
ii) Structured entity						
a) Sumedha Fiscal Services Ltd.	-	0.04	-	-	0.03	-
b) Valiant Communications Ltd.	-	0.06	-	-	0.02	-
c) Magma Fincorp Ltd	-	1.68	-	-	0.26	-
d) Sahara One Media and Entertainment Ltd.	-	0.84	-	-	0.24	-
e) NSL Wind Power Company (Phoolwadi) Private Limited	-	0.17	-	-	0.10	-
B) Mutual funds	2.99	-	-	1.85	-	-
C) Debentures & Bonds	-	-	1.85	-	-	1.85
II) Trade receivables	-	-	3,055.81	-	-	1,729.69
III) Bank deposits	-	-	9.56	-	-	31.34
IV) Cash and Cash equivalents	-	-	21.30	-	-	16.44
V) Other Bank balances	-	-	285.14	-	-	175.41
VI) Security deposit for utilities and premises	-	-	20.34	-	-	23.81
VII) Other receivables	-	-	461.32	-	-	555.37
Total Financial Assets	**2.99**	**35.76**	**3,855.32**	**1.85**	**54.49**	**2,533.91**
2) Financial Liabilities						
I) Borrowings						
a) From Banks	-	-	673.33	-	-	520.38
b) From Others	-	-	107.49	-	-	141.26
II) Obligations under Finance Lease	-	-	22.22	-	-	21.94
III) Deposits	-	-	272.38	-	-	310.61
IV) Trade payables	-	-	1,747.96	-	-	815.24
V) Other liabilities	-	-	272.62	-	-	223.41
Total Financial Liabilities	**-**	**-**	**3,096.00**	**-**	**-**	**2,032.84**

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, 2021

(₹ in Crore)

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2021	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	13	2.99	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	13	0.04	-	-
b) Valiant Communications Ltd.	13	0.06	-	-
c) Magma Fincorp Ltd	13	1.68	-	-
d) Sahara One Media and Entertainment Ltd.	13	0.84	-	-
e) NSL Wind Power Company (Phoolwadi) Private Limited	13	-	-	0.17
f) Exicom Tele-Systems Ltd.	7	-	-	16.77
g) The Greater Bombay Co-Op Bank Ltd.	7	-	-	0.06
h) Shankar Sales Promotion Pvt.Ltd.	7	-	-	0.09
i) Atul Properties Pvt. Ltd.	7	-	-	1.85
j) Nivetti Systems Pvt Ltd.	7	-	-	16.05
Total Financial Assets		**5.61**	**-**	**34.99**

B) 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_	13	1.85	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Ltd.	13	0.03	-	-
b) Valiant Communications Ltd.	13	0.02	-	-
c) Magma Fincorp Ltd	13	0.26	-	-
d) Sahara One Media and Entertainment Ltd.	13	0.24	-	-
e) NSL Wind Power Company (Phoolwadi) Private Limited	13	-	-	0.10
f) Exicom Tele-Systems Ltd.	7	-	-	16.77
g) AB Corp Ltd	7	-	-	32.90
h) The Greater Bombay Co-Op Bank Ltd.	7	-	-	0.07
i) Shankar Sales Promotion Pvt.Ltd.	7	-	-	0.09
j) Atul Properties Pvt. Ltd.	7	-	-	1.85
k) Nivetti Systems Pvt Ltd.	7	-	-	4.01
Total Financial Assets		**2.40**	**-**	**55.79**

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, 2021					
Trade payables	25	1,747.96	1,747.96	-	**1,747.96**
Retention Money	26	272.38	272.38	-	**272.38**
Other liabilities	22,24,26,42	1,075.66	806.42	269.25	**1,075.67**
As at March 31, 2020					
Trade payables	25	815.24	815.24	-	**815.24**
Retention Money	26	310.61	310.61	-	**310.61**
Other liabilities	22,24,26,42	907.00	689.13	217.87	**907.00**

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 2021 and 31 March 2020.

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, 2021 would increase / decrease by ₹4.06 crore (for the year ended March 31, 2020: increase / decrease by ₹5.82 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 ₹ 2.30 Cr loss for year ended March 31, 2021 (₹1.78 Cr loss for year ended March 31, 2020).

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 14. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. 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, 2021	As at March 31, 2020
Debt	920	712
Less : Cash and Cash equivalents (Note 15)	(21.30)	(16.44)
Net Debt	**898.70**	**695.56**
Total Equity	1,923.47	1,668.39
Net Debt to Total Equity	**0.47**	**0.42**

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 and on direct purchase of capital items (₹ in Crore)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	0.66	49.58	0.06	4.91

c) Foreign Currency exposure (₹ in Crore)

Particulars		As at March 31, 2021		As at March 31, 2020	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	6,22,23,688.00	455.37	3,06,36,105.00	234.12
	GBP/INR	7,76,485.00	7.84	7,60,190.00	6.95
	JPY/INR	-	-	3,47,76,000.00	2.49
	EUR/INR	8,16,532.00	7.02	4,09,748.00	3.47
Trade receivable	USD/INR	63,85,310.00	46.73	27,83,232.00	20.70
	EUR/INR	-	-	2,86,942.00	2.34
	GBP/INR	4,20,321.00	4.24	2,19,655.00	2.01
	AED/INR	1,09,09,213.00	21.73	-	-

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, 2021		Year Ended March 31, 2020	
	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	20.43	(20.43)	10.67	(10.67)
EURO Impact	0.35	(0.35)	0.06	(0.06)
JPY Impact	-	-	0.12	(0.12)
GBP Impact	0.18	(0.18)	0.25	(0.25)
AED Impact	(1.09)	1.09	-	-

59 Tax Reconciliation

(₹ in Crore)

Particulars	F.Y. 2020-21	F.Y. 2019-20
Net Profit as per Statement of Profit and Loss (before tax)	**336.86**	**358.35**
Current Tax rate @ 25.17% (34.944%)	**86.25**	**125.33**
Adjustment:		
MAT Adjustment	-	(48.10)
Depreciation & other adjustment	1.12	(15.62)
Carry forward loss and Unabsorbed Depreciation	(1.58)	(8.38)
Amount of eligible / ineligible expenditure	0.35	0.35
The amount of income u/s 10 - dividend	-	(0.01)
Tax Provision as per Books	**86.13**	**53.58**

60 Recent Indian Accounting Standards (Ind AS)

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. The amendments are extensive and the Group will evaluate the same to give effect to them as required by law.

61 The Board has recommended a dividend @15% i.e. Re. 0.15 per equity share for the financial year ended 31st March, 2021 subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) of the Company or other authorities wherever required. The dividend for the financial year ended 31st March, 2021, if any, declared at the ensuing AGM, will be paid to the Shareholders within 30 days from the date of declaration.

62 Figures for the previous year has been regrouped/rearranged wherever necessary to confirm current year classification / presentation.

As per our report of even date attached

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

P. D. Baid
Partner
M.No. 072625

Jaipur, 10th May, 2021

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

Sunil Bhansali
Partner
M.No.: 054645

New Delhi, 10th May, 2021

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Senior Vice-President (Corporate) & Company Secretary
M.No.: FCS 5834

New Delhi, 10th May, 2021

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 Crore)

Name of the Subsidiary	HTL Limited	Moneta Finance Private Limited	HFCL Advance Systems Private Limited	Polixel Security Systems Private Limited	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	1.02	0.10	0.18	7.00	0.01
Reserves and Surplus	14.86	1.64	(0.06)	10.90	0.14	(3.11)
Total Assets	**461.39**	**2.67**	**0.06**	**19.28**	**7.73**	**2.10**
Total Liabilities	**431.54**	**0.01**	**0.02**	**8.20**	**0.59**	**5.20**
Investments	0.17	1.94	Nil	Nil	Nil	Nil
Turnover	643.04	Nil	Nil	5.86	Nil	2.13
Profit before taxation	45.40	0.03	(0.01)	-0.59	(0.28)	(1.05)
Provision for taxation	17.16	0.01	Nil	0.01	0.43	Nil
Profit after taxation	28.24	0.02	(0.01)	(0.61)	(0.72)	(1.05)
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil
% of Shareholding	**74.00**	**100.00**	**100.00**	**100.00**	**100.00**	**90.00**

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, 2021.

For and on behalf of the Board

Arvind Kharabanda
Director
DIN: 00052270

Mahendra Nahata
Managing Director
DIN: 00052898

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K

Manoj Baid
Senior Vice-President (Corporate)
& Company Secretary
M.No.: FCS 5834

New Delhi, 10th May, 2021

This Page Intentionally Left Blank

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 **34th (Thirty Fourth) Annual General Meeting ("AGM")** of the Members of **HFCL Limited** (formerly Himachal Futuristic Communications Limited) will be held on **Thursday, the 30th day of September, 2021 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 March 31, 2021, 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 March 31, 2021, 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 March 31, 2021 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 March 31, 2021, along with the report of the Auditors thereon as laid before this meeting, be and are hereby received, considered and adopted."

3. Declaration of Dividend

To declare a Dividend of ₹0.15 (Fifteen Paisa only) i.e. @15% per fully paid-up equity share of face value of ₹1/- (Rupee One only) for the financial year ended March 31, 2021 and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"**RESOLVED THAT** a Dividend at the rate of ₹0.15 (Fifteen Paisa only) i.e. @ 15% per fully paid-up equity share of face value of ₹1/- (Rupee One only) of the Company, be and is hereby declared for the financial year ended March 31, 2021 and the same be paid as recommended by the Board of Directors of the Company, out of the distributable profits of the Company for the financial year ended March 31, 2021."

4. Appointment of Director in place of the retiring Director

To appoint a Director in place of Dr. (Mr.) Ranjeet Mal Kastia (DIN: 00053059), Director (Non-Executive), 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Dr. (Mr.) Ranjeet Mal Kastia (DIN: 00053059), who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director (Non-Executive), liable to retire by rotation, of the Company."

SPECIAL BUSINESS:

5. Appointment of Mr. Ramakrishna Eda (DIN: 07677647) as a Director (Nominee Director– IDBI Bank Limited)

To appoint Mr. Ramakrishna Eda (DIN: 07677647) as a Director (Nominee Director– IDBI Bank Limited) and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 152, 161 and other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr. Ramakrishna Eda (DIN: 07677647) who had been appointed as an Additional Director (Non-Executive) in the category of Nominee Director of IDBI Bank Limited, be and is hereby appointed as a Director (Nominee Director– IDBI Bank Limited) of the Company, liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to delegate all or any of the powers to any committee of directors with power to further delegate to any other officer(s) / authorized representative(s) of the Company to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. Re-appointment of Mr. Surendra Singh Sirohi (DIN: 07595264) as an Independent Director

To approve the re-appointment of Mr. Surendra Singh Sirohi (DIN: 07595264) as an Independent Director of the Company for a second term of three consecutive years and in this regard, to consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and 160 read with Schedule IV and other applicable provisions of the Companies Act, 2013 (**the "Act"**) and the Companies (Appointment and Qualifications of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**the "SEBI Listing Regulations"**) [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force] and on the recommendation of the Nomination, Remuneration and Compensation Committee and the Board of Directors, Mr. Surendra Singh Sirohi (DIN: 07595264), Independent Director of the Company, whose current term of office was up to August 26, 2021 and who has submitted a declaration that he meets the criteria for independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act, from a Member, signifying his intention to propose Mr. Surendra Singh Sirohi's candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of three consecutive years commencing from August 27, 2021 up to August 26, 2024.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to delegate all or any of the powers to any committee of directors with power to further delegate to any other officer(s) / authorized representative(s) of the Company to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

7. Re-appointment of Dr. (Ms.) Tamali Sengupta (DIN: 00358658) as an Independent Director

To approve the re-appointment of Dr. (Ms.) Tamali Sengupta (DIN: 00358658) as an Independent Director of the Company for a second term of three consecutive years and in this regard, to consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and 160 read with Schedule IV and other applicable provisions of the Companies Act, 2013 (**the "Act"**) and the Companies (Appointment and Qualifications of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**the "SEBI Listing Regulations"**) [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force] and on the recommendation of the Nomination, Remuneration and Compensation Committee and the Board of Directors, Dr. (Ms.) Tamali Sengupta (DIN: 00358658), Independent Director of the Company, whose current term of office is expiring on December 23, 2021 and who has submitted a declaration that she meets the criteria for independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act, from a Member, signifying his intention to propose Dr. (Ms.) Tamali Sengupta's candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of three consecutive years commencing from December 24, 2021 up to December 23, 2024.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to delegate all or any of the powers to any committee of directors with power to further delegate to any other officer(s) / authorized representative(s) of the Company to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. Re-appointment and Remuneration of Mr. Mahendra Nahata (DIN: 00052898) as Managing Director and a Key Managerial Personnel

To approve the re-appointment and remuneration of Mr. Mahendra Nahata (DIN: 00052898) as a Managing Director and a Key Managerial Personnel of the Company, who is also a Promoter of the Company, for a period of three years and in this regard, to consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198 and 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 (**the "Act"**), the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 17(6)(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 (**the "SEBI Listing Regulations"**) (including any statutory modification(s) or re-enactment thereof for the time being in force) and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be required or imposed by any of the authorities while granting such approvals, permissions and sanctions and pursuant to the provisions of the Articles of Association of the Company, on the recommendation of the Nomination, Remuneration and Compensation Committee and the Board of Directors, consent of the Members of the Company, be and is hereby accorded for re-appointment of Mr. Mahendra Nahata (DIN: 00052898) as a Managing Director, not liable to retire by rotation and a Key Managerial Personnel of the Company, who is also a Promoter of the Company, whose current term of office is expiring on September 30, 2021, for a further period of 3 (three) years, with effect from October 01, 2021, on the terms and conditions including remuneration as set out in the Statement pursuant to Section 102 of the Act annexed to this Notice, notwithstanding the annual remuneration payable to him exceeding Rupees 5 Crores or 2.5 per cent of the net profits of the Company, calculated as per the provisions of Section 198 of the Act, whichever is higher, with liberty to the Board of Directors (hereinafter referred to as the "**Board**" which term shall be deemed to include the Nomination, Remuneration and Compensation Committee of the Board) to alter and vary the terms and conditions of the re-appointment and/or remuneration.

RESOLVED FURTHER THAT in the absence or inadequacy of profits in any financial year during the tenure of Mr. Mahendra Nahata as the Managing Director of the Company, he shall be paid the remuneration as set out in the Statement referred to above as the Minimum Remuneration in accordance with the provisions of Schedule V to the Act, without any further reference to the members of the Company in general meeting.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to delegate all or any of the powers to any committee of directors with power to further delegate to any other officer(s) / authorized representative(s) of the Company to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

9. Approval for Material Related Party Transactions with HTL Limited

To approve the material related party transactions with HTL Limited, a material subsidiary of the Company and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**the** "**SEBI Listing Regulations**") and the applicable provisions, if any, of the Companies Act, 2013 (**the** "**Act**") read with the Rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with the "Policy on Related Party Transactions" of the Company and pursuant to the approvals given by the Audit Committee from time to time, approval of the shareholders of the Company, be and is hereby accorded to the Audit Committee and/or the Board of Directors of the Company to enter into material related party contract(s)/arrangement(s)/ transaction(s) with HTL Limited, a material subsidiary and related party within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations, on such terms and conditions, as the Audit Committee/the Board of Directors may deem fit, up to a maximum aggregate value of ₹750 Crores (Rupees Seven Hundred Fifty Crores only), during the financial year 2021-22, which is in excess of 10% of the annual consolidated turnover of the Company, for the financial year 2020-21, based on the expected value of the proposed transactions, provided that the said contract(s)/ arrangement(s)/ transaction(s) to be carried out shall be at arm's length basis and in the ordinary course of business of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board of Directors of the Company (hereinafter referred to as the '**Board**', which term shall include any committee constituted by the Board of Directors of the Company or any person authorised by the Board to exercise the powers conferred on the Board of Directors of the Company by this resolution), be and is hereby authorized to agree, make, accept and finalize all such terms, condition(s), modification(s) and alteration(s) as it may deem fit from time to time and the Board is also hereby authorized to resolve and settle, from time to time all questions, difficulties or doubts that may arise with regard to above transactions and to finalize, execute, modify and amend all agreements, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion may deem fit without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have been given approval thereto expressly by the authority of this resolution."

10. Raising of Funds

To approve raising of funds and in this regard, to consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 23, Section 42, Section 55, Section 62, Section 71 and other applicable provisions of the Companies Act, 2013, read with the applicable provisions of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 and other rules and regulations made thereunder (including any amendment(s), statutory modification(s) and/or re-enactment(s) thereof for the time being in force) (**"Act"**), the provisions of the Memorandum of Association and the Articles of Association of the Company, all other applicable laws, rules and regulations, including the provisions of the Foreign Exchange Management Act, 1999 as amended and rules and regulations framed thereunder including Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended, the current Consolidated FDI Policy issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce, Government of India, as amended and the applicable rules and regulations made thereunder including applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (**"SEBI ICDR Regulations"**), the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as amended (**"SEBI IL-NCS Regulations"**), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**"SEBI Listing Regulations"**) the Securities Contracts (Regulation) Rules, 1957, as amended (**"SCRR"**), the Companies (Issue of Global Depository Receipts) Rules, 2014, the Depository Receipts Scheme, 2014, as amended, the Framework for issue of Depository Receipts notified by SEBI vide circular dated October 10, 2019, as amended, Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 as amended and such other statutes, clarifications, rules, regulations, circulars, notifications, guidelines, if any, as may be applicable, as amended from time to time issued by the Government of India, the Ministry of Corporate Affairs (**"MCA"**), the Securities and Exchange Board of India (**"SEBI"**), the Reserve Bank of India (**"RBI"**), BSE Limited (**"BSE"**), National Stock Exchange of India Limited (**"NSE"**, and together with BSE, the "**Stock Exchanges**") where the equity shares of the Company of face value of ₹1/- (Rupee One only) each ("**Equity Shares**") are listed, and any other appropriate authority under any other applicable laws and subject to all other approval(s), consent(s), permission(s) and/or sanction(s) as may be required from various regulatory and statutory authorities, including the Government of India, the RBI, SEBI, MCA and the Stock Exchanges (hereinafter singly or collectively referred to as "**Appropriate Authorities**") and subject to such terms, conditions and modifications as may be prescribed by any of the Appropriate Authorities while granting any such approval(s), permission(s) and sanction(s), consent of the members of the Company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "**Board**", which term shall be deemed to mean and include any duly constituted committee thereof for the time being exercising the powers conferred by the Board), to create, issue, offer and allot (including with provisions for reservations on firm and/or competitive basis, or such part of issue and for such categories of persons as may be permitted) such number of Securities (as defined hereinafter), for cash, in one or more tranches, with or without green shoe option, whether Rupee denominated or denominated in foreign currency, for an aggregate amount up to ₹750 Crores (Rupees Seven Hundred Fifty Crores only), by way of one or more public and/or private offerings and/or on a preferential allotment basis and/or a qualified institutions placement (**"QIP"**) to "qualified institutional buyers" as defined in the SEBI ICDR Regulations and/or any combination thereof, and/or any other permitted modes through issue of prospectus and/or an offer document and/or a private placement offer letter and/or placement document and/or such other documents/ writings/ circulars/ memoranda in such a manner, in such tranche or tranches, by way of an issue of Equity Shares or by way of an issue of any instrument or security including convertible/ redeemable preference shares, fully/partially convertible debentures or by way of a composite issue of non-convertible debentures and warrants entitling the warrant holder(s) to apply for Equity Shares, issue of Global Depository Receipts (**"GDR's"**), American Depository Receipts (**"ADR's"**) or any other eligible securities (instruments listed above collectively with the Equity Shares to be hereinafter referred to as the **"Securities"**) or any combination of Securities with or without premium, to be subscribed to in Indian and /or any foreign currencies by all eligible investors, including, residents or non-resident investors/ whether institutions, foreign portfolio investors and/or incorporated bodies and/or trusts or otherwise)/ qualified institutional buyers/ mutual funds/ pension funds/ venture capital funds/ banks/ alternate investment funds/ Indian and/or multilateral financial institutions, insurance companies/ trusts/ stabilising agents and any other category of persons or entities who are authorised to invest in the Securities of the Company as per extant regulations/ guidelines or any combination of the above as may be deemed appropriate by the Board in its absolute discretion and, whether or not such investors are members of the Company (collectively called **"Investors"**), to all or any of them, jointly or severally through a prospectus and/or an offer document and/or a private placement offer letter and/or placement document and/or such other documents/writings/ circulars/ memoranda in such a manner on such terms and conditions, considering the prevailing market conditions and other relevant factors wherever necessary in one or more tranche or tranches, at such price or prices (*whether at prevailing market price(s) or at permissible discount or premium to market price(s) in terms of applicable laws and regulations*), with authority to retain over subscription up to such percentage as may be permitted under applicable regulations, including the discretion to determine the categories of Investors to whom the offer, issue and allotment of Securities shall be made to the exclusion of others, in such manner, including allotment to stabilising agent in terms of green shoe option, if any, exercised by the Company, and where necessary in consultation with the book running lead manager (s), global coordinator(s) and book running lead manager(s) and/or underwriters and/or stabilising agent and/or other advisors or otherwise on such terms and conditions, including the security, rate of interest etc., issue of Securities as fully or partly paid, making of calls and manner of appropriation of application money or call money, in respect of different class(es) of investor(s) and/or in respect of different Securities, deciding of other terms and conditions like number of securities to be issued, face value, number of Equity Shares to be allotted on conversion/ redemption/ extinguishment of debt(s), rights attached to the warrants, terms of issue, period of conversion, fixing of record date or book closure terms if any, as the Board may in its absolute discretion decide, in each case subject to applicable laws and on such terms and conditions as may be determined and deemed appropriate by the Board in its absolute discretion and without requiring any further approval or consent from the members at the time of such issue and allotment considering the prevailing market conditions and other relevant factors in consultation with the merchant banker(s) to be appointed by the Company so as to enable the Company to list on any stock exchange in India or overseas jurisdictions;

RESOLVED FURTHER THAT in case of issue and allotment of Securities by way of QIP in terms of Chapter VI of the SEBI ICDR Regulations (hereinafter referred to as **"Eligible Securities"** within the meaning rendered to such term under Regulation 171(a) of the SEBI ICDR Regulations):

(i) The allotment of Securities shall only be made to qualified institutional buyers as defined in the SEBI ICDR Regulations (**"QIBs"**);

(ii) The Eligible Securities to be so created, offered, issued, and allotted, shall be subject to the provisions of the Memorandum of Association and the Articles of Association of the Company;

(iii) The allotment of the Eligible Securities, or any combination of the Eligible Securities as may be decided by the Board and subject to applicable laws, shall be completed within 365 days from the date of passing of the special resolution of the shareholders of the Company or such other time as may be allowed under the SEBI ICDR Regulations;

(iv) The Equity Shares issued and allotted under the Issue or allotted upon conversion of the equity linked instruments issued in QIP shall rank pari-passu inter se in all respects including with respect to entitlement to dividend, voting rights or otherwise with the existing Equity Shares of the Company in all respects;

(v) The number and/or price of the Eligible Securities or the underlying Equity Shares issued on conversion of Eligible Securities convertible into Equity Shares shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of division, reclassification of equity shares into other securities, issue of shares issue of equity shares by way of capitalisation of profit or reserves, or any such capital or corporate restructuring;

(vi) The Eligible Securities (excluding warrants) under the QIP shall be issued and allotted as fully paid up securities;

(vii) In the event Equity Shares are issued, the "**relevant date**" for the purpose of pricing of the Equity Shares to be issued, shall be the date of the meeting in which the Board or the committee of directors authorised by the Board decides to open the proposed issue of such Equity Shares, subsequent to the receipt of members' approval in terms of provisions of the Act and other applicable laws, rules, regulations and guidelines in relation to the proposed issue of the Equity Shares;

(viii) In the event that Eligible Securities issued are eligible convertible securities, the relevant date for the purpose of pricing of the convertible securities to be issued, shall be, either the date of the meeting which the Board or a committee of directors authorised by the Board decides to open the proposed issue or the date on which the holders of such eligible convertible securities become entitled to apply for Equity Shares, as decided by the Board;

(ix) The tenure of the convertible or exchangeable Eligible Securities issued through the QIP shall not exceed sixty months from the date of allotment;

(x) Issue of Eligible Securities made by way of a QIP shall be at such price which is not less than the price determined in accordance with Regulation 176(1) under Chapter VI of the SEBI ICDR Regulations (**"QIP Floor Price"**) and applicable law. The Board may, however, at its absolute discretion in consultation with the book running lead managers, issue Eligible Securities at a discount of not more than five percent or such other discount as may be permitted under applicable regulations to the QIP Floor Price;

(xi) No single allottee shall be allotted more than fifty per cent of the issue size and the minimum number of allottees shall be as per the SEBI ICDR Regulations;

(xii) No allotment shall be made, either directly or indirectly, to any QIB who is a promoter, or any person related to the promoters of the Company;

(xiii) The Eligible Securities allotted in the QIP shall not be eligible for sale by the respective allottees, for a period of one year from the date of allotment, except on a recognised stock exchange or except as may be permitted from time to time by the SEBI ICDR Regulations; and

(xiv) Any subsequent QIP shall not be undertaken until the expiry of two weeks (or such other period as may be prescribed) from the date of the prior QIP made pursuant to this special resolution.

RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and/or in the market and/or at the place of issue of the Securities in the international market and may be governed by the applicable laws;

RESOLVED FURTHER THAT in the event of issue of GDRs/ADRs, the pricing shall be determined in compliance with principles and provisions set out in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through the Depositary Receipt Mechanism) Scheme 1993, the Companies (Issue of Global Depository Receipts) Rules, 2014, the Depository Receipts Scheme, 2014, the Framework for issue of Depository Receipts notified by SEBI vide circular dated October 10, 2019, as amended, and other applicable pricing provisions issued by the Ministry of Finance and other applicable laws, the Relevant Date for the purpose of pricing the Securities to be issued pursuant to such issue shall be the date of the meeting at which the Board decides to open such issue after passing of this Special Resolution. Preferential issuance and allotment of Securities (other than as issued and allotted to QIBs by way of QIP) shall be subject to the requirements prescribed under the Act and Chapter V of the SEBI ICDR Regulations and other applicable laws;

RESOLVED FURTHER THAT the Board, be and is hereby authorised to enter into any arrangement with any agencies or bodies for the issue of GDRs and/or ADRs represented by underlying equity shares in the share capital of the Company with such features and attributes as are prevalent in international/domestic capital markets for instruments of this nature and to provide for the tradability and free transferability thereof in accordance with market practices as per the domestic and/or international practice and regulations and under the norms and practices prevalent in the domestic/ international capital markets and subject to applicable laws and regulations and the Articles of Association of the Company;

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary or desirable for such purpose, including but not limited to finalisation and approval of the offer document(s), private placement offer letter, determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, face value, fixing the record date, execution of various transaction documents, and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilisation of the proceeds as it may in its absolute discretion deem fit;

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combination of terms in accordance with international practices to provide for the tradability and free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of dividend, issue of additional Equity Shares, variation of the conversion price of the Securities or period of conversion of Securities into Equity Shares during the duration of the Securities and the Board, be and is hereby authorised, in its absolute discretion, in such manner as it may deem fit, to dispose-off such of the Securities that are not subscribed;

RESOLVED FURTHER THAT the Securities to be created, issued allotted and offered in terms of this resolution shall be subject to the provisions of the Memorandum of Association and the Articles of Association of the Company and the fully paid-up Equity Shares that may be issued by the Company (including issuance of Equity Shares pursuant to conversion of any Securities as the case may be in accordance with the terms of the offering) shall rank pari passu with the existing Equity Shares of the Company in all respects;

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue, or allotment of Securities or instruments representing the same, as described above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the nature of the issuance, terms and conditions for the issuance of Securities including the number of Securities that may be offered in domestic and international markets and proportion thereof, issue price and discounts permitted under applicable law, premium amount on issue/ conversion of the Securities, if any, rate of interest, timing for issuance of such Securities and shall be entitled to vary, modify or alter any of the terms and conditions as it may deem expedient, opening and maintaining bank accounts, entering into and executing arrangements for managing, underwriting, marketing, listing, trading and entering into and executing arrangements with merchant bankers, lead managers, legal advisors, depository, custodian, registrar, stabilising agent, paying and conversion agent, trustee, escrow agent and executing other agreements, including any amendments or supplements thereto, as necessary or appropriate and to finalise, approve and issue any document(s) or agreements including but not limited to the placement document and filing such documents (in draft or final form) with any Indian or foreign regulatory authority or stock exchanges and sign all deeds, documents and writing and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and take all steps which are incidental and ancillary in this connection, including in relation to utilisation of the issue proceeds, as it may in its absolute discretion deem fit without being required to seek further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution and all actions taken by the Board, to exercise its powers, in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions, be and are hereby approved, ratified and confirmed, in all respects;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate (to the extent permitted by law) all or any of the powers conferred by this resolution herein, to any committee of directors formed, Directors or one or more executives/officers of the Company to give effect to the above resolutions, in accordance with applicable law."

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

Place: New Delhi
Date: September 03, 2021

By Order of the Board

(Manoj Baid)
Senior Vice-President (Corporate) &
Company Secretary
Membership No: FCS 5834

NOTES:

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs **('MCA')** vide its General Circular Nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 5, 2020, 02/2021 dated January 13, 2021 and the Securities and Exchange Board of India **('SEBI')** vide its Circular Nos. SEBI/HO/CFD/CMD1/ CIR/P/2020/79 dated May 12, 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11dated January 15, 2021 (hereinafter collectively referred to as **"the Circulars"**), has allowed the companies to conduct the AGM through Video Conferencing/ Other Audio Visual Means **('VC/OAVM')**, without the physical presence of members at a common venue during the calendar year 2021. Hence, in compliance with the Circulars, the Companies Act, 2013 (the **"Act"**) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"), the 34th AGM of the Company is being held through VC/OAVM on Thursday, 30th September, 2021 at 11:00 a.m. (IST).**

   The deemed venue for the AGM will be the place from where the Chairperson of the Meeting conducts the AGM.

2. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of the SEBI Listing Regulations (as amended), and the Circulars issued by the Ministry of Corporate Affairs dated April 08, 2020, April 13, 2020 and May 05, 2020, 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 as 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. 5 to 10 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. 4 to 10 set out above and the relevant details of the Directors seeking re-appointment/ appointment at this AGM in respect of business under item no. 4 to 10, as 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-2')** 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 CIRCULARS THROUGH VC/OAVM, THE REQUIREMENT OF PHYSICAL ATTENDANCE OF MEMBERS HAS BEEN DISPENSED WITH. ACCORDINGLY, IN TERMS OF THE MCA CIRCULARS AND THE SEBI CIRCULARS, 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 34th 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. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.

8. The Members can join the AGM in the VC/OAVM mode at least 15 minutes before and till 15 minutes after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1,000 members on first come first served basis. 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 and Remuneration Committee and Stakeholders' Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

9. **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 Circulars, Notice of the AGM along with the Annual Report 2020-21 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 2020-21 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 available on the website of NSDL (agency for providing the Remote e-Voting facility) at **www.evoting.nsdl.com**.

10. 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 34th 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 AGM held on September 25, 2017. Members desiring inspection of statutory registers and other relevant documents may send their request in writing to the Company at **secretarial@hfcl.com**.

11. **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.

12. BOOK CLOSURE: The Register of Members and Transfer Books of the Company will be closed from **Friday, September 24, 2021 to Thursday, September 30, 2021 (both days inclusive)** for the purpose of AGM and payment of dividend on equity shares.

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 **Thursday, September 23, 2021**. 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. **Thursday, September 23, 2021**, 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**.

13. 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).

14. The requirement to place the matter relating to appointment of Auditors for ratification by members at every AGM is done away with vide notification dated May 07, 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 AGM held on September 25, 2017.

15. **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.

16. 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.

17. 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.

18. 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 pin code number, if not furnished earlier.

19. Members holding shares in dematerialized 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/ 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.

20. 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.

21. **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 dematerialized 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.

22. 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.

23. The Company has made arrangement with the RTA/NSDL/CDSL 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 2020-21 and the procedure for remote e-Voting along with the login ID and password for remote e-Voting.

24. **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, 2021)
2017-18	0.06	September 29, 2018	December 04, 2025	10,36,599.60
2018-19	0.10	September 28, 2019	December 03, 2026	16,40,858.90

Further, please refer to our e-mail communication dated September 02, 2021, to the shareholders in respect of Deduction of Tax at Source on Dividend under relevant provisions of the Income-Tax Act, 1961. Please provide necessary documents/ information for claiming exemption form TDS on Dividend to be paid for the FY21.

THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:-

The remote e-voting period begins on **Monday, September 27, 2021 at 09:00 A.M. and ends on Wednesday, September 29, 2021 at 05:00 P.M**.

The remote e-voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members/ Beneficial Owners as on the record date (cut-off date) i.e. **Thursday, September 23, 2021**, may cast their vote, electronically.

The voting right of shareholders shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date, being **Thursday, September 23, 2021**.

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 hereafter:

Step 1: Access to NSDL e-Voting system:

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode:

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by listed companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of share holders	Login Method
Individual Share-holders holding securities in demat mode with NSDL.	1. Existing IDeAS user can visit the e-Services website of NSDL viz. **https://eservices.nsdl.com** either on a Personal Computer or on a mobile. On the e-Services home page click on the "**Beneficial Owner**" icon under "**Login**" which is available under '**IDeAS**' section , this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "**Access to e-Voting**" under e-Voting services and you will be able to see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & e-Voting during the meeting. 2. If you are not registered for IDeAS e-Services, option to register is available at **https://eservices.nsdl.com**. Select "**Register Online for IDeAS Portal**" or click at **https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp** 3. 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. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & e-Voting during the meeting. 4. Shareholders/Members can also download NSDL Mobile App "**NSDL Speede**" facility by scanning the QR code mentioned below for seamless voting experience. **NSDL Mobile App is available on** App Store Google Play
Individual Share-holders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi/Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi/Easiest are **https://web.cdslindia.com/myeasi/home/login** or **www.cdslindia.com** and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at the following weblink: **https://web.cdslindia.com/myeasi/Registration/EasiRegistration** 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in **www.cdslindia.com** home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress.
Individual Share-holders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & e-Voting during the meeting.

Important note: Members who are unable to retrieve User ID/Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at **evoting@nsdl.co.in** or call at toll free no.: 1800 1020 990 and 1800 22 44 30.
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at: **helpdesk.evoting@cdslindia.com** or contact at 022- 23058738 or 022-23058542-43.

B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode:

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 **'Shareholder/Member'** section.

3. A new screen will open. You will have to enter your User ID, your Password/OTP 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. Password details for shareholders other than Individual shareholders 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 etc.

   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.

   After you click on the "**Login**" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system:-

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "**EVEN**" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "**EVEN**" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "**Join General Meeting**".

3. Now you are ready for e-Voting as the Voting page opens.

4. 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.

5. Upon confirmation, the message "**Vote cast successfully**" will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. 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 Mhatre, 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**. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **Step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode**.

3. Alternatively shareholder/members may send a request to **evoting@nsdl.co.in** for procuring user id and password for e-Voting by providing above mentioned documents.

4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat accounts.

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 casted 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. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-Voting.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for

Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "**Join General meeting**" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member 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.

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. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at **secretarial@hfcl.com**. The same will be replied by the Company suitably.

SPEAKER REGISTRATION BEFORE AGM:

Members of the Company, holding shares as on the cut-off date i.e. **Thursday, September 23, 2021** 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 **Friday, September 24, 2021 (09:00 A.M. IST) up to Saturday, September 25, 2021 (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 **Friday, September 24, 2021 (09:00 A.M. IST) up to Saturday, September 25, 2021 (05:00 P.M. IST)** mentioning their name, demat account no./ folio number, email ID, mobile number etc. The Company will, at the AGM, endeavor 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:

1. 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), within 2 (two) working days 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 Chairperson or a person authorized by him in writing.

2. 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.

3. 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. **September 30, 2021**.

Details of Directors proposed to be appointed/ re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India:

Name of the Director	Dr. (Mr.) Ranjeet Mal Kastia	Mr. Ramakrishna Eda	Mr. Surendra Singh Sirohi	Dr. (Ms.) Tamali Sengupta	Mr. Mahendra Nahata
DIN	00053059	07677647	07595264	00358658	00052898
Date of Birth	October 10, 1941	June 14, 1972	July 23, 1955	September 27, 1962	May 19, 1959
Date of first appointment	February 7, 1996	February 22, 2021	August 27, 2018	December 24, 2018	May 11, 1987
Experience/ Expertise in Specific Functional Areas	Dr. Ranjeet Mal Kastia holds Doctorate degree in Chemistry and Fellowship from British Institute of Management (London). Dr. Kastia has to his credit more than 59 years of business experience. Dr. Kastia has occupied various important positions in well-known Industries. He has in-depth knowledge of manufacturing of telecom equipment.	Mr. Ramakrishna Eda holds a Master's degree in Science from Andhra University and MBA from Symbiosis Centre. Mr. Eda has 20 years of experience in Corporate Banking in the Banking Industry.	Mr. Surendra Singh Sirohi holds a degree from IIT Kanpur and has more than 36 years experience in telecom industry particularly in the areas of National Policy, Sectorial Regulations, Planning & Development, Corporate & Business Strategy, R&D, Project Management and management of Telecom Service Operations etc. Mr. Sirohi has been a Member-Technology in Telecom Commission and was Instrumental in formulating several regulatory and strategic initiatives for inclusive growth in the telecom sector.	Dr. (Ms.) Tamali Sengupta is a Doctorate and Masters in Law from Stanford Law School, California and has over 32 years experience in the legal field and a specialist in transnational legal transactions in media, real estate development, insurance and infrastructure Ms. Sengupta is Legal professional with vast experience in international JVs, collaboration and licensing agreements, M&As.	Mr. Mahendra Nahata is a Commerce Graduate from St. Xavier's College Kolkata and has business experience of over 38 years. Mr. Nahata is the Promoter and Managing Director of HFCL Limited. He is the visionary behind the Company's R&D, technology partnerships, business development and marketing initiatives. He is the pioneer of New Age Telecom Sector in India.
Qualification(s)	Doctorate degree in Chemistry. Fellow of British Institute of Management (London).	Master's degree in Science from Andhra University and MBA from Symbiosis Centre.	Bachelor's degree in Electrical Engineering from IIT, Kanpur.	Bachelor of Arts in Economics (Honours), LL.B and Doctorate and Masters in Law from Stanford Law School, California.	Bachelors in Commerce (Hons.) from St. Xavier's College, Kolkata.
Directorship in other companies including listed companies	1. HTL Limited 2. HFCL Advance Systems Private Limited 3. Moneta Finance Private Limited 4. Anupriya Fincap Private Limited 5. Cosmic Associates Private Limited	1. Jaiprakash Power Ventures Limited (listed company)	NIL	1. SREI Infrastructure Finance Limited (listed company) 2. SREI Equipment Finance Limited 3. TSG Legal Consulting Private Limited 4. Aria Hotels and Consultancy Services Private Limited	1. HTL Limited 2. Reliance Jio Infocomm Limited 3. DragonWave HFCL India Private Limited 4. HFCL Advance Systems Private Limited 5. MN Ventures Private Limited 6. Krishiv Ventures Private Limited 7. Pranatharthi Ventures Private Limited 8. HFCL Technologies Private Limited

Name of the Director	Dr. (Mr.) Ranjeet Mal Kastia	Mr. Ramakrishna Eda	Mr. Surendra Singh Sirohi	Dr. (Ms.) Tamali Sengupta	Mr. Mahendra Nahata
Listed entities from which the person has resigned in the past three years	NIL	Orchid Pharma Limited (Ceased as Nominee Director w.e.f. 18/09/2018, consequent upon withdrawal of nomination by lending bank)	Bharat Electronics Limited (Ceased as Independent Director w.e.f. 10/09/2020, consequent upon completion of tenure)	Asian Hotels (West) Limited (Ceased as Independent Director w.e.f. 25/06/2020, consequent to her personal reasons)	NIL
Chairmanship/ Membership of Committees (across all public companies in Audit Committee and Stakeholders' Relationship Committees)	**HFCL Limited:-** Stakeholders' Relationship Committee- Member **HTL Limited:-** Audit Committee- Member	**Jaiprakash Power Ventures Limited:-** Audit Committee- Member	**HFCL Limited:-** Audit Committee- Member	**HFCL Limited:-** Audit Committee- Member Stakeholders' Relationship Committee- Member **SREI Infrastructure Finance Limited:-** Audit Committee – Member **Aria Hotels & Consultancy Services Private Limited (*Deemed Public Company*):-** Audit Committee- Chairperson	NIL
Shareholding in the listed entity, including shareholders as a beneficial owner	NIL	NIL	NIL	NIL	45,60,091 (0.36%) Equity Shares Significant Beneficial Ownership of 22.08%.
Relationship with other Directors and KMPs of the Company	N.A.	N.A.	N.A.	N.A.	N.A.
No. of Board Meetings held/Attended	4 / 4	Nil (Appointed w.e.f. February 22, 2021 and no board meeting was convened thereafter till March 31,2021)	4 / 4	4 / 4	4 / 4
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 Nomination, Remuneration & Compensation Committee and/ or 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 Nomination, Remuneration and Compensation Committee and/ or 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 Nomination, Remuneration and Compensation Committee and/ or 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 Nomination, Remuneration and Compensation Committee and/ or Board of Directors, no other remuneration is payable.	As per Item No. 8 read with Statement under Section 102 of the Companies Act, 2013, annexed thereto of the Notice of this AGM.
Last Remuneration drawn (per annum)	₹6 lakhs only (Towards Sitting fee for Board and its Committee meetings for FY 2020-21)	Nil (Appointed w.e.f. February 22, 2021 and no meeting was held thereafter till March 31, 2021)	₹8.5 Lakhs only (Towards Sitting fee for Board and its Committee meetings for FY 2020-21)	₹6.5 Lakhs only (Towards Sitting fee for Board and its Committee meetings for FY 2020-21)	₹5.27 Crores only (Towards payment of Salary for FY 2020-21).
Disclosure of relationships between directors inter-se	Nil	Nil	Nil	Nil	Nil

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 Resolutions/Special Business mentioned in the accompanying Notice:

ITEM NO. 4

Dr. (Mr.) Ranjeet Mal Kastia (DIN: 00053059) was last appointed as a Director (Non-Executive) liable to retire by rotation, by the shareholders in the 31st Annual General Meeting ("**AGM**") of the Company held on September 29, 2018.

Pursuant to the provisions of Section 152 of the Companies Act, 2013 (**the** "**Act**"), he retires by rotation at this AGM and being eligible, has offered himself for re-appointment.

In terms of Section 102 of the Act, the re-appointment of a rotational director at the annual general meeting is an Ordinary Business. However, Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**the "SEBI Listing Regulations**") provides that no listed company shall appoint or continue the directorship of any person as Non-executive Director who has attained the age of 75 (Seventy Five) years, unless a Special Resolution is passed to that effect and justification thereof is disclosed in the explanatory statement annexed to the Notice for such appointment.

Accordingly, the re-appointment of Dr. Ranjeet Mal Kastia, aged 79 years, is recommended at this 34th AGM by way of Special Resolution in compliance of the SEBI Listing Regulations.

Dr. Kastia has to his credit more than 59 years of business experience. Dr. Kastia has occupied various important positions in well-known industries. He has in-depth knowledge of manufacturing of telecom equipment.

Dr. Ranjeet Mal Kastia doesn't hold any equity shares in the Company.

A brief profile of Dr. Ranjeet Mal Kastia to be re-appointed as a Non-Executive Director is given under the heading "*Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard-2 on General Meetings issued by the Institute of Company Secretaries of India*" or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

In view of above, the Board of Directors, in its meeting held on May 10, 2021, has approved the re-appointment of Dr. (Mr.) Ranjeet Mal Kastia aged 79 years as a Director (Non-Executive), liable to retire by rotation and recommends the same for the approval of the shareholders of the Company by way of a Special Resolution.

Mr. Kastia is interested in the resolution set out at Item No. 4 of the Notice with regard to his appointment and remuneration payable as a non-executive director. The relatives of Mr. Kastia may be deemed to be interested in the aforesaid resolution to the extent of their shareholding, 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. 4 of the Notice.

ITEM NO. 5

IDBI Bank Limited ("**IDBI**") vide its letter no. LCG-SSCB.53/35/ Nom.8 dated February 1, 2021 has withdrawn the nomination of Mr. Ranjeet Anandkumar Soni (DIN: 07977478) from the Board of Directors of the Company and in his place has nominated Mr. Ramakrishna Eda (DIN: 07677647), as its Nominee Director on the Board of the Company.

In view of the above, the Board of Directors of the Company, on the recommendation of the Nomination, Remuneration and Compensation Committee, has appointed Mr. Ramakrishna Eda as an Additional Director (Non-Executive) in the category of Non-Executive Director (Nominee-IDBI Bank Limited), liable to retire by rotation, in place of Mr. Ranjeet Anandkumar Soni w.e.f. February 22, 2021, subject to his appointment as Director (Nominee-IDBI Bank Limited), by the members in the ensuing AGM.

Mr. Ramakrishna Eda, holds a Master's Degree in Science from Andhra University and MBA from Symbiosis Centre. He started his career in Canara Bank in 2001, and later moved to IDBI Bank Limited in 2007. He has handled several key assignments in Corporate Banking in IDBI Bank Limited.

Mr. Ramakrishna Eda has already given his consent in form DIR-2 to act as Director and declaration in form DIR-8 that he is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

Also, in compliance with the SEBI Order dated June 14, 2018 to the Stock Exchanges and further SEBI Circular No. LIST/COMP/14/2018-19 dated June 20, 2018, this is to confirm that Mr. Ramakrishna Eda has not been debarred from holding the office of director by virtue of any SEBI order or any other such authority.

A brief profile of Mr. Ramakrishna Eda to be appointed as a Non-Executive Director is given under the heading "*Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India*" or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

The Board recommends the appointment of Mr. Ramakrishna Eda as a Non-Executive Director (Nominee Director-IDBI Bank Limited) of the Company as set out in Item No. 5 of the Notice for the approval of Members.

Mr. Eda is interested in the resolution set out at Item No. 5 of the Notice with regard to his appointment and remuneration payable as a non-executive director. The relatives of Mr. Eda may be deemed to be interested in the aforesaid resolution to the extent of their shareholding, 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. 5 of the Notice.

ITEM NO. 6

Mr. Surendra Singh Sirohi (DIN: 07595264) was appointed as an Independent Director on the Board of your Company, w.e.f. August 27, 2018, for one term of three consecutive years, by the shareholders at the 31st Annual General Meeting ("**AGM**") of the Company held on September 29, 2018, in terms of the provisions of Section 149 of the Companies Act, 2013 (the "**Act**") read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"**).

Mr. Surendra Singh Sirohi held office as an Independent Director of the Company up to August 26, 2021 ("**First Term**") in line with the explanation to Sections 149(10) and 149(11) of the Act.

Mr. Surendra Singh Sirohi holds a Bachelor's degree in Electrical Engineering from IIT, Kanpur. Mr. Sirohi had been Member (Technology), Telecom Commission and ex-officio Secretary to the Government of India in Ministry of Communication & IT.

As Member (Technology) in Telecom Commission, he was instrumental in formulating several regulatory and strategic initiatives and key policies for an inclusive growth of all segments of the Telecom Sector.

During his career spanning thirty six years in Indian Telecom Service, Mr. Sirohi held numerous techno-managerial senior leadership positions in various organizations in Telecom Sector viz. Department of Telecom, Government of India, Mahanagar Telephone Nigam Limited, Telecommunications Consultants India Ltd. (TCIL), Bharat Sanchar Nigam Limited (BSNL) and made a positive difference by providing dynamic and visionary leadership with pragmatic and strategic approach in his each assignment.

Mr. Sirohi has a rich experience of over thirty six years in the field of telecommunication particularly in the area of National Policy, Sectoral-regulations, Planning & Development, Corporate & Business Strategy, Network Planning & Operations, Research & Development, Project Management, Management of Telecom Services Operations etc.

Mr. Sirohi has widely travelled with varied international exposure and has represented India on global fora on several occasions.

The performance evaluation of Independent Directors was based on various criteria, inter-alia, including attendance at Board and Committee Meetings, skill, experience, ability to challenge views of others in a constructive manner, knowledge acquired with regard to the Company's business, understanding of industry and global trends, etc.

Pursuant to the recommendation of the Nomination, Remuneration and Compensation Committee, the Board of Directors of the Company passed a resolution at its meeting held on July 12, 2021 approving re-appointment of Mr. Surendra Singh Sirohi as an Independent Director, not liable to retire by rotation, for a second term of consecutive three years commencing from August 27, 2021 to August 26, 2024, based on his skills, experience, knowledge and positive outcome of performance evaluation done by the Nomination, Remuneration and Compensation Committee and the substantial contribution made by him during his tenure and are of the view that continued association of Mr. Surendra Singh Sirohi as an Independent Director of the Company would be immensely beneficial to the Company and it is desirable to avail his services as an Independent Director.

Mr. Surendra Singh Sirohi has given his consent in form DIR-2 to act as Director in terms of Section 152(5) of the Act and declaration in form DIR-8 that he is not disqualified from being appointed as a Director in terms of Section 164(2) of the Act.

Also, in compliance with the SEBI Order dated June 14, 2018 to the Stock Exchanges and further SEBI Circular No. LIST/COMP/14/2018-19 dated June 20, 2018, this is to confirm that Mr. Surendra Singh Sirohi (DIN: 07595264) has not been debarred from holding the office of director by virtue of any SEBI order or any other such authority.

The Company has received declaration from Mr. Surendra Singh Sirohi stating that he meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations.

In the opinion of the Board of Directors, Mr. Surendra Singh Sirohi fulfils the conditions specified in the Act read with the rules made thereunder and the SEBI Listing Regulations, for his re-appointment as an Independent Director of the Company and is independent of the Management.

Mr. Surendra Singh Sirohi doesn't hold any equity shares in the Company.

In terms of Section 160 of the Act, the Company has received a notice in writing from a Member proposing the candidature of Mr. Surendra Singh Sirohi to be re-appointed as a Independent Director of the Company.

A copy of the draft letter of appointment of Mr. Surendra Singh Sirohi setting out terms and conditions of appointment are available for inspection by the Members in physical or electronic form at the Registered Office of the Company between 10.00 a.m. to 12.00 noon, on all working days (except Saturdays, Sundays and Public Holidays), up to the date of the Annual General Meeting (AGM) and are also available at the website 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**.

The terms and conditions of current re-appointment of Mr. Surendra Singh Sirohi are same as during his First Term as an Independent Director.

A brief profile of Mr. Surendra Singh Sirohi to be re-appointed as a Non-Executive Independent Director is given under the heading "*Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India*" or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

Pursuant to the provisions of Section 149(10) and other applicable provisions of the Act, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company, and 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, the Board recommends the re-appointment of Mr. Surendra Singh Sirohi as a Non-Executive Independent Director of the Company as set out in Item No. 6 of the Notice for the approval of Members by way of a special resolution.

Mr. Sirohi is interested in the resolution set out at Item No. 6 of the Notice with regard to his re-appointment and remuneration payable as a non-executive independent director. The relatives of Mr. Sirohi may be deemed to be interested in the aforesaid resolution to the extent of their shareholding, 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. 6 of the Notice.

ITEM NO. 7

Dr. (Ms.) Tamali Sengupta (DIN: 00358658) was appointed as an Independent Director on the Board of your Company, w.e.f. December 24, 2018, for one term of three consecutive years, by the shareholders at the 32nd Annual General Meeting ("**AGM**") of the Company held on September 28, 2019, in terms of the provisions of Section 149 of the Companies Act, 2013 (**the "Act"**) read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**the** "**SEBI Listing Regulations**").

Dr. Tamali Sengupta holds office as an Independent Director of the Company up to 23rd December, 2021 ("**First Term**") in line with the explanation to Sections 149(10) and 149(11) of the Act.

Dr. Tamali Sengupta completed Bachelor of Arts in Economics (Honours) from University of Delhi and LL.B from Law faculty, University of Delhi. She did her Doctorate and Masters in Law from the Stanford Law School, Stanford University, California.

Dr. Sengupta has 34 years' experience in the legal field and is a specialist in transnational legal transactions in media, real estate development, insurance and infrastructure.

She is the Principal of T. Sengupta & ASSOCIATES, a corporate law firm based in New Delhi, which provides advice on corporate law, entertainment law, intellectual property, insurance, project finance, corporate governance, and privatization.

Dr. Sengupta also has extensive experience in international joint-ventures, collaboration and licensing agreements, mergers and acquisitions. She has represented Indian companies in joint-ventures overseas and in relation to joint ventures in India with multinational corporations.

Dr. Sengupta has extensive experience in the structure of projects implemented under Project Finance and on foreign participation in the privatization of infrastructure. Sectors worked on include roadways, railways, ports, and power and township development, both in India and overseas.

She has wide experience in negotiations and drafting documents for privatization projects and has dealt with various forms of contractual agreements for project finance, including inter-alia, Concession agreements (Build–Operate–Transfer (BOT), Build–Own–Operate–Transfer (BOOT) and Build-Own-Lease-Transfer (BOLT) as well as EPC & O&M Contracts.

She has advised on telecom Project for installing a fibre optic link throughout railway network of the Indian Railways and commercializing the service to provide basic telecom services to telecom companies.

She is a widely published author and written books on various subjects including Telecom. She is a Fellow of the Center of International Legal Studies at Salzburg.

The performance evaluation of Independent Directors was based on various criteria, inter-alia, including attendance at Board and Committee Meetings, skill, experience, ability to challenge views of others in a constructive manner, knowledge acquired with regard to the Company's business, understanding of industry and global trends, etc.

Pursuant to the recommendation of the Nomination, Remuneration and Compensation Committee, the Board of Directors of the Company passed a resolution at its meeting held on July 12, 2021 approving re-appointment of Dr. (Ms.) Tamali Sengupta as an Independent Director, not liable to retire by rotation, for a second term of consecutive three years commencing from December 24, 2021 to December 23, 2024, based on her skills, experience, knowledge and positive outcome of performance evaluation done by the Nomination, Remuneration and Compensation Committee and the substantial contribution made by her during her tenure and are of the view that continued association of Dr. (Ms.) Tamali Sengupta as an Independent Director of the Company would be immensely beneficial to the Company and it is desirable to avail her services as an Independent Director.

Dr. (Ms.) Tamali Sengupta has given her consent in form DIR-2 to act as Director in terms of Section 152(5) of the Act and declaration in form DIR-8 that she is not disqualified from being appointed as a Director in terms of Section 164(2) of the Act.

Also, in compliance with the SEBI Order dated June 14, 2018 to the Stock Exchanges and further SEBI Circular No. LIST/COMP/14/2018-19 dated June 20, 2018, this is to confirm that Dr. (Ms.) Tamali Sengupta (DIN: 00358658) has not been debarred from holding the office of director by virtue of any SEBI order or any other such authority.

The Company has received declaration from Dr. (Ms.) Tamali Sengupta stating that she meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations.

In the opinion of the Board of Directors, Dr. (Ms.) Tamali Sengupta fulfils the conditions specified in the Act read with the rules made thereunder and the SEBI Listing Regulations, for her re-appointment as an Independent Director of the Company and is independent of the Management.

Dr. (Ms.) Tamali Sengupta doesn't hold any equity shares in the Company.

In terms of Section 160 of the Act, the Company has received a notice in writing from a Member proposing the candidature of Dr. (Ms.) Tamali Sengupta to be re-appointed as a Independent Director of the Company.

A copy of the draft letter of appointment of Dr. (Ms.) Tamali Sengupta setting out terms and conditions of appointment are available for inspection by the Members in physical or electronic form at the Registered Office of the Company between 10.00 a.m. to 12.00 noon, on all working days (except Saturdays, Sundays and Public Holidays), up to the date of the AGM and are also available at the website 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**.

The terms and conditions of current re-appointment of Dr. (Ms.) Tamali Sengupta are same as during her First Term as an Independent Director.

A brief profile of Dr. (Ms.) Tamali Sengupta to be re-appointed as a Non-Executive Independent Director is given under the heading "*Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India*" or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

Pursuant to the provisions of Section 149(10) and other applicable provisions of the Act, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company, and 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, the Board recommends the re-appointment of Dr. (Ms.) Tamali Sengupta as a Non-Executive Independent Director of the Company as set out in Item No. 7 of the Notice for the approval of Members by way of a special resolution.

Dr. (Ms.) Tamali Sengupta is interested in the resolution set out at Item No. 7 of the Notice with regard to her re-appointment and remuneration payable as a non-executive independent director. The relatives of Dr. (Ms.) Tamali Sengupta may be deemed to be interested in the aforesaid resolution to the extent of their shareholding, 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. 7 of the Notice.

ITEM NO. 8

Mr. Mahendra Nahata (DIN: 00052898) is a Promoter and holds position on the Board of Directors of the Company w.e.f. May 11, 1987, i.e. since inception of the Company.

Mr. Mahendra Nahata (DIN: 00052898) was previously re-appointed as a Managing Director on the Board of your Company, by the shareholder of the Company in their 31st Annual General Meeting held on September 29, 2018, w.e.f. October 01, 2018, for a period of 3 (Three) years from the expiry of his previous term which expired on September 30, 2018.

Current term of appointment of Mr. Mahendra Nahata, as a Managing Director of the Company is expiring on September 30, 2021.

The performance evaluation of Directors/ Executive Directors was based on various criteria, inter-alia, including attendance at Board and Committee Meetings, skill, experience, ability to challenge views of others in a constructive manner, knowledge acquired with regard to the Company's business, performance of the Company, understanding of industry and global trends, etc.

Based on the skills, experience, knowledge and positive outcome of performance evaluation and the substantial contribution made by Mr. Mahendra Nahata during his tenure as Managing Director of the Company and on the recommendation of the Nomination, Remuneration and Compensation Committee ("**NRC Committee**"), the Board of Directors of the Company, subject to approval of members, passed a resolution at its meeting held on July 12, 2021 approving re-appointment of Mr. Mahendra Nahata as a Managing Director, not liable to retire by rotation and a Key Managerial Personnel, for a period of consecutive three years commencing from October 01, 2021 to September 30, 2024, on the terms and conditions including remuneration as recommended by the NRC Committee and approved by the Board in accordance with the provisions of Section 196, 197 and 203 read with Schedule V to the Companies Act, 2013 (the **"Act"**) and Regulation 17(6)(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations**").

Mr. Mahendra Nahata has given declaration as per Section 196(3) read with Part I of Schedule V to the Act that he fulfils the conditions for the re-appointment of a managing director and declaration in form DIR-8 that he is not dis-qualified from being appointed as a Director in terms of Section 164(2) of the Act.

Also, in compliance with the SEBI Order dated June 14, 2018 to the Stock Exchanges and further SEBI Circular No. LIST/COMP/14/2018-19 dated June 20, 2018, this is to confirm that Mr. Mahendra Nahata (DIN: 00052898) has not been debarred from holding the office of director by virtue of any SEBI order or any other such authority.

It is proposed to seek the member's approval for re-appointment of and remuneration payable to Mr. Mahendra Nahata as a Managing Director of the Company.

Broad particulars of the terms of re-appointment of and remuneration payable to Mr. Mahendra Nahata as a Managing Director are as under:

(a) Basic Salary: ₹5.00 crore per annum

(b) Perquisites and Allowances: ₹1.20 crore per annum

(c) Remuneration based on net profits:

In addition to Basic Salary, Perquisites and Allowances as set out above, Mr. Mahendra Nahata, Managing Director shall be entitled to receive remuneration based on net profits calculated in accordance with the provisions of Section 198 of the Act, which will be determined by the Board and/or the NRC Committee, subject to the conditions that such payment shall be within the overall ceiling of the remuneration permissible under the Act.

The Perquisites and Allowances, as aforesaid, shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/or allowances for utilization of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and family including dependents; medical insurance and such other perquisites and/or allowances.

The Perquisites and Allowances, as aforesaid, shall be evaluated, wherever applicable, as per the provisions of the Income Tax Act, 1961 read with rules thereunder including any statutory modification(s) or re-enactment thereof. In the absence of any such rules, Perquisites and Allowances shall be evaluated at actual cost.

Further, Mr. Mahendra Nahata shall be eligible for the following perquisites which shall not be included in the computation of the ceiling on his overall remuneration:-

(a) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961 (43 of 1961);

(b) gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and

(c) encashment of leave at the end of his current tenure.

The increment in the Basic Salary, Perquisites and Allowances as may be determined by the Board and/or the NRC Committee of the Board is not to be included for the purpose of computation of the aforesaid ceiling of remuneration provided that such payments shall be within the overall ceiling of remuneration permissible under the Act.

(d) Reimbursement of Expenses: Reimbursement of expenses incurred for travelling, boarding and lodging including for his spouse and attendant(s) during business trips; provision of cars for use on the Company's business; telephone expenses at residence and club memberships shall be reimbursed and not considered as the Perquisites.

Notwithstanding anything to the contrary contained herein, where in a financial year, during the currency of the tenure of Mr. Mahendra Nahata, the Company has no profit or its profits are inadequate, the Company shall subject to the requisite approvals/ sanctions, if any, wherever required and subject to the provisions of Sections 196, 197 and 203 of the Act and subject to the conditions and limits specified in Schedule V to the Act, pay Mr. Mahendra Nahata, Basic Salary, Perquisites and Allowances, as set out herein above, as the minimum remuneration.

(e) General:

(i) The Managing Director will perform the duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board, from time to time in all respect and confirm to and comply with all such directions and regulations as may from time to time, be given and made by the Board.

(ii) The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.

(iii) The Managing Director shall adhere to the Company's Code of Conduct.

(iv) The office of the Managing Director may be terminated by the Company or by the Managing Director by giving 6 (six) months' prior notice in writing, by either party.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. Mahendra Nahata, Managing Director, in terms of Section 190 of the Act.

Mr. Mahendra Nahata holds a Bachelor's degree in Commerce from St. Xavier's College, Kolkata and has business experience of over 38 years. He leads the overall strategy and planning, business development and marketing activities of the HFCL Group. Mr. Mahendra Nahata is also on the Board of Reliance Jio Infocomm Limited, a subsidiary of Reliance Industries Limited.

Mr. Nahata's contribution to the telecom sector is commendable and many milestones in the sector have been achieved due to his initiatives and entrepreneurship.

He is one of the pioneers in the New Age Telecom sector of India and has been associated with many esteemed forums related to the telecom industry. In the past, Mahendra Nahata had been member of Board of Governors of the Indian Institute of Technology, Bombay and the Indian Institute of Technology Madras.

He had also been the Member of the Board of Governors of the Indian Institute of Information Technology, Allahabad and Member of the Council of Scientific & Industrial Research, Government of India.

Mahendra Nahata had been President of the Telecom Equipment Manufacturers Association of India (TEMA), Co-Chairman of the Telecom Committee of the Federation of Indian Chamber of Commerce and Industry, Chairman-Telecom Committee of PHD Chamber of Commerce & Industry.

Mahendra Nahata was given "Telecom Man of the Millennium" award by Voice & Data in 2003.

A brief profile of Mr. Mahendra Nahata to be re-appointed as Managing Director is given under the heading "*Details of Directors proposed to be appointed and re-appointed, pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards 2 on General Meetings issued by the Institute of Company Secretaries of India*" or elsewhere in the Notice.

This Statement may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and SS-2 on General Meetings issued by the Institute of Company Secretaries of India.

Mr. Mahendra Nahata holds 45,60,091 (0.36%) equity shares and is Significant Beneficial Owner of 22.08% paid-up equity share capital of the Company as on June 30, 2021.

Except for the proposed re-appointment, remuneration and shareholding interest, Mr. Mahendra Nahata does not have any pecuniary relationship with the Company or with any other key managerial personnel.

Mr. Mahendra Nahata is interested in the resolution as set out at Item No. 8 of the Notice. The relatives of Mr. Mahendra Nahata may be deemed to be interested in this resolution to the extent of their shareholding, if any, in the Company.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/ their relatives, is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

It is, therefore, proposed to seek the members' approval for re-appointment and remuneration payable to Mr. Mahendra Nahata as Managing Director, in terms of the applicable provisions of the Act and the SEBI Listing Regulations.

Your Board recommends the Special Resolution set out at Item no. 8 of the Notice for your approval.

ITEM NO. 9

Members may note that the Company and one of its subsidiaries, namely, HTL Limited, based at Chennai (**"HTL"**), are in the similar line of business, inter-alia, manufacturing and dealing in various kinds of optical fibre cables and telecom accessories.

In line with the above business activities and in the best interest of the Company and to ensure stability of supplies in terms of quality and logistics, the Company has been entering into various business transactions with HTL, in the ordinary course of business and at arms' length basis and pursuant to the approvals of the Audit Committee and the Board of Directors, wherever required, obtained from time to time, inter-alia, for purchase/ sale of goods or materials and/or availing/ supplying of services.

Further, HTL has obtained credit facilities from various banks/lenders for meeting the requirement of its business operations and expansion plans and such lenders have sanctioned the credit facilities to HTL on the condition that the Company shall give its corporate guarantee and other collateral security, viz., first pari-passu charge over existing pledge of 23.90% of the paid-up equity share capital of HTL held by the Company and Non-Disposable Undertaking on remaining 50.10% of the paid-up equity share capital of HTL, in favour of the lenders, amongst various other conditions.

The aforesaid collateral security, including corporate guarantee given in favour of the lenders of HTL stood at ₹219 Crores, till July 31, 2021, out of which corporate guarantee amounting to ₹85 Crores has been given vide resolutions passed by the Audit Committee and the Board of Directors, in their respective meetings held on April 05, 2021, i.e. during the current financial year 2021-22.

In terms of Explanation to Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the **"SEBI Listing Regulations"**), as amended, a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

The annual consolidated turnover of the Company was ₹4,422.96 Crores for the financial year 2020-21 and accordingly, in view of the aforesaid provisions, the overall quantum of the related party transactions with HTL, during the financial year 2021-22, is likely to exceed the stipulated threshold of ten percent of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company.

All transactions in terms of the above mentioned omnibus approval/ security/ guarantee between the Company and HTL, have been/will be executed in the ordinary course of business and at arms' length basis. Hence, the provisions of Section 188(1) of the Companies Act, 2013 and the Rules made thereunder are not applicable on transactions between these entities.

However, all the transactions taken together during the financial year 2021-22, between the Company and HTL were/ may be exceeding 10% of the last year's turnover, due to which these transactions are considered as material related party transactions, in terms of the SEBI Listing Regulations.

Therefore, in terms of Regulation 23(4) of the SEBI Listing Regulations, approval of the shareholders through ordinary resolution is required, if the transaction(s) to be entered into individually or taken together with the previous transaction(s) during a financial year with a related party, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

In view of the above, the Board, in its meeting held on September 03, 2021, considered and recommended the material related party transactions entered/ to be entered into with HTL, for an aggregate amount of up to ₹750 Crores (Rupees Seven Hundred Fifty Crores only) during the financial year 2021-22, to the shareholders for their approval by way of an ordinary resolution.

Mr. Mahendra Nahata, Managing Director of the Company is Chairman and also a Non-Executive Director on the Board of HTL. Dr. Ranjeet Mal Kastia, Non-Executive Director of the Company is also a Non-Executive Director on the Board of HTL.

Save as above, none of the other Directors/Key Managerial Personnel of the Company/ their relatives, is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 9 of the Notice.

Your Board recommends the Ordinary Resolution set out at Item no. 9 of the Notice for your approval.

ITEM NO. 10

Members may note that there are massive growth opportunities for the Company for its existing lines of business and related areas in telecom, defence, railways and security surveillance sectors, which could be pursued either directly or indirectly through its subsidiaries.

Further, the Company, through its recently incorporated wholly-owned subsidiary, namely, HFCL Technologies Private Limited (**"HTPL"**), has applied for availing the benefits under the "The Production Linked Incentive Scheme" (hereinafter referred to as the **"PLI Scheme"**) issued by the Ministry of Communications (Department of Telecommunications) vide its notification no. 13-01/2020-IC dated 24.02.2021, to promote telecom and networking products manufacturing in India. The PLI Scheme is expected to boost export of telecom and networking products under **"Make in India"** initiative.

Once the approval is in place, HTPL would be required to set-up in-house facilities for the manufacture of various telecom products including Wi-Fi, UBR, Switches, Routers, 5G small cell & 5G macro Radio Unit (RU), DU (Distributed Unit) Aggregation Router, CU (Centralised Unit) Aggregation Router etc.

Besides, followed by huge market opportunities emerging out of 4G network expansions, FTTH roll outs, BharatNet projects and evolution of 5G networks, the Company intends to expand its optical fibre and optical fibre cable facilities by 10 mn fkm each, through HTPL.

In addition, the Company also plans to set-up a new green field facility for the manufacture of Defence equipment like electronic fuses, electro optic devices, software defined radios etc.

The Company expects capital outlay of ~₹750 Crores for setting-up of new facilities for the manufacture of telecom products (eligible for benefits under the PLI Scheme) & Defence products and capacity expansions of optical fibre & optical fibre cables.

Further, the Company also requires funding arrangements for the modernisation of its existing facilities, repayment of high cost borrowings, Research & Development activities, payment of ToT (Transfer of Technology) fee, organic/inorganic growth opportunities, augmentation of working capital resources, general corporate purposes etc.

The above expenditure is proposed to be financed through internal accruals, borrowings and partly through this fund raise by way of issue of equity shares or preference shares or any other instrument or security(ies), subject to all statutory and other approvals.

It is proposed that the Board of Directors be authorised by way of an enabling resolution to raise funds to part finance the above requirements.

Further, pending utilisation of the proceeds for the purposes described above, the Company intends to temporarily invest such proceeds in creditworthy instruments, including money market, mutual funds and deposits with banks and corporates or other securities. Such investments would be in accordance with the investment policies, as approved by the Board and/or a duly authorized committee(s), from time to time and all applicable laws and regulations.

In view of the above, the Board, in its meeting held on September 03, 2021, considered raising of funds for an aggregate amount of up to ₹750 Crores (Rupees Seven Hundred Fifty Crores only), through Qualified Institutions Placement to QIBs as defined in SEBI ICDR Regulations or Private Placement or Preferential Issue or Public Issue or through any other permissible mode and/or combination thereof as may be considered appropriate under applicable law.

The issue of securities may be consummated in one or more tranches at such time or times at such price, whether at a discount or premium to market price or prices in such manner and on such terms and conditions as the Board may in its absolute discretion decide, taking into consideration prevailing market conditions and other relevant factors and wherever necessary in consultation with advisors, book running lead managers, underwriters and such other authority or authorities as may be necessary and subject to, as applicable, the SEBI ICDR Regulations, the Depository Receipts Scheme, 2014 and other applicable guidelines, notifications, rules and regulations, each as amended.

Pursuant to Sections 42, 55, 71 and 62(1)(c) and other applicable provisions of the Companies Act, 2013 (the **"Act"**), the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 and other applicable provisions, if any (including any amendments, statutory modification(s) and/ or re-enactment thereof for the time being in force), the SEBI ICDR Regulations and any other law, approval of the members is required to be obtained by way of a special resolution.

Therefore, consent of the members is being sought by way of a special resolution in this Annual General Meeting, pursuant to applicable provisions of the Act, the SEBI ICDR Regulations and any other law for the time being in force and being applicable.

The special resolution also seeks to give the Board powers to issue equity shares and/or Eligible Securities in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and/or individuals or otherwise as the Board in its absolute discretion deem fit.

The detailed terms and conditions for the issue(s)/offering(s) will be determined by the Board in its sole discretion considering prevailing market conditions, practices and in accordance with the applicable laws and other relevant factors, in consultation with the advisors, lead managers, underwriters and such other authority or authorities as may be necessary.

Accordingly, the Board recommends passing of Resolution at Item No. 10 as a special resolution.

None of the directors, promoters and key managerial personnel of the Company or their respective relatives, except to the extent of their shareholding entitlements, if any, is concerned or interested financially or otherwise, in the Resolution set out at Item No. 10 of the Notice.

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

Place: New Delhi
Date: September 03, 2021

By Order of the Board

(Manoj Baid)
Senior Vice-President (Corporate) &
Company Secretary
Membership No: FCS 5834

Notes

Corporate Information

Board of Directors

Mr. Mahendra Pratap Shukla
Chairman (Non-Executive)
(Deceased on May 04, 2021)

Mr. Mahendra Nahata
Managing Director

Mr. Arvind Kharabanda
Non-Executive Director

Dr. (Mr.) Ranjeet Mal Kastia
Non-Executive Director

Mr. Ramakrishna Eda
Non-Executive Director
(Nominee - IDBI Bank Limited)
(w.e.f. February 22, 2021)

Mr. Ranjeet Anandkumar Soni
Non-Executive Director
(Nominee - IDBI Bank Limited)
(Ceased on February 22, 2021)

Mr. Surendra Singh Sirohi
Independent Director

Dr. (Ms.) Tamali Sengupta
Independent Director

Mr. Bharat Pal Singh
Independent Director

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
Indian Bank

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 and Optical Fiber Cable 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