HFCL LIMITED
Annual Report 2022-23

EMBRACING TECHNOLOGY FOR **SUSTAINABLE GROWTH**

Contents

FY23 Highlights

Revenue from Operations
₹4,743 crores

EBITDA
₹666 crores

Profit After Tax
₹318 crores

Earnings Per Share (EPS)
₹2.18

Return on Capital Employed (RoCE)
15.6%

Debt-Equity Ratio
0.24x

Order Book
₹7,000+ crores

Rating Upgrade

Long-term
CARE A; Stable

Short-term
CARE A1

EMBRACING TECHNOLOGY FOR **SUSTAINABLE GROWTH**

In a fast-changing world, technology has been a disruptive force reshaping business landscape. The surge in data-driven internet technologies, coupled with the transformative impact of 5G, not only fuels communication advancements but also spurs innovation across diverse industries. Amid this backdrop, India's strong economic fundamentals and technological progress have positioned it as an attractive investment destination globally.

The confluence of factors, including growing demand for high-speed connectivity, the 5G revolution and initiatives like BharatNet, implementation of FTTH, opens promising avenues for growth. Moreover, India's commitment to 5G adoption, network fiberisation and the PLI schemes fosters indigenous manufacturing and digital transformation.

As a prominent manufacturer of optical fiber (OF), optical fiber cables (OFC) and telecom products, HFCL embraces these technological trends to maintain a competitive edge while catalysing India's self-sufficiency mission. Over the years, technology has been instrumental in the Company's growth journey, augmented by strategic partnerships with global tech giants to enhance innovation and product development. Looking ahead, HFCL has charted a strategic roadmap for sustainable growth centred around integrating new technologies, developing new products, foraying into new geographies and increasing manufacturing capacities.

Capacity Expansion

Responding to rising demand, HFCL is expanding its existing manufacturing capacity for OF and OFC. It will also set up a new facility for manufacturing telecom and networking products.

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New Technologies

HFCL leads in adopting transformative technologies, evident through its launch of 5G Lab-as-a-Service and the world's first open-source Wi-Fi 7 Access Point, driving the digital revolution.

Read more on Page 25

New Products

The Company's future-ready offerings, Access Points 5G products, Wi-Fi Access Points, Unlicensed Band Radio (UBR), Switches and other advanced communication products will drive sustained and profitable growth.

Read more on Page 6

New Geographies

With an eye on global expansion, the Company has ventured into new geographies by establishing subsidiaries and deploying dedicated teams across key international markets.

Read more on Page 25

HFCL at a Glance

Enabling a Connected Future through Technology

HFCL is a dynamic and technology-driven enterprise, providing next-generation communication products and integrated network solutions to telecom, defence and railway sectors. With a focus on innovation, seamless execution and strong industry collaborations, the Company has established a distinguished position in its core domains.

Serving Key Industries with Expertise and Excellence

TELECOM

As a leading manufacturer of optical fiber (OF), optical fiber cables (OFC) and a range of telecom and networking products, the Company caters to evolving customer needs.

The Company also provides comprehensive solutions for building wireless and telecommunication networks, including optical transport and fiber-to-the-home (FTTH) networks, among others.

83%
Revenue Contribution in FY23

DEFENCE

As one of India's most prominent defence network implementers, the Company offers end-to-end solutions, including optical transmission backbone network, GIS-based optical fiber network, end-to-end solutions for multiple hybrid microwave broadband radio links in remote areas, MPLS based dedicated communication network for defence forces and more. The Company is designing customised defence communication and electronic products, catering to defence forces.

15%
Revenue Contribution in FY23

RAILWAYS

The Company designs modern communication systems for metros, main-line railways and freight corridors, leveraging its capabilities in cutting-edge telecom products and solutions.

It implements modern railway communication systems like video management systems for the Indian Railways.

2%
Revenue Contribution in FY23

Three Decades of Evolving Excellence

1987

Incorporated as a telecom equipment manufacturer.

1990s

Expanded business operations, reaping the benefits of liberalisation and the telecom revolution.

2000s

Achieved organic and inorganic growth along with portfolio expansion.

2010s

- Consolidated the business following the global recession through debt, equity and business restructuring.
- Ushered in revival and growth via expansion of manufacturing capacities and strengthening of network solutions capabilities.
- Expanded portfolio of products and solutions and entered new geographies to tap new customers.

2020-2023

- Completed broadband connectivity in all gram panchayats of Jharkhand and Punjab under the BharatNet Project.
- Received approval as a 'Trusted Source' from the National Security Council Secretariat (NSCS) for supplying telecom equipment in India.
- Set up a greenfield capacity for the manufacture of optic fiber with an annual capacity of 10 million fiber kilometre (fkm) as a backward integration measure.
- Expanded the optical fiber cable capacities from 18.5 million fkm to 25.08 million fkm.
- Commissioned a facility for the manufacture of wire harnesses (automotive and aerospace) and polymer compounds at HTL Limited, a subsidiary.
- Established three R&D centres in Bengaluru, Gurugram and Hyderabad.
- Entered technology collaborations with leading global players including Wipro, Qualcomm, CommAgility, VVDN Technologies, IP Infusion, NXP Semiconductors, Aprecomm, Metanoia, Capgemini Engineering, Olatech, AnexGATE and Xilinx among others.
- Launched 5G Lab-as-a-service, unlicensed band radios, switches and the world's first open-source Wi-Fi 7 access point.

Offerings

Future-Ready Products and Solutions

HFCL is critical for ensuring secure connectivity in an era driven by digital transformation. The Company empowers the global telcos, defence and railways sectors with a wide range of innovative telecom products and comprehensive network solutions.

PRODUCTS

Optical Fibers and Cables

- Optical fibers
- Armoured cables
- Unarmoured cables
- Micro cables
- Micro module cables
- FTTH cables
- High Fiber Count IBR Cable
- High density Unitube and Multitube Ribbon cables
- Passive connectivity solutions

Telecommunication Products

- Point-to-point and point-to- multi-point backhaul radios
- Indoor and outdoor Wi-Fi 5 and 6 access points
- Cloud-based network management system
- Ethernet L2/L3 switches
- Home mesh routers

Passive Connectivity Products

- Cable assemblies
- High density cabinets
- Fiber termination boxes
- PLC splitters
- Joint closures
- Aerial/FTTH accessories

SOLUTIONS

Public Telecommunication Solutions

Deployment of comprehensive solutions for building of wireless and optical telecommunication networks such as

- Optical transport networks
- Rural GSM Networks
- Fiber-to-the-Home network and in-building solutions
- Mobile Backhaul Networks

Defence Communication Solutions

- Optical fiber cable and optical transport network
- Fiber monitorings and management system
- Internet protocol Multi-protocol label switching networks
- Microwave broadband radio

Railway Communication Solutions

Implementing communication network including IP-based video surveillance system (VSS) for railways

Products in Pipeline

Defence Electronics Products

- Thermal weapon sights (TWS)
- Electronic fuses
- High-capacity radio relays
- VMS and video analytics

Telecommunication

- 5G indoor and outdoor fixed wireless access (FWA) customer-premises equipment (CPE)
- 5G Macro Radio Unit products (8T8R)
- 5G Indoor and Outdoor Small Cells (2T2R and 4T4R)
- Cell Site Routers and Centralised Unit Aggregation Routers
- Ultra-high-capacity Point-to-Point and Point-to-Multipoint UBRs

Defence Communications and Electronics

- Software-defined radio
- Ground surveillance radar

Core Strengths

HFCL's Competitive Edge

HFCL has carved out a distinct space in the industry by constantly setting challenging goals. The Company aspires to create sustained value for its stakeholders by leveraging its strengths in manufacturing, R&D, project execution, talent management and customer relationships.

Market Leader | **Integrated Manufacturing** | **Dedicated R&D Capabilities** | **End-to-end Network Provider** | **Long-term Customer Relationships**

MARKET LEADER

HFCL ranks among India's top optical fiber cable manufacturers, signifying its substantial industry position. Moreover, the Company holds a significant market share in producing Wi-Fi access points, UBR, and diverse telecom products. This expertise underscores HFCL's pivotal role in shaping India's telecommunication sector and highlights its strong market presence.

#1
in Optical Fiber Cable (OFC) supplies in India

INTEGRATED MANUFACTURING

HFCL's integrated facilities provide enhanced control and cost competitiveness. With five state-of-the-art manufacturing facilities in India, the Company has established a strong foothold in the OF and OFC industry.

Present Capacities

10 mn fkm
Annual Capacity for Optical Fibers (OF)

2,700 MT
Annual Capacity for Impregnated Glass Fiber Reinforcement (IGFR)

25.08 mn fkm
Annual Capacity for Optical Fiber Cables (OFC)

660k KM
Annual Capacity for Aramid Reinforced Plastic (ARP) rods

702k ckm
Annual Capacity for FTTH Cables

504k km
Annual capacity for Fiber Reinforced Plastic (FRP) Rods

18 Lakh
Passive Interconnect Cable Assemblies

24k MT
Annual capacity for Polymer Compounds

24 Lakh
Automotive and Industry Parts

1 Lakh
Aerospace and Defence Cable Assemblies

DEDICATED R&D CAPABILITIES

Innovation has always been pivotal in HFCL's strong positioning in the industry. The Company has invested in R&D and new product developments to meet emerging customer needs. It also has a robust in-house R&D team of professionals specialising in communication, 5G technologies, optical fiber cables, defence and other technologies.

3
R&D centres

252
In-house R&D Team Strength

END-TO-END NETWORK PROVIDER

From project conception to completion, the Company ensures a seamless execution that sets it apart in the industry. This end-to-end approach covers everything from new product development to customised solutions and operational excellence.

LONG-TERM CUSTOMER RELATIONSHIPS

With a track record of three decades of execution excellence and consistently delivering innovative products, HFCL has built a strong reputation in its core domains and has become a preferred global partner for esteemed clients.

Global Reach

From India to the World

Over the decades, HFCL has widened its reach by establishing strategically located manufacturing facilities in India. The Company has also been expanding its business operations across the globe to deliver its products and provide comprehensive network solutions.

STRATEGICALLY LOCATED MANUFACTURING FACILITIES WITH ROBUST R&D CAPABILITIES

5
Manufacturing facilities in India

45+
Countries served

HYDERABAD, TELANGANA (TWO FACILITIES)

- 10 million fkm/annum of optical fibers
- 5.2 million fkm/annum of optical fiber cables
- 432k ckm/annum of FTTH cables

VERNA, GOA

- 8 million fkm/annum of optical fiber cables

HOSUR, TAMIL NADU

(Through HTL Limited, a subsidiary company)

- 660k km/annum of aramid reinforced plastic (ARP) rods*
- 504k km/annum of fiber reinforced plastic (FRP) rods*
- 2,700 MT/annum of impregnated glass fiber reinforcement (IGFR)*
- 24k MT/annum of polymer compounds*
- 18 lakh passive interconnect cable assemblies
- 24 lakh automotive industry parts
- 1 lakh aerospace and defence cable assemblies

CHENNAI, TAMIL NADU

(Through HTL Limited, a subsidiary company)

- 11.88 million fkm/annum of optic fiber cables
- 270k ckm/annum of FTTH cables

*Raw materials for optical fiber cables

Key Achievements

Advancing across Diverse Segments

In pursuing excellence and innovation, HFCL has made significant progress in various business aspects over the years. These achievements and initiatives exemplify the Company's commitment to technological innovation, market leadership and excellence across diverse sectors.

TELECOM EQUIPMENT

- Delivered over 5 lakh units of proprietary backhaul radios to various TSPs since inception
- Forged technology partnership with Qualcomm to develop 5G Radio Access Network products
- Collaborated with Microsoft to establish enterprise 5G networks using HFCL-manufactured equipment
- Secured governmental approval for a production-linked incentive of ₹650 crores for telecom equipment
- Deployed Wi-Fi 7 access points with 10 Gbps throughput (commercial launch is likely to happen in Q4 FY24)

OPTIC FIBER CABLES

- Captured more than 50% market share in India for optic fiber cables
- Achieved unparalleled cost competitiveness through high levels of backward and horizontal integration
- Clocked an export revenue CAGR of 88% over the last three years and expanded into the UK, France, Germany and Australia
- Established a strong sales network across Europe and North America
- Developed specialised cables tailored for the UK and the USA markets

NETWORK IMPLEMENTATION

- Engaged in implementing high-bandwidth fiber optic communication network for the Indian Army and the Indian Air Force
- Engaged in executing an FTTH network rollout across 200+ cities in North India
- Commenced a ₹1770 crores water pipeline project in Uttar Pradesh, including provision for laying optical fiber cables

DEFENCE COMMUNICATIONS

- Engineered cost-effective yet cutting-edge border surveillance radar technology
- Designed 12-micron core-based thermal weapon sight for defence forces, a feat achieved by few global companies

RAILWAY COMMUNICATIONS

- Completed telecom network deployment for Mauritius Metro Phase 1
- Executed telecom network for Dhaka Metro Phase 1 and began Phase 2
- Secured contracts for telecom network implementation in Agra-Kanpur Metro, Delhi Metro as well as Surat Metro

Managing Director's Message

Accelerating Growth with a Future-ready Approach

"With the increased adoption of digital technologies, 5G rollouts and the growing demand for high-speed connectivity driving innovation and investment in the sector, India will soon be among one of the top 5G ecosystems in the entire world. 5G rollout, FTTH along with the national priorities like development of home-grown products under PLI scheme, fiberisation under BharatNet are fuelling massive opportunities for players like us."

Dear shareholders,

In the past year, we witnessed volatility in financial markets, inflationary pressures and modest global GDP growth. However, India emerged as one of the world's fastest-growing economies due to robust domestic consumption, ongoing economic reforms and increasing public and private investments. These factors and a strong focus on digital transformation and innovation, have made India an attractive destination for global investments. Against this backdrop, HFCL remains poised to leverage India's promising growth trajectory for sustainable growth.

RESILIENT PERFORMANCE

During FY23, the Company achieved a net revenue of ₹4,743.31 crore, reflecting a marginal increase from ₹4,727.11 crores in FY22. Notably, net revenue from turnkey contracts and services decreased to ₹2,103.60 crores in FY23 from ₹2,671.74 crores in the previous year, constituting 44.35% of the total consolidated revenue. Meanwhile, sales from telecom products grew, reaching ₹2,637.97 crores in FY23 from ₹2,055.16 crore, accounting for 55.61% of the total consolidated revenue, per our farsighted strategy to increase revenues from products. We can gauge the benefit of a revenue shift from project to product from our margin improvements.

Total operating expenses amounted to ₹4,124.63 crores in FY23, slightly higher than ₹4,077.04 crores in FY22. The Company's EBITDA for FY23 stood at ₹665.86 crore, a slight decline from ₹692.98 crores in FY22.

Net profit for the fiscal year stood at ₹317.71 crore, compared to ₹325.86 crores in FY22. The net profit margin decreased slightly to 6.70% in FY23 from 6.89% in FY22. Earnings per share for FY23 were ₹2.18, as compared to ₹2.38 in the previous year.

The Board of Directors recommended a final dividend of 20%, i.e., ₹0.20 per equity share of face value ₹1/- each for FY23, subject to approval by the shareholders at the forthcoming Annual General Meeting. The Company's net worth grew, rising to ₹3,144.14 crores from ₹2,818.37 crores in the prior year.

THE BIGGER PICTURE

FY23 witnessed remarkable growth and transformation in the global telecom sector. The rapid rollout of 5G networks and fiber-optic broadband worldwide marked a significant shift towards high-speed connectivity. This surge in demand for broadband wireless technologies fostered innovation, driving progress in smart cities and advanced manufacturing, thereby boosting economic advancement.

India, in parallel, emerged as a prominent digital economy. The strategic emphasis on 5G implementation and indigenous design by the Indian Government further propelled sectoral expansion. With the increased adoption of digital technologies, 5G rollouts and the growing demand for high-speed connectivity driving innovation and investment in the sector, India will soon be among one of the top 5G ecosystems in the entire world. 5G rollout, FTTH along with the national priorities like development of home-grown products under PLI scheme, fiberisation under BharatNet are fuelling massive opportunities for players like us. The launch of Bharat 6G Alliance further solidifies India's position as one of the world's top leaders in 5G ecosystems and we aim to be at the front-line, contributing to 6G technology and fostering the growth of the Indian telecom sector.

HFCL is well-positioned to capitalise on these opportunities. The Company's strong focus on innovation is evident in developing a number of advanced telecommunication products including for 5G networks.

I also wish to update that expansion of Optic Fiber manufacturing capacities from 10mn fkm to 33.90mn fkm is progressing well and shall be operational as planned. In addition the Company is also in process of expanding its optical fiber cable production capacity from 25mn fkm to 35mn fkm. This expansion will also lead to significant increase in revenue and profitability. The capacity will be added in a phased manner, with the completion targeted by FY25.

LEVERAGING OPPORTUNITIES WITH A FOCUSED STRATEGY

The Company's core focus revolves around three main pillars: Innovation, Expansion and Sustainability. Innovation drives the Company's competitive edge, fuelling product development and market distinction. The emphasis on in-house design and manufacturing has earned recognition from the Indian Government with a significant production-linked incentive. Driven by innovation, the Company has invested substantially in cutting-edge technologies, including 5G products, Wi-Fi Access Points and Backhaul Radios, Routers and Cloud based Network Management System etc. It has also collaborated with esteemed technological institutions and industry leaders across the globe to drive innovation.

The Company's collaborative ventures with industry leaders such as Qualcomm, Microsoft and Wipro have fortified its capabilities to gain a competitive edge and achieve sustainable growth.

Expanding into global markets is a key strategy, with targeted efforts in the US, Europe and the Middle East. The Company's reach spans over 45 countries, strengthening partnerships and broadening revenue streams. We are also diversifying our product portfolio to capture emerging market opportunities.

COMMITMENT TO SUSTAINABILITY

The Company's commitment to sustainable growth, innovation and ethical conduct has led to notable progress. With a strategic focus on ESG factors, we undertake various initiatives to ensure ecological and societal sustainability.

HFCL is deeply committed to fostering workplace diversity and inclusion through various initiatives, fostering an equitable and inclusive environment. Implementing our diversity, equity and inclusion (DEI) policy across HR processes highlights diversity's vital role in attracting talent, enhancing innovation and ensuring organisational success.

As a responsible corporate entity, the Company conducts various corporate social responsibility (CSR) initiatives, including healthcare support, education for underprivileged children, digital infrastructure in rural areas and collaboration with non-profit organisations, underscoring our aim to impact communities positively.

HFCL's environmental sustainability efforts encompass energy, water and waste management practices. The transition to LED, reduced optical fiber cable diameters, dry core construction and solar energy adoption highlights our commitment to resource optimisation and responsible manufacturing.

The proposed installation of solar/wind model of 10 MW capacity in HTL Limited, a subsidiary company, emphasises our commitment towards renewable energy integration and emission reduction. Similarly, setting up of a 1 MW solar system at our Hyderabad facility, along with the shift to LED UV lamps and also the transition to solar energy at our Goa facility, reflects our continuous efforts towards sustainable development and emissions reduction.

Furthermore, achieving the zero-waste-to-landfill certification underscores the Company's responsible waste management practices, resulting in substantial cost savings and notable CO_2 reductions. These collective initiatives align with our goal of sustainable growth with a significant positive impact on society.

WAY FORWARD

Looking ahead, FY24 holds the promise of transformative accomplishments. Our ongoing pursuits in 5G technology, capacity expansion and the launch of innovative products position us for substantial revenue growth. The augmentation of our optic fiber and cable production capacities ensures our readiness to meet industry demands while enhancing revenue and profitability.

In conclusion, I sincerely thank our esteemed stakeholders for their continued trust and support. As we move ahead, we remain resolute in our vision to bring innovative products and solutions to strengthen our leadership in the industry, deliver consistent value to shareholders and contribute to the Country's growth.

Best wishes,

Mahendra Nahata
Managing Director

Key Performance Indicators

Sustained Growth and Profitability

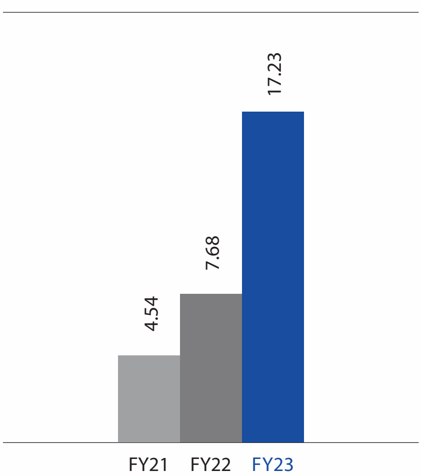
HFCL is committed to enhancing its operations to drive growth and profitability amidst changing market dynamics. Rooted in strong fundamentals, the Company is reshaping its strategies, expanding capacities, exploring export opportunities and prioritising a product-led approach for sustained growth.

ROBUST GROWTH IN EXPORT REVENUES

The Company has maintained robust growth in export revenues, with a CAGR of 88% over the past three years. This sustained performance highlights its resilience in the global markets.

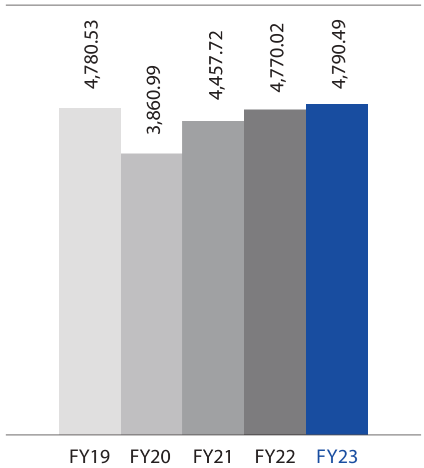
EXPORT REVENUE SHARE TRENDS

(%)



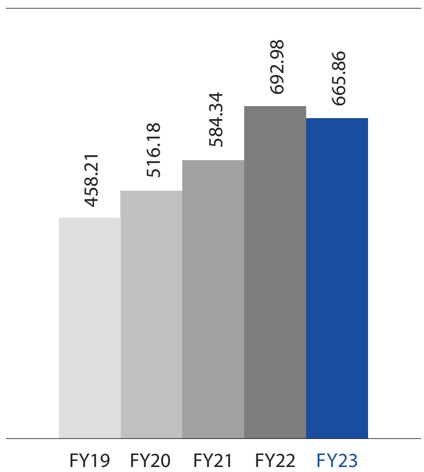
TOTAL INCOME

(₹ in crores)



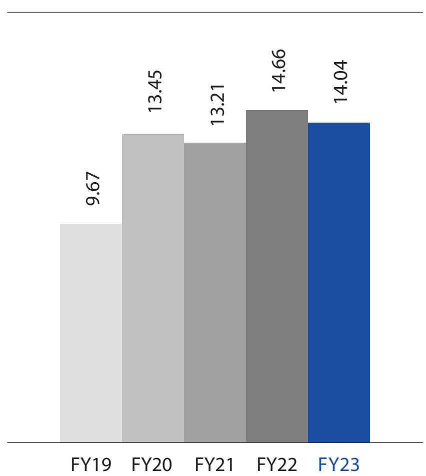
EBITDA

(₹ in crores)

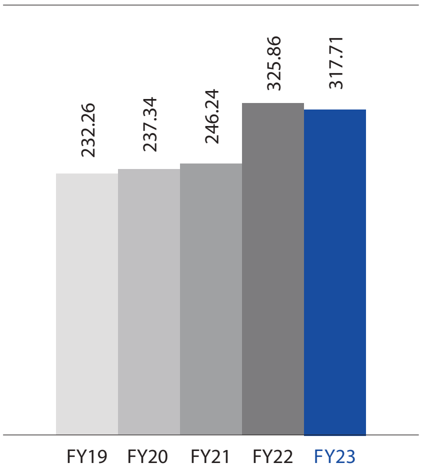


EBITDA MARGIN

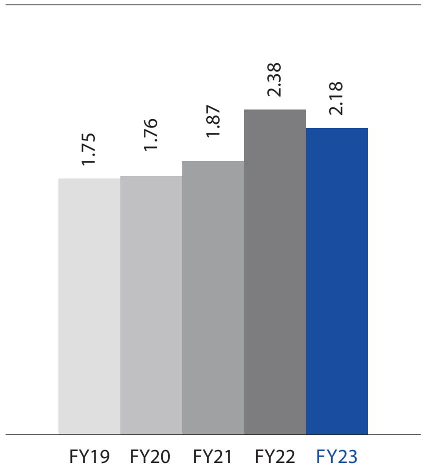
(%)



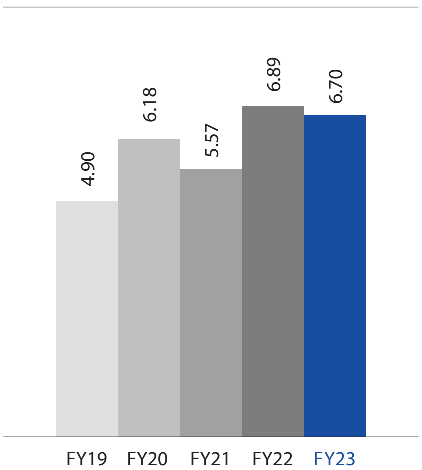
PROFIT AFTER TAX (PAT)
(₹ in crores)



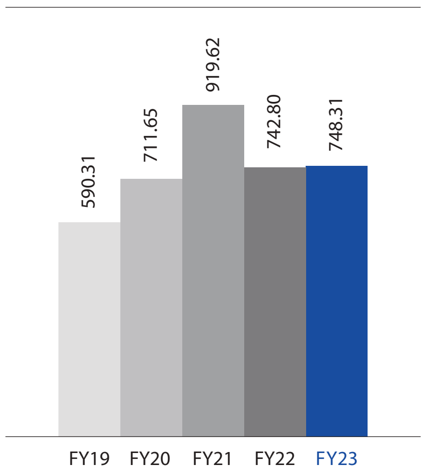
EPS
(₹)



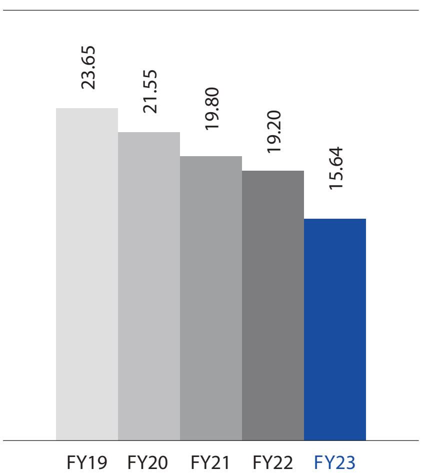
PAT MARGIN
(%)



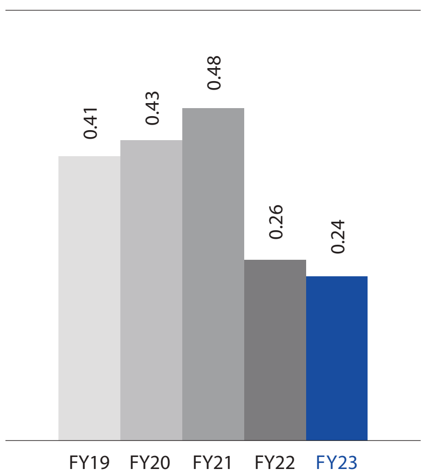
DEBT
(₹ in crores)



ROCE
(%)



DEBT-EQUITY RATIO
(times)



Business Model

A Holistic Approach for Sustainable Value Creation

HFCL has adopted a product-led model, shifting from a project-based approach to achieve better margins, enhance scalability and increase shareholder returns. The Company integrates sustainable business practices to create long-term value for all its stakeholders while positively impacting society and the environment.

INPUT RESOURCES

Financial Resources

The Company's robust financials empowered sustained investments in strategic growth drivers, yielding consistent and enduring value for stakeholders.

- Equity Capital: **₹137.78 crores**
- Debt: **₹748.31 crores**
- Other Equity: **₹2,969.90 crores**
- Working Capital: **₹1,939.99 crores**

Manufacturing, Innovation and other Assets

The Company's state-of-the-art manufacturing facilities, robust R&D capability and strong work culture reinforce market leadership and competitiveness.

- Manufacturing facilities: **Five**
- R&D centres: **Three**

Human Resources

As a people-focused organisation, the Company values its people as the driving force behind its growth and progress. Thus, it ensures providing an enabling workplace and growth opportunities to its employees.

- Total employees: **3,400+**
- Training programmes reach: **28,044 training hours to 7,568 participants**

Society and Communities

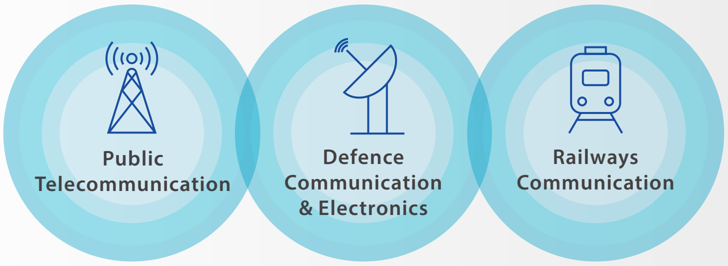
As a responsible corporate entity, the Company contributes towards uplifting underprivileged communities.

- Spent on CSR: **₹3.76 crores**

VALUE CREATION

HFCL's Core Businesses

HFCL generates value by offering communication products and solutions across three business segments:



Operating Context

The Company diligently monitors market trends, growth drivers, risks and opportunities to maintain a competitive edge.

Read more on Page 20-22

Strategic Priorities

- Capacity expansion and creation of new facilities
- Product innovation
- Expanding global reach
- Global partnerships
- Shift in revenue mix

Read more on Page 24-25

Stakeholder's Relationships

Through inclusive stakeholder engagement, the Company gains insights, builds trust, manages risks and makes informed decisions for ensuring long-term success.

Read more on Page 29-32

Integrating Sustainability

The Company has adopted various sustainable business practices through an ESG-led approach.

Read more on Page 26-32

VALUE CREATED

Shareholders

- Revenue: **₹4,743.31 crores**
- EBITDA: **₹665.86 crores**
- PAT: **₹317.71 crores**
- ROCE: **15.64%**

Products manufactured

- Optical Fibers manufactured: **9.54 mn fkm**
- Optical Fiber Cables manufactured: **19.72 mn fkm**
- FTTH cables manufactured: **3,05,026 ckm**
- ARP rods manufactured: **3,11,133 km**
- FRP rods manufactured: **3,45,665 km**
- IGFR cables manufactured:**1837.44 MT**
- Polymer compound manufactured: **4646.24 MT (production started from September, 2022)**
- Products launched: **24**

Employees

- On-roll employees hired: **334**

Communities

- **1.44 lakhs+** CSR beneficiaries along with 2000+ stray animals

Operating Landscape

Capitalising on Emerging Opportunities

The Company closely monitors industry trends and aligns its growth strategies to harness emerging opportunities while effectively managing risks, driving sustainable and enduring growth.

GLOBAL OPPORTUNITIES*

BROADBAND INVESTMENT LANDSCAPE ACROSS KEY MARKETS

Capital investments drive broadband expansion across various regions, with governments and private sources funding ambitious plans.

Germany – BMVI Nationwide Gigabit Plan: EUR 50 billion allocated for fiber broadband deployment, expanding coverage from 5.4% to 50% by 2025. Federal German Government commits EUR 12 billion, supplemented by private sources.

Italy – 1 Giga Plan: EUR 3.8 billion designated for high-speed connectivity, achieving 1-gigabit download and 200-megabit upload speeds in grey areas by 2026.

Global 5G Opportunity Landscape*

The global 5G market is likely to witness see significant growth with a CAGR of ~47% between FY23 and FY30, driven by network transformation, industry standards adherence and innovative frameworks like open radio access network (ORAN) adoption.

US$600 bn+

TAM^ during FY23-30

**Source: Feedback Advisory Report - August 2023*

France – PFTHD (Plan France Très Haut Débit): EUR 21 billion capital to ensure nationwide high-speed connectivity by 2025. Of the total capital, EUR 13-14 billion will come from public investments.

Austria – Symmetric Gigabit: EUR 2 billion approved by the European Commission via a recovery and resilience facility (RRF), focusing on passive infrastructure for fixed broadband networks up to 100 Mbps.

UK – Project Gigabit: GBP 5 billion investment by the UK Government for next-gen gigabit broadband, targeting over one million hard-to-reach locations with substantial coverage by 2025 and complete coverage by 2030.

US Broadband Initiatives: US$ 97 billion earmarked under federal programmes for broadband infrastructure within four to five years. Notable ones include the US$42.5 billion broadband equity, access and deployment (BEAD) programme for high-speed network expansion and US$25 billion from the American Rescue Plan for affordable high-speed internet.

Broadband Prospects in Africa: Less than a third of Africa's population enjoys broadband access. According to the World Bank, Africa needs US$100 billion in investments by 2030 for universal, affordable and quality broadband, especially in leading countries such as South Africa, Nigeria, Ghana, Kenya, Ethiopia and Tanzania.

HFCL'S RESPONSE

- The Company has adopted a prudent approach by diversifying the customer base to reduce geographical risks. With an operational presence in over 45 countries, HFCL serves more than 100 global clients.
- The Company's strong focus on global expansion and active bidding for international customers has helped it to secure distribution contracts across key regions, including the EU, the Middle East, Africa and North America, solidifying its market presence.
- The Company has established subsidiaries in strategic locations like the US and the Netherlands to facilitate global demand and capitalise on these opportunities.

GROWTH DRIVERS

- The growing demand for transforming networks to 5G is a key growth driver.
- Compliance with established standards like 3rd Generation Partnership Project (3GPP) Release 16 and adopting open frameworks like ORAN contribute to growth. Embracing ORAN enables communication service providers (CSPs) to rapidly deploy innovative 5G services, fostering innovation and supply chain diversity.
- The presence of multiple vendors in the 5G ORAN space prompts CSPs to seek systems integration (SI) services for interoperability, driving the expansion of 5G networks. Enterprises and industry sectors seeking end-to-end (E2E) services drive growth by achieving automated operations through 5G-enabled applications using data, analytics and artificial intelligence (AI).

HFCL'S RESPONSE

As the 5G market evolves, HFCL is developing a comprehensive suite of products and solutions to address emerging trends.

- Developing 5G Transport Products including, cell site routers, DU and CU aggregation routers for enhanced connectivity.
- Pioneering 5G RAN products, including macro-Rus to indoor/ outdoor small cells for a seamless transition to advanced 5G connectivity and enhancing network capabilities.
- System Integration services, including private 5G networks for enterprises and 5G-enabled to specific industries, including manufacturing, defence, railways and smart cities.

Operating Landscape

Domestic Opportunity Landscape*

~US$16.1 bn+
TAM^ during FY23-FY30 under OF/OFC and accessories

~US$18.2 bn+
TAM^ FY23-FY30 under telecom equipment

GROWTH DRIVERS

- **BharatNet Project:** The BharatNet Project advances rural broadband through Phase III, deploying over 7,800 kilometres of optical fiber cables (OFC) in Punjab and Jharkhand. More than ₹10,000 crores from the Universal Service Obligation Fund (USOF) is likely to get allocated in FY24.
- **Governmental Investments:** The Indian government commits US$10-12 billion annually for telecom infrastructure growth, earmarking US$1.5-2.0 billion for OFC installation along highways over 3-4 years. The National Highway Authority of India (NHAI) contributes US$1.5-2.0 billion for dedicated OFC right of way (RoW).
- **Fiber Demand and Expansion:** Rising demand for Fiber to the Home (FTTH) services drives expansion, with Bharat Sanchar Nigam Limited (BSNL) investing US$1-2 billion per year for the next four to five years to bolster 4G and 5G infrastructure.
- **National Broadband Mission:** The National Broadband Mission achieved cumulative fiberisation of 37.26 lakh kilometres and is targeting 50 lakh kilometres by FY25. Tower installations reached 7.6 lakhs, with the aim of reaching 15 lakhs by FY25.
- **High Bandwidth Demand:** Anticipated 5G rollout spurs tower fiberisation from 38% as of March 2023 to 70%, intensifying demand for optical fiber cables networks and related solutions.

Indian 5G Opportunity Landscape*

~US$46.6 bn+
TAM^ during FY23-30

GROWTH DRIVERS

- 5G to encompass 60% of mobile users by FY28 and 1.25 billion by FY30.
- Smartphone users projected to average 65 GB/month data usage by FY30.
- Jio to roll out 5G to 100 million homes in four to five years via fixed wireless access.
- Nationwide public Wi-Fi through public data offices (PDOs).
- Enterprises to ramp up 5G spending for smart manufacturing, content and gaming.
- Expected surge of 45 new data centres, boosting capacity by 1,000 MW by 2025.

**Source: Feedback Advisory Report - August 2023*

HFCL'S RESPONSE

- In the telecom sector, HFCL played a pivotal role in successfully deploying BharatNet Phase II, positioning the Company as a preferred and promising partner for the upcoming BharatNet Phase III deployment.
- HFCL received approval under the production-linked incentive (PLI) scheme for manufacturing telecom products. The Company plans to invest ₹425 crores for manufacturing approved telecom products under the PLI scheme.

HFCL'S RESPONSE

The Company is expanding its portfolio of products to address the growing opportunities within the 5G market.

Strategic Priorities

Charting a Roadmap for Sustainable Growth

The strategic objectives of HFCL are in line with India's mission of becoming self-sufficient in telecom equipment manufacturing. The Company has drawn a clear roadmap to maintain its domestic market leadership and strengthen its global footprints through capacity expansion, product innovation, market expansion and strategic partnerships.

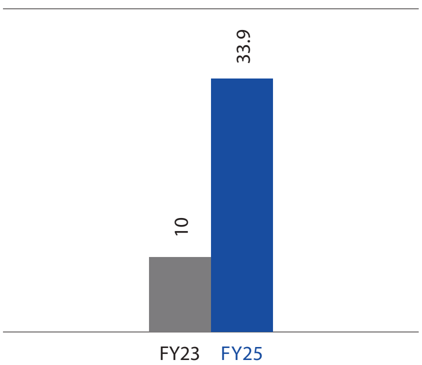
Strategic Priorities

CAPACITY EXPANSION

Responding to rising demand, HFCL is expanding its existing manufacturing capacity for OF from 10.00 million fkm to 33.90 million fkm and OFC from 25.08 million fkm to 34.75 million fkm.

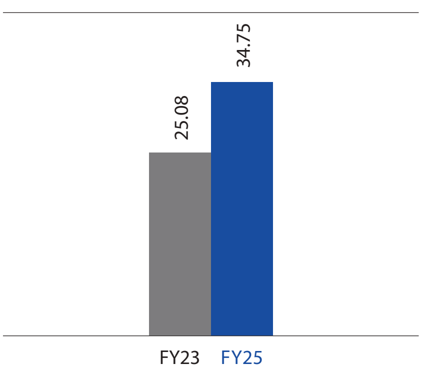
OF CAPACITY EXPANSION

million fkm/annum



OFC CAPACITY EXPANSION

million fkm/annum



Greenfield Capacity:

The Company is setting up a new manufacturing facility in India's National Capital Region (NCR) dedicated to producing cutting-edge telecom and networking products. This initiative is geared towards enhancing our production capabilities and meeting the evolving market demands more effectively.

NEW PRODUCTS THROUGH CONSISTENT INNOVATION

HFCL is spearheading product innovation through tech-centric R&D initiatives supported by a robust team. The Company operates three R&D centres in Bengaluru, Gurugram and Hyderabad and has established partnerships with reputable firms. In response to the growing 5G technology, the Company has independently developed a comprehensive 5G product portfolio.

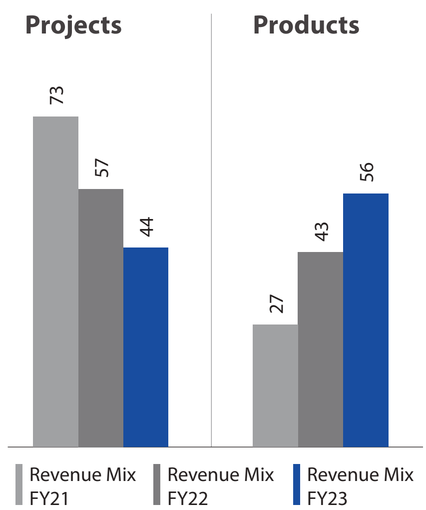
Products under development

Telecom	Defence
5G Indoor and Outdoor fixed wireless access (FWA) customer premises equipment (CPE)	Software-defined radios
5G radio access network products (8T8R)	Ground surveillance radars
5G indoor and outdoor small cells (2T2R and 4T4R)	
Access and aggregation routers	

Shifting Revenue Mix

HFCL is emphasising on generating revenue products than projects. This shift will help in increasing profit margins and ease pressure on working capital resources.

REVENUE STREAM %

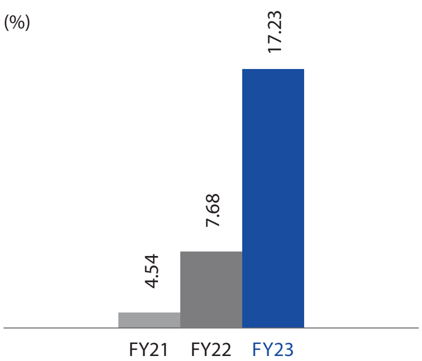


NEW GEOGRAPHIES FOR EXPORT GROWTH

The Company is broadening its global presence by establishing a wholly owned subsidiaries in strategic locations such as Texas (the US) and Amsterdam (the Netherlands). This initiative targets increased product demand and operational expansion on a global scale.

Furthermore, the Company's strategic focus encompasses key geographies, including Europe, North America and Africa, demonstrating its commitment to capturing new market opportunities.

EXPORT REVENUE SHARE



NEW TECHNOLOGIES THROUGH GLOBAL PARTNERSHIPS

The Company formed strategic partnerships with various global accredited names to drive product development, integrating its capacities and accelerating growth with these collaborations.

Company	Partnerships
Qualcomm	• Wi-Fi 6 and Wi-Fi 7 products • 5G outdoor and indoor FWA CPE product (sub-6 and millimetre wave) • 5G outdoor small cell
wipro, ipinfusion	Separate partnerships with each company for 5G transport products
VVDN	Design partner for macro radio, Wi-Fi Access points, UBRs and management systems
NIVETTI SYSTEMS	Partnership for switches
	OpenRoaming standards implementation
CommAgility	Partnership for 5G indoor small cells
Coprecomm	Partnership for artificial intelligence (AI)-based analytics
OLATECH SOLUTIONS	AAA and captive portal solutions
AnexGATE	Wi-Fi security solutions
BigCat	Partnership for software-defined radios
Capgemini engineering, NXP	Separate partnerships with each company for 5G small cells
XILINX	8T8R macro-RU (open RAN)

Environment

Contributing to a Greener Tomorrow

HFCL recognises the importance of environmental sustainability and continues to invest in minimising ecological impact. For a greener tomorrow, the Company undertakes several energy, water and waste management initiatives.

ROADMAP FOR ENVIRONMENTAL SUSTAINABILITY

HFCL's management has developed a clear roadmap with targeted initiatives for various manufacturing facilities to reduce the Company's environmental footprint and boost savings. **These sustainability initiatives could result in cost savings of up to ₹900 lakhs.**

Facility Location	Sustainability Initiatives	Expected Outcomes
Hyderabad	Installation of a 1 MW solar system set to be operational by FY25	• Saving of 1.5 million units of energy per annum • Reduction of 1,215 metric tonnes of emissions
	Shifting from conventional microwave lamps to LED UV lamps starting in January 2024	• Emission reduction by 5,022 metric tonnes each year • Saving of 6.2 million units of energy per year
	Zero-waste landfilling through responsible waste management	Waste reduction and potential to reduce carbon dioxide emissions up to 124 metric tonnes in FY24
Goa	Transition to solar energy with 40% of total energy consumption from this source	Expected carbon dioxide emission reduction of up to 3,240 metric tonnes
Chennai and Hosur (HTL Limited a subsidiary company)	Transition to solar/wind model of 10MW capacity to accelerate renewable energy integrating from 80% to 90% by FY25	Expected emission reduction of up to 14,580 metric tonnes

ENERGY MANAGEMENT

Energy Conservation

HFCL has replaced conventional lights with energy-efficient LED lights across the facilities and offices, reducing energy consumption. Moreover, the Company's commitment to sustainable manufacturing is evident through strategic initiatives. Installing high-efficiency compressed air suction devices is a testament to this dedication. These devices reduce noise and optimise compressed air usage, contributing to both operational efficiency and environmental preservation.

Sustainable Energy Sourcing

HFCL mainly used solar charging for the base transceiver station (BTS) sites in left-wing extremism (LWE) projects, avoiding using diesel generators for backup power supply for the BTS and microwave radios. The project has utility power supplies at 147 out of 569 BTS sites; the remaining sites do not have electricity supply from state electricity boards. At those 147 sites, ~30% of charging is done via utility supply, while the remaining 70% is carried out through solar charging, saving 88 kWh of energy monthly per site. The remaining 422 sites save 126 kWh of energy monthly per site on average.

Resource Efficiency

HFCL's resource-efficient measures underscore its unwavering dedication to sustainability, paving the way for a greener and more responsible future.

Sustainable Packaging

The Company is committed to reduce plastic waste by switching to corrugated paper sheets for packaging. In addition, it revamped the way packaging were done to save wood and fuel.

Paperless Data Recording

The Company has adopted paperless data recording for optical fiber and cables testing. Test data is directly captured from equipment to computer using software, eliminating paper usage.

EFFICIENT WATER MANAGEMENT

The Company's sustainability efforts include a comprehensive water management approach across the manufacturing facilities through various initiatives.

- **Continuous Recycling:** Efficient recycling processes are in place to reduce freshwater consumption at its manufacturing facilities in Hyderabad and Goa.
- **Wastewater Reuse:** The Company has set up sewage treatment plants (STP) at its manufacturing facilities to recycle wastewater for gardening purposes.

35 KL/day
Capacity of Hyderabad STP

30 KL/day
Capacity of Goa STP

- **Rainwater Harvesting:** At the Hyderabad manufacturing facility, the Company has a rainwater harvesting system to capture and store rainfall, reducing reliance on external sources and promoting self-sufficiency.
- **Green Landscaping:** The Company has developed 5.5 acres of land green landscape at the Hyderabad plant to promote biodiversity and ecological balance.

Environment

WASTE MANAGEMENT

Sustainable Manufacturing Processes

HFCL uses a 'reduce, recycle and reuse' approach to make its manufacturing process sustainable. The Company reduces waste generated from its plants through recycling and reusing packaging materials. The Company's management works closely with some of its suppliers to recycle packaging material and returns empty fiber spools and jelly containers, among others, for reuse. The Company uses biodegradable rubber wood for finished product packaging, reducing wood consumption.

E-Waste Management

HFCL has developed a standard e-waste management system and strictly follows the E-Waste Management Rules 2022. HFCL safely disposes of e-wastes by handing them over to pollution control board (PCB)-approved e-waste vendors.

OTHER SUSTAINABILITY INITIATIVES

- The Company designs and plans the underground OFC cable laying to have negligible impact on greenbelts. The cable gets laid using horizontal drilling, reducing damage to the trees and shrubs. The soil gets restored wherever pits get dug. Additionally, the Company participates in the Haritha Haram tree-planting initiative of the Government of Telangana.
- During manufacturing, noise reduction is achieved by enclosing all machines that produce noise at the Goa and Hyderabad plants.

COMPLIANCE WITH CERTIFICATIONS

The Environmental Management System of the Company is ISO 14001 certified. All raw materials used in producing optical fibers and optical fiber cables are restriction of hazardous substances (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)-compliant.

Additionally, HFCL has received a certificate of compliance from the Underwriters Laboratory, US, for the optical fiber cables that meet its safety standards.

Social – People

Building a Dynamic Workforce

As industries continue to evolve, HFCL recognises the need to build an agile and competent team to stay ahead of the curve. Thus, the Company prioritises continuously upskilling the people through various learning and development programmes while providing them with a conducive working environment and the right opportunities to grow.

HIRING AND ONBOARDING

HFCL places a strong emphasis on hiring competent and motivated individuals across operations in line with its long-term objectives. As the Company strives to develop new products, expand the geographic footprint and grow the customer base, professionals from technical, sales and business development backgrounds with proven industry experience and expertise get on boarded. The Company focuses on building robust teams for global markets.

PROMOTING DIVERSITY AND INCLUSION

The Company conducts an array of initiatives to establish an equitable environment and promote employee diversity and inclusion. Some of the key initiatives included:

- Educated employees on Prevention of Sexual Harassment (POSH) guidelines.
- Launched the Future Women Leaders (FWL) programme to develop and empower high-potential women employees in managerial roles.
- Celebrated International Women's Day to engage and inspire women employees through theme-based workshops and panel discussions.

3,400+
Total employees (~7% are women employees)

334
New employees hired during FY23

HFCL received the Best Companies for Employee Well-being award at the World HRD Congress, demonstrating the Company's commitment towards employee health and well-being.

Social – Community

Impacting Lives for a Better Future

HFCL recognises the importance of social responsibility in fostering positive change within the communities. Guided by an unwavering commitment to creating a meaningful impact, the Company's corporate social responsibility (CSR) initiatives get directed towards crucial focus areas that mirror organisational values and dedication to societal well-being.

HEALTHCARE

HFCL's healthcare aid endeavours aim to make a tangible difference in people's lives. The Company's initiatives include:

- **Mobile Medical Units:** HFCL extends preventive healthcare in association with its implementing partners HelpAge India and Wockhardt Foundation to underserved regions through its mobile medical units, ensuring vital healthcare services reach remote communities.
- **Corrective Surgeries:** HFCL has partnered with St. Stephen's Hospital, New Delhi, to provide corrective surgical interventions to alleviate deformities arising from polio or other origins. This endeavour is to make a positive difference in the lives of individuals from less privileged backgrounds who face financial barriers in accessing these treatments.
- **Open Heart Surgeries:** The Company has collaborated with a reputable medical institution, the National Heart Institute, New Delhi, offering support for open heart surgeries and valve replacement that hold transformative potential.

EDUCATION

- **Support for specially abled children:** Under Project Samarth, the Company provides educational grants to specially-abled children, fostering educational opportunities and personal growth.
- **Basic Education and nutrition to the street children:** By joining hands with Samarpan Foundation, HFCL has delivered basic education and nutritious meals to the street children studying at Samarpan School in Delhi.
- **Computer Skill Training:** Dedicated computer learning centres in Ghazipur, Uttar Pradesh, offer underprivileged youth essential computer skills, brightening career prospects.
- **Digital Education:** The Company champions education through Project PEHAL, facilitating smart classes in rural government schools and ensuring continuous and effective learning for students.

SOCIETAL WELFARE: ENRICHING LIVES

HFCL's dedication to societal welfare encompasses various initiatives that enrich lives and foster compassion:

- **Caring for the Elderly:** By supporting SHEOWS (Saint Hardyal Educational and Orphans Welfare Society), HFCL cares for abandoned older adults, prioritising their dignity and quality of life.
- **Stray Animal Welfare:** The Company cares for stray animals by committedly and compassionately providing food and shelter.

Governance

Guided by Exemplary Leadership

HFCL's robust governance framework is a guiding principle for responsible conduct throughout its operations. The Company's philosophy, rooted in ethical and transparent business practices, underscores the Board's and management's commitment to fostering stakeholder trust.

BOARD OF DIRECTORS

The Board of Directors is the paramount authority, making strategic, financial and reputational decisions for the organisation. The Board's role encompasses steering the Company's strategic trajectory and ensuring judicious oversight over diverse operational aspects.

BOARD COMMITTEES

HFCL's Board comprises five specialised committees, each meticulously tailored to enhance decision-making efficacy. Operating within clearly defined charters, these committees are entrusted with specific domains and responsibilities, reinforcing prudent governance. This logical segregation streamlines proceedings, facilitating focused discussions and informed deliberations.

COMMITTEES

- Audit Committee
- Nomination, Remuneration and Compensation Committee
- Stakeholder's Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management Committee

BOARD COMPOSITION

1
Executive Director

2
Non-executive Directors

4
Independent Directors

BOARD EXPERIENCE

Under the leadership of an experienced Board of Directors with expertise in the telecom, defence, and railway sectors, HFCL has become a leading communication technology company.

BOARD EXPERIENCE

>40
Number of years

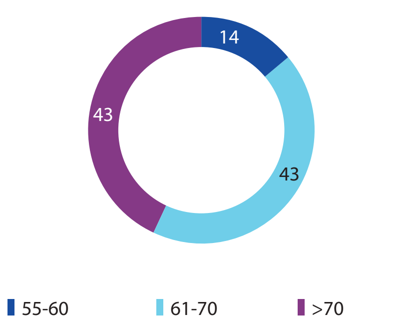
BOARD TENURE

The Company's Managing Director and Independent Directors (except Non-executive Directors) are appointed for three-year terms and get reappointed afterwards.

BOARD DIVERSITY

The Company's Board is well-structured to ensure a high level of diversity in terms of age, gender, qualifications, professional backgrounds, sectoral and special skills.

BOARD AGE PROFILE
Age (years) (%)



Board of Directors

Mr. Mahendra Nahata

Managing Director

Mr. Ajai Kumar

Non-executive Independent Director

Mr. Bharat Pal Singh

Non-executive Independent Director

Mr. Surendra Singh Sirohi

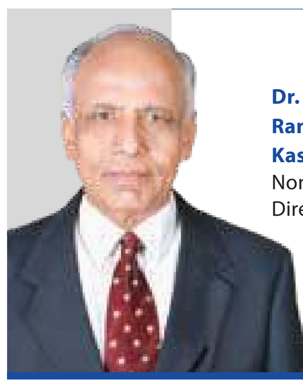
Non-executive Independent Director

Dr. (Ms) Tamali Sengupta

Non-executive Independent Director

Mr. Arvind Kharabanda

Non-executive Director



Dr. (Mr.) Ranjeet Mal Kastia

Non-executive Director

Statutory Reports

Financial Statements

Management Discussion and Analysis

Economic Overview

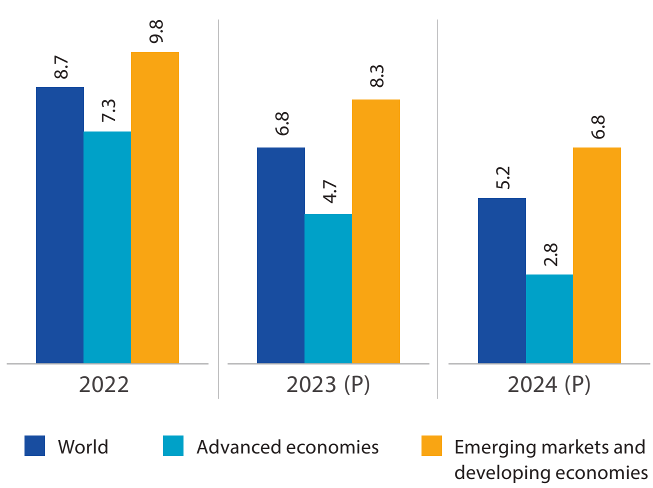
GLOBAL

In 2022, the global economy experienced a slowdown, with GDP growth at 3.5%, compared to 6.3% in 2021, primarily caused by a combination of factors, including increasing geopolitical tensions, disruptions in supply chains and unusually high levels of inflation. During the pandemic, governments had already introduced substantial monetary support measures, injecting significant money into the economy. This infusion of liquidity exerted upward pressure on inflation. The situation escalated further with the outbreak of the Russia-Ukraine conflict, intensifying the inflationary pressures, particularly affecting energy, and commodity prices. The global economic sanctions on Russia, a major oil and gas producer, substantially impacted the Euro Area, a region heavily dependent on Russian gas. Consequently, the Euro Areas faced the risk of an energy crisis and other significant challenges following the disrupted supply of energy resources.

To combat the surging inflation rates, central banks of major economies, spearheaded by the US Federal Reserve, took decisive and synchronised steps to tighten monetary policies. While curbing inflation, these measures also raised worries about the possibility of a financial crisis. Nevertheless, China's decision to reopen its economy earlier than anticipated in November 2022, brought some relief, contributing to the recovery of economic losses experienced during the pandemic. Subsequently, emerging markets and developing economies, especially India and China, played a pivotal role in driving global economic expansion, while advanced economies faced stagnation during this period.

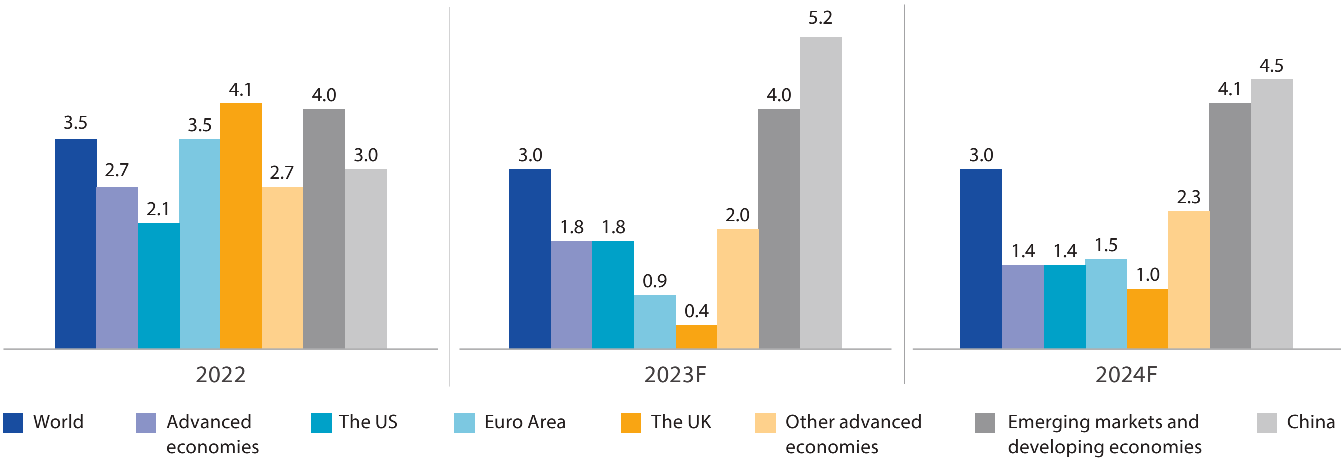
Global trade volume growth rate declined in 2022 to 5.2% from 10.7% in 2021, impacted by shifts in global demand, the lagged effects of US dollar appreciation, rising trade barriers and the persistence of high inflationary pressures. Global headline inflation is likely to ease in the coming years, influenced by factors such as tightening of monetary policy and declining international commodity prices. While overall inflation is likely to moderate, core inflation, which excludes volatile food and energy prices, is declining at a more gradual pace, particularly in advanced economies.

GLOBAL INFLATION (HEADLINE) TREND (%)



Source: International Monetary Fund (IMF) World Economic Outlook – July 2023

GLOBAL GDP GROWTH TREND (%)



Source: International Monetary Fund (IMF) World Economic Outlook – July 2023

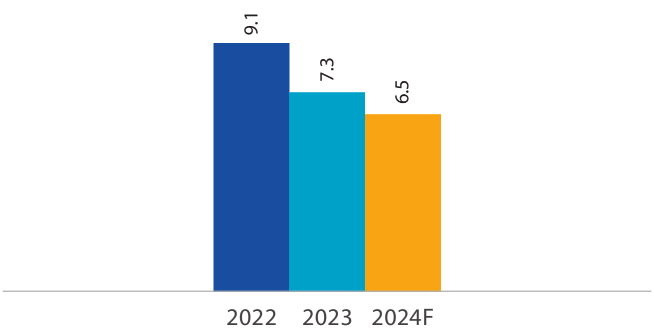
OUTLOOK

The global economy is likely to experience a slight decline in growth over the next two years. Advanced economies may face challenges in manufacturing while emerging markets show stable growth with some variations. Global trade growth is also likely to slow down due to changes in demand and trade barriers. Steps taken by central banks and governments to reduce financial risks have eased immediate concerns. However, challenges remain, including the possibility of high inflation, geopolitical tension and policy rate hikes affecting economic growth.

INDIA

In FY23, India's economy demonstrated strong resilience with a real GDP growth of 7.3%, surpassing earlier estimates. The growth was mainly driven by strong domestic demand, which nearly converged with pre-pandemic levels. Key sectors, including agriculture, manufacturing-led industry and services, played pivotal roles in economic growth. Rising employment levels further contributed to economic inclusivity and supported domestic demand. The agriculture sector achieved a twelve-quarter record high growth rate, while the industrial sector rebounded in Q4 FY23, primarily led by manufacturing activities. The contact-intensive services sector fully recovered to pre-pandemic levels, showcasing resilience and contributing significantly to economic growth.

INDIA GDP GROWTH TREND (%)



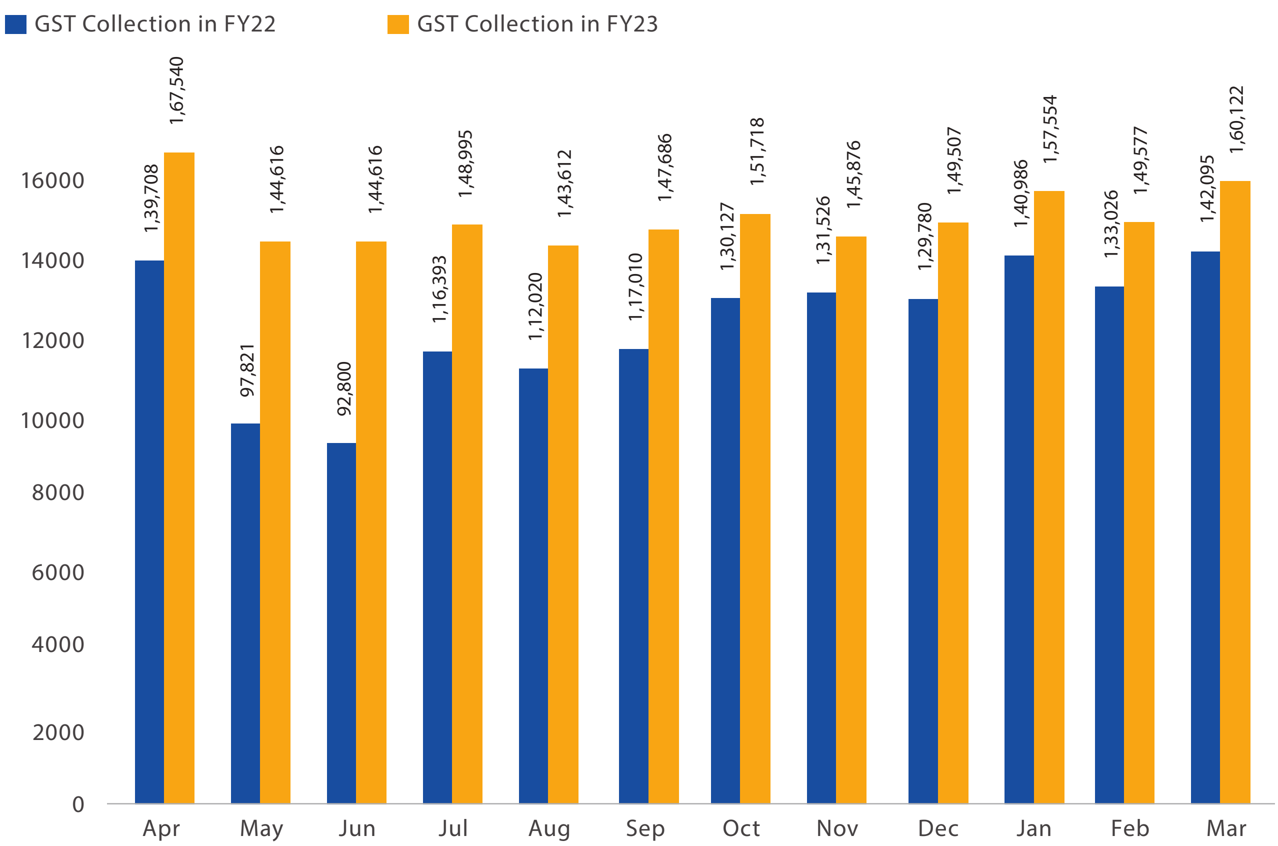
Source: MoSPI estimate and RBI press releases

The external demand worked for India until the first quarter of FY23 but slowed down in the second half, impacting merchandise exports. However, services exports continued to surge, driven by IT exports and professional services. The decline in global commodity prices reduced import costs, supporting economic activity. The Indian Government's continued thrust on massive public capital expenditure to attract private investment and boost demand, promises for its long-term fiscal health. With global businesses looking at diversifying their supply chains away from chronic China dependence, India could emerge as a preferred destination for sourcing.

Inflation emerged as a significant challenge in FY23, impacting economies worldwide. India's inflation remained comparatively lower than other emerging and advanced economies, owing to effective supply-side measures and easing commodity prices. The Reserve Bank of India (RBI) managed to control inflation through targeted repo rate increases. Core inflation remained relatively sticky but started to decline from March 2023 onwards.

During FY23, India's Goods and Services Tax (GST) collection witnessed encouraging trends. The cumulative gross collection for the year reached ₹18.10 lakh crore, with an average monthly collection of ₹1.51 lakh crore. The gross revenues for the year outpaced the previous year by 22%. This positive trend got supported by the Indian Government's focus on promoting voluntary tax compliance and reducing tax evasion. Simplifying return filing procedures and adopting advanced technology facilitated easier tax compliance for businesses and individuals alike. Technological advancements were crucial in streamlining tax administration, reducing administrative burdens and ensuring efficient revenue collection. Using digital platforms enhanced transparency and accountability, making the GST system more robust.

TRENDS IN GST COLLECTION (IN ₹ CRORE)



Source: PIB, Ministry of Finance

Key highlights of Union Budget FY24

- The Indian Government increased capital investment for the third consecutive year to ₹10 lakh crore, a 33% rise from previous year's outlay of 7.5 lakh crore, aiming to boost growth, jobs, private investments and counter global headwinds.
- Capital outlay of ₹2.40 lakh crores provided for railways, the highest ever, nearly nine times the 2013-14 outlay.
- Plan to set up 100 labs for 5G application development, unlocking opportunities, business models and employment potential.

OUTLOOK

India's economic outlook remains positive, with RBI forecasting GDP growth of 6.5% for FY24. Resilient urban demand and recovering rural demand will drive economic growth. Capital expenditure and private investments will contribute to sustained growth momentum. However, potential constraints include geopolitical stress, financial volatility, extreme weather events and weak global demand, which may impact India's growth outlook for FY24. Prudent macroeconomic management and continued investment in supply-side infrastructure are essential to sustain growth and enhance India's economic stability. India's economy has shown remarkable resilience and with strategic planning and policy support, it is poised for long-term, sustainable growth, solidifying its position as a thriving economy.

Industry Overview

INDIAN TELECOM SECTOR

The telecom sector has witnessed remarkable growth and transformation over the past decade, driven by technological advancements, increased demand for connectivity and supportive government policies. According to TRAI Telecom Subscriptions Reports, telephone connections have experienced significant growth, with total connection (wireless) reaching 1,143.93 million on, 31st March, 2023, from 904.51 million on 31st March, 2014. Urban and rural areas have seen a surge in telephone connections, with rural areas outpacing urban areas in growth rate. This increase has led to a rise in tele-density, indicating more widespread access to telecommunications services nationwide.

Internet and broadband services have thrived, substantially increasing internet connections and broadband subscriptions. This growth has been facilitated by a considerable decrease in the average revenue per subscriber for wireless data, making data more affordable for consumers. Thus, the average monthly data consumption per wireless subscriber has skyrocketed. Fiber-optic broadband, represented by Fiber to the Home (FTTH), has gained traction in rural and urban areas, contributing to improved broadband penetration. Certain regions, like Delhi have seen high adoption rates and FTTH has positively impacted household broadband connectivity.

TELECOM DEVELOPMENT INDICATORS

Particulars	Wireless	Wireline	Total (wireless+ wireline)
Broadband subscribers (million)	813.08	33.49	**846.57**
Urban telephone subscribers (million)	627.54	26.16	**653.71**
Rural telephone subscribers (million)	516.38	2.25	**518.63**
Total telephone subscribers (million)	1,143.93	28.41	**1,172.34**
Overall tele-density (%)	82.46	2.05	**84.51**
Urban tele-density (%)	128.45	5.36	**133.81**
Rural tele-density (%)	57.46	0.25	**57.71**
Share of urban subscribers (%)	54.86	92.09	**146.95**
Share of rural subscribers (%)	45.14	7.91	**53.05**

Source: Telecom Subscriptions Report, TRAI (March 2023)

The number of mobile base transceiver stations (BTS) and mobile towers have grown significantly, indicating the expansion of the telecom infrastructure to meet the increasing demand for mobile services. This expansion is crucial for providing reliable connectivity to users.

FY23 HIGHLIGHTS

- **Aatmanirbhar Bharat in the telecom sector:** The Ministry of Communications has given approval to 42 companies, including 28 MSMEs, under the PLI scheme to boost the Atmanirbhar Bharat Abhiyaan for indigenous production of telecom and networking products. These companies have committed to invest ₹4,115 crore, which will likely result in sales of ₹2.45 lakh crores and create >44,000 jobs. This initiative promotes local manufacturing and establishes India as a global hub for telecom and networking products.
- **Space-based communication services:** TRAI's consultation paper on spectrum assignment for space-based communication services indicates the potential launch of satellite communication and internet services by the end of 2023, aiming to provide enhanced connectivity to remote areas.
- **Open RAN deployment:** The deployment of open RAN solutions will transform the telecom sector, offering flexibility through diverse vendor choices, cost reduction and seamless integration of new technologies. This shift fosters collaborative growth and adaptability for 5G and beyond.

5G introduction in India: a transformative technological leap

LAYING THE GROUNDWORK

The Indian Government laid the foundation for 5G services in the 8th Spectrum Auction held in July 2022. The auction featured a 72,098 MHz spectrum with 10 bands across 22 licensed services areas (LSAs). Of this, 51,236 MHz (71%) got sold, fetching a record bid of ₹1,50,173 crore. The telecom reforms and clear policies like zero spectrum usage charges, flexibility in payments and improved surrender options have resulted in the success of the auction in ensuring enhanced telecom connectivity and service quality.

LAUNCH OF 5G SERVICES

On 1st October 2022, the Indian Government launched 5G services, ushering in a new era of high-speed internet connectivity. The prime minister was presented diverse use cases of 5G in diverse sectors, including education, health, worker safety and smart agriculture from telecom service providers. The event also featured the introduction of an indigenous 5G Non-Standalone (NSA) core by the Centre for Development of Telematics (CDoT). It showcased pioneering technology demonstrations by Indian telecom start-ups, MSMEs, and industry leaders. The event unleashed possibilities across agriculture, health, education, smart cities, Industry 4.0 and financial inclusion, propelling India's global tech standing.

KEY INITIATIVES IN INDIA'S 5G ADOPTION

- **Indigenous 5G test bed:** The Department of Telecommunications (DoT) established an 'Indigenous 5G Test Bed', a collaborative platform for academia and industry to validate 5G products, prototypes, algorithms and services in line with India's self-reliance mission in 5G technology.
- **5G trials for telecom service providers (TSPs):** To advance 5G deployment, the DoT granted permissions to prominent TSPs for 5G trials in India. These trials highlight indigenous innovation and propel the Country's progress in 5G adoption.
- **5G use case labs:** The DoT established dedicated labs for specific sectors, such as education, healthcare, and agriculture. These labs promote innovation and collaboration, positioning India as a 5G-driven advancements hub.

5G ADOPTION OUTLOOK

With the Indian Government's thrust and faster industry development, the 5G market in India is likely to witness substantial growth over the next decade. According to industry data, the 5G rollout in India has been rapidly advancing, with Reliance Jio's 5G coverage stood at 406 cities till March 2023 and it plans for pan-India coverage by December 2023. Bharti Airtel's 5G coverage crossed 500 cities till March 2023 and aiming to expand its 5G footprint all over urban India. Vodafone Idea also plans to launch 5G soon.

There is a significant opportunity for 5G network vendors in India. Telecom operators in India have been keen to harness the 5G opportunity, with strategic collaboration with equipment and infrastructure vendors being their focus. The potential applications of 5G are vast, including the agriculture, automotive, manufacturing, healthcare, education, energy & utilities and media & entertainment industries. In the agricultural industry, 5G is anticipated to transform smart irrigation, precision farming and monitoring of soil, crops, and livestock. In the automotive industry, it is expected to fast-track the implementation of connected cars, autonomous driving and smart transportation systems. In the healthcare industry, 5G will aid in the application of the Internet of Medical Things (IoMT), connected healthcare, patient data management and online consultation. 5G is also projected to have extensive use in smart cities, enabling smart utility management, traffic management systems, surveillance & analytics and waste management.

Highlights of Union Budget 2023-24 for the Telecom Industry

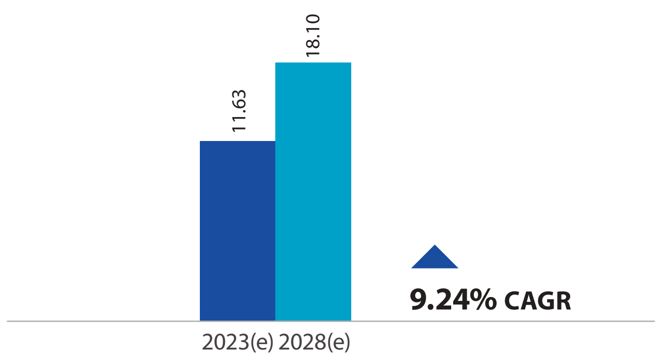
- The Indian Government allocated ₹975.79 billion for the Department of Telecommunications.
- The Indian Government will set up 100 labs to develop applications using the newly launched 5G services. The labs will cover, among other things, applications such as smart classrooms, precision farming, intelligent transport system and healthcare.
- Bharat Sanchar Nigam Limited (BSNL), which is rolling out 4G and 5G services this year, will get ₹529.37 billion capital infusion from the Indian Government in 2023-24.
- The Indian Government allocated ₹21.58 billion for optical fiber cable-based networks for defence services and ₹7.16 billion for telecom projects in the north-eastern states.
- The Indian Government will set up three centres of excellence for artificial intelligence (AI) in leading educational institutions to realise the vision of 'Make AI in India and make AI work for India'.

Increased connectivity, affordability of data, infrastructure expansion and the introduction of 5G services have fuelled the telecom sector's growth. These advancements have opened opportunities for various industries and sectors to leverage new technologies and improve their operations and services.

OPTICAL FIBER CABLE (OFC) INDUSTRY

Optical fiber cables are used in various industries, including telecom, power utilities, defence and medical across the world. The global optical fiber cable (OFC) market showcased robust growth, reaching a valuation of US$10,349.63 million in 2022 and is likely to exhibit significant growth further in the coming years. Heightened demand for high-speed data transmission, widespread 5G adoption and increased broadband connectivity will drive this growth. Additionally, technological advancements, such as all-optical networks (AON) and innovative solutions like micro cables have fuelled market expansion. Collaborative efforts among nations and industry associations have extended network coverage and amplified communication capabilities, showcasing the sector's dedication to strengthening global connectivity.

GLOBAL OFC MARKET SIZE (US$ billion)



Source: Mordor Intelligence

KEY GROWTH DRIVERS

- **5G network rollout and increased connectivity:** The deployment of 5G networks has emerged as a pivotal driver escalating the demand for high-speed network connectivity. This surge fuels the need for resilient OFC infrastructure, which is essential for seamless data transmission over extensive distances. Fiber-based networks are fundamental to 5G's backbone, bolstering efficient Fiber to the Home (FTTH) broadband solutions.
- **Digital transformation:** The rise of 5G networks and intensifying digital transformation endeavours, significantly contribute to the mounting demand for OFC. Compared to traditional copper cables, its enhanced security, reliability, and bandwidth render it a preferred choice across various applications.
- **Critical role of submarine cables:** Submarine cables underpin the global internet infrastructure, interconnecting continents and facilitating bandwidth-intensive services offered by cloud and content providers. Collaborative initiatives, like the Arctic fiber optic cable network, spotlight the industry's commitment to enhancing data transmission efficiency.

- **Advancements in fiber optic technology:** Optical couplers, optical switches and the development of all-optical networks (AON) drive efficiency improvements and augment communication capabilities, further stimulating market growth.
- **Data centre expansion:** The growing number of data centres, vital for high-speed data transmission, heavily relies on robust fiber cabling. Global tech giants, including Google, Amazon and Microsoft, have invested in expanding their global data centre networks, driving the demand for OFC. Governments also recognise the strategic importance of data centres, reinforcing the link between data centre expansion and the growth of the optical fiber cable market.

PROGRESS ON BHARATNET PROJECT

The BharatNet project, achieved significant progress in its mission to provide broadband connectivity to all Gram Panchayats (GPs) across India. As of April 3, 2023, the project had laid an extensive network of 6,26,170 kilometers of Optical Fiber Cable, facilitating high-speed connection to 1,97,147 GPs. In addition, 1,90,441 GPs have been made service ready.

Moving ahead with the BharatNet Project, the Government is planning to extend internet access to 6.4 lakh GPs and villages in the next 2.5 years. The Government has allocated substantial funds, around ₹1.39 lakh crore, to support this expansion.

The demand for single-mode fiber to the home (FTTH) is gaining traction across FTTH broadband, 5G deployment, etc. Recent initiatives to migrate fundamental architecture toward FTTH will fuel full-fiber rollouts in the next few years, mainly in the United Kingdom, Germany, and Italy. As per the FTTH Council, EU report, in 2022 EU 39 reached more than 111 million FTTH subscriptions and 62% of the connections were from EU27+UK. There will be more than 190 million FTTH subscriptions in Europe by 2027, with EU27+UK accounting for 65%, i.e., over 123 million.

Moreover, various countries are collaborating with fiber optic vendors to build the fiber optic network. For instance, in May2022, Prysmian Group announced its partnership with Telstra, an Australia-based operator, to build a new inter-capital fiber network in the market. The national fiber network project is a multi-year project, which will see Telstra, build a new 'state-of-the-art' intercity dual fiber path that will add up to 20,000 route kilometres of new fiber optic terrestrial cable, boosting inter-capital capacity, as well as capacity for regional areas.

Indian Railway Telecommunication Sector

Telecommunication and signalling systems ensure seamless train control, operation and safety across the extensive Indian Railways (IR) network. With a strong emphasis on safety, efficiency and technological adoption, Indian Railways presents significant business opportunities for companies developing products related to telecommunication and signalling systems.

ELECTRONIC INTERLOCKING

Indian Railways has undertaken a significant modernisation effort by widely adopting electronic interlocking (EI) systems. This initiative aims to enhance the efficiency and safety standards of the entire network, resulting in a more seamless and secure environment for train operations. As of 31st May 2023, the implementation of EI has been extended to more than 3,100 stations, leveraging digital technologies to elevate the effectiveness of train operations and ensure safety.

ELECTRICAL/ELECTRONIC SIGNALLING

The transition from traditional mechanical signalling to electrical/electronic signalling interlocking systems further underscores Indian Railways' commitment to progress. A noteworthy achievement is incorporating these advanced systems in 98.8% of the total stations, totalling 6,427, resulting in heightened operational efficiency and new safety norms within the network.

Measures like introducing axle counters for automatic clearance of block section (BPAC) and integrating level crossing gates with signals at 11,093 locations have enhanced safety. These initiatives have streamlined train arrivals and line clearance processes and significantly contributed to an overall safer train operation environment.

KAVACH AUTOMATIC TRAIN PROTECTION SYSTEM

The Kavach automatic train protection (ATP) system is a remarkable innovation in the signalling domain. With its automated brake application and weather-adaptive features deployed across 1,465 route kilometres and 121 locomotives on the South Central Railway zone, Kavach showcases Indian Railways' technological prowess and commitment to cutting-edge solutions.

Indian Railways has allocated ₹4,198 crores for modern signalling works for FY24. This investment further drives the adoption of advanced technologies, reinforces safety measures and strengthens standardised practices, ultimately leading to a safer, more efficient and technologically advanced rail network. This alignment with Indian Railways' vision offers a promising avenue for businesses to contribute to a brighter and more interconnected railway network.

Highlights of Union Budget FY23 for the Railway Sector

- Capital expenditure for Indian Railways increased to ₹2.40 lakh crores in Union Budget 2023-24, nearly nine times higher than FY14.
- Increased private investment in railway infrastructure, supported by the newly developed Infrastructure Finance Secretariat.
- Introduction of 400 new-generation Vande Bharat Express trains in the next three years to enhance travel efficiency and convenience.

Indian Defence Sector

The Indian defence sector achieved a historic milestone in FY23, with defence production standing at ₹1,06,800 crore, this growth marks a remarkable surge of over 12% compared to ₹95,000 crores in FY22. Moreover, India's defence exports reached an all-time high of ₹15,920 crores in FY23, a substantial increase from ₹12,815 crores the previous year and >10x since 2016-17. With exports to more than 85 countries and 100 firms engaged in defence product export, the Indian defence sector's design and development capabilities gained international recognition. The rising export and participation of 104 countries in Aero India 2023 further showcases India's flourishing defence manufacturing capabilities.

Highlights of Union Budget FY23 for the Defence Sector

- Earmarked 75% of the capital procurement budget for the domestic industry in FY24.
- Opened defence R&D for industry, startups and academia, with 25% of the budget allocated.
- Announced a plan to establish an independent nodal umbrella body for streamlined testing and certification processes.

₹1,06,800 crore

Value of defence production in FY23

₹15,920 crore

Value of India's defence exports in FY23

GROWTH DRIVERS OF INDIA'S DEFENCE SECTOR

- **Enhanced budgetary provision:** Increased budget forms the foundation for transformative changes, addressing critical priorities such as operational readiness, security infrastructure and domestic defence production. The investment aligns with global security trends, reinforcing the Indian Government's commitment to a robust and technologically advanced defence apparatus.
- **Indigenous innovation focus:** The Aatmanirbhar Bharat initiative promotes indigenous design, development and manufacture of defence equipment, substantially reducing dependence on imports. A 9% increase in allocation to DRDO (₹23,264 crore) propels advancements in critical areas like radar systems, communication networks and cutting-edge technologies.
- **Robust manufacturing ecosystem:** Government collaborations and policy reforms, including MSME and start-up integration, simplify industrial licensing processes and foster a vibrant manufacturing ecosystem. The iDEX initiative receives a notable increase of 93% to ₹116 crores in FY23 from ₹45 crores in the previous year, promoting collaboration between the defence industry and start-ups for technological progress and innovation.
- **Border security reinforcement:** A 43% increase in Border Roads Organisation's capital budget to ₹5,000 crores emphasises the creation of strategic assets along borders, enhancing defence capabilities in remote and critical areas.

Business Performance Review

OPTICAL FIBER CABLE AND OPTICAL FIBER

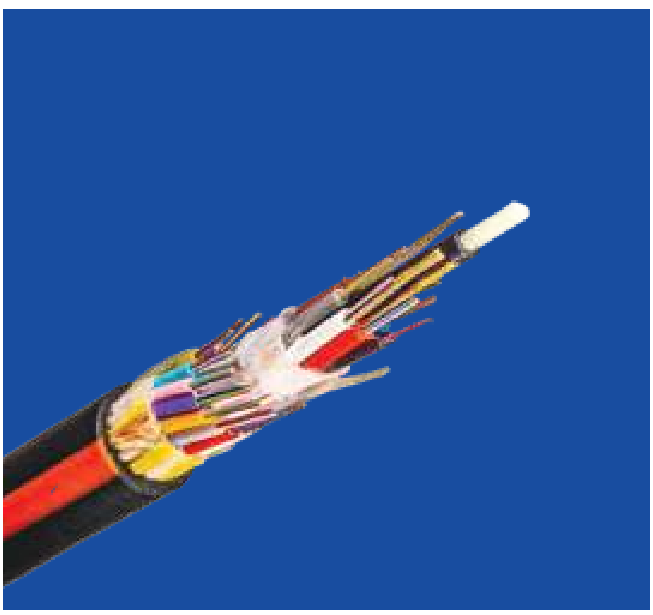
In the post-COVID-19 landscape, the demand for optical fiber cables surged, driven by the increasing need for high-speed internet and the widespread expansion of Fiber to the Home networks. This growth is attributable to the heightened data traffic from remote work and online transactions.

During FY23, HFCL achieved a significant milestone by completing the commissioning of optical fiber Phase-II capacity in Q3 FY23. This expansion raised the annual capacity from 8mn fkm to 10 mn fkm.

HFCL is substantially expanding its optical fiber capacity from 10 mn fkm to 33.9 mn fkm per annum to meet the escalating demand. The ongoing construction work is progressing well, with the first phase of this expansion, taking capacity to 25 mn fkm, expected to be commissioned by Q3FY24. The remaining 9 mn fkm are likely to be commissioned by Q4FY25.

In FY23, HFCL's Hyderabad Fiber Plant achieved new certifications, including ISO 10002:2018 (Customer Satisfaction & Complaints Management) and ISO/IEC 27701:2019 (Privacy Information Management System). These certifications validate the organisation's robust management systems for customer feedback and personal data management.

The Fiber Plant’s commitment to excellence is evident through its existing certifications: ISO 9001:2015 (Quality Management System), TL9000-H R6.3/R5.7 (Telecom industry's Quest Forum Quality Management System), ISO 14001:2015 (Environmental Management System), ISO 45001:2018 (Occupational Health & Safety Management System), ISO/IEC 27001:2013 (Information Security Management System), and ISO/IEC 20000-1:2018 (Service Management System).



HFCL's optical fiber products received the GR-20 Telcordia certification in Q1-FY23, a crucial approval for selling products in the North American market. The Company is proud to have passed the stringent testing requirements set by Telcordia, which include meeting strict international product standards and having a professional testing facility and quality control system in place.

Telcordia certification by Ericsson Network Infrastructure Solutions (NIS) is a testament to the Company’s continued commitment to excellence and our drive to innovate in the telecommunication industry.

The Fiber Plant also garnered external recognition by receiving Frost & Sullivan's Indian Manufacturing Excellence Award - Silver Merit Award, a testament to its operational excellence journey.

The Company is also in process of expanding its optical fiber cable production capacity from 25mn fkm to 35mn fkm in a phased manner, with the completion targeted by FY25.

HFCL's relentless pursuit of innovation led to Telcordia's approval for GR-20 Core for several cable products as well. These approvals signify compliance with rigorous GR-20 Core testing criteria, underpinning the cables' reliability and adherence to industry standards.

Diversifying its portfolio, HFCL designed and gained approval for fire rating and CE/UKCA compliance for various cable products, facilitating their entry into the UK and European markets. The testing facility at HFCL Goa Plant received the prestigious test data acceptance programme (TDAP) certification from the VDE Institute, Germany, affirming the facility's commitment to quality and safety.

The Company successfully upgraded its Business Continuity Management System (BCMS) to ISO 22301:2019 standards, enhancing its resilience to disruptions at its Goa Plant. The Goa Plant also upgraded machinery and support systems to improve capacity and productivity.

Continuing its pursuit of innovation, during the year under review, the Company developed ultra-thin micro cables and a pioneering high-density ultra-light aerial cable. The Company is also developing newer types of optical fiber cables for overseas markets, required for Data centers, 5G & 6G networks and is seeking patents for newly developed optical fiber cable technologies.

TELECOM NETWORKS AND TURNKEY SOLUTIONS

The Indian Government's strong focus on improving communication networks across various sectors, such as telecom, railways and defence has led to demand for HFCL's communication business. To adapt to this changing landscape, the Company has shifted its revenue model, focusing more on product-led revenue than projects-based revenue. This shift is evident from the progress made over the past few years. In FY21, 27% of the revenue came from products and 73% from EPC projects, while in FY23, revenue from products surged to 56% and EPC projects accounted for 44%.

The diverse product portfolio encompasses Wi-Fi 5 & 6 Access Points, Point to Point and Point to Multipoint backhaul Radio (Unlicensed Band Radios), L2/L3 Network Switches, Home Mesh Routers along with Cloud based Network Management System. The Company's export focus is expanding to encompass Wi-Fi and UBR offerings tailored for EMEA and APAC markets.

Driven by a steadfast dedication to addressing industry needs, the Company is developing various products for 5G RAN, 5G Fixed Wireless Access (FWA) CPEs, Transport networks (Routers) along with Wi-Fi 7 Access Points aligning with the Government of India's nationwide 5G deployment and digital transformation objectives. The Company's ongoing pursuit of expanding its product offerings and exploring emerging technologies underscores its commitment to providing comprehensive, state-of-the-art solutions to clients.

FY23 witnessed significant collaborations with industry leaders such as Qualcomm, Microsoft and Wipro. These alliances accentuate the Company's commitment to technological innovation, amplifying research and development capabilities for advanced telecom network and turnkey solutions.

Furthermore, the Company's contributions to BharatNet programme, extend from connecting gram panchayats to villages, significantly broadening business prospects.

As a crucial partner for Reliance Jio in North India, the Company plays a vital role in their OFC and FTTH network rollout.

Government initiatives, including BharatNet and BSNL network upgrades for the upcoming 4G/5G rollouts, along with the modernisation of Indian Railways signalling and communication systems, play a pivotal role in driving this demand in EPC space. HFCL is a key contributor to the Government of India's flagship BharatNet programme.

The growing appetite for Fiber to the Home (FTTH) services, coupled with industries' growing focus on automation and digitisation, presents significant growth opportunities and improved margins. The Company is actively responding to the increasing need for expanding 4G and 5G networks, enhancing BharatNet and extending global FTTH networks.

PUBLIC COMMUNICATION PRODUCT BUSINESS – WI-FI, UBR, SWITCHES AND XPON

In 2019, HFCL launched its first in-house designed Wi-Fi and Unlicensed Band Radio product range, which saw great success in its debut year of commercial shipments. The Company's emphasis on quality, performance, and cost-efficiency enabled it to compete globally and gain a significant market share.

Building on this momentum, HFCL increased its efforts in research and development (R&D), aiming to make advanced technology affordable to a wider audience. Despite shortage of semiconductors worldwide, the Company managed to ship over 200K units in FY23 and saw a notable increase in customer interest.

With a focus on New Products, New Customers, and New Geographies, HFCL invested in R&D for various offerings, including L2 switches, enhanced Wi-Fi 6 Access points and improved efficiency point-to-point and point-to-multi-point radios. The Company also expanded its channel partners for these products, increasing its customer base to over 50 and extending operations to more than 10 countries. The Company directed sales efforts towards emerging markets like Europe, Middle East and Africa, showcasing its industry leadership by offering TIP OpenWiFi and Open roaming compliant solutions.

During FY23, the Company secured notable projects from customers such as State Bank of India, Bank of Baroda, Life Insurance Corporation of India and Electronics Corporation of India Limited, deploying comprehensive Wi-Fi solutions managed by its cloud controller, integrated captive portal and L2 switches. The Company's commitment to innovation is evident as it is developing ultra-high-capacity Point-to-Point and Point-to-Multi Point Radios reaching up to 4 Gbps, future Wi-Fi 7 products exceeding 10 Gbps capacity, xPON products for the FTTH market and a new generation of 48-port L2 switches. These products are seamlessly managed through a Unified Cloud solution with advanced features, including integrated AI offerings.

In a world where seamless connectivity has become an essential aspect of daily life, HFCL has positioned itself as a key player in delivering high-quality telecom products. The Company's collaboration with the World Broadband Alliance to deploy Open Roaming across its Wi-Fi portfolio showcases its commitment to offering a seamless and uninterrupted user experience. This initiative highlights the Company's endeavour to stay ahead of the curve in providing reliable and efficient Wi-Fi solutions. By leveraging its strategic partnerships and collaborations with global distributors, HFCL is well-positioned to expand its product presence across international markets. This expansion not only enhances the Company's global footprint but also underscores its dedication to providing cutting-edge solutions that cater to the increasing demands for high-speed connectivity and the eventual adoption of 5G technology.

5G BUSINESS UNIT

As the world enters the era of 5G technology, HFCL has embraced this transformative wave with innovative products and solutions. The Company's collaboration with Microsoft to launch private 5G solutions for enterprises is a testament to its commitment to ushering in the next generation of communication. This initiative showcases HFCL's dedication to supporting industrial transformation through high-speed, low-latency and secure 5G networks.

The Company's upcoming product launches, including 5G fixed wireless access CPE, small cells, routers and more, position it as a frontrunner in the 5G revolution. With a projected total addressable market (TAM) of ~US$ 600 billion by FY30 for such products worldwide, HFCL's strategic initiatives align with the rapidly-evolving global landscape.

HFCL's 5G business unit caters to the needs of communication service providers, enterprises and industry verticals in Indian and global markets. The primary focus of the 5G Business is on:

- Products
- Global system integration services
- Innovation

The table summarises the cumulative market sizes for 5G RAN, Transport and Global System Integration services

Market segment	Portfolio under development	Impact/Opportunity landscape	Cumulative market size (FY23-30)*
5G radio access network (RAN)	• 5G 8T8R RU (radio unit) • 5G 2T2R indoor small cell for FR1 (Sub 6 GHz) • 5G 4T4R outdoor small cell for FR1 • FWA CPE (indoor and outdoor for FR1 and FR2)	Compliant to 3GPP's Release 16 and based on open standards like open radio access network (O-RAN). CSPs embracing O-RAN to unlock innovation, ensure rapid rollout of innovative 5G services and boost supply chain diversity. Small cells for improved coverage and capacity to complement the macro network. FWA helps operators with a cost-effective way to deliver fiber-like internet speeds wirelessly over 5G networks. It enables new business opportunities for mobile operators by allowing them to offer fixed internet broadband services to consumers and enterprises using their 5G network infrastructure.	US$ 281.8 billion
5G transport	• Cell site router • DU (Distributed Unit) Aggregation Router • CU (Centralised Unit) Aggregation Router • Enterprise Routers (Low, Medium & High Capacity)	Modernisation required for transformation of transport network for 5G. Providing bandwidth delivery solutions for residential and enterprise customers.	US$ 87.3 billion
Global system integration services	• 5G integration services • 5G lab-as-a-service • Private 5G networks • 5G autonomous network operations	CSPs and enterprises want 5G lab services to test interoperability and system integration services to deploy end-to-end public/private 5G networks. Enterprises and industry verticals seek E2E services to automate operations with 5G enabled use-cases powered by data, analytics and AI.	US$ 245.1billion

Source: Feedback Advisory Report - August 2023

HFCL is building a portfolio of 5G products and services in these segments, as detailed below:

5G RAN products: The 5G RAN products are based on open standards like ORAN (Open RAN) and comply with 3GPP's Release 16 to address global market needs. Secure by design, enabling autonomous operations and providing enhanced customer experience are cornerstones of the 5G RAN product portfolio. Furthermore, the 5G RAN products are flexible to coexist with the 4G LTE through dynamic spectrum sharing (DSS). This feature enables network operators to monetise their current 4G LTE networks while ramping up 5G services.

The 5G RAN portfolio includes these products with more in the pipeline:

- **Macro RU (8T8R)** is an open-RAN based disaggregated 5G radio unit compliant with ORAN specifications 7.2 split option. It is a dual carrier macro cell RU.
- **All-in-One Indoor Small Cell (2T2R)** to deliver high-quality, secure cellular indoor coverage, complementing the macro network to improve coverage.
- **All-in-One Outdoor Small Cell (4T4R)** to deliver high-quality, secure outdoor cellular coverage, complementing the macro network to improve coverage.
- **FWA CPE (indoor and outdoor)** to address broadband requirements in rural, suburban and dense urban areas.

5G transport products: The transport network needs modernisation for 5G due to much higher bandwidth per cell site, densification of cell sites, ethernet and IP connectivity and stringent latency requirements. HFCL's portfolio of 5G transport products helps operators transform transport networks. HFCL has based its portfolio of 5G transport products on merchant silicon, network disaggregation and open standards like TIP (Telecom Infra Project) and Open Compute Project (OCP). The 5G transport portfolio includes the following products:

- **Cell site/access routers** aggregate traffic from radio Baseband Unit (BBUs) and then backhaul it over an aggregation network to the CSP's core network.
- **Distributed unit (DU) aggregation routers** aggregate traffic from multiple DUs and then backhaul it over an aggregation network to the operator's mobile edge cloud (MEC) location or central data centre.
- **Centralised unit (CU) aggregation routers** aggregate traffic from multiple CUs and then backhaul it over an aggregation network to the operator's core location.
- **Enterprise routers (low, medium and high-capacity)** aggregate enterprise traffic and provide bandwidth delivery solutions for residential and enterprise customers.

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 help accelerate the adoption of 5G and enable their digital transformation journey. We provide a focused set of Digital Engineering Services at the convergence of network and IT. These digital engineering services include:

- **5G integration services:** End-to-end 5G, virtualised radio access networks (vRANs) and O-RAN solution provider integrating HFCL products and third-party/ecosystem products across network design and planning, installation, integration and commissioning and optimisation.

- **5G lab-as-a-service:** Providing 5G lab services through a centre for testing multivendor/multi-device 5G vRAN/O-RAN deployments, interoperability, internet of things (IoT) device and application testing.
- **5G private networks:** Includes managed service provider for 5G private networks and industry solutions for vertical markets that include manufacturing, defence, railways, smart cities and security and surveillance.
- **5G autonomous network operations** enabled by data, analytics and AI to improve network operations and service management, customer care and overall customer experience through a consistent omni-channel experience.

Innovation in 5G and 6G: HFCL is a member of O-RAN ALLIANCE, TIP and TSDSI. As an O-RAN ALLIANCE member, HFCL will focus on contributing to standards that ensure a true open and multi-vendor RAN network with emphasis on front haul, beamforming, near-real-time RAN intelligent controller (RIC), service management and orchestration (SMO) and end-to-end test specifications. HFCL will also focus on integrating and validating its 5G products and solutions at plug fests with other O-RAN ALLIANCE members and contributors.

HFCL launched 5G lab-as-a-service to offer an automated test environment to the private sector, government and academia to work on 5G solutions and services. The 5G Lab provides a sandbox for rapid prototyping of 5G use cases addressing the needs of various industry segments that include manufacturing, transportation, healthcare, education and retail. The 5G lab will help to create pre-integrated and pre-validated 5G solutions for low mobility large cell (LMLC) needed for the rollout of rural mobile broadband in the Country.

HFCL invests 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. In pursuit of staying at the forefront of innovation and next-generation technological capabilities, HFCL has secured approval for its 5 patents filed for 5G Radio Access Network products. HFCL has also applied for four patents on 5G radio in energy efficiency and system performance improvement with beamforming radios.

HFCL will collaborate closely with leading academic and research institutes in India. In addition, HFCL is also investing in 6G research to study the various aspects of 6G like new waveforms, design considerations to operate over the 100 GHz spectrum band, convergence of terrestrial and satellite communication, human-centric network, energy efficiency and design considerations to realise the 6G new use cases like metaverse, holographic presence, tactile internet, realistic haptics and cyber-physical systems.

INDIAN RAILWAY TELECOMMUNICATION

HFCL is transforming railway communication systems, including Metros, Main-line railways and Dedicated Freight Corridors, as part of its modernisation efforts for Indian Railways' signalling and telecommunication infrastructure. In the railway communication segment, HFCL is deploying advanced telecom networks for seven greenfield dedicated freight corridor projects for Indian Railways. The Company's portfolio drives the development of next-gen telecom products and technology solutions, aimed at upgrading communication systems for metros and mainline railways.

The Company collaborates domestically and internationally to integrate communication networks for projects like Kanpur-Agra Metro, Mauritius LRT Metro, Dhaka Metro, Surat Metro, and Delhi Metro rail projects. Additionally, HFCL implements video management systems at about 750 railway stations, enhancing rail safety and security through technology.

Leveraging its system integration expertise, HFCL is poised for substantial opportunities in the next three years, focusing on greenfield projects and metro expansions across India and selected foreign markets.

DEFENCE

The Company is engaged in defence communication and defence electronics business. On the defence communication segment side, the Company has seen significant progress with large projects from the Indian armed forces. The Company is building a dedicated standalone optical multi-protocol label switching (MPLS) based network, end-to-end solution for multiple hybrid microwave broadband radio links in remote areas, exclusive and dedicated nationwide dense wavelength-division multiplexing-based optical transmission backbone network and integrating fiber network overlay with GIS maps, satellite images and commercial land-based data for the Indian armed forces with a contract value of ₹8,098 crore. Overall, the unexecuted order book stands at ~₹1,846.57 crores.

In the defence electronics business, the Company has already developed products such as electro-optical devices, electronic fuses, high capacity radio relays and video management system (VMS) and video analytics, the revenue from which is expected to come from FY24 onwards. In addition, prototypes of software-defined radios and surveillance radars are under final testing.

- The Company has participated in tenders for provision of thermal weapon sights for light machine gun and rocket launchers with indigenously developed products and both are in different stages of trials.
- Indigenously developed electronic fuses for artillery ammunition are being tested. The complete intellectual property rights (IPR) of these resides with HFCL and the extent of indigenisation of components is 80% in line with the Atmanirbhar Bharat Abhiyaan of the Indian Government.
- In the Make-II programme of the Indian Army, HFCL is one of the shortlisted vendors for upgradation of armament of BMP 2/2K and have recently successfully cleared the prototype trials for the same.

FINANCIAL REVIEW (CONSOLIDATED)

- **Revenue from operations:** The net sales during FY23 stood at ₹4,743.31 crores compared to ₹4,727.11 crores in FY22. The net revenue from the turnkey contracts and services decreased to ₹2,103.60 crores in FY23 from ₹2,671.74 crores in the previous year, contributing 44.35% of total consolidated revenue in FY23. The net sales from telecom products increased to ₹2,637.97 crores in FY23 from ₹2,055.16 crores in the previous year, contributing 55.61% of total consolidated revenue in FY23 which is as per our well thought of strategy to increase revenue from products. The benefit from shift in revenue from project to product is quite eminent in the margin improvements.
- **Operating expenses:** The total operating expenses for FY23 stood at ₹4,124.63 crores against ₹4,077.04 crores in FY22.
- **EBITDA:** During FY23, EBITDA stood at ₹665.86 crores as against ₹692.98 crores in FY22.
- **Net profit:** Net profit in FY23 stood at ₹317.71 crores as against ₹325.86 crores recorded in FY22. The net profit margin for the year under review decreased marginally to 6.70% from 6.89% in FY22. The earnings per share for FY23 stood at ₹2.18 per share against ₹2.38 in the previous year.
- **Dividend:** The Board of Directors of the Company has recommended a final dividend @20%, i.e., ₹0.20 (twenty paise) per equity share of face value ₹1 each for FY23 subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting of the Company.
- **Net worth:** The Company's net worth increased to ₹3,144.14 crores from ₹2,818.37 crores in the previous year.
- **Debt:** The Debt in FY23 stood at ₹748.31 crores against ₹742.80 crores in FY22.
- **Order book:** The Company has a healthy consolidated order book of more than ₹7,000 crores as on 31st March, 2023, providing clear visibility of earnings for the coming years. The order book comprises high-margin O&M contract orders worth ₹1,829 crore.

CAPITAL STRUCTURE

Authorised Share Capital

As on March 31, 2023, the Authorised 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, 2023, the Paid-up Equity Share Capital of the Company stood at ₹137.78 crores comprising of 137,77,58,321 equity shares of face value of ₹1/- each.

Allotment of equity shares/warrants: During the year, the Company, on June 08, 2022 , had allotted 11,74,100 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 and Sweat Equity) Regulations, 2021.

Further, during the year, the Allotment Committee (Warrants) of the Board of Directors, vide its resolution dated October 15, 2022, had allotted 1,41,00,000 (One crores Forty One Lakh) Warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per Equity Share (Warrant Exercise Price), to persons belonging to Promoter and Non-Promoter category in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") and applicable provisions the Companies Act, 2013, as approved by the Board of Directors and the Shareholders of the Company at their meetings held on September 02, 2022 and September 30, 2022 respectively.

The Company had received an upfront amount of ₹20/- (Rupees Twenty Only), per warrant which is equivalent to 25% of Warrant Exercise Price, being the warrants subscription price aggregating to ₹28,20,00,000. The Warrant Holders will be required to make payments of balance 75% of the Warrants Exercise Price, at the time of exercise of the right attached to Warrant(s) to subscribe to equity share(s). The tenure of Warrants shall not exceed 18 (Eighteen) months from the date of allotment. If the entitlement against the Warrants to apply for the equity shares of the Company is not exercised by the Warrant Holders within the aforesaid period of 18 (Eighteen) months, the entitlement of the Warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid by the Warrant Holders on such Warrants shall stand forfeited by the Company. There are 1,41,00,000 convertible warrants in the Company, which are pending for conversion, as on the date of this Report.

Qualified Institutions Placement: In order to meet funding requirements of capital expenditure for capacity expansion of optic fiber and optic fiber cables by the Company or through its subsidiaries ("OFC Expansion"); funding expenditure towards research & development initiatives including acquisition of technologies; repayments/pre-payments of short term borrowings availed from banks; funding working capital requirements and general corporate purposes, the Board of Directors of the Company at its meeting held on September 02, 2022 which was also approved by the Shareholders of the Company at its Annual General Meeting held on September 30, 2022, decided to raise funds up to ₹650 crores by way of issue of Equity Shares, through various permissible modes under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") and the Act and the rules made thereunder.

Subsequently, the Fund Raising Committee of Directors has, at its meeting held on August 28, 2023, approved that the proposed fund raise shall be by way of issue of Equity Shares through a qualified institutions placement ("QIP") in accordance with the provisions of the SEBI ICDR Regulations and the Act and the rules made thereunder, each as amended.

Pursuant to above, the Fund Raising Committee of Directors, has allotted 5,10,14,491 equity shares through QIP at an issue price of ₹69/- per equity share (including a premium of ₹68/- per equity share) aggregating to approximately ₹352 crores, on August 31, 2023.

Pursuant to the said allotment, the paid-up equity share capital of the Company increased from ₹137,77,58,321 divided into 137,77,58,321 equity shares of ₹1/- each to ₹142,87,72,812/- divided into 142,87,72,812 equity shares of ₹1/- each, as at August 31, 2023.

Your Company 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 ratios are mentioned hereunder:

S. No	Financial Ratios	FY23	FY22	Reason for variations more than 25% during FY23
1	Debtors Turnover	1.98	1.70	-
2	Inventory Turnover	5.23	6.94	-
3	Interest Coverage	3.83	3.70	-
4	Current	1.91	1.75	-
5	Debt Equity	0.24	0.26	-
6	Operating Profit Margin (%)	14.04	14.66	-
7	Net Profit Margin (%)	6.70	6.89	-
8	Return on Net Worth	10.66	13.74	-

Business outlook

HFCL forges ahead with resolute commitment, charting a course toward sustainable growth. This journey is propelled by the ongoing expansion of capacities, innovative product offerings with intensive R&D efforts, system integration, a burgeoning customer base and an ever-expanding global presence. The Company's growth trajectory is further bolstered by the escalating global demand for high-speed, secure communication networks.

Embracing a technological evolution, HFCL is transitioning into a dynamic enterprise that spearheads innovation, devises cutting-edge solutions and manufactures products spanning diverse sectors like telecommunications, railways and defence. A strategic shift in revenue composition underscores HFCL's emphasis on product-centric endeavours, supported by substantial investments in astute marketing and strategic product placement. The impending goal is to establish HFCL as a preeminent global leader, boasting one of the world's largest Optical Fiber Cable capacities, equipped with products and solutions aligned with global benchmarks.

In fortifying its inherent capabilities, HFCL is poised to cater adeptly to communication and network needs across the globe, offering highly competitive pricing. The augmentation of capacities serves as a vital stride towards curbing dependence on imports, concurrently tapping into emerging opportunities arising from shifting global dynamics.

Several pivotal factors stand poised to drive HFCL's ascent to greater echelons of achievement and profitability. The surging worldwide demands for OFC, coupled with the momentum behind Fiber-to-the-Home (FTTH) adoption, 5G deployment, 4G expansion, the BharatNet initiative, and burgeoning exports, constitute formidable growth catalysts.

The Indian Government's steadfast commitment to indigenous procurement of telecom and defence equipment, steadfast network expansion and upgrades by telecom operators and policy support for design-led manufacturing under the PLI scheme align seamlessly with HFCL's transformative growth strategy.

As HFCL embarks on this transformative journey, it remains steadfastly aligned with the Prime Minister's vision to connect every gram panchayat and village through OFC, rendering affordable broadband connectivity a reality. This symbiotic synergy between HFCL's strategic blueprint and the ever-evolving landscape of global communication needs sets the stage for an epoch of remarkable transformation and growth.

RESEARCH AND DEVELOPMENT (R&D)

HFCL stands as a technology-centric company with a strong emphasis on research and development (R&D), driving innovation and technological advancements at the forefront of its operations. HFCL boasts a robust R&D team comprising 252 dedicated professionals. This dynamic team is spread across three R&D centres located in Bengaluru, Gurugram and Hyderabad, each contributing significantly to the Company's technological progress.

The R&D efforts at HFCL have yielded remarkable collaborations with reputable companies, fostering a culture of knowledge exchange and expertise sharing. With a strategic focus on 5G technology, HFCL has successfully developed an impressive portfolio of communication, defence and 5G products. These products exemplify Company's commitment to pushing the boundaries of innovation, firmly establishing HFCL as a trailblazer in the telecommunication domain.

HFCL made significant strides by establishing cutting-edge R&D centres in Bengaluru and Gurugram. These centres play a pivotal role in shaping the Company's future by concentrating on vital areas such as 5G innovation, edge computing and licensed and unlicensed radio technologies (3GPP and Wi-Fi). Additionally, HFCL's R&D initiatives have extended to the development of newer types of optical fiber cables, demonstrating the Company's holistic approach to technology advancement.

HFCL's investment in technology creation and research has not only contributed to enhancing its product offerings but has also resulted in the creation of new industry standards. This strong emphasis on indigenous R&D capability has empowered HFCL to take ownership of its technological journey, driving the Company's evolution as a global technology leader. The Company is focused on building a rich patent portfolio and so far, it has been granted for approval its five patents filed for 5G Radio Access Network. The Company has also filed more 12 patent applications.

The Company has invested significantly in the development of various use cases to leverage the potential of 5G technology. Notably, the establishment of a 5G Lab as a service underscores the Company's dedication to exploring and harnessing the capabilities of 5G for diverse applications. HFCL's commitment to staying ahead of the global technological revolution is underlined by its continuous drive for innovation, backed by a talented and dynamic R&D team.

With a clear vision to seize the advantages of Industry 4.0, HFCL is diligently investing in innovative use cases that leverage the transformative power of 5G technology. These efforts align with the Company's overarching goal of not just keeping pace with technological advancements but actively shaping the future of industries through its R&D prowess. As HFCL navigates through FY24, its R&D endeavours continue to serve as the driving force behind its commitment to technological excellence and innovation.

IN-HOUSE R&D TEAM

Specialisation	No. of people
Communication	84
5G technologies	124
Defence and other technologies	19
Optical fiber cable	25
Total	**252**

R&D / DEVELOPMENT PARTNERS

Company	Partnership
Qualcomm	• Wi-Fi 6 and Wi-Fi 7 products • 5G Outdoor and Indoor FWA CPE product (Sub 6, Millimetre Wave) • 5G Outdoor Small Cell
Wipro and IP Infusion	Partnership with each company separately for 5G transport products
VVDN Technologies	• Wi-Fi 6 and Wi-Fi 7 products • 5G Outdoor and Indoor FWA CPE product (Sub 6, Millimetre Wave) • 5G Outdoor Small Cell
Nivetti Systems	Partnership for switches
Wireless Broadband Alliance	OpenRoaming Standard implementation
CommAgility	Partnership for 5G indoor small cells
Aprecomm	Partnership for artificial intelligence (AI)- based analytics
Olatech	AAA and Captive Portal Solution
Anexgate	Wi-Fi Security Solution
BigCat Wireless	Partnership for software-defined radios
Capgemini Engineering, NXP Semiconductors and Metanoia	Partnership with each company separately for 5G small cells
Xilinx	8T8R Macro RU (Open RAN)

PRODUCTS UNDER DEVELOPMENT

Telecom
5G indoor and outdoor FWA CPE
5G radio access network products (8T8R)
5G indoor and outdoor small cells (2T2R and 4T4R)
Access and aggregation routers
Ultra-high capacity point-to-point and point-to-multipoint UBRs
Wi-Fi 7 access points

Defence
Software-defined radio
Ground Surveillance Radar

DIGITISATION

We started our digital transformation journey in 2021 with a vision to enhance customer, partner, shareholders and employee experience and adopt future fit technologies. The first and foremost important step was to standardise business processes and develop new processes across verticals to adopt best practices for which we conducted comprehensive Business Process Re-engineering (BPR) exercise. The outcome of BPR was development of best fit business processes and development of Digital Transformation Roadmap for HFCL which is aligned with overall Business Strategy. As we embarked on Digital Transformation journey, our first step was focussed on strengthening our Digital Core by re-implementing latest version of ERP solution. This will help us to adopt and integrate best of breed solution on top of strong Digital Core. In Parallel, the Channel Sales & Distribution (CSD) portal is developed in-house for Distributors & Channel Partners of our Telecom products. It enables Distributors & Channel Partners to perform lot of activities independently and reduce turn-around-time through automated workflows.

While an organisation is on a journey of Digital Transformation, it is important to understand significance of Cybersecurity and should be integrated at every stage of digital implementation. As a starting point, to strengthen the cyber security posture of HFCL, we have internally started a campaign for spreading awareness among employees of various Cybersecurity threats & attacks which will help employees to further identify and safeguard themselves from these attacks. All of these are some of the initial projects that are under implementation. Since the journey of Digital Transformation is long, we would be starting with many more Digital Initiatives at right stage during the course of time.

HUMAN RESOURCES

HFCL believes that a committed, empowered and competent human capital is pivotal for driving long- term success and sustained value creation. The Company has developed a holistic people strategy in line with its strategy to explore new products and expand its business presence globally. This strategy includes attracting global talent, developing in-house skills, reskilling as required and retaining top performers with an attractive employee value proposition. This proposition offers a superior work environment, engaging initiatives, career growth and competitive compensation.

Recruitment and onboarding

In FY23, HFCL strategically expanded its workforce to meet business requirements, hiring 334 new on-roll employees. Among them were industry leaders and subject matter

experts with extensive global experience, aligning with the Company's focus on new products, new customers and new geographies. HFCL has global presence through its sales, technical and application engineering personnel in various geographies - North America, Europe, Africa and Middle East who cater to the requirements of its global customer base. Plans are afoot to further enhance this presence in the coming years as we continue to grow our business in International Markets.

HFCL also recruited 51 campus recruits from renowned institutes to strengthen the talent base. Furthermore, highly qualified technical personnel were hired for the HFCL 5G and Wi-Fi Centre of Excellence in Bengaluru, supporting the Company's business growth strategy in the communication and 5G industries.

HFCL prioritised building robust sales and distribution teams to enhance its market presence. Additionally, the Company made new hires for new product development and product manufacturing and operations teams in the OFC, accessories and communication businesses.

As of March 31, 2023, HFCL employed a total of 3,474 employees (On-Roll and Off-Roll), including 209 female employees (On Roll and Off Roll).

Employee Development: HFCL is currently undergoing a transformative journey towards becoming a highly innovative organisation equipped with advanced technical and domain capabilities. This transformation enables the Company to deliver cutting-edge products and services, leveraging the latest technology platforms in its respective business areas. Recognising the vital role of its employees in driving growth and success, HFCL places great emphasis on their development.

During FY23, HFCL implemented a comprehensive learning and development strategy encompassing diverse training programmes. These programmes covered technical, process, leadership and behavioural competencies delivered through various channels, including on-the-job, classroom, online and blended learning approaches. Notable flagship programmes included leadership competency model (LCM) programmes, wherein more than 300 managers and 50 senior leaders got trained. Technical programmes spanned across our entire product technology spectrum – 5G, WiFi communication, Optical Fiber and Cable and our services portfolio of Defence and Railway Communications. We conducted 16 Tech-for-All sessions on various technologies and products. Other programmes focused on behavioural and leadership competencies, personal finance management and new age technology areas such as big data analytics.

We conducted a total of 4,674 training effort days reaching 7,568 participants through a combination of instructor led programmes and through online platforms such as Udemy. Some of the key results of our learning & development efforts were as follows:

(a) 185 instructor led programs benefiting 2,111 unique employees. These programs spanned a total training effort of 3,136 training days and total participant count was 5229 (some participants attending more than one programme)

(b) 9230 hours of online course content was consumed through the Udemy and other online training platforms resulting in 1,538 training effort days (6 hours equivalent to 1 training effort day)

(c) More than 80% of this online learning was utilised for technology and domain capability building programmes.

Through these comprehensive training initiatives, HFCL empowers its employees to enhance their skills and competencies, contributing to the Company's growth. These efforts underscore HFCL's commitment to fostering a culture of continuous learning and development.

HFCL CARES: HFCL CARES remained steadfast in shielding the HFCL family from physical and emotional traumas through various health and wellness initiatives and emotional resilience mindfulness programs. HFCL recognises that a healthy and happy workforce is paramount to business success. We are delighted that HFCL was honoured with the 'Best Companies for Employee Well-being' Award at the World HRD Congress.

CARES, our comprehensive well-being programme, focuses on five essential aspects: physical, emotional, social, DEI, and culture building. The team implemented various employee assistance programme (EAP) initiatives, including residential comprehensive emotional and physical wellness programs, webinars, celebration of yoga and promoting awareness of healthy diets during nutrition awareness week, programs to prevent chronic illnesses, manage stress and mitigate burnout in the workplace. We also organised comprehensive medical check-ups and focused initiatives such as women's health, featuring health talks and awareness campaigns focusing on cervical cancer.

In conclusion, investing in the health and well-being of employees is an investment in the success of the Company. These initiatives have significantly contributed to our employees' physical and mental well-being, preventing workplace burnout and enhancing work performance and productivity.

Employee engagement

Through HFCL CARES, we also seek to create a vibrant and inclusive work environment that boosts job satisfaction, retention and productivity. We prioritise our employees' specific needs and priorities, continuously enhancing our initiatives to meet their evolving preferences.

Our engagement activities include monthly celebrations, Fun Fridays and cultural festivities like Diwali and Navratri, fostering team bonding and showcasing diversity. Technology quizzes during our technology week encourage employees to stay updated, while leadership coffee connects facilitate open communication and goal alignment.

These initiatives have yielded positive results, with higher retention rates and increased job satisfaction. HFCL remains committed to enhancing our employee engagement initiatives, ensuring their relevance and alignment with our valued workforce's evolving needs and preferences.

Diversity, Equity and Inclusion (DEI):

HFCL is committed to fostering diversity and inclusion within the workplace and has implemented various initiatives to promote an equitable and inclusive environment. Our efforts include educating employees on the Prevention of Sexual Harassment (POSH) guidelines, organising workshops and panel discussions, celebrating International Women's Day.

We prioritise implementing our DEI policy across all HR processes. With an intent to build a strong bench of diversity talent within the Company, we launched the Future Women Leaders (FWL) programme directed towards our high potential women employees. This flagship programme is sponsored by our leadership team and incorporates diverse learning inputs, including classroom and online training, coaching and action learning projects, business unit and functional head mentoring to equip women with the necessary skills and confidence to take on leadership positions in the telecommunications industry. In celebration of International Women's Day, we conduct theme-based workshops, panel discussions featuring internal and external women leaders and other activities that inspire and educate our employees. Compliance with the POSH guidelines is paramount as we strive to create a safe and respectful work environment for all our employees. Our Women's Day 2023 celebrations exemplified our commitment to diversity, equity and inclusion, with insightful sessions led by leadership coaches and talks by IT-Agile leaders.

At HFCL, we recognise that fostering diversity, equity and inclusion is crucial for attracting and retaining a diverse talent pool, driving innovation and ensuring the overall success of our organisation.

SPARK programme:

SPARK programme aims to hire students from premier institutes and subsequently monitor, guide and nurture them to become the future leaders of HFCL. In FY23, the Company inducted 51 campus graduates.

The Company organised a week-long plant visit for SPARK-batch 6, across various HFCL offices to align with the SPARK Programme's goal of innovation, commitment, continuous learning and a sense of ownership. The Company conducted employee engagement activities for all the SPARK employees working at different base locations to motivate and energise them to meet the goals of the Company. The

SPARK team also organised annual meetings with all the Business unit and Functional heads to collect valuable feedback and suggestions from the leaders and make the functioning of the SPARK programme more effective.

HR Digitisation:

In line with the vision of making HFCL a digital organisation, we embarked on a digitisation initiative in 2021, aligning with the Digital India - Badhta India paradigm. As part of this transformation, our HR team has played a crucial role in implementing an agile HRMS called HiFi, migrating our existing processes completely online.

HiFi, our comprehensive HR management system, offers a range of innovative features designed to enhance efficiency and productivity. These include a centralised secure employee database, employee and manager self-service portals, pre-designed rosters and MIS reports, a vibrant social platform for sharing posts, blogs, and announcements, streamlined leave and attendance management, talent hiring and candidate evaluation processes, seamless onboarding, performance management system and employee resignation and separation processes.

To ensure a smooth transition and widespread adoption of HiFi, our L&D team and HRBPs have conducted regular knowledge sessions to familiarise employees with the system's functionalities. Modules such as recruitment and onboarding, leave and attendance, performance management and employee separation are fully online, while the implementation of pending modules like travel management and expense reimbursement is underway and will get launched in the upcoming year.

Through digitisation, HFCL is paving the way for a more streamlined, technology-driven HR ecosystem. It enables faster and more efficient processes while empowering employees to manage their HR-related tasks easily.

This digital transformation aligns with our commitment to embrace technological advancements and propel HFCL into a digital future.

CORPORATE SOCIAL RESPONSIBILITY

HFCL is actively engaged in a range of CSR initiatives that contribute to societal well-being. To promote healthcare among underserved communities, the Company along with its subsidiary operates eight Mobile Medical Clinics, delivering preventive healthcare services in remote regions and benefiting around 800 individuals daily. The Company also plays a crucial role in providing critical health support, including corrective surgeries and open-heart procedures.

As part of its CSR initiatives in education, HFCL sponsors the education for specially abled children and offers computer skills training to underprivileged youth. HFCL delivered basic education and nutritious meals to the street children in Delhi and paving the gap for their mainstream education. The Company's dedication to enhancing education quality is evident through its PEHAL program focused on Government schools.

In addition, the Company demonstrates its commitment to the elderly by constructing a women's wing at an old age home, ensuring dignified care for abandoned senior citizens.

The Company also extends its compassion to animal welfare, offering sustenance and shelter to stray animals. HFCL's CSR initiatives reflect its role in driving positive change within the community.

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.

RISK MANAGEMENT

HFCL's Risk Management Policy guides its approach in identifying, assessing and mitigating various risks inherent in its diverse business operations. This comprehensive framework enables the Company to proactively manage potential challenges and uncertainties.

The oversight of HFCL's risk management endeavours rests with the dedicated Risk Management Committee. This committee diligently evaluates and addresses significant risks across different business units and functions. By aligning practices with industry standards, HFCL ensures a vigilant and well-informed approach to risk assessment and mitigation.

Continual refinement of the Risk Management Policy is an ongoing responsibility of the Risk Management Committee. This ensures that risk evaluation processes remain effective and relevant, fostering a culture of risk awareness and informed decision-making. Furthermore, the Audit Committee provides additional oversight in managing financial risks and controls, enhancing the overall effectiveness of risk management strategies.

HFCL remains resolute in its proactive approach to risk management. While the Company maintains confidence in its current risk profile, its agility and readiness to address unforeseen operational risks underscore its commitment to sustaining business resilience and fostering growth.

Risks	Mitigation measures	Effect of risk mitigation measures
Economic risk The Country's or industry's economic health may affect the Company's performance, demand for products and overall growth prospects.	HFCL has strategically diversified its business portfolio by entering sectors like defence and railways, in addition to telecom. This diversification ensures a broader revenue base that can withstand slowdowns in any specific sector.	HFCL reduces its dependency on a single industry, mitigating the adverse impact of an economic downturn by expanding into multiple sectors and maintaining a healthy order book.
Competition risk Intense competition in the market could reduce the Company's ability to win contracts and secure new projects.	HFCL positioned itself as a complete solution provider with a proven track record of efficiently executing turnkey projects and fostering strong client relationships. Furthermore, ongoing R&D efforts drive innovation, enhancing the Company's competitiveness.	The Company's strong market positioning and project execution capabilities lead to increased customer confidence, translating into a higher rate of order acquisition and overall business growth.
Risk of delay in order completion Failure to complete orders in time bound manner can lead to penalties and damage to the Company's reputation.	HFCL employs robust operational policies supported by a skilled team of professionals. The Company adopts project management frameworks and employs digital tools for efficient project monitoring and execution, ensuring timely delivery.	HFCL's strict adherence to operational policies and project management practices minimises project delays, averting penalties and maintaining positive customer relationships.

Risks	Mitigation measures	Effect of risk mitigation measures
Foreign exchange risk HFCL's imports and exports expose the Company to foreign exchange fluctuations, potentially leading to forex losses.	HFCL deploys professional consultants to monitor currency fluctuations regularly. The Company employs financial instruments like forward contracts and hedging to mitigate the impact of unfavourable exchange rate movements.	By actively managing foreign exchange risk through expert consultation, HFCL reduces potential forex losses and ensures stable financial performance.
Technology risk Rapid technological advancements may render certain products or solutions obsolete, affecting the Company's competitiveness.	HFCL invests in continuous innovation and research and development (R&D) efforts. The Company is proactive in upgrading its technologies to stay at the forefront of market trends.	The Company's commitment to innovation and technology upgrades enables it to introduce cutting-edge products and solutions, maintaining its competitiveness and relevance in a rapidly evolving market.
Government policy risk Changes in government policies, regulations, or priorities may disrupt business operations and impact growth prospects.	HFCL benefits from the favourable pro-reform policies of the incumbent Government, which promote ease of doing business. The Company actively monitors policy developments and adjusts its strategies accordingly.	The Company's adaptability to changing Government policies ensures business continuity and minimises the potential disruption caused by policy changes.

There are no risks which in the opinion of the Board threaten the existence of the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In line with the business operations, the Company has a well-planned internal control framework covering various aspects of governance, compliances, audits, controls, and reporting. The Company has already designed and implemented a framework to ensure adequate internal financial controls concerning financial statements. HFCL periodically reviews the internal financial controls considering the comprehensive procedures and policies laid down, which are adequate and operate effectively. The periodical review gets undertaken with the management and external and internal auditors to ensure the adequacy and efficiency of the internal control system.

The internal control system protects all Company assets from loss or unauthorised use. The internal control system ensures that financial and other records are reliable for preparing financial and other statements and maintaining asset accountability.

The internal control systems are further supplemented by the internal audit carried out by M/s Anil Aggarwal & Co., Chartered Accountants, having their office at 501, Surya Kiran Building, K. G. Marg, Connaught Place, New Delhi – 110001.

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

The policies to ensure uniform accounting treatment are prescribed for the subsidiary companies as well. The accounts of the subsidiaries and the joint venture companies are audited and certified by their respective statutory auditors for consolidation. During the year under review, such controls were assessed and no reportable material weaknesses in the design or operation were observed.

Accordingly, the Board is of the opinion that our Company's internal financial controls were adequate and effective during FY23.

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, based on 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 36th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the financial year ended March 31, 2023.

FINANCIAL HIGHLIGHTS

Your Company's financial performance (standalone and consolidated) for the financial year ended March 31, 2023 is summarised below:

(₹ in crore)

Particulars	Standalone		Consolidated	
	2022-23	2021-22	2022-23	2021-22
Revenue from Operations (Net)	4,395.68	4,286.44	4,743.31	4,727.11
Other Income	49.46	43.83	47.18	42.91
Total Income	**4,445.14**	**4,330.27**	**4,790.49**	**4,770.02**
Total Operating Expenses	3,929.19	3,758.66	4,124.63	4,077.04
Depreciation and Amortisation expenses	57.43	57.30	82.97	78.25
Total Expenses	**3,986.62**	**3,815.96**	**4,207.60**	**4,155.29**
Profit before Finance Cost and Tax	**458.52**	**514.31**	**582.89**	**614.73**
Finance Cost	116.83	132.64	152.19	166.40
Share of net profits of joint ventures accounted for using equity method	-	-	(0.09)	0.16
Exceptional Items	-	-	-	6.38
Profit before Tax (PBT)	**341.69**	**381.67**	**430.61**	**442.11**
Tax Expense Net of MAT Credit Entitlement	87.09	98.89	112.9	116.25
Profit after Tax (PAT)	**254.60**	**282.78**	**317.71**	**325.86**
Attributable to:				
Shareholders of the Company	-	-	300.97	313.12
Non-Controlling Interests	-	-	16.74	12.75
Opening Balance of Retained Earnings	1,444.65	1,160.24	1,510.63	1,196.28
Profit for the year	254.60	282.77	300.97	313.12
Transfer to Retained Earnings	0.30	20.98	(0.22)	20.57
Amount available for appropriation	**1,699.55**	**1,463.99**	**1,811.38**	**1,529.97**
Appropriations:				
Dividend on Equity Shares (Previous Year)	(24.80)	(19.34)	(24.80)	(19.34)
Closing Balance of Retained Earnings	**1,674.75**	**1,444.65**	**1,786.58**	**1,510.63**

During the FY23, total Consolidated Income of your Company is ₹4,790.49 crores as compared to ₹4,770.02 crores during the previous year, showing an increase of 0.43%.

Your Company has achieved Consolidated EBIDTA of ₹665.86 crores in FY23 from ₹692.98 crores in the previous year, recording a decline of 3.91%. Profitability, i.e., Consolidated PBT has decreased by 2.60% to ₹430.61 crores in FY23 from ₹442.11 crores during the previous year.

In FY23, your Company has a Consolidated PAT of ₹317.71 crores from ₹325.86 crores in the previous year, slight decline of 2.50%.

Net Worth

The net worth of your Company has increased during the year under review to ₹2,993.01 crores from ₹2,728.36 crores in the previous year.

Gross Debt

The consolidated Debt in FY23 stood at ₹748.31 crores as against ₹729.78 crores in FY22.

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 FY23, 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 FY23, under Retained Earnings and has not transferred any amount to the General Reserves, during the year under review.

DIVIDEND

Your Board of Directors, at its meeting held on May 08, 2023, has recommended a Dividend @20% i.e., ₹0.20/- (Twenty Paise) per equity share of face value of ₹1/- each, aggregating to dividend pay-out of ₹28.58 crores for the financial year ended March 31, 2023, 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 the Income-Tax Act, 1961.

Dividend Distribution Policy

As per Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, top 1000 listed companies based on the market capitalisation, 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 **https://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 Act 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	Last date for claiming Dividend	Due Date for Transfer	Amount (₹) (Unpaid as on March 31, 2023)
2017-18	0.06	September 29, 2018	November 04, 2025	December 04, 2025	10,32,187.80
2018-19	0.10	September 28, 2019	November 03, 2026	December 03, 2026	16,29,588.40
2020-21	0.15	September 30, 2021	November 05, 2028	December 05, 2028	24,46,573.47
2021-22	0.18	September 30, 2022	November 05, 2029	December 05, 2029	31,63,367.71

Details of unpaid dividend for the FY18, 2018-19, 2020-21 and 2021-22, 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, President & Company Secretary of the Company as a Nodal Officer for the purpose of IEPF Authority.

INDIAN ACCOUNTING STANDARDS (IND-AS)

Financial Statements of your Company and its subsidiaries, for the financial year ended March 31, 2023, 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 FY23, 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

Authorised Share Capital

As on March 31, 2023, the Authorised 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 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, 2023, the Paid-up Equity Share Capital of your Company stood at ₹137.78 crores comprising of 137,77,58,321 equity shares of face value of ₹1/- each.

Allotment of equity shares /warrants: During the year, your Company, on June 08, 2022, had allotted 11,74,100 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 and Sweat Equity) Regulations, 2021.

Further, during the year, the Allotment Committee (Warrants) of the Board of Directors, vide its resolution dated October 15, 2022, had allotted 1,41,00,000 (One crores Forty One Lakh) Warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per Equity Share (Warrant Exercise Price), to persons belonging to Promoter and Non-Promoter category in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 **("SEBI ICDR Regulations")** and applicable provisions the Companies Act, 2013, as approved by the Board of Directors and the Shareholders of the Company at their meetings held on September 02, 2022 and September 30, 2022 respectively.

The Company had received an upfront amount of ₹20/- (Rupees Twenty Only), per warrant which is equivalent to 25% of Warrant Exercise Price, being the warrants subscription price aggregating to ₹28,20,00,000. The Warrant Holders will be required to make payments of balance 75% of the Warrants Exercise Price, at the time of exercise of the right attached to Warrant(s) to subscribe to equity share(s). The tenure of Warrants shall not exceed 18 (eighteen) months from the date of allotment. If the entitlement against the Warrants to apply for the equity shares of the Company is not exercised by the Warrant Holders within the aforesaid period of 18 (eighteen) months, the entitlement of the Warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid by the Warrant Holders on such Warrants shall stand forfeited by the Company. There are 1,41,00,000 convertible warrants in the Company, which are pending for conversion, as on the date of this Report.

Qualified Institutions Placement: In order to meet funding requirements of capital expenditure for capacity expansion of optic fiber and optic fiber cables by the Company or through its subsidiaries ("OFC Expansion"); funding expenditure towards research & development initiatives including acquisition of technologies; repayments/pre-payments of short term borrowings availed from banks; funding working capital requirements and general corporate purposes, the Board of Directors of the Company at its meeting held on September 02, 2022 which was also approved by the Shareholders of the Company at its Annual General Meeting held on September 30, 2022, decided to raise funds up to ₹650 crores by way of issue of Equity Shares, through various permissible modes under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") and the Act and the rules made thereunder.

Subsequently, the Fund Raising Committee of Directors has, at its meeting held on August 28, 2023, approved that the proposed fund raise shall be by way of issue of Equity Shares through a qualified institutions placement ("QIP") in accordance with the provisions of the SEBI ICDR Regulations and the Act and the rules made thereunder, each as amended.

Pursuant to above, the Fund Raising Committee of Directors, has allotted 5,10,14,491 equity shares through QIP at an issue price of ₹69/- per equity share (including a premium of ₹68/- per equity share) aggregating to approximately ₹352 crores, on August 31, 2023.

Pursuant to the said allotment, the paid-up equity share capital of the Company increased from ₹137,77,58,321 divided into 137,77,58,321 equity shares of ₹1/- each to ₹142,87,72,812/- divided into 142,87,72,812 equity shares of ₹1/- each, as at August 31, 2023.

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 maximises long term value for the stakeholders. The Company has put in place an effective corporate governance system which ensures that the provisions of 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 SEBI Listing Regulations, is provided in the Report on Corporate Governance which forms part of the Corporate Governance Report.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

As stipulated under Regulation 34(2)(f) of the SEBI Listing Regulations, the Business Responsibility and Sustainability 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 Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 **("SEBI SBEB & SE 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, 2023, your Company has not granted any ESOPs and RSUs in terms of the HFCL Plan 2017.

During the year under review, the RSUs granted under the HFCL Plan 2017 were forfeited due to non-achievement of defined annual performance parameters as determined by the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022.

Further, your Company, on June 08, 2022, has also allotted 11,74,100 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 (now replaced with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 **("SEBI SBEB & SE Regulations")** w.e.f. August 13, 2021). Applicable disclosures as stipulated under the SEBI SBEB & SE Regulations with regard to the HFCL Plan 2017, are provided as **Annexure – A** to this Report.

Your Company has obtained a Certificate from Mr. Baldev Singh Kashtwal, Secretarial Auditor (FCS: 3616; C.P. No.: 3169) that the HFCL Plan, 2017 for grant of stock options has been implemented in accordance with the SEBI SBEB & SE 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, 2023, your Company had nine subsidiaries and two associates 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,
6. DragonWave HFCL India Private Limited,
7. HFCL Technologies Private Limited
8. HFCL B.V. Netherlands
9. HFCL Inc. USA
10. Nimpaa Telecommunications Private Limited – Associate
11. BigCat Wireless Private Limited – Associate

The Company regularly monitors the performance of these companies.

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

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

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

In accordance with the provisions of Section 136 of the Act, the financial statements of the subsidiaries are available for inspection by the members at the Registered Office of the Company during business hours on all days except Saturdays, Sundays and public holidays up to the date of the ensuing AGM. Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at HFCL Limited, 8, Commercial Complex, Masjid Moth, Greater Kailash – II, New Delhi – 110048 and the same shall be sent by post.

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

Material Subsidiaries

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

The said policy may be accessed on the website of the Company at **https://www.hfcl.com/wp-content/uploads/2021/07/HFCL-Policy-on-Determining-Material-Subsidiaries_Revised.pdf**

The Company has one material subsidiary company viz. HTL Limited, as on March 31, 2023.

DIRECTORS AND KEY MANAGERIAL PERSONNELS (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 36th AGM of your Company.

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

The Nomination, Remuneration and Compensation Committee and the Board of Directors, 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. Bharat Pal Singh (DIN: 00739712) during his tenure, had recommended to the shareholders that continued association of Mr. Bharat Pal Singh as an Independent Directors would be beneficial to the Company.

Based on the above, the shareholders, in their AGM held on September 30, 2022, approved re-appointment of Mr. Bharat Pal Singh for a second term of consecutive three years, commencing from January 21, 2023 to January 20, 2026 to hold office as Independent Director of the Company, not liable to retire by rotation on the Board of the Company.

In the opinion of the Board, Mr. Bharat Pal Singh possess requisite qualifications, experience, expertise and holds highest standards of integrity.

Further Mr. Bharat Pal Singh is exempt to qualify on-line proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs.

Cessation

IDBI Bank Limited vide its letter no. LCG-SSCB.53/15/Nom.8/ 2022-23 dated April 30, 2022 which was received by the Company on May 02, 2022, has withdrawn the nomination of Mr. Ramakrishna Eda (DIN: 07677647) Non-Executive Non-Independent Director who was nominated on the Board of the Company by IDBI Bank Limited.

Consequently, Mr. Ramakrishna Eda has ceased to be a director (Nominee-IDBI Bank Limited) of the Company w.e.f. May 02, 2022.

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

Key Managerial Personnel

During the year under review, Mr. Mahendra Nahata, Managing Director, Mr. Vijay Raj Jain, Chief Financial Officer and Mr. Manoj Baid, President & 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, 2023.

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

As per Regulation 25(7) of SEBI Listing Regulations, the Independent Director of the Company need to be imparted with familiarisation programme.

The familiarisation programme aims at making the Independent Directors of the Company familiar with the business and operations of the Company through various structured familiarisation Programmes.

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company and related matters are available on the website of the

Company at the web-link: **https://www.hfcl.com/wp-content/uploads/2023/04/HFCL-Familiarisation-Prog.-ID_2023.pdf**

REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND PARTICULARS OF EMPLOYEES

As required under Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, information relating to percentage increase in remuneration, ratio of remuneration of each Director and Key Managerial Personnel to the median of employees' remuneration etc. is annexed as **Annexure (B)** to this report.

The details of remuneration of top 10 employees of the Company as required to be disclosed under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report. Further, pursuant to second proviso to Section 136(1) of the Act, this Report is being sent to the members excluding the said information. Any member interested in obtaining a copy of the same may write to the Company Secretary and Compliance Officer at **secretarial@hfcl.com**

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 Act

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 **https://www.hfcl.com/wp-content/uploads/2019/06/Remuneration-Policy.pdf** and the salient aspects covered in the Remuneration Policy have been outlined in the Corporate Governance Report, which forms part of this Report.

BOARD AND COMMITTEE MEETINGS

Six meetings of the Board of Directors were held during the FY23.

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 Annual Report.

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 28, 2023 for the FY23.

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

Board Committees

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

As on March 31, 2023, 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 FY23 and attendance of the Members at each Committee Meeting, are provided in the Corporate Governance Report which forms part of Annual Report.

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

Also, details pertaining to Risk Management & Internal Financial Control are mentioned in Management Discussion & Analysis, which forms part of the Annual Report for FY23 of the Company.

PERFORMANCE EVALUATION

The Act 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 5, 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 FY23.

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, 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 and the Board as a whole 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. LLP, Chartered Accountants (FRN: 000560C/ C400334) and M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N) were re-appointed as Statutory Auditors for second term of 05 (five) consecutive years, at the 35th Annual General Meeting (AGM) of the Company, held on September 30, 2022, for auditing the accounts of the Company from the financial year 2022-23 to 2026-27.

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 FY23.

The Secretarial Audit Report in prescribed form MR-3, issued by the Secretarial Auditor is annexed herewith as **Annexure - C** to this Report. Further, as required under Regulation 24A of the SEBI Listing Regulations, the Secretarial Audit Report of HTL Limited, a material subsidiary of the Company is also annexed herewith as **Annexure C1** to this Report.

Remarks by Secretarial Auditor

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark for the FY23.

Cost Auditors

The Board of Directors of the Company has appointed M/s SKG & Co., Cost Accountants (FRN.000418), having its office at Plot no. 32, 3rd Floor, Pocket -8, Sector -25, Rohini, Delhi – 110085 as Cost Auditor of the Company for conducting the Cost Audit for financial year 2022-23. The Report of the Cost Auditor will be filed with the Ministry of Corporate Affairs within the prescribed period.

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 FY23.

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 FY23, 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: **https://www.hfcl.com/wp-content/uploads/2020/01/HFCL-Whistle-Blower-Policy_Revised1.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 (a SEBI Registered Credit Rating Agency) **("CARE")** vide its letter dated June 30, 2022, had reaffirmed the credit ratings for the Bank Loan facilities of the Company, the details of which are given below: -

Instrument/Facility	Ratings	Rating Action
Long term Bank Facilities – Term Loans	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Short term Bank Facilities – Cash Credit	CARE A2+ (A Two Plus)	Reaffirmed

Subsequently, CARE, vide its letters dated July 03, 2023, has enhanced the credit rating for the short term bank facilities of the Company to CARE A1 (A One) from CARE A2+ (A Two Plus). Further, CARE has also reaffirmed the credit rating for the long term bank facilities of the Company.

The details of Credit ratings assigned to the Company for bank facilities are as under:

Insturment/Facilitiy	Ratings	Rating Action
Short Term Bank Facilities	Care A1 (A One)	Revised from CARE A2+ (A Two Plus)
Long Term Bank Facilities	Care A; Stable (Single A; Outlook: Stable)	Reaffirmed

Infomerics Valuation and Rating Pvt. Ltd. (RBI & SEBI Registered Credit Rating Agency) vide its letter dated November 22, 2022, had assigned the credit ratings for the Bank Loan facilities of the Company, the details of which are as below: -

Insturment/Facilitiy	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Term Loans	IVR A/Stable (IVR A with Stable Outlook)	Reaffirmed
Short Term Fund Based Bank Facilities – Cash Credit	IVR A/Stable (IVR A with Stable Outlook)	Reaffirmed
Short Term Non-Fund Based Bank Facilities – LC/BGs	IVR A1 (IVR A One)	Reaffirmed

ANNUAL RETURN

The Annual Return of the Company as on March 31, 2023, 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 **www.hfcl.com**

Further the Annual Return (i.e., e-form MGT-7) for the FY23 shall be filed by the Company with the Registrar of Companies, Himachal Pradesh, within the stipulated period.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments, as on March 31, 2023, as stipulated under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, are as follows:-

	Amount (₹ in crores)
Loans given	90.08
Guarantees given	268.16
Investments made	102.97

Loans given, Guarantees provided and Investments made during the FY23:

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 utilised by the recipient
BigCat Wireless Private Limited	Associate	7	Investment in Equity Shares	For Product development, working capital and general corporate business purposes.
Raddef Private Limited	Subsidiary	3.38	Loan given	For Product development, working capital and general corporate business purposes
HFCL Technologies Private Limited	Subsidiary	44.08	Loan given	For working capital and general corporate business purposes.

For more details, please refer **Note No.7, 9, 48(c) and 52** to the Standalone Financial Statements for FY23 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 Act 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: **https://www.hfcl.com/wp-content/uploads/2022/06/HFCL-Policy-on-RPTs_Revised.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 entered into 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 transactions 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, the details of which is annexed herewith as **Annexure - D** to this Report.

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.

The details of the transactions with person(s) or entities forming part of the Promoter(s)/Promoter(s) Group, which individually hold 10% or more shareholding in the Company and other related parties as per Indian Accounting Standards (IND-AS) - 24 are set out in **Note 52** 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 - E** 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 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 **https://www.hfcl.com/wp-content/uploads/2022/09/CSR_Poliicy_2022.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 FY23, in the format, prescribed under Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as **Annexure - F**.

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

MATERIAL CHANGES AFFECTING HE COMPANY

A. Change in nature of business

The Company has not undergone any change in the nature of the business during the FY23.

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 FY23 and the date of this Report.

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 2022 at their respective jurisdictional offices, 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.

During the year under review, the Company has received 1 (one) complaint from one of the employees of the Company, which has been resolved.

SIGNIFICANT DEVELOPMENTS

Although, the Company has achieved various milestones which have already been set out in the Management Discussion and Analysis forming part of the Annual Report, however there were no other significant developments during the year under review.

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 and there were no material departures from the same;;

(b) the Directors had selected such accounting policies and applied them consistently and made judgements 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, 2023 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;

(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; and

(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 FY24 to the BSE Limited and the National Stock Exchange of India Limited.

DEPOSITORY SYSTEMS

Your Company's Scrip has come under compulsory dematerialisation 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 dematerialised.

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 Act (including the rules made thereunder), Indian Accounting Standards (Ind AS) and the Secretarial Standards (SS).

REPORTING PERIOD

The Financial Information is reported for the period April 01, 2022 to March 31, 2023. 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 organisational culture upholds professionalism, integrity and continuous improvement across all functions as well as efficient utilisation 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, ICICI Bank Limited, Indian Bank, Yes Bank Limited, KEB Hana 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	**Arvind Kharabanda**
Place: New Delhi	Managing Director	Non-Executive Director
Date: September 01, 2023	DIN: 00052898	DIN: 00052270

ANNEXURE (A) TO DIRECTORS' REPORT

DISCLOSURES PURSUANT TO REGULATION 14 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021 ("SBEB & SE REGULATIONS") READ WITH PART F OF SCHEDULE I OF SBEB & SE REGULATIONS

A. Relevant disclosures in terms of the accounting standards prescribed by the Central Government in terms of Section 133 of the Companies Act, 2013 including the 'Guidance note on accounting for employee share-based payments' issued in that regard from time to time.

Please refer to **Note No. 57** to the Standalone Financial Statements for FY23, 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 Central Government or any other relevant accounting standards as issued from time to time:

₹1.85 (Rupee One and Paisa Eighty Five only) as on March 31, 2023.

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 Options.

ESOs:

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

RSUs:

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

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

Options were granted at a price of ₹20.65/- per equity share, i.e., the closing market price of the shares of the Company on the NSE immediately prior to the date of grant i.e., 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 recognised 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	30,21,000	57,36,000*
Number of Options/RSUs granted during the year	NIL	NIL
Number of Options/RSUs forfeited/lapsed/cancelled during the year	NIL	57,36,000
Number of Options/RSUs vested during the year	17,20,800	NIL
Number of Options/RSUs exercised during the year	14,91,800	NIL
Number of shares arising as a result of exercise of Options/RSUs	14,91,800	NIL
Money realised by exercise of Options/RSUs (₹), if scheme is implemented directly by the Company	NIL	NIL
Loan repaid by the Trust during the year from exercise price received	2,60,00,000	NIL
Number of Options/RSUs outstanding at the end of the year	15,29,200	NIL
Number of Options/RSUs exercisable at the end of the year	15,29,200	NIL

* Since the performance conditions of RSUs were not met and hence RSUs have not vested to any of its Grantees, the Nomination, Remuneration and Compensation Committee at its meeting held on April 23, 2022 decided to cancel all the RSUs.

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

(Amount in ₹)

Particulars	ESOs	RSUs
Weighted average exercise price	20.65	1.00
Weighted average fair value as on grant 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, 2023 no further Options/RSUs have been granted by the Company pursuant to HFCL 2017 Scheme.

(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, 2023 ESOs
Weighted average share price (₹)	20.65
Exercise price (₹)	20.65
Expected volatility	56.4% to 59.1%
Expected life of the Options (years)	3.50 to 5.50
Expected dividends	0.23%
Risk-free interest rate	7.81% to 7.89%
Weighted average fair value as on grant date (₹)	11.04

(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 that year;	NIL
(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;	NIL
(iv)	Consideration received against the issuance of shares, if scheme is implemented directly by the Company	NIL
(v)	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	₹2,42,45,165/-
d.	Amount of loan outstanding as at the end of the year (repayable to Company/any company in the group)	₹3,41,38,460/-
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:

Sr. No.	Particulars	Details
(a)	Number of shares held at the beginning of the year	16,99,900
(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	11,74,100
(c)	Number of shares transferred to the employees/sold along with the purpose thereof	14,91,800
(d)	Number of shares held at the end of the year	13,82,200

(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

It is informed that the Nomination Remuneration and Compensation Committee in its meeting held on April 23, 2022, waived off the conditions of achieving Composite Performance Score of 70% for the third year of the Scheme i.e., for FY21 as well and accordingly, all the eligible employees have right to exercise their remaining 30% of ESOPs. Further, since the performance conditions of RSUs have not been met and Nomination, Remuneration and Compensation Committee has also not relaxed any of the performance conditions, RSUs stands cancelled.

The details as required to be disclosed under the SBEB & SE Regulations can be accessed at the weblink: **https://www.hfcl.com/wp-content/uploads/2023/09/Disclosure-SEBI-(SBEB&SE)-Regulations-2021.pdf**.

ANNEXURE (B) TO DIRECTORS' REPORT

A. DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE ACT 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 FY23 is as follows: -

Sr. No.	Name of Director	Category	Total Remuneration (₹)	Ratio of remuneration of Director to the Median remuneration
1.	Mr. Mahendra Nahata	Managing Director	7,04,44,600	93.69
2.	Mr. Arvind Kharabanda	Non-Executive Director	16,00,000	2.13
3.	Dr. (Mr.) Ranjeet Mal Kastia	Non-Executive Director	9,00,000	1.20
4.	Mr. Bharat Pal Singh	Independent Director	10,00,000	1.33
5.	Mr. Surendra Singh Sirohi	Independent Director	9,50,000	1.26
6.	Dr. (Ms.) Tamali Sengupta	Independent Director	8,50,000	1.13
7.	Mr. Ramakrishna Eda#	Non-Executive Director	Nil	0.00
8.	Mr. Ajai Kumar	Independent Director	4,00,000	0.53

Ceased as Non-Executive Director (Nominee – IDBI Bank Limited) w.e.f. May 02, 2022.

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 ₹7,51,916/- for the FY23.

II. Percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer, other Executive Directors and Company Secretary during the FY23:-

Sr. No.	Name	Category	Remuneration (₹)		Increase (%)
			2022-23	2021-22	
1.	Mr. Mahendra Nahata	Managing Director	7,04,44,600	7,04,61,400	-0.02
2.	Mr. Vijay Raj Jain	Chief Financial Officer	3,99,66,832	4,99,79,343	-20.03
3.	Mr. Manoj Baid	President & Company Secretary	1,10,82,202	1,47,67,814	-24.96

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 FY23:

Particulars	Remuneration (₹)		Increase (%)
	2022-23	2021-22	
Median remuneration of all employees per annum	7,51,916	6,64,741	13.11

IV. Number of permanent employees on the rolls of the Company as on March 31, 2023:

The number of permanent employees on the rolls of the Company as on March 31, 2023 were 2108. Besides, the Company has also 1366, personnel on off-roll or contractual basis as on March 31, 2023.

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 (K)		Increase (%)
	2022-23	2021-22	
Average salary of all employees (other than Key Managerial Personnel)	13,07,992	11,78,808	10.96
Average Salary of Managing Director	7,04,44,600	7,04,61,400	-0.02
Average Salary of CFO and Company Secretary	2,55,24,517	3,23,73,579	-21.16

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

ANNEXURE (C) TO DIRECTORS' REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

For the financial year ended on 31st March, 2023

[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 and Regulation 24A of the SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015]

To,
The Members
HFCL 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** (hereinafter called "the Company") for the financial year ended 31st March, 2023 **("Audit Period")**. 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 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 Audit Period according to the provisions of applicable law provided hereunder:–

(i) The Companies Act, 2013 **("the Act")** and rules made thereunder including any re-enactment thereof;

(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 wherever applicable;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 **('SEBI Act')**:-

(a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

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

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

(d) Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 **(Not applicable during the Audit Period)**;

(e) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

(f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; **(Not applicable during the Audit Period)**;

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

(h) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 ('Delisting Regulations') **(Not applicable during the Audit Period)**;

(i) Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client to the extent of securities issued **(Not applicable during the Audit Period)**;

(j) Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2018 **(Not applicable during the Audit Period)**;

(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 (Investor Protection and Education Fund) Regulations, 2009; and

Other laws as applicable 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 Limited and the National Stock Exchange of India Limited.

During the Audit Period, 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 with respect to composition of Board during the audit period. The changes in the composition of the Board of Directors which took place during the Audit Period were carried out in compliance with the provisions of the Act.

Adequate notices were given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the Minutes, the decision at the Board meetings were taken unanimously.

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. except as mentioned below:

1. ALLOTMENT OF EQUITY SHARES TO HFCL EMPLOYEES' TRUST

The Board of Directors of the Company vide circular resolution dated 8th June, 2022 allotted 11,74,100 (Eleven Lakh Seventy Four Thousand and One Hundred) equity shares having face value of ₹1/- (Rupee One Only) each at a price of ₹20.65/- per equity shares fully paid up in the equity share capital of the Company aggregating to ₹2,42,45,165/- (Rupees Two crores Forty Two Lakh Forty Five Thousand One Hundred and Sixty Five Only) to HFCL Employees' Trust ("Trust") in dematerialised form in lieu of the Vested Options granted to the eligible employees of the Company including its subsidiaries in terms of the HFCL Employees' Long Term Incentive Plan-2017.

2. ALLOTMENT OF EQUITY SHARES TO PROMOTER & NON-PROMOTER ENTITIES ON PREFERENTIAL BASIS

The Board of Directors and the Shareholders of the Company at their meetings held on 2nd September, 2022 and 30th September, 2022 respectively, had approved raising of funds by way of preferential issue of securities (Warrants) to persons belonging to Promoter and Non-Promoter category in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") and the Companies Act, 2013 and the rules made thereunder.

Pursuant to the aforesaid resolutions of the Board of Directors of the Company and the special resolution passed by the shareholders of the Company in their 35th Annual General Meeting, the Private Placement Offer Cum Application Letter (PAS-4) dated October 10, 2022 and pursuant to the applications received from persons belonging to Promoter and Non-Promoter category in the preferential issue under Chapter V of the SEBI ICDR Regulations ("Issue"), and Section 42 and Section 62 of the Companies Act, 2013, as amended, read with the rules issued thereunder, the Allotment Committee (Warrants) of the Board of Directors, vide its resolution dated 15th October, 2022, had approved the allotment of 1,41,00,000 (One crores Forty One Lakh) Warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per Equity Share (Warrant Exercise Price).

The Company had received an amount of ₹20/- (Rupees Twenty Only), per warrant which is equivalent to 25% of Warrant Exercise Price, being the warrants subscription price aggregating to ₹28,20,00,000.

Further, the proceeds amounting to ₹28,20,00,000/- were utilised as per the objects and purpose of the Issue.

Name	:	**CS Baldev Singh Kashtwal**
FCS No.	:	**3616**
C P No.	:	**3169**
ICSI – UDIN	:	**F003616E000267132**
Peer Review Certificate Number	:	**1205/2021**
ICSI – Unique Identification Code	:	**I1999DE144000**

Date: May 8, 2023
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
CIN: L64200HP1987PLC007466
8, Electronics Complex, Chambaghat
Solan - 173 213 (H. P.)

My Secretarial Audit Report for the financial year ended 31st March, 2023 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.

Name	:	**CS Baldev Singh Kashtwal**
FCS No.	:	**3616**
C P No.	:	**3169**
ICSI – UDIN	:	**F003616E000267132**
Peer Review Certificate Number	:	**1205/2021**
ICSI – Unique Identification Code	:	**I1999DE144000**

Date: May 8, 2023
Place: Delhi

ANNEXURE (C1) TO DIRECTORS' REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

For the financial year ended on 31st March, 2023

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
HTL Limited,
CIN: U93090TN1960PLC004355
G.S.T. Road, Guindy,
Chennai - 600032

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HTL Limited (hereinafter called "the Company") for the year ended 31.03.2023. The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March 2023 ('Audit Period'), has complied with the statutory provisions listed hereunder and also that the Company has proper Board-Processes and Compliance-Mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2023 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; **(Not applicable during the Audit period)**.
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; **(Not applicable during the Audit period)**.
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not applicable during the Audit period)**.
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
    a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not applicable during the Audit period)**.
    b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; **(Not applicable during the Audit period)**.
    c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **(Not applicable during the Audit period)**.
    d. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **(Not applicable during the Audit period)**.
    e. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 **(Not applicable during the Audit period)**.
    f. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 **(Not applicable during the Audit period)**.
    g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client **(Not applicable during the Audit period)**;
    h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 **(Not applicable during the Audit period)**.
    i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 **(Not applicable during the Audit period)**.
6. Labour Laws:
    a. The Factories Act, 1948
    b. Industrial Disputes Act, 1947
    c. The Minimum Wages Act, 1948
    d. The Payment of Wages Act, 1936
    e. Employees' State Insurance Act, 1948
    f. The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
    g. The Payment of Bonus Act, 1965
    h. The Payment of Gratuity Act, 1972
    i. The Contract Labour (Regulation and Abolition) Act, 1970

j. The Maternity Benefit Act, 1961

k. The Child Labour (Prohibition and Regulation) Act, 1986

l. The Industrial Employment (Standing Orders) Act, 1946

m. The Employees' Compensation Act, 1923

n. Equal Remuneration Act, 1976

7. Environmental Laws:

   a. The Environment (Protection) Act, 1986

   b. The Water (Prevention & Control of Pollution) Act, 1974

   c. The Air (Prevention & Control of Pollution) Act, 1981

Based on the representation given by the Management of the Company, it is observed that there are no other laws which are specifically applicable to the business of the Company.

I have also examined 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 Listing Agreement entered into by the Company. (Not applicable during the Audit period).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Further, the Company is required to appoint 2 (Independent Directors) pursuant to Section 149(4) of the Companies Act, 2013, of which, the Company has already appointed 1 (One) Independent Director and further in the process of identification and appointment of another Independent Director.

I FURTHER REPORT THAT the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

I FURTHER REPORT THAT:

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors, Independent Director and Woman Independent Director except as mentioned above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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

I FURTHER REPORT THAT during the audit period, the Company had the following events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc:

1. The Company had obtained the approval of Board of Directors and recommended to the Shareholders of the Company for their approval, the enhancement of the borrowing limit from ₹ 300 crores to ₹ 500 crores.

R. Balasubramanian
Practising Company Secretary
FCS No. 10011 CP No. 11979
UDIN: F010011E000188530 Place: Chennai
PR No. 2641/2022 Date: 25.04.2023

This report is to be read with my letter of even date which is annexed as **"Annexure A"** and forms an integral part of this report.

"ANNEXURE-A"

To,
The Members,
HTL Limited,
CIN: U93090TN1960PLC004355
G.S.T. Road, Guindy,
Chennai - 600032

I report that:

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for our opinion.

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.

6. 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.

R. Balasubramanian
Practising Company Secretary
FCS No. 10011 CP No. 11979
UDIN: F010011E000188530
PR No. 2641/2022

Place: Chennai
Date: 25.04.2023

ANNEXURE (D) TO DIRECTORS' REPORT

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013
and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis:** There were no contracts/arrangements entered into by the Company during the financial year ended March 31, 2023 which were not at arm's length basis.

2. **Details of material contracts or arrangement or transactions at arm's length basis:** The transactions as mentioned herein below, were entered into at arm's length and in the ordinary course of business, but material in terms of Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Company's Policy on Related Party Transactions:

Sr. No.	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
1.	HTL Limited (Material Subsidiary)	• Purchase/Sale of goods & materials on a continuous basis; • Availing/Rendering of services on a continuous basis; • Interest on outstanding ICDs/Business Advance	Financial Year 2022-23	The transactions done are in the ordinary course of business and on arms' length basis, amounting to ₹ 937,76,36,260/- in aggregate.	September 02, 2022	N.A.

For and on behalf of the Board

Mahendra Nahata
Managing Director
DIN: 00052898

Arvind Kharabanda
Non-Executive Director
DIN: 00052270

Place: New Delhi
Date: September 01, 2023

ANNEXURE (E) TO DIRECTORS' REPORT

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER SECTION 134(3)(M) OF THE ACT 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 optimise the use of energy through improved operational methods and other means will continue. In addition, some of the measures at grass root level are:

a. Optimisation in use of electricity.

b. Optimisation in use of paper, unnecessary printing being curbed, restricted access to printers, most of the communication is on mail/phone.

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

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

(B) TECHNOLOGY ABSORPTION:

(i) **the efforts made towards technology absorption:**

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

i. Developed new-generation wireless point-to-point and point-to-multipoint connectivity solutions with improved energy efficiency while delivering higher capacity

ii. Surveillance solutions.

iii. Electro Optics solutions.

iv. Military armament and ammunition related solutions.

v. Military Tactical Communications.

vi. Developing new generation 5G wireless radio products with patent pending energy efficiency features. These products include indoor small cell base stations and O-RAN compliant outdoor Macro Radio and mmwave FWA CPE products.

The main areas of focus are:

i. New generation higher efficiency and higher capacity point-to-point and point-to-multipoint connectivity solutions in unlicensed bands;

ii. Wi-Fi 6 Home Mesh Routers for enhanced coverage;

iii. Unified Cloud management platform integrating AI-based analytics and advanced parental control features;

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

v. 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;

vi. Electro Optical solutions for various weapon sights;

vii. Electronic fuse solutions for artillery ammunition of various calibres; Foreign collaborated TOT is in the process of being absorbed and further improvements carried out in design for optimum and improved performance.

viii. 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.

ix. Improvement in BMP 2 Armament to improve fighting capability of Indian Defence Forces.

x. The energy efficient 5G products operating in n78 band with 1) integrated base station architecture, and 2) O-RAN compliant disaggregated architecture.

xi. Our outdoor mmWave CPE products supports SA and NSA mode of operations and offer energy saving features like discontinuous transmission and reception (DRX).

xii. The research focus is to develop technologies in 6G timeframe with more advanced energy efficiency features.

2. The details of the products developed/being developed owing to above R&D efforts are summarised 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 4,400 – 5,000 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 motorised Mast system. It also has built in feature for fault diagnostics and self-test.

c) **Mast System:** 18 meter motorised Mast, capable of 50 kg 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 80 kmph operational and 120 kmph for sustainability.

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

e) **Network Management System (NMS):** The SNMP V3 based ruggedised 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 20 km 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 Wi-Fi technology (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 very 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. The new generation Home Mesh Routers provide enhanced coverage and provide advanced parental controls for managed wi-fi services offered by operations in homes.

b) **Unlicensed Band Radio Portfolio –** The Unlicensed Band Radios (UBR) are feature-rich, top-of-the-line, high capacity products for all backhaul requirements of Enterprises and Telecom Service Providers. Entire portfolio has improved efficiency to support point-to-point (P2P) and point-to-multi-point (P2mP) applications, high throughput, zero-touch provisioning and redundancy support, making them the best in terms of spectral efficiency in the unlicensed band.

c) **Cloud Network Management System –** The Company's Unified Cloud Network Management System (UcNMS) combines offers a massively scalable and service-rich, management platform for enterprise and service provider deployments for a single window management of entire network. The platform is highly flexible and can be ported onto any x86 server, public, private or hybrid cloud deployment.

d) **Indoor small cell** with 2T2R MIMO configuration operating at n78 band with output RF power of 24 dBm per port.

e) **O-RAN 7.2x split option Macro Radio** with 8T8R configuration operating at n78 band with output RF power of 46 dBm per port.

f) **Outdoor mmwave CPE** with power class 1 support operating at n257/n258 for mmwave and band 1, 3, 5, 8, 40, 41 for LTE.

g) The research team is working on developing energy efficient waveforms that could potentially be part of 6G technology standards.

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

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

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

Some of the specific measures for Technology Absorption are:

Indigenisation of most of the components for Electronic Fuses is in advanced stages. These are based on indigenous R&D along with other vendors for import substitution. Assembly and test firing of indigenised fuses to be carried out soon prior to serial production.

Thermal weapon sights use maximum indigenous components using local ecosystem of vendors. These indigenised thermal weapon sights are now being fielded for various tenders of the Indian Defence Forces.

Efforts include product improvement and cost reduction.

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

The entire portfolio of wireless access and backhaul radio 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 minimise 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 optimised 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 customised to meet all kinds of customer requirement and deployment scenarios.

Important derivative of the R&D efforts is to completely indigenise 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:**	Technology for manufacture of electronic fuses in India
(b)	**The year of import:**	21-22, 22-23
(c)	**Whether the technology been fully absorbed?**	No
(d)	**If not fully absorbed, areas where absorption has not taken place, and the reasons thereof:**	All components being manufactured locally to check accuracy of technology documents obtained

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

(₹ in crores)

a)	Capital	172.71
b)	Recurring	4.50
c)	**Total**	**177.21**
d)	Total R & D expenditure as a percentage of total Turnover	4.03

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in crores)

Particulars	Financial Year ended March 31, 2023	Financial Year ended March 31, 2022
Foreign exchange earned in terms of actual inflows	781.92	352.14
Foreign exchange outgo in terms of actual outflows	1346.22	768.66

ANNEXURE (F) 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 which was further amended by the Board of Directors of the Company at its meeting held on September 02, 2022 on the recommendation of the CSR Committee.

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

(i) Promoting health care including preventive health care.

(ii) Promoting education, including special education and employment enhancing vocational skills especially among children, youth, women, elderly and the differently abled and livelihood enhancement projects.

(iii) 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.

(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) Eradicating hunger, poverty and malnutrition.

(vi) Sanitation and making available safe drinking water

(vii) Rural Development Projects.

2. The composition of the CSR Committee:

The composition of the CSR Committee during the financial year ended March 31, 2023, is as under:

Sr. No.	Name of the 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	02	01
2.	Mr. Surendra Singh Sirohi	Independent Director	Member	02	02
3.	Mr. Ramakrishna Eda *	Nominee Director (IDBI Bank Limited)	Member	01	00
4.	Mr. Ajai Kumar**	Independent Director	Member	01	01

* Ceased to be a director w.e.f. May 02, 2022.

** Mr Ajai Kumar inducted as member of the Committee w.e.f. July 11, 2022.

Mr. Manoj Baid, President & 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: **https://www.hfcl.com/wp-content/uploads/2022/07/HFCL-Composition-of-Board-Committees.pdf**

CSR Policy: **https://www.hfcl.com/wp-content/uploads/2022/09/CSR_Poliicy_2022.pdf**

CSR projects approved by the Board: **https://www.hfcl.com/wp-content/uploads/2022/09/HFCL_CSR_AAP_FY22-23.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. (a) Average Net Profit of the company as per Section 135(5) : **₹3,46,50,52,211**
   (b) Two percent of average net profit of the company as per Section 135(5) : **₹6,93,01,044**
   (c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: **NIL**
   (d) Amount required to be set off for the financial year, if any : **N.A.**
   (e) Total CSR obligation for the financial year (b+c-d) : **₹6,93,01,044**

6. (a) CSR amount spent for the financial year (both Ongoing Project and other than Ongoing Project): **₹3,46,17,816**
   (b) Amount spent in Administrative overheads : **₹30,00,000**
   (c) Amount spent on Impact Assessment, if applicable. : **Nil**
   (d) Total amount spent for the Financial Year [(a)+(b)+(c)]. : **₹3,76,17,816**
   (e) CSR amount spent or unspent for the Financial Year:

Total Amount spent for the Financial year (in ₹)	Amount unspent (in ₹)				
	Total Amount transferred to unspent CSR Account as per sub Section 6 of section 135		Amount transferred to any fund specified under schedule VII as per second proviso to sub-section 5 of section 135		
	Amount (in ₹)	Date of transfer	Name of the fund	Amount (in ₹)	Date of Transfer
3,46,17,816	3,23,82,184	29.04.2023	N/A	N/A	N/A

f. Excess amount for set-off, if any:

Sr. No.	Particulars	Amount (in ₹)
(1)	(2)	(3)
i.	Two percent of average net profit of the company as per sub-section (5) of section 135	6,93,01,044
ii.	Total amount spent for the Financial Year	3,76,17,816
iii.	Excess amount spent for the Financial Year [(ii)-(i)]	N.A
iv.	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any.	N.A
v.	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	N.A.

Total amount allocated for the FY23 towards CSR obligation was ₹7 crores against the actual CSR obligation of ₹ 6.93 crore, consequently, there remains an unspent amount, which is determined by calculating the difference between the allocated amount for the year and the expenditure made during the year and accordingly unspent amount is higher by 6,98,956

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
Sr. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub- section (5) of section 135, if any		Amount remaining to be spent in succeeding Financial Years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of Transfer		
1	2021-22	3,95,780	Nil	3,95,780	N/A		N.A.	N.A.
2	2020-21	N.A.	N.A.	N.A.	N.A.		N.A.	N.A.
3	2019-20	N.A.	N.A.	N.A.	N.A.		N.A.	N.A.

8. **Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:** Not Applicable

Details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

1	2	3	4	5	6		
Sr. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ authority/ beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered Address
NA							

9. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of section 135.**

The Company has allocated a significant portion of its CSR funds towards ongoing projects, and the funds designated for these projects will be spent as per its allocation in each respective year. Moreover, the funds allocated for ongoing projects as well as for projects other than ongoing projects, for the year, has been completely utilised before the closure of the year.

Mahendra Nahata
Managing Director &
Chairman – CSR Committee

Place: New Delhi
Date: September 01, 2023

Corporate Governance Report

The Corporate Governance report for the Financial Year 2022-23 **("FY23")**, 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 summarised 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 and 17A of the Listing Regulations as well as the Companies Act, 2013 (the **"Act"**).

As on March 31, 2023, the Company had 7 (seven) Directors on the Board with an optimum mix of Executive, Non-Executive and Independent Directors.

As on March 31, 2023, more than 50 (fifty) percent of the Board comprised of Non-Executive Directors. Out of 7 (seven) Directors, 4 (four) are Non-Executive Independent Directors including 1 (one) Woman Director, 2 (two) Non-Executive Directors and 1 (one) Promoter Managing Director.

The Directors take active part in the deliberations at the Board and Committee Meetings by providing valuable guidance and expert advice to the Management on various aspects of business, policy direction, governance, compliance, etc. and play a critical role on strategic issues and add value in the decision-making process of the Board of Directors.

All the Independent Directors of the Company have confirmed that they satisfy the criteria of Independence as indicated in the Act and the Listing Regulations including any statutory modification/enactments thereof. They have also confirmed their registration with the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs in compliance with the requirements of Section 150 of the Act read with the Companies (Appointment and Qualifications of Directors) Rules, 2014.

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

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 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 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, 2023, 6 (six) Board Meetings were held on April 29, 2022, July 22, 2022, September 02, 2022, October 18, 2022, January 23, 2023 and February 13, 2023.

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

The last Annual General Meeting (AGM) was held on September 30, 2022.

Mr. Mahendra Nahata, Managing Director of the Company, Chairman of the CSR Committee and Risk Management Committee and Mr. Arvind Kharabanda, Non-Executive Director, member of the Audit Committee, Risk Management Committee, Nomination, Remuneration & Compensation Committee ("NRCC") and the Chairman of the Stakeholders' Relationship Committee were present at the last AGM of the Company.

Mr. Bharat Pal Singh, Independent Director, Chairman of the Audit Committee, member of Nomination, Remuneration & Compensation Committee and Risk Management Committee, Mr. Ranjeet Mal Kastia, Non-Executive Director, member of the Stakeholders' Relationship Committee, and Dr. (Ms.) Tamali Sengupta, Independent Director, member of the Audit Committee and Stakeholders' Relationship Committee also attended the last AGM of the Company through video conferencing.

Mr. Ajai Kumar, Independent Director and member of the CSR Committee and Mr. Surendra Singh Sirohi, Independent Director, Chairman of Nomination, Remuneration and Compensation Committee, member of the Audit Committee and CSR Committee could not attend the AGM due to their ill health. However, Mr. Arvind Kharabanda member of NRCC authorised by the Chairman of the NRCC along with all other members of NRCC were present at the AGM. Further Regulation 19(3) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 stipulates that the Chairperson of the NRCC may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries. In view of the above it may be noted that presence of Chairperson of NRCC at the AGM is not mandatory.

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, 2023, are as under: -

Name of the Director	DIN	Category	Total No. of Directorships $	No. of Board Meetings		Attended last AGM (September 30, 2022)	Shareholding in the Company
				Entitled to Attend	Attended		
Mr. Mahendra Nahata	00052898	PD (MD)	07	6	6	Yes	13,35,091 (0.10%)
Mr. Arvind Kharabanda	00052270	NED	07	6	6	Yes	Nil
Dr. (Mr.) Ranjeet Mal Kastia	00053059	NED	06	6	6	Yes	Nil
Mr. Surendra Singh Sirohi	07595264	NEID	01	6	6	No	Nil
Mr. Bharat Pal Singh	00739712	NEID	01	6	6	Yes	Nil
Dr. (Ms.) Tamali Sengupta	00358658	NEID	04	6	6	Yes	Nil
Mr. Ramakrishna Eda#	07677647	NED	Nil	1	Nil	N.A.	Nil
Mr. Ajai Kumar	02446976	NEID	08	6	6	No	Nil

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

Ceased as a Non-Executive Director (Nominee Director of IDBI Bank Limited) w.e.f. May 02, 2022.

(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, 2023: -

Sr. No.	Name of Director & Category	Directorship in Listed Companies along with Category	Committee Position(s) *		
			Name of Company	Name of Committee	Position
1	Mr. Mahendra Nahata Managing Director (Executive)	HFCL Limited – Executive	Nil	Nil	Nil
2	Mr. Arvind Kharabanda Non-Executive	HFCL Limited – Non-Executive	HFCL Limited	Audit Committee	Member
				Stakeholders' Relationship Committee	Chairman
			Rajasthan Antibiotics Limited	Audit Committee	Member
3	Dr. (Mr.) Ranjeet Mal Kastia Non-Executive	HFCL Limited – Non-Executive	HFCL Limited	Stakeholders' Relationship Committee	Member
			HTL Limited	Audit Committee	Member
4	Mr. Ramakrishna Eda# Non-Executive (Nominee-IDBI Bank)	Nil	Nil	Nil	Nil
5	Mr. Surendra Singh Sirohi Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Member
6	Dr. (Ms.) Tamali Sengupta Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Member
			Aria Hotels & Consultancy Services Private Limited@	Audit Committee	Chairperson
7	Mr. Bharat Pal Singh Independent	HFCL Limited – Independent	HFCL Limited	Audit Committee	Chairman
8	Mr. Ajai Kumar Independent	HFCL Limited – Independent	Nil	Nil	Nil
		Can Fin Homes Limited – Independent	Amar Ujala Limited	Audit Committee	Chairman
			Metropolitan Stock Exchange of India Limited	Audit Committee	Chairman
			Adani Krishnapatnam Port Limited	Audit Committee	Member
			Can Fin Homes Limited	Audit Committee	Member

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

Ceased as Director (Nominee –IDBI Bank Limited) w.e.f. May 02, 2022.

@ 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 stipulated 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, 2023.

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 5, 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 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 of the Board as a whole, Committees of the Company and individual directors was found satisfactory. As the members are aware that there is no regular chairperson designated in the Company, accordingly, the performance of chairperson was not required to be evaluated. However, in the absence of the regular Chairman, in all the meetings of the Board, Mr. Mahendra Nahata was elected as the Chairman of the Meetings and his performance as a chairman of the various meetings was found to be excellent on all the parameters.

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 fulfil the conditions specified in the Listing Regulations and are independent of the management.

The Company has issued the formal letters of appointment to the Independent Directors in the manner provided under the Act and the 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 Director proposed to be re-appointed, along with his shareholding in the Company, as stipulated under Regulation 36 of the Listing Regulations and the 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, 2023, 1 (one) meeting of the Independent Directors was held on March 28, 2023.

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

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, 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 Familiarisation Programme for Independent Directors

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

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

Such programmes/presentations provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company's strategy, business model, operations, services and product offerings, organisation 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 familiarisation on statutory compliances as a Board member including their roles, rights and responsibilities. The Company also circulates news and articles related to the industry from time to time and provide specific regulatory updates.

The Familiarisation Programme for Independent Directors in terms of Regulation 25(7) of the Listing Regulations is uploaded on the website of the Company and can be accessed through the following link: **https://www.hfcl.com/wp-content/uploads/2023/04/HFCL-Familiarisation-Prog.-ID_2023.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 Defence Equipment Manufacturing: -

Sr. 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 Nahata
			Mr. Surendra Singh Sirohi
			Mr. Arvind Kharabanda
			Dr. (Mr.) Ranjeet Mal Kastia
			Mr. Ajai Kumar
2	**Technical skills/experience**		
	Information Technology	Yes	Mr. Mahendra Nahata
			Mr. Surendra Singh Sirohi
	Marketing	Yes	Mr. Mahendra Nahata
			Mr. Arvind Kharabanda
			Mr. Ajai Kumar
	Accounting and Finance	Yes	Mr. Bharat Pal Singh
			Mr. Ajai Kumar
			Mr. Arvind Kharabanda
	Compliance and Risk	Yes	Mr. Surendra Singh Sirohi
			Mr. Bharat Pal Singh
			Dr. (Ms.) Tamali Sengupta
			Mr. Ajai Kumar
3	**Behavioural Competencies**		
	Integrity and ethical standards	Yes	Mr. Mahendra Nahata
	Mentoring abilities	Yes	Mr. Mahendra Nahata
			Mr. Ajai Kumar
	Interpersonal relations	Yes	Mr. Mahendra Nahata
			Mr. Arvind Kharabanda
			Dr. (Mr.) Ranjeet Mal Kastia
			Mr. Bharat Pal Singh

3. COMMITTEES OF THE BOARD

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

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

The composition of various Committees of the Board of Directors is also available on the website of the Company and web link for the same is **https://www.hfcl.com/wp-content/uploads/2022/07/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 utilisation 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.
- Any other matter as may be prescribed, from time to time, to be referred to the Audit Committee in terms of the Act/Listing Regulations and the applicable rules, regulations thereto.

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, 2023, the Audit Committee met 7 (seven) times on April 29, 2022, July 07, 2022, July 22, 2022, September 02, 2022, October 18, 2022, December 16, 2022, and January 23, 2023.

The composition of the Audit Committee and details of meetings attended by its members during the financial year ended March 31, 2023, 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 Directors' performance.
- To administer, implement and superintend the Employees' Long Term Incentive Plan.
- To recommend to the board, all remuneration, in whatever form, payable to senior management personnel.
- To evaluate the balance of skills, knowledge and experience on the Board in relation to every appointment of an Independent Director and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may use the services of an external agencies, if required, consider candidates from a wide range of backgrounds, having due regard to diversity and consider the time commitments of the candidates.
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification(s), amendment(s) or modification(s) as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

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, 2023, the NRC Committee met 3 (three) times on April 23, 2022, July 22, 2022 and September 02, 2022.

The composition of the NRC Committee and details of meetings attended by its members during the financial year ended March 31, 2023 are given below: -

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

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 judgement.

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 emphasise 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 NRC Committee within the salary scale approved by the Board and the 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, 2023. 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 2022-23.

Remuneration to Executive Director:

Name of Director	Salary	Perquisites & Allowances	Contribution to PF	Net Profit based Commission	Total (₹)
Mr. Mahendra Nahata Managing Director	5,00,00,000	1,44,44,600	60,00,000	-	7,04,44,600

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.

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

No payment of remuneration by way of commission has been paid to any of Non-Executive Directors including Independent Directors for the FY23.

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 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 FY23 are given below:

Remuneration to Non-Executive/Independent Directors:

Name of Director	Sitting Fee (₹)
Non-Executive Directors	
Dr. (Mr.) Ranjeet Mal Kastia	9,00,000
Mr. Arvind Kharabanda	16,00,000
Independent Directors	
Mr. Surendra Singh Sirohi	9,50,000
Dr. (Ms.) Tamali Sengupta	8,50,000
Mr. Bharat Pal Singh	10,00,000
Mr. Ajai Kumar	4,00,000
Total	**57,00,000**

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 have 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 to ensure prompt and efficient investors' services.

During the financial year ended March 31, 2023, the Stakeholders' Relationship Committee met 03 (Three) times on April 20, 2022, August 17, 2022 and November 28, 2022.

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.

The Company Secretary acts as Secretary to the Committee.

The composition of the SRC and details of meetings attended by its members during the financial year ended March 31, 2023, are given below: -

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Arvind Kharabanda	Chairman	3	3
Dr. (Mr.) Ranjeet Mal Kastia	Member	3	3
Dr. (Ms.) Tamali Sengupta	Member	3	3

Nature of Complaints and Redressal Status

During the FY23, 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 FY23 are given below:

Number of Shareholders' complaints received during the FY23	40
Number of complaints not resolved to the satisfaction of shareholders as at March 31, 2023	NIL
No. of pending complaints as at March 31, 2023	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 FY23 except in cases which are constrained by disputes and legal impediments.

There were no investor grievances remaining unattended/ pending as at March 31, 2023.

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

The Board has delegated powers of share transfer and dematerialisation to Mr. Manoj Baid, President & Company Secretary to expedite the process of share transfer/ dematerialisation 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 project 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/2022/09/CSR_Poliicy_2022.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 – F** to the Directors' Report.

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

Two meetings of CSR Committee were held during the financial year ended March 31, 2023. The CSR Committee met on April 25, 2022 and September 02, 2022..

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 and details of meetings attended by its members during the financial year ended March 31, 2023, are given below:

	Name of Director	Position	No. of Meetings	
			Held	**Attended**
1.	Mr. Mahendra Nahata	Chairman	02	01
2.	Mr. Surendra Singh Sirohi	Member	02	02
3.	Mr. Ramakrishna Eda *	Member	01	00
4.	Mr. Ajai Kumar**	Member	01	01

* Ceased to be a director w.e.f. May 02, 2022.

** Mr Ajai Kumar inducted as member of the Committee w.e.f. July 11, 2022.

3.5 Risk Management Committee (RMC)

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

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

Roles and Responsibilities of the Risk Management Committee include the followings:

(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, remove 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 Listing Regulations, 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, 2023, 02 (two) meetings of the Risk Management Committee were held on September 19, 2022 and March 16, 2023, with intervening gap between two consecutive meetings not exceeding 180 days.

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, 2023, are given below:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Mahendra Nahata	Chairman	2	1
Mr. Arvind Kharabanda	Member	2	2
Mr. Bharat Pal Singh	Member	2	1

The Board has adopted a Risk Management Policy as formulated and recommended by the RMC. 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
2021-22	September 30, 2022	Plot No. 32 Sector 32, Gurugram*	11:00 A.M.
2020-21	September 30, 2021	Plot No. 32 Sector 32, Gurugram*	11:00 A.M.
2019-20	September 28, 2020	Plot No. 32 Sector 32, Gurugram*	11:00 A.M.

* In view of the COVID-19 pandemic, the 35th, 34th and 33rd AGM were 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 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, 19/2021 dated December 8, 2021, 21/2021 dated December 14, 2021 and 2/2022 dated May 5, 2022 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, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 and SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022.

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

Financial Year	Date	Subject matter of Special Resolutions
2021-22	September 30, 2022	• To appoint a director in place of Mr. Arvind Kharabanda (DIN: 00052270), Director (Non-Executive), who retires by rotation at the 35th Annual General Meeting and being eligible offers himself for re-appointment • To re-appoint Mr. Bharat Pal Singh (DIN: 00739712) as an Independent Director • To Issue Securities on a preferential basis • To raise funds
2020-21	September 30, 2021	• To appoint a director in place of Dr. (Mr.) Ranjeet Mal Kastia (DIN: 00053059), Director (Non-Executive), who retires by rotation at the 34th Annual General Meeting and being eligible offers himself for re-appointment • To re-appoint Mr. Surendra Singh Sirohi (DIN: 07595264) as an Independent Director • To re-appoint Dr. (Ms.) Tamali Sengupta (DIN: 00358658) as an Independent Director • To re-appoint and approve remuneration of Mr. Mahendra Nahata (DIN: 00052898) as a Managing Director and a Key Managerial Personnel of the Company • To raise funds
2019-20	September 28, 2020	• To appoint a director in place of Mr. Mahendra Pratap Shukla (DIN: 00052977), who retires by rotation at the 33rd Annual General Meeting and being eligible offers himself for re-appointment.

4.3 Postal Ballot

No special resolution was put through Postal Ballot during the FY23.

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 eg, 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

Saturday, September 30, 2023 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, 2022 to March 31, 2023.

6.3 Dividend Payment Date

The Board of Directors of your Company has recommended a dividend @ 20% i.e., ₹0.20/- (Twenty Paisa) per equity share of ₹1/-, for the FY23. 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 Monday, September 25, 2023 to Saturday, September 30, 2023 (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

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

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 FY24.

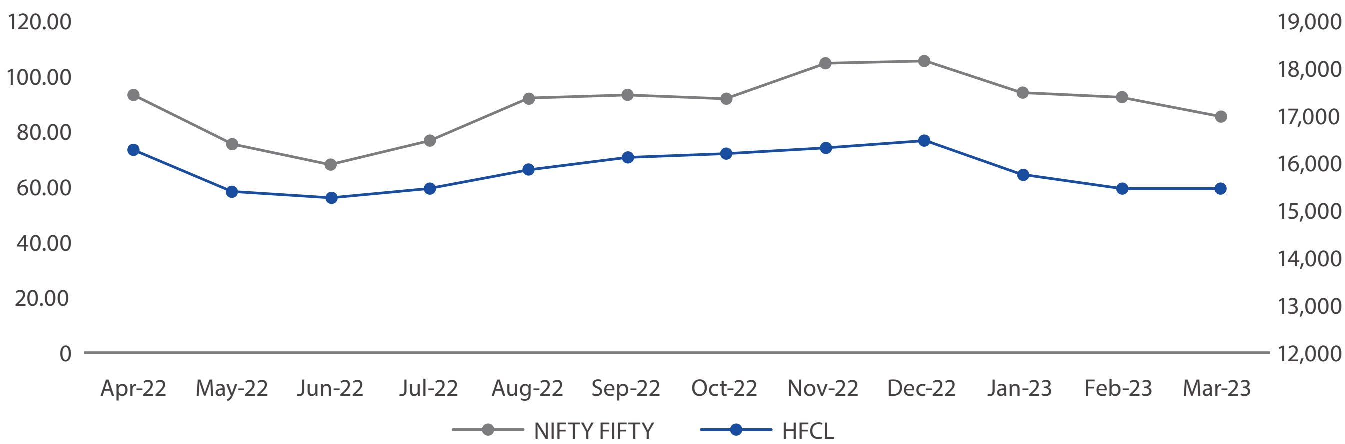
6.12 Stock Codes

BSE: 500183
NSE: HFCL

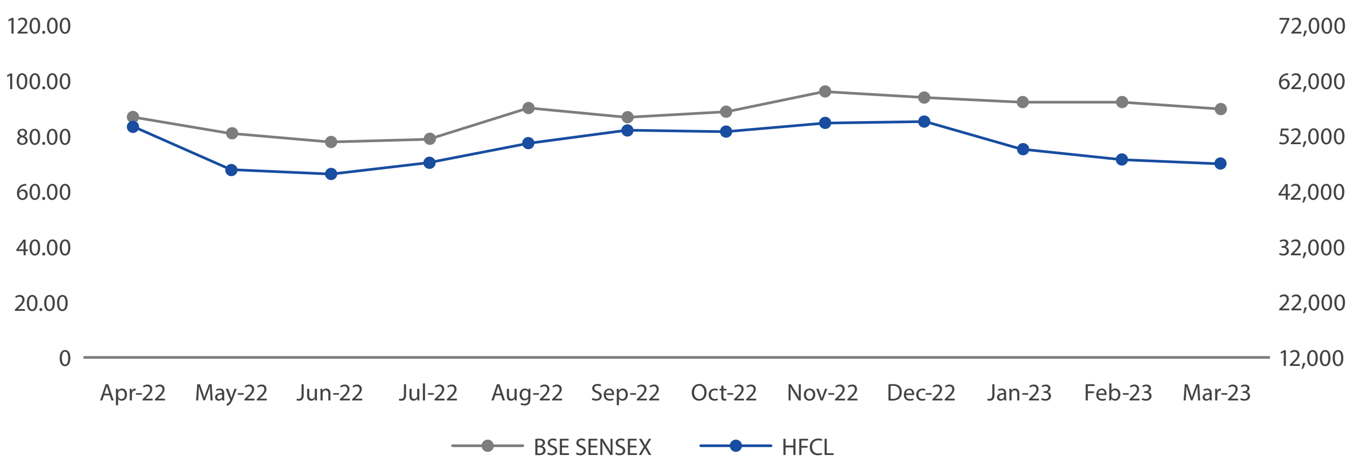
6.13 (a) Stock Market Price Data on NSE and BSE and Performance in comparison to broad-based indices

Month	NSE		NIFTY Fifty		BSE		BSE SENSEX	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
April, 2022	86.30	73.75	18,114.65	16,824.70	86.25	73.70	60,845.10	56,009.07
May, 2022	71.15	57.60	17,132.85	15,735.75	71.15	57.55	57,184.21	52,632.48
June, 2022	67.45	51.55	16,793.85	15,183.40	67.50	51.55	56,432.65	50,921.22
July, 2022	71.80	54.25	17,172.80	15,511.05	71.75	54.20	57,619.27	52,094.25
August, 2022	78.20	64.50	17,992.20	17,154.80	78.20	64.45	60,411.20	57,367.47
September, 2022	82.50	68.65	18,096.15	16,747.70	82.50	68.65	60,676.12	56,147.23
October, 2022	83.40	73.15	18,022.80	16,855.55	83.35	73.20	60,786.70	56,683.40
November, 2022	85.20	76.50	18,816.05	17,959.20	85.15	76.50	63,303.01	60,425.47
December, 2022	88.80	65.65	18,887.60	17,774.25	88.80	65.60	63,583.07	59,754.10
January, 2023	77.65	67.10	18,251.95	17,405.55	77.60	67.15	61,343.96	58,699.20
February, 2023	71.50	62.80	18,134.75	17,255.20	71.45	62.80	61,682.25	58,795.97
March, 2023	70.20	55.75	17,799.95	16,828.35	70.20	55.75	60,498.48	57,084.91

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



6.13 (c) Performance of Share Price in Comparison to BSE SENSEX



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

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

6.15 Registrar and Share Transfer Agents (RTA)

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

6.16 Share Transmission, Dividend etc.

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

For lodgement 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 dematerialised form.

Effective April 01, 2019, transfer of shares in physical form has ceased. Request for transmission of shares etc. pursuant to SEBI Circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated January 25, 2022 shares will continue to be accepted.

The total number of equity shares transmitted in physical forms during FY23:

Number of Request	04
Number of Shares	650

6.17 Distribution of Equity Shareholdings as on March 31, 2023:

Range of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Up to 500	4,91,099	81.06	6,36,86,857	4.62
501 – 1,000	53,423	8.82	4,39,44,855	3.19
1,001 – 2,000	28,804	4.75	4,42,68,839	3.21
2,001 – 3,000	10,388	1.71	2,69,06,709	1.95
3,001 – 4,000	4,816	0.80	1,74,43,454	1.27
4,001 – 5,000	4,531	0.75	2,16,28,925	1.57
5,001 – 10,000	6,918	1.14	5,19,58,065	3.77
10,001 – 50,000	4,836	0.80	10,02,05,164	7.27
50,001 – 1,00,000	559	0.09	4,06,28,554	2.95
Above 1,00,000	510	0.08	96,70,86,899	70.20
Total	**6,05,884**	**100.00**	**1,37,77,58,321**	**100.00**

6.18 Categories of Equity Shareholding as on March 31, 2023:

Category			No. of Shares	% Shareholding
A	**Promoters Holding**			
1	Indian Promoters		54,05,81,892	39.24
2	Foreign Promoters		-	-
	Sub Total (A)		**54,05,81,892**	**39.24**
B	**Public Shareholding**			
1	Institutional Investors			
	(a)	Mutual Funds/UTI	3,35,09,616	2.43
	(b)	Venture Capital Funds	-	-
	(c)	Alternate Investment Funds	-	-
	(d)	Foreign Venture Capital Investors	-	-
	(e)	Foreign Portfolio Investors	9,32,62,154	6.77
	(f)	Financial Institutions and Banks	7,655	0.00
	(g)	Insurance Companies	48,23,218	0.35
	(h)	NBFCs registered with RBI	2,03,74,057	1.48
	(i)	Any Others (specify)	-	-
	Sub Total (B1)		**15,19,76,700**	**11.03**
2	**Central Government/State Government(s)/President of India**		5,296	0.00
	Sub Total (B2)		**5,296**	**0.00**
3	**Non-Institutional Investors**			
	(a)	Indian Public	47,37,71,577	34.38
	(b)	Employee Trusts	-	-
	(c)	Overseas Depositories (holding DRs)	-	-
	(d)	Any Other		
		(i) Bodies Corporates	19,33,74,291	14.04
		(ii) OCBs	38,250	0.00
		(iii) NRIs	1,65,22,386	1.20
		(iv) Trusts	1,05,729	0.01
	Sub Total (B3)		**68,38,12,233**	**49.63**
	Total Public Shareholding (B = B1+B2+B3)		**83,57,94,229**	**60.66**
C	**Non-Promoter – Non-Public Shareholders**			
1	Custodian/DR Holder – Name of DR Holders		-	-
2	Employee Benefit Trustee – Under SEBI (Share based Employee Benefits and Sweat Equity) Regulations, 2021		13,82,200	0.10
	Total Non-Promoter – Non-Public Shareholders (C=C1+C2)		**13,82,200**	**0.10**
	Grand Total (A+B+C)		**137,77,58,321**	**100.00**

6.19 Dematerialisation of shares and liquidity

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

For dematerialising 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 dematerialised and an electronic credit of shares is given in the account of the Shareholder.

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

As on March 31, 2023, 99.96% of the equity shares have been dematerialised. 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, 2023	No. of Shares	Percentage
In Physical Form	4,90,696	0.04%
In Dematerialised Form	137,72,67,625	99.96%
Total	**137,77,58,321**	**100.00%**

No. of shareholders whose shares as on March 31, 2023 are in Physical and Demat form:	No. of Shareholders	Percentage
In Physical Form	3,474	0.57%
In Dematerialised Form	6,02,410	99.43%
Total	**6,05,884**	**100.00%**

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

The Board of Directors and the Shareholders of the Company at their meetings held on 2nd September, 2022 and 30th September, 2022 respectively, had approved raising of funds by way of preferential issue of securities (Warrants) to persons belonging to Promoter and Non-Promoter category in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI ICDR Regulations”) and the Companies Act, 2013 and the rules made thereunder.

Pursuant to the aforesaid resolutions of the Board of Directors of the Company and the special resolution passed by the shareholders of the Company in their 35th Annual General Meeting, the Private Placement Offer Cum Application Letter (PAS-4) dated October 10, 2022 and pursuant to the applications received from persons belonging to Promoter and Non-Promoter category in the preferential issue under Chapter V of the SEBI ICDR Regulations ("Issue"), and Section 42 and Section 62 of the Companies Act, 2013, as amended, read with the rules issued thereunder, the Allotment Committee (Warrants) of the Board of Directors, vide its resolution dated 15th October, 2022, had approved the allotment of 1,41,00,000 (One crores Forty One Lakh) Warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per Equity Share (Warrant Exercise Price).

The Company had received an upfront amount of ₹20/- (Rupees Twenty Only), per warrant which is equivalent to 25% of Warrant Exercise Price, being the warrants subscription price aggregating to ₹28,20,00,000. The Warrant Holders will be required to make payments of balance 75% of the Warrants Exercise Price, at the time of exercise of the right attached to Warrant(s) to subscribe to equity share(s). The tenure of Warrants shall not exceed 18 (eighteen) months from the date of allotment. If the entitlement against the Warrants to apply for the equity shares of the Company is not exercised by the Warrant Holders within the aforesaid period of 18 (eighteen) months, the entitlement of the Warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid by the Warrant Holders on such Warrants shall stand forfeited by the Company.

Further, the proceeds amounting to ₹28,20,00,000/- were utilised as per the objects and purpose of the Issue.

The Company has not issued any Global Depository Receipts or American Depository Receipts or any other convertible instruments except as disclosed above, 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 FY23, 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. 60 to the Standalone Financial Statements.

6.22 Plant Locations

Optical Fiber Cable Plant

L 35-37, Industrial Area, Phase - II
Verna Electronic City, Salcete
Goa - 403 722

Optical Fiber Cable and FTTH Plant

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

Optical Fibre Plant

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

6.23 Addresses for Correspondence

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
President & 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 centralised web base complaint redressal system. The salient features of SCORES are availability of centralised 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 List of all Credit Ratings obtained along with any revisions thereto

CARE Ratings Limited (a SEBI Registered Credit Rating Agency) **("CARE")** vide its letter dated June 30, 2022, had reaffirmed the credit ratings for the Bank Loan facilities of the Company, the details of which are given below: -

Instrument/ Facility	Ratings	Rating Action
Long term Bank Facilities – Term Loans	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Short term Bank Facilities – Cash Credit	CARE A2+ (A Two Plus)	Reaffirmed

Subsequently, CARE, vide its letters dated July 03, 2023 , has enhanced the credit rating for the short term bank facilities of the Company to CARE A1 (A One) from CARE A2+ (A Two Plus).

Further, CARE has also reaffirmed the credit rating for the long term bank facilities of the Company.

The details of Credit ratings assigned to the Company for bank facilities are as under:

Instrument/ Facility	Ratings	Rating Action
Short Term Bank Facilities	Care A1 (A One)	Revised from CARE A2+ (A Two Plus)
Long Term Bank Facilities	Care A; Stable (Single A; Outlook: Stable)	Reaffirmed

Infomerics Valuation and Rating Pvt. Ltd. (RBI & SEBI Registered Credit Rating Agency) vide its letter dated November 22, 2022, had reaffirmed the credit ratings for the Bank Loan facilities of the Company, the details of which are given below: -

Instrument/ Facility	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Term Loans	IVR A/Stable (IVR A with Stable Outlook)	Reaffirmed
Short Term Fund Based Bank Facilities – Cash Credit	IVR A/Stable (IVR A with Stable Outlook)	Reaffirmed
Short Term Non-Fund Based Bank Facilities – LC/BGs	IVR A1 (IVR A One)	Reaffirmed

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. 52 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

The Company has complied with the requirements of the stock exchange(s)/SEBI and statutory authorities on all matters related to the capital market during the last three years. There were no material penalties or strictures imposed on the Company by stock exchange(s) or SEBI or any statutory authorities relating to the above except as disclosed below.

Date	Regulation/Observation of Stock Exchanges	Reason for Non-Compliance	Period	Penalty
November 22, 2021	Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: There is no Chairperson on the Board of HFCL Limited, but the number of independent directors is 3 which is less than half of the BoDs strength.	Falling short of one independent director w.e.f May 04, 2021 till November 24, 2021, on account of unfortunate demise of Mr. M. P. Shukla, Non-Executive Chairman on May 04, 2021.	Quarter ended September 30, 2021	₹2,90,000/- (excluding applicable GST) levied by NSE & BSE, each.
February 21, 2022			Quarter ended December 31, 2021 (till November 24, 2021)	₹2,75,000/- (excluding applicable GST) levied by NSE & BSE, each.
Total				**₹5,65,000/- (excluding applicable GST)**

The Company had already appointed an Independent Director, namely, Mr. Ajai Kumar, w.e.f. November 25, 2021, pursuant to resolution dated November 25, 2021, passed through circulation by the Nomination, Remuneration & Compensation Committee and the Board of Directors of the Company and subsequently by the Shareholders of the Company at their Extra-Ordinary General Meeting held on March 07, 2022.

Accordingly, there was no non-compliance of any of the provisions of the Listing Regulations, as on March 31, 2022 and March 31, 2023.

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: **https://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: **https://www.hfcl.com/wp-content/uploads/2021/07/HFCL-Policy-on-Determining-Material-Subsidiaries_Revised.pdf**.

Details of material subsidiaries of the Company, including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries are as under:

Sr. No.	Name of Material Subsidiary	Name of statutory auditors	Date of appointment of statutory auditors	Date of Incorporation	Place of Incorporation
1.	HTL Limited	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	August 07, 2020	December 14, 1960	Chennai, Tamil Nadu, India

Subsidiary companies

The Company has 9 (nine) subsidiaries out of which 1 (One) is a material subsidiary i.e., HTL Limited, in terms of Regulation 16 of the Listing Regulations. The Company has also appointed one independent director of the Company, namely, Ms. Tamali Sengupta (DIN: 00358658), on the Board of HTL Limited as Independent Women Director.

The Audit Committee reviews the financial statements including investments made by the unlisted subsidiaries of the Company.

The Management of the unlisted subsidiary periodically brings to the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by unlisted subsidiary, if any.

The Minutes of the Board meetings of the subsidiary companies are placed at the Board meeting of the Company periodically.

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: **https://www.hfcl.com/wp-content/uploads/2022/06/HFCL-Policy-on-RPTs_Revised.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: **https://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 have 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 FY23.

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 **("SEBI PIT Regulations")**.

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.

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 were some instances of breach/ violation of the Insider Trading Code by some of the Designated Persons, which have already been reviewed by the Audit Committee in its meeting held on July 07, 2022 and September 02, 2022 and the Committee had imposed penalty on all the defaulters, which was deposited in the Investor Protection and Education Fund (IPEF) administered by SEBI.

Save as aforesaid breaches/violations, there has been due compliance with the SEBI PIT Regulations during the year under review.

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 FY23 are given below:

Sr. No.	Name of Entity	Relationship with HFCL	Name of Auditors' Firm	Details of Services	Amount (₹)
1.	HFCL Limited (HFCL)	-	M/s S. Bhandari & Co. LLP, Chartered Accountants (FRN: 000560C/C400334)	Statutory Audit Fees	50,00,000
				Limited Review Fees	9,00,000
				Certification	Nil
				Travel & Boarding Expenses	15,73,350
			M/s Oswal Sunil & Company , Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	50,00,000
				Limited Review Fee	9,00,000
				Tax Audit & Certification Fees	17,72,000
				Travel & Boarding Expenses	5,72,317
2.	HTL Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees	15,00,000
				Tax Audit & Certification Fees	7,70,000
				Travel & Boarding Expenses	20,813
3.	Polixel Security System Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees (including limited review)	6,50,000
				Certification and others	1,55,000
				Travel & Boarding Expenses	7,700
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
6.	HFCL Technologies Private Limited	Subsidiary Company	M/s Oswal Sunil & Company, Chartered Accountants (FRN: 016520N)	Statutory Audit Fees (including limited review and certification)	45,000
TOTAL					**1,89,89,780**

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 FY23.

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.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark for the financial year 2022-23.

Secretarial Compliance Report

SEBI vide its Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 read with Regulation 24A 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, 2023 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/2023/05/HFCL%20-%20ASCR-%202023.pdf**

7.11 Secretarial Certificates

(i) Pursuant to Regulation 40(9) of the Listing Regulations, certificate on yearly basis, has been issued by a Company Secretary in-Practice certifying that all share certificates have been issued within the time prescribed under the Listing Regulations for lodgment for transmission, transposition, sub-division, consolidation, renewal and exchange etc., till the same was permissible.

(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 dematerialised 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 2022 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 FY23:

a) **No. of complaints filed during the financial year:** 1

b) **No. of complaints disposed-off during the financial year:** 1

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 2023-24 (tentative and subject to change):

- Financial Reporting for the first quarter ending June 30, 2023: Already approved by the Board of Directors at its meeting held on July 26, 2023.
- Financial Reporting for the second quarter and half year ending September 30, 2023: On or before second week of November, 2023.
- Financial Reporting for the third quarter ending December 31, 2023: On or before second week of February, 2024.
- Audited Accounts for the year ending March 31, 2024: On or before last week of May 30, 2024.
- Annual General Meeting for the year ending March 31, 2024: On or before September 30, 2024.

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) 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.

7.17 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.

7.18 Compliance Certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance

A certificate from the Secretarial Auditors, being 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.

7.19 Norms for furnishing of PAN, KYC, Bank details and Nomination

SEBI vide circular dated March 16, 2023 in supersession of earlier circulars has mandated listed companies to have PAN, KYC, bank details and Nomination of all shareholders holding shares in physical form. Folios wherein any one of the cited details/ documents (i.e., PAN, KYC, Bank details and Nomination) are not available with us, on or after October 01, 2023, shall be frozen as per the aforesaid SEBI circular.

The forms for updation of PAN, KYC Bank details and Nomination viz., Forms ISR-1, ISR-2, ISR-3, SH-13 are available on our website **www.hfcl.com**. In view of the above, we urge members holding shares in physical form to submit the required forms along with the supporting documents at the earliest.

The Company has sent a various letters to the members holding shares in physical form in relation to the aforesaid on June 25, 2018, September 01, 2018, October 15, 2018, November 15, 2018, January 31, 2022 and May 25, 2023.

In respect of members who hold shares in dematerialised form and wish to update their PAN, KYC, Bank details and Nomination are requested to contact their respective Depository Participants.

7.20 Details of utilisation of funds raised through Qualified Institutional Placement and Preferential Issue

During the financial year 2022, the Company had allotted 8,72,72,727 equity shares through Qualified Institutional Placement **("QIP")** at a price of ₹68.75/- per Equity Share (the **"Issue Price"**) [and reflecting a discount of ₹3.58/- (ie 4.95%) on the floor price of ₹72.33/- per Equity Share] (including premium of ₹67.75/- per Equity Share) against receipt of full payment of application monies in Escrow Account of the Company, aggregating to ~₹600 crores (Indian Rupees Six Hundred crores only). The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and Sections 42 and 62 of the Act as amended, including the rules made thereunder.

The proceeds of funds raised under QIP of the Company were utilised as per Objects of the Issue during FY22 and FY23 as mentioned hereunder:

Particulars	Amount
Gross Proceeds received under QIP	600.00
Less: Issue Expenses	10.53
Net Proceeds received under QIP	589.47
Amount utilised for: (a) Capital expenditure for capacity expansion of optic fibre and optic fibre cables **("OFC Expansion")** (b) Funding capital expenditure requirements for defence facilities; repayment of long term and short-term borrowings availed from banks and others, funding expenditure towards upgradation of R&D initiatives (including inorganic growth initiatives); funding long-term working capital requirements and general corporate purposes.	365.27
Unutilised Amount as at March 31, 2022	224.20
Amount utilised during FY23 for: (a) Capital expenditure for capacity expansion of optic fibre and optic fibre cables ("OFC Expansion") (b) Funding capital expenditure requirements for defence facilities; repayment of long term and short-term borrowings availed from banks and others, funding expenditure towards upgradation of R&D initiatives (including inorganic growth initiatives); funding long-term working capital requirements and general corporate purposes	224.20
Unutilised Amount as at March 31, 2023	**Nil**

Further, during the financial year under review, the Board of Directors and the Shareholders of the Company at their meetings held on 2nd September, 2022 and 30th September, 2022 respectively, had approved raising of funds by way of preferential issue of securities (Warrants) to persons belonging to Promoter and Non-Promoter category in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 **("SEBI ICDR**

Regulations") and the Companies Act, 2013 and the rules made thereunder.

Pursuant to the aforesaid resolutions of the Board of Directors of the Company and the special resolution passed by the shareholders of the Company in their 35th Annual General Meeting, the Private Placement Offer Cum Application Letter (PAS-4) dated October 10, 2022 and pursuant to the applications received from persons belonging to Promoter and Non-Promoter category in the preferential issue under Chapter V of the SEBI ICDR Regulations **("Issue")**, and Section 42 and Section 62 of the Companies Act, 2013, as amended, read with the rules issued thereunder, the Allotment Committee (Warrants) of the Board of Directors, vide its resolution dated 15th October, 2022, had approved the allotment of 1,41,00,000 (One crores Forty One Lakh) Warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per Equity Share (Warrant Exercise Price).

The Company had received an amount of ₹20/- (Rupees Twenty Only), per warrant which is equivalent to 25% of Warrant Exercise Price, being the warrants subscription price aggregating to ₹28,20,00,000.

The proceeds of funds raised under preferential issue of the Company were utilised as per Objects of the Issue during FY23 as mentioned hereunder:

Particulars	Amount
Gross Proceeds received under Preferential Issue	28.20
Less: Issue Expenses	Nil
Net Proceeds received under Preferential Issue	28.20
Amount utilised for: (a) Capital expenditure OF & OFC & Defence-Hyderabad (b) Repayment of long term and short-term borrowings availed from banks and others, funding expenditure towards upgradation of R&D initiatives (including investments); funding long-term working capital requirements and general corporate purposes.	28.20
Unutilised Amount as at March 31, 2023	Nil

7.21 Disclosure of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount

During the financial year ended March 31, 2023, there are no loans or advances provided by the Company and its subsidiaries to firms/companies in which directors were interested.

7.22 Particulars of senior management including the changes therein since the close of the previous financial year

Details of senior management as on March 31, 2023 are mentioned hereunder:

Sr. No.	Name of Senior Management Personnel	Designation
1.	Mr. Alok Chander	Associate Vice President - Marketing
2.	Mr. Baburaj Eradath	Vice President – Administration & MDs Office
3.	Mr. Brij Bhushan Singh	Executive President – Defence Products
4.	Mr. Devender Kumar	Executive President – Project Delivery
5.	Mr. Harshwardhan Pagay	Executive President – OFC
6.	Mr. Jayanta Dey	Executive President – 5G
7.	Mr. Jitendra Singh Chaudhary	Executive President – Communications
8.	Mr. Manoj Baid	President & Company Secretary
9.	Mr. Nand Lal Garg	President – Supply Chain
10.	Mrs. Neelu Chandra	Vice President – CSR & Spark Programme
11.	Mr. Prakash Chand Gulgulia	Vice President – Finance & Accounts
12.	Mr. Rajesh Jain	Executive President – Telecom EPC Projects
13.	Mr. S. K. Garg	Executive Director – Growth Strategy
14.	Mr. Sanjay Vithalrao Jorapur	President – Human Resource
15.	Mr. Sunil Kumar Pandey	Chief Information Officer
16.	Mr. Sunil Kumar Kulshrestha	Executive President
17.	Mr. Sushil K Wadhwa	President – Commercial
18.	Mr. Sunil Seth	Vice President – Strategy
19.	Mr. V R Jain	Chief Financial Officer

Changes in the senior management during the year ended as on March 31, 2023, are mentioned hereunder:

Sr. No.	Name of Senior Management Personnel	Designation	Date of Joining	Date of Leaving
1.	Mr. Alok Chander	Associate Vice-President - Marketing	October 01, 2022	-
2..	Mr. Sanjay Vithalrao Jorapur	President - Human Resource	-	November 25, 2022

Sr. No.	Name of Senior Management Personnel	Designation	Date of Joining	Date of Leaving
3.	Mr. Vibhor Dewan	Vice-President - Sales	-	December 21, 2022
4.	Mr. Sunil Seth	Vice-President - Strategy	December 21, 2022	-
5.	Mr. Sanjay Vithalrao Jorapur	President - Human Resource	January 10, 2023	-

7.23 Disclosure of certain types of agreements binding listed entities

During the financial year ended March 31, 2023, there are no agreements which required to be disclosed as per clause 5A of paragraph A of Part A of Schedule III of Listing Regulations.

7.24 Disclosures with respect to demat suspense account/ unclaimed suspense account

Particulars	Number of shares/ shareholders
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	N.A.
Number of shareholders who approached listed entity for transfer of shares from suspense account during the year	N.A.
Number of shareholders to whom shares were transferred from suspense account during the year	N.A.
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	N.A.
Number of shares, voting rights which shall remain frozen till the rightful owner of such shares claims the shares.	N.A.

7.25 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 THE 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, 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 2022-23.

Mahendra Nahata
Managing Director

Date: May 08, 2023

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
HFCL Limited
CIN: L64200HP1987PLC007466
8, Electronics Complex, Chambaghat
Solan - 173 213 (Himachal Pradesh)

I have examined the compliance of conditions of Corporate Governance by HFCL Limited **("the Company")**, for the year ended on 31st March, 2023, 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	:	**F003616E000567366**
ICSI – Peer Review Certificate No.	:	**1205/2021**
ICSI – Unique Identification No.	:	**I1999DE144000**

Place: Delhi
Date : July 7, 2023

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
8, Electronics Complex, Chambaghat,
Solan – 173 213 (Himachal Pradesh)

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of HFCL Limited, having CIN: L64200HP1987PLC007466 and having registered office at 8, Electronics Complex, Chambaghat, Solan – 173 213 (Himchal Pradesh) (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub-clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2023, have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:-

Sr. No.	Name of Director	DIN	Date of appointment in the Company
1.	Mr. Mahendra Nahata	00052898	11/05/1987
2.	Mr. Arvind Kharabanda	00052270	31/10/2004
3.	Dr. (Mr.) Ranjeet Mal Kastia	00053059	07/02/1996
4.	Mr. Surendra Singh Sirohi	07595264	27/08/2018
5.	Dr. (Ms.) Tamali Sengupta	00358658	24/12/2018
6.	Mr. Bharat Pal Singh	00739712	21/01/2020
7.	Mr. Ajai Kumar	02446976	25/11/2021

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 : **F003616E000567355**
ICSI – Peer Review Certificate No. : **1205/2021**
ICSI – Unique Identification No. : **I1999DE144000**

Place: New Delhi
Date : July 7, 2023

Business Responsibility and Sustainability Report

SECTION A: GENERAL DISCLOSURES

Details of the listed entity:

S. No.	Question	Responses
1.	Corporate Identity Number (CIN) of the Entity	L64200HP1987PLC007466
2.	Name of the Listed Entity	HFCL Limited
3.	Year of Incorporation	11/05/1987
4.	Registered Office Address	8, Electronics Complex, Chambaghat, Solan, Himachal Pradesh-173213
5.	Corporate Address	8, Commercial Complex, Masjid Moth, Greater Kailash II, New Delhi-110048
6.	E-mail	secretarial@hfcl.com
7.	Telephone	+91-11-35209400
8.	Website	www.hfcl.com
9.	Financial Year for which report is being done	1st April, 2022 – 31st March, 2023
10.	Name of the Stock Exchange(s) where shares are listed	• National Stock Exchange of India Limited • BSE Limited
11.	Paid-up Capital (₹)	137,77,58,321
12.	Name and contact details (telephone, email) of the person who may be contacted in case of queries on the BRSR report	Mr. Manoj Baid Email: secretarial@hfcl.com Telephone: +91-11-35209400
13.	Reporting Boundary (Standalone or Consolidated basis)	Standalone

Products and Services:

14. Details of business activities (accounting for 90% of the turnover):

S. No.	Description of Main Activity	Description of Business Activity	%Turnover of the entity
1.	Telecom Products	Manufacturing of optical fiber, optical fiber cables and telecom & networking products	46%
2.	Turnkey Contract and Services	Engineering, Procurement and Construction	54%

15. Product/ Services sold by the entity (accounting for 90% of the entity's turnover):

S. No.	Product/ Service	NIC Code	% of total turnover contributed
1.	Optical Fiber Cables	27310	40%
2	Turnkey Contracts and Services	42202	54%
	Total		**94%**

Operations:

16. Number of locations where plants and/or operations/ offices of the entity are situated:

Location	Number of Plants	Number of Offices	Total
National	3	80	83
International	0	6	6

17. Markets Served by the Entity:

a. Number of Locations:

Location	Number
National (No. of States)	Pan India
International (No. of Countries)	HFCL exports to over 45 countries across Germany, France, Denmark, Ireland, Austria, Finland, Italy, United Kingdom (UK), Portugal, Spain, USA, Canada, Mexico, Argentina, South Africa, Turkey, Dubai and more.

b. What is the contribution of exports as a percentage of the total turnover of the entity?

During FY23, exports contributed 17.79% to the total turnover of the Company.

c. A Brief on types of customers?

HFCL is a leading technology company specialised in creating digital networks for Telcos, enterprises and Governments. Our customer segment comprises Telecom Operators, Internet Service Providers, Public Sector Undertakings, State Government Undertakings, System Integrators, Railways, Defense Services, Smart Cities and many more.

Employees:

18. Details as at the end of Financial Year 2022- 23:

a. Employees and Workers

Employees (including differently abled)						
S. No.	Particulars	Total (A)	Male		Female	
			Number (B)	Percentage (B/A)	Number (B)	Percentage (B/A)
1.	Permanent Employees	1,925	1,799	93%	126	7%
2.	Other than Permanent Employees	484	472	98%	12	2%
	Total Employees (1+2)	**2,409**	**2,271**	**94%**	**138**	**6%**

Note:

- Permanent Employees- L5 and above On Roll employees
- Other than Permanent Employees – Trainee (BE & Graduate) engineers under various government scheme such as NAPS, NATS and off-roll employees on third-party rolls

Workers (including differently abled)						
S. No.	Particulars	Total (A)	Male		Female	
			Number (B)	Percentage (B/A)	Number (B)	Percentage (B/A)
1.	Permanent Workers	183	156	85%	27	15%
2.	Other than Permanent Workers	882	838	95%	44	5%
	Total Workers (1+2)	**1,065**	**994**	**93%**	**71**	**7%**

Note:

- Permanent Workers - L6 and L7, On Roll employees
- Other than Permanent Workers- Trainee (Diploma & ITI) engineers under various government schemes such as NAPS, NATS and off-roll employees on third-party rolls.

b. Differently abled Employees and Workers

Differently Abled Employees						
S. No.	**Particulars**	**Total (A)**	**Male**		**Female**	
			Number (B)	**Percentage (B/A)**	**Number (B)**	**Percentage (B/A)**
1.	Permanent Employees	Currently the Company does not have any differently abled employee.				
2.	Other than Permanent Employees					
	Total Employees (1+2)					

Differently Abled Workers						
S. No.	**Particulars**	**Total (A)**	**Male**		**Female**	
			Number (B)	**Percentage (B/A)**	**Number (B)**	**Percentage (B/A)**
1.	Permanent Workers	Currently the Company does not have any differently abled worker.				
2.	Other than Permanent Workers					
	Total Workers (1+2)					

19. Participation/ Inclusion/ Representation of Women

	Total (A)	**Number of Female (B)**	**Percentage (B/A)**
Board of Directors	7	1	14%
Key Management Personnel	2	0	0

20. Turnover rate for permanent employees and workers:

	FY23			**FY22**			**FY21**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent Employees	17.0%	0.6%	17.6%	15.3%	0.2%	15.5%	11.0%	1.0%	12.0%
Permanent Workers	22.0%	0.4%	22.4%	10.8%	0.2%	11.0%	16.0%	1.0%	17.0%

Holding, Subsidiary and Associate Companies (including joint ventures):

21. (a). Names of holding/ subsidiary/ associate companies/ joint ventures

S. No.	**Name of the holding/ subsidiary/ associate company/ joint venture**	**Indicate whether holding/ subsidiary/ associate company/ joint venture**	**% of shares held by listed entity**	**Does the entity indicated at Column A, participate in the Business Responsibility initiatives of the entity (Yes/ No)**
1	HTL Limited	Subsidiary	74%	No
2	Raddef Private Limited	Subsidiary	90%	No
3	Moneta Finance Private Limited	Subsidiary	100%	No
4	HFCL Advance Systems Private Limited*	Subsidiary	100%	No
5	Polixel Security Systems Private Limited	Subsidiary	100%	No
6	Dragonwave HFCL India Private Limited	Subsidiary	100%	No
7	HFCL Technologies Private Limited	Subsidiary	100%	No
8	HFCL B.V.	Subsidiary	100%	No
9	HFCL Inc.	Subsidiary	100%	No
10	Nimpaa Telecommunications Private Limited	Associate	50%	No
11	BigCat Wireless Private Limited	Associate	40.79%	No

*HFCL Limited holds 90% shareholding directly and balance 10% held through Polixel Security Systems Private Limited, a wholly owned subsidiary of HFCL Limited

CSR Details:

22.

(i) Whether CSR is applicable as per Section 135 of Companies Act, 2013 (Yes/No)	Yes
(ii) Turnover (in ₹)	Standalone – ₹4,395.68 crores
(iii) Net Worth (in ₹)	Standalone - ₹2,993.02 crores

Transparency and Disclosures Compliances:

23. Complaints/ Grievances on any of the principles (1-9) under the National Guidelines on Responsible Business Conduct:

Stakeholder Group	Grievance Redressal Mechanism in place (Y/N) (Provide web-link of policy)	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
		Number of complaints filed	Number of complaints pending at close of year	Remarks	Number of complaints filed	Number of complaints pending at close of year	Remarks
Communities	Yes. In the respective Memorandum of Understanding (MoU) with the CSR Project Partner, the responsibility for addressing community grievances lies with the CSR Project Partners, who effectively manage the complaints, if any, as per the laid-down guidelines in a consultative manner.	0	0	No complaints	0	0	No complaints
Investors| Shareholders	Yes. The Company has 'Whistleblower Policy' in place available at: https://www.hfcl.com/wp-content/uploads/2020/01/HFCL-Whistle-Blower-Policy_Revised1.pdf Mechanism for Grievance Redressal: The Company has a grievance redressal mechanism for receiving complaints from different stakeholders, including investors and shareholders. During the year, the Company has attended the investor's grievances/ correspondence within a period of 15 days from the date of receipt of the same except in cases which were constrained by disputes and legal impediments.	40	0	All complaints resolved	40	0	All complaints resolved

Stakeholder Group	Grievance Redressal Mechanism in place (Y/N) (Provide web-link of policy)	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
		Number of complaints filed	Number of complaints pending at close of year	Remarks	Number of complaints filed	Number of complaints pending at close of year	Remarks
Employees and Workers	Yes. Employee and extended workforce grievances are addressed in a timely and effective manner through our grievance redressal mechanism, which is available at all our plants/offices. The Company's whistleblower policy is the overarching policy for addressing any form of grievance from all stakeholder groups, including employees, workers, contractual workers and labourers. The Company has 'Whistleblower Policy' in place available at: https://www.hfcl.com/wpcontent/uploads/2020/01/HFCL-Whistle-Blower-Policy_Revised1.pdf	1	0	Complaint resolved	0	0	No complaints
Contract Laborer's		0	0	No complaints	0	0	No complaints
Value Chain partners	Yes. In the OFC Business Unit (BU), complaints are logged with their respective account managers. These issues receive immediate attention and are resolved within 24-hours. For the Communication BU, our aim is to address these concerns within a predefined time frame, specifically within a maximum of 12 hours. If, for any reason, the matter remains unresolved, an escalation matrix is in place involving a third level. This ensures that the matter is resolved at that level within 48 hours. Complaints may be lodged at: iosupport@hfcl.com Toll-Free Number: +91 8792701100 SPOC email: naresh.gupta@hfcl.com	1	0	Complaint resolved	0	0	No complaints
Implementation Partner (NGOs)	Yes. Each MoU with our CSR Project partner explicitly outlines the mechanism for raising, addressing, and resolving grievances/ issues with partners and communities.	0	0	No complaints	0	0	No complaints

24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format:

S. No.	Material Issue Identified	Indicate whether Risk or Opportunity	Rationale for identifying the risk/ opportunity	In case of Risk, approach to adapt or mitigate	Financial Implications of the risk or the opportunity
1.	Climate Change	Risk	ESG disclosures bring clarity to the Company's climate risk exposure, detailing strategies in place to manage and adapt to these challenges, encompassing supply chain breakdowns, operational hazards and asset management complexities due to extreme weather events. These risks can amplify costs, while transition risks may undercut market value and investor faith amid regulatory transformations.	As a company of high standards, we prioritise our strategies and actions that align with mitigating climate change related risks and anchoring for sustainable development.	Negative
2.	Waste Management	Opportunity	Waste management includes generation, disposal and the associated impacts. The company focus on reducing the amount of waste it generates by implementing waste minimisation at the source. This involves practices such as reducing packaging, optimising processes and promoting reusable products, i.e., adopting the principle of circularity measures within business operations.	-	Positive
3.	Health and Safety	Risk	Safeguarding our stakeholders i.e., employees, customers and other business partners from various risks and hazardous environments. Creating a safe and healthy workplace for all.	The company ensures to maintain a safe, hazard-free and healthy work environment for its employees and workers by adhering to healthy standards, norms, regular safety training and risk awareness sessions.	Negative
4.	Diversity and Inclusion	Opportunity	Creating an environment where people from various socio-economic backgrounds, cultures, identities and perspectives are welcomed, respected and empowered. Consideration of diversity and inclusion are key social aspects of our Company's commitment to fostering a fair and equitable workplace and society.	-	Positive

S. No.	Material Issue Identified	Indicate whether Risk or Opportunity	Rationale for identifying the risk/ opportunity	In case of Risk, approach to adapt or mitigate	Financial Implications of the risk or the opportunity
5.	Employee Growth, Development and Skills	Opportunity	The Company efforts to provide opportunities for employees to enhance their skills, knowledge, and capabilities through training, education, and professional development programs. By focusing on employee growth and development, a critical social aspect, we contribute to our Company's commitment i.e., enhance workforce's well-being and advancement.	-	Positive
6.	Innovation Management	Opportunity	The Company focuses on creating a conducive environment, strengthening investment in Research & Development (R&D), innovation of products, services, and solutions for enhanced customer service and satisfaction & value addition for other relevant stakeholders.	-	Positive
7.	Data Security and Privacy	Risk	The protection of sensitive and confidential information, as well as the rights of individuals to control how their personal data is collected, used and shared. Data security and privacy are important aspects that reflect our Company's commitment to safeguarding sensitive information and respecting individuals' rights.	Implementing measures and processes designed to secure, protect and safeguard information at all levels. The Company strictly only collects relevant information intended for business purpose in a secured manner. The Company has IT management system, policies and framework to govern and oversee data security practices within the Company. In addition, regular checks on regulatory compliances, necessary updates in the existing policy and framework and risk awareness sessions are undertaken.	Negative

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes out in place towards adopting the NGRBC Principles and Core Elements.

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Policy and Management Processes									
1. a. Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b. Has the policy been approved by the Board? (Yes/No)*	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
c. Web Link of the policies, if available	https://www.hfcl.com/company-facts								
2. Whether the entity has translated the policy into procedures? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	At HFCL, the appropriate policies are triggered down value chain partners as deemed to make resource efficiency and drive community development.								
4. Name of the national and international codes/ certifications/labels/standards (eg, Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (eg, SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	• ISO 9001:2015 - Quality Management System • TL9000:2016 - Quality Management System (Telecom Industry Specific) • ISO 10002:2018 - Quality management - Customer Satisfaction • ISO 14001:2015 - Environmental Management System • ISO 45001:2018 - Occupational Health and Safety Management System • ISO 27001:2013 - Information Security Management System (ISMS) • ISO 27701:2019 - Privacy Information Management System (PIMS) • ISO/IEC 20000-1:2018 - Service Management System (SMS) • ISO/IEC 17025:2017 - General Requirements for the Competence of Testing & Calibration Laboratories • ISO 22301: 2019 – Business Continuity Management System								
5. Specific commitments, goals and targets set by the entity with defined timelines if any.	HFCL is committed to sustainable business practices and social development initiatives. We have business specific goals and commitments as illustrated below: • At our Hyderabad operation, we are committed to achieve the goal of zero waste to landfills by the end of the year 2024. • At our Goa operations, our commitment is to: – Achieve 40% renewable energy transition for a cleaner & greener environment by 2025. – Reduce power consumption by upgrading technology in machineries resulting in saving of 5 lakh units of electricity on a yearly basis by 2024.								
6. Performance of the entity against the specific commitments, goals and targets along with reasons in case the same are not met.	The Company institutionalises processes and initiatives to drive resource efficiency, human capital well-being and community development. The performance of the Company on its environmental, social and governance parameter is covered in this BRSR Report.								
Governance, leadership and oversight									
7. Statement by the director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure) – Please refer to the Managing Director's Statement and ESG Approach Section in the HFCL's Annual Report 2022-23.									
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies)	The Board of Directors of the Company oversee the implementation and oversight of the business responsibility policies.								

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes/No). If "Yes," provide details	Yes. The Board of Directors of the Company has constituted ESG Committee comprising of following members: i. Mr. Surendra Singh Sirohi (Independent Director) – Chairman ii. Mr. Mahendra Nahata (Managing Director) – Member iii. Mr. Arvind Kharabanda (Non-Executive Director) – Member iv. Mr. Vijay Raj Jain (Chief Financial Officer) – Member v. Mr. Sanjay Vithalrao Jorapur (President - HR)- Member vi. Mr. Shubhas Mondal (Senior Vice President)- Member vii. Mr. Rajesh Tatia (Vice-President – Goa Plant)- Member viii. Mr. Vivek Agrawal (Vice-President – Hyderabad Plant) – Member Mr. Manoj Baid, President and Company Secretary acts as a Secretary to the Committee								

*The policies are reviewed and approved by Board of Directors of the Company or Company's Head of Departments and signed off by MD, as deemed appropriate.

10. Details of Review of NGRBCs by the Company:

Subject for Review	Indicate whether review was undertaken by Director/ Committee of the Board/ Any other Committee									Frequency (Annually/ Half yearly/ Quarterly/ Any Other- please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow up action	The Policies of the Company are reviewed periodically or on a need basis by business/ department heads, and/or the Board of Directors.																	
Compliance with statutory requirements of relevance to the principles and rectification of any non-compliances	The Company is fully compliant with the applicable laws and regulations, which are reviewed on a quarterly basis by the Board of Directors.																	

11. Has the entity conducted independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If "Yes," provide name of the agency.

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
The entity does not consider the principles material to its business (Yes/No)	NA	NA	NA	NA	NA	NA	NA	NA	NA
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)	NA	NA	NA	NA	NA	NA	NA	NA	NA
The entity does not have the financial or human and technical resources available for the task (Yes/No)	NA	NA	NA	NA	NA	NA	NA	NA	NA
It is planned to be done in the next financial year (Yes/No)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Any Other Reason (please specify)	NA	NA	NA	NA	NA	NA	NA	NA	NA

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

Entity demonstrates their performance in integrating the Principles and Core Elements with key processes and decisions.

Principle 1: Businesses should conduct and govern themselves with integrity and in a manner that is Ethical, Transparent, and Accountable

Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year 2022- 23:

Segment	Total number of training and awareness programs held	Topics/ Principles covered under training and its impact	% of persons in respective category covered by the awareness programmes
Board of Directors	4	i. Revision of Related Party Transactions Policy in terms of amendment in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. ii. Standardising the Penalties for Violations Under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. iii. Discussion on Annual Operating Plan & Budgets for FY23. iv. Updates on the ongoing business activities by the Managing Director, including expansion of Optical Fiber and Optical Fiber Cable Manufacturing Facility. v. Updates on non-compliances with applicable regulatory, statutory, or listing requirements. vi. Update on the ongoing business activities by the Managing Director including • Launch of new product: World's first Open-source Wi-Fi 7 Access Points, 5G-8T8R Macro Radio Unit and 5G Lab-as-a-Service. • Focus on R&D capabilities and to increase exports. vii. Revision of Category of Designated Persons under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.	100% 100%
Key Managerial Personnel (KMPs)	3	i. Overview of Major areas of Practice and New Opportunities for Practicing Company Secretaries. ii. Essentials of Practice, Peer Review, Quality Review and Disciplinary mechanism. iii. Critical Issues in Oppression and Mismanagement & Practical Aspects in Private Placement and Preferential Issue.	50%
Employees other than BoD	185	Business Impact Analysis and Risk Assessment, Change Management, Leadership Competency Model, Future Women Leader Program, ISO 9001:2015, Lead Auditor Certification, Lean Six Sigma - Green Belt Certification, Tech For All - Know-Hows of 5G,Professional Life Hacks - Developing Employee Attitude, Root cause Analysis and the 8D corrective action Process, Head waste & Ink Jet Printing, ISO 22301 Internal Auditor Training, DEI and POSH Awareness, Safety Awareness, ISO 14001 Awareness Training, POSH Act (The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013), CMMI 2.0 Framework Overview, IMS, World Heart Day, Sales & Marketing of OFC, EHS Induction, Environmental Testing, Industrial & Fire Safety Awareness, Business Continuity Management System, ISO 22301:2012, 5G & Optical Fiber Cable, Evolution of WiFi.	29%
Workers			8%

2. **Details of fines/ penalties/ punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors/ KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format:**

(Note: The entity shall make disclosures based on materiality as specified in Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as discussed on the entity's website)

Monetary					
	NGRBC Principle	**Name of the Regulatory/ enforcement agencies/ judicial institutions**	**Amount (in ₹)**	**Brief of Case**	**Has an appeal preferred? (yes/ No)**
Penalty/ Fine			Nil		
Compounding Fee			Nil		

Non-Monetary					
	NGRBC Principle	**Name of the Regulatory/ enforcement agencies/ judicial institutions**	**Amount (in ₹)**	**Brief of Case**	**Has an appeal preferred? (yes/ No)**
Imprisonment			Nil		
Punishment					

3. **Of the instances disclosed in Question 2, above, detail of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.**

Case Details	**Name of the regulatory/ enforcement agencies/ judicial institutions**
Not Applicable	

4. **Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide web-link to the policy.**

Yes.

The Company, with the objective to prevent and detect bribery and all forms of corruption and conduct its business activities with honesty, integrity and the highest possible ethical standards, enforces its anti-bribery and anti-corruption policy across all its operational geographies, including affiliates and subsidiaries of HFCL. The policy applies to all individuals globally, including directors, senior executives, officers, employees (whether permanent, fixed term or temporary), consultants, contractors, trainees, seconded staff, casual workers, volunteers, interns, agents, or any other person associated with the Company. Further, every person to whom this Policy applies may raise their concerns about any bribery issue or suspicion of malpractice at the earliest possible stage.

The Policy of the Company is available at: https://www.hfcl.com/wp-content/uploads/2023/06/HFCL-Anti-Bribery_and_Anti-Corruption_Policy.pdf

5. **Number of Directors/ KMPs/ employees/ workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:**

	Current Financial Year 2022- 23	**Previous Financial Year 2021- 22**
Directors	Nil	Nil
Key Managerial Personnel (KMPs)	Nil	Nil
Employees	Nil	Nil
Workers	Nil	Nil

6. **Details of complaints regarding conflict of interest:**

	Current Financial Year 2022- 23		Previous Financial Year 2021- 22	
	Number	Remark	Number	Remark
Number of complaints received in relation to issues of Conflict of Interest of the Directors	Nil	-	Nil	-
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	Nil	-	Nil	-

7. **Provide details of any corrective action taken or underway on issues related to fines/ penalties/ action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.**

   The Company ensures compliance with applicable regulations and laws. During the reporting period, no case of non-compliance related to corruption and conflict of interest was found, therefore no corrective action was required to be undertaken.

Leadership Indicators

1. **Awareness programmes conducted for the value chain partners on any of the principles during the financial year 2022- 23:**

Total number of awareness programmes held	Topics/ Principles covered under the training	% of value chain partners covered (by value of business done with such partners) under the awareness programmes
1	Training provided on diverse topics encompassing Ariba 'Procure to pay module', Digitalisation of sourcing process like RFP, RFQ, Reverse auction, Invoice processing and supplier life cycle management.	Four hundred Vendors trained through online mode, balance on case-to-case basis. 33% active vendors out of total 1,200 vendors participated and trained through the program. Remaining are trained on case-to-case basis as part of HFCL's defined compliance practices.

Note: To ensure ethical, transparent and accountable parameters, HFCL has partnered with SAP and utilise their core ERP modules and Ariba modules with an intent to make the 'Procure to pay processes' efficient and seamless to vendor partners.

2. **Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No). If "Yes," provide details of the same.**

   Yes.

   The Company has implemented principles to address conflict of interest in its Code of Business Conduct and Ethics for the members of the Board of Directors ("Code"). In addition, the Company has well-structured internal policies and processes outlining various safeguards and measures to manage related conflict of interests. The Code may be accessed on the Company's website at https://www.hfcl.com

   The key principles of the Code illustrated below:

   - Whole-time Directors are prohibited from engaging in any activities that could impede their performance or responsibilities to the Company, or that conflict with or detrimental to the Company. They are not allowed to simultaneously accept employment with suppliers, customers, or competitors of the Company, nor participate in any activities that support a competitor's position.
   - Prior approval from the Company's Audit Committee is required for Directors who wish to accept assignments with companies or agencies that compete with the Company. Directors should avoid conducting business on behalf of the Company with any relative or with a business in which a relative holds a significant role. In unavoidable situations, they must seek the approval of the audit committee, in accordance with applicable laws.
   - Directors are encouraged to minimise conducting business with relatives or businesses in which relatives hold significant roles. However, if it becomes necessary to engage in related party transactions, Directors must comply with the provisions outlined in Section 188 of the Companies Act, 2013 and any applicable SEBI Regulations.

- Directors must not personally exploit opportunities that arise using corporate property, information, or their position unless they fully disclose such opportunities in writing to the Company's Board of Directors and receive approval from the Board to pursue them.

These provisions are in place to ensure transparency, integrity and the avoidance of conflicts of interest within the Company and among its Board of Directors.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe

Essential Indicators

1. **Percentage of R&D and capital expenditure (CAPEX) investments in specific technologies to improve environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.**

Particulars	Current Financial Year 2022- 23	Previous Financial Year 2021-22	Details of improvements in environmental and social impacts
R&D	100%	100%	Design and Development of 5G RAN products - Environmental and Social Impacts- Enabling the sustainable and efficient agriculture, supporting remote working and Smart Cities initiatives, innovations on smart homes that improve security and smart lighting saves power, investment in healthcare services and infrastructure to enable medical and healthcare services in remote areas, including online consultation facility. Further the Company makes consistent efforts to modernise its plants periodically and has invested in its capital expenditure.
CAPEX	100%	100%	

2. **Does the entity have procedures in place for sustainable sourcing? (Yes/No).**

   If "Yes," what percentage of inputs were sourced sustainability?

   Yes. HFCL has a sustainable procurement process in place and as part of the vendor registration process, environmental, social, and governance compliances are mandatory requirement and through thorough checks and balances, they are onboarded by the Company. During the onboarding, it is mandatory for vendors/ suppliers to provide requisite compliance evidence and an undertaking stating adherence to 'ethical and sustainable business practices', including human rights and existing environmental and social standards or certification such as quality management certificates ascertained under ISO, OHSAS, or other applicable ones. Further, the Company ensures that solder paste (containing lead) is only sourced from ISO 14001:2015 certified supplier.

3. **Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life for:**

   a. Plastics (including packaging)

   b. E-waste

   c. Hazardous waste

   d. other waste

	Details of improvements in environmental and social impacts
Plastics (including packaging)	The plastic packaging material used for supply of Optical Fiber reclaimed from the customers of HFCL, which then re-used until their lifetime and at end of its usable life, re-cycled through the authorised recycler.
E-waste	HFCL has developed a standardised e-Waste management system and strictly follows the e-Waste Management Rules 2022. As a part of e-Waste recycling, HFCL always dispose e-Waste by safely handing over to the approved e-Waste Vendors.
Hazardous waste	Not Applicable
Other Waste	The paper packaging material used for supply of Optical Fiber reclaimed from the customers of HFCL, which re-used until their lifetime and at end of its usable life, disposed through the authorised recycler/ scrap vendor.

4. **Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes/No).**
   - If "Yes," whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Board?
   - If "Not," provide steps taken to address the same.

   Not Applicable

Leadership Indicators

1. **Has the entity conducted Life Cycle Perspective/ Assessment (LCA) for any of its products (for manufacturing industries) or for its services (for service industry)? If "Yes," provide details in the following format:**

NIC Code	Name of product/ service	% of Total Turnover contributed	Boundary for which the Life cycle perspective/ assessment conducted	Whether conducted by independent external agency (Yes/No)	Results communicated in public domain (Yes/No) If "Yes," provide web-link
At present, no formal Life Cycle Assessment (LCA) conducted by the Company. However, at Hyderabad plant, product assessment of optical fiber undertaken covering the cradle-to-gate concept.					

2. **If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products/ services, as identified in the Life Cycle Perspective/ Assessments (LCA) or through any other means, briefly describe the same along with action-taken to mitigate the same.**

Name of Product/ Service	Description of the risk/ concern	Action Taken
Not applicable, since no formal LCA conducted during the reporting period.		

3. **Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).**

Indicate input material	Recycled or re-used input material to total material	
	Current Financial Year 2022-23	Previous Financial Year 2021-22
Bobbins	4.95%	4.44%
PP box	0.39%	0%
Paper Corrugated Box	0.16%	0%
Overall (Total of above three items)	**5.51%**	**4.44%**

4. **Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled and safely disposed, as per the following format:**

	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Re-Used	Recycled	Safely Disposed	Re-Used	Recycled	Safely Disposed
Plastics (including packaging)	210	36	0	143	36	0
E-Waste	0	0	0	0	0	0
Hazardous Waste	0	0	0	0	0	0
Other Waste	59	0	0	0	0	0

5. **Reclaimed products and their packaging materials (as percentage of products sold) for each product category**

Indicate Product Category	Reclaimed products and their packaging materials as % total products sold in respective category
Not applicable	

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains

Essential Indicators

1. a. Details of measures for the well-being of Employees:

Category	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care Facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
PERMANENT EMPLOYEES											
Male	1,799	1,799	100%	1,799	100%	0	0%	1799	100%	208	12%
Female	126	126	100%	126	100%	126	100%	0	0%	18	14%
Total	**1,925**	**1,925**	**100%**	**1,925**	**100%**	**126**	**7%**	**1799**	**93%**	**226**	**12%**
OTHER THAN PERMANENT EMPLOYEES											
Male	472	472	100%	472	100%	0	0%	472	100%	19	4%
Female	12	12	100%	12	100%	12	100%	0	0%	1	8%
Total	**484**	**484**	**100%**	**484**	**100%**	**12**	**2%**	**472**	**98%**	**20**	**4%**

b. Details of measures for the well-being of Workers:

Category	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care Facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
PERMANENT WORKER											
Male	156	156	100%	156	100%	0	0%	156	100%	16	10%
Female	27	27	100%	27	100%	27	100%	0	0%	0	0%
Total	**183**	**183**	**100%**	**183**	**100%**	**27**	**15%**	**156**	**85%**	**16**	**9%**
OTHER THAN PERMANENT WORKER											
Male	838	838	100%	838	100%	0	0%	838	100%	499	60%
Female	44	44	100%	44	100%	44	100%	0	0%	29	66%
Total	**882**	**882**	**100%**	**882**	**100%**	**44**	**5%**	**838**	**95%**	**528**	**60%**

2. Details of retirement benefits, for Current FY23 and Previous FY22

Benefits	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	No. of employees covered as % of total employees	No. of workers covered as % of total workers	Deducted and deposited with the authority (Yes/ No/ NA)	No. of employees covered as % of total employees	No. of workers covered as % of total workers	Deducted and deposited with the authority (Yes/ No/ NA)
PF	100%	100%	Yes	100%	100%	Yes
Gratuity	100%	100%	Yes	100%	100%	Yes
ESI	2%	26%	Yes	2%	32%	Yes

3. **Accessibility of Workplaces**

   Are the premises/ offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

   If "Not," then whether any steps are being taken by the entity in this regard.

   Currently the Company does not have any differently abled employee. However, at HFCL, its few offices and the manufacturing plants provided with ramps to enable easy accessibility for differently abled individuals. HFCL is in the process of making all the other premises accessible for differently abled employees, workers and visitors by providing adequate facilities in the coming times.

4. **Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, please provide the web-link of the policy.**

   HFCL believes in equal opportunity for all and ensures to provide an environment of equality and respect and no discrimination is made against any individual based on their gender, age, disability, ethnicity, sexual orientation, family status, religious beliefs, and abilities. The Company has also formulated a policy on Diversity, Equity and Inclusion which governs the provision of equal opportunity to all our employees.

5. **Return to work and Retention rates of permanent employees and workers that took parental leave for FY23.**

Gender	Permanent Employees		Permanent Workers	
	Return to Work Rate	Retention Rate	Return to Work Rate	Retention Rate
Male	100%	100%	100%	100%
Female	100%	100%	100%	100%
Total	**100%**	**100%**	**100%**	**100%**

6. **Is there a mechanism available to receive and redress grievances for the following categories of employees and workers? If "Yes," give details of the mechanism in brief:**

Permanent Workers	At HFCL, transparency and open-door communication between its employees and management is maintained at all the levels. We have taken necessary actions to provide a safe and conducive work environment to all our employees and workers. There is a grievance redressal mechanism in place by which employees can raise the grievance in writing with their immediate supervisor or department head or HR business partner. The concerned person who received such grievance is required to give a personal hearing and resolve the grievance at their level. In case the grievance is not satisfactorily addressed, the employee can escalate/ appeal the matter to the higher management (Plant Head, Function/ Business Head or MD). The Company has appointed a Vigilance Officer under the Whistle Blower Policy to whom all the employees, workers can report their complaints. The investigation performed by the Vigilance Officer is reported to the Audit Committee who further has a role in taking final decision. The Company has also formulated a Policy on Prevention of Sexual Harassment at Workplace for Prevention, Prohibition and Redressal of Sexual Harassment at Workplace and Internal Complaints Committees have also been set up at each workplace to redress any such complaints received in a timely manner.
Other than Permanent Workers	
Permanent Employees	
Other than Permanent Employees	

7. Membership of employees and workers in Association(s) or Unions recognised by the listed entity:

Category	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Total employees/ workers in respective category (A)	No. of employees/ workers in respective category, who are part of Association(s) or Unions (B)	Percentage (%) (B/A)	Total employees/ workers in respective category (A)	No. of employees/ workers in respective category, who are part of Association(s) or Unions (B)	Percentage (%) (B/A)
Total Permanent Employees	1,925	1	0.1%	1,923	1	0.1%
- Male	1,799	1	0.1%	1,801	1	0.1%
- Female	126	0	0.0%	122	0	0.0%
Total Permanent Workers	183	41	22%	177	41	23%
- Male	156	18	12%	151	18	12%
- Female	27	23	85%	26	23	88%

8. (a). Details of training given to employees and workers on "Health and Safety Measures"

Category	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Total (A)	Number (B)	Percentage (%) (B/A)	Total (C)	Number (D)	Percentage (%) (D/C)
			EMPLOYEES			
Male	2,271	713	31%	2,288	550	24%
Female	138	86	62%	129	72	56%
Total	**2,409**	**799**	**33%**	**2,417**	**622**	**26%**
			WORKERS			
Male	994	777	78%	943	606	64%
Female	71	31	44%	68	36	53%
Total	**1,065**	**808**	**76%**	**1,011**	**642**	**64%**

(b). Details of training given to employees and workers on "Skill Upgradation"

Category	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Total (A)	Number (B)	Percentage (%) (B/A)	Total (C)	Number (D)	Percentage (%) (D/C)
			EMPLOYEES			
Male	2,271	1,161	51%	2,288	1,117	49%
Female	138	138	100%	129	114	88%
Total	**2,409**	**1,299**	**54%**	**2,417**	**1,231**	**51%**
			WORKERS			
Male	994	803	81%	943	714	76%
Female	71	9	13%	68	10	15%
Total	**1,065**	**812**	**76%**	**1,011**	**724**	**72%**

9. Details of Performance and Career Development reviews of employees and workers:

Category	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Total (A)	Number (B)	Percentage (%) (B/A)	Total (C)	Number (D)	Percentage (%) (D/C)
EMPLOYEES						
Male	2,271	1,949	86%	2,288	1,862	81%
Female	138	117	85%	129	116	90%
Total	**2,409**	**2,066**	**86%**	**2,417**	**1,978**	**82%**
WORKERS						
Male	994	737	74%	943	664	70%
Female	71	54	76%	68	54	79%
Total	**1,065**	**791**	**74%**	**1,011**	**718**	**71%**

10. Health and Safety Management System:

a. Whether an occupational health and safety management system has implemented by the entity? (Yes/No) If "Yes," then coverage of the system.	At HFCL Limited, our aim is to prevent work-related injuries, illnesses, continuously enhance safety performance and promoting ZETO (Zero tolerance) to the safety hazard. HFCL Limited has implemented an Environmental Occupational Health & Safety Management System in compliance with ISO 14001:2015 & ISO 45001:2018, under which we have embraced a structured approach by integrating essential business activities and applying principles and processes to ensure safe and healthy workplaces across all departments/ processes.
b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis of the entity?	The Company has adopted the framework and developed a system of participative and consultative approach with concerned stakeholders, including employees, associates and contract workers to identify the work-related hazards. A brief of other processes and procedures implemented to identify work-related hazard are given below: 1. **Safety Audits:** Periodic Internal / External audits are conducted which evaluates all locations in the plant premises to identify potential hazards and non-compliance issues. 2. **Hazard Identification and Risk Assessment (HIRA):** HIRA is an initiative-taking and systematic process being used to identify and evaluate potential hazards and the associated risks for all processes at all the location of HFCL. 3. **Daily Site Rounds:** This activity is conducted and involves visual inspection, monitoring usage of personal protection equipment, inspecting emergency equipment, ensuring machine safety and verifying compliance with safety procedures to maintain a safe working environment and prevent accidents. 4. **Work Permit System:** All high-risk activities are controlled by assessing hazards, getting permits and monitoring compliance to ensure that the work is carried out safely and as per the established procedure. 5. **Safety Committee meetings:** Regular safety committee meetings are held to discuss the work-related safety hazards and mitigation measures that needs adoption. 6. **Reward, recognition & feedback:** We have launched customised programs aimed at enhancing employee participation and maintaining a constant sense of hazard awareness among workforce in the field of Occupational Health and Safety (OHS). Our efforts to acknowledge and reward employees help nurture a culture where feedback, ideas and creative perspectives are actively sought. This not only encourages an ongoing habit of pinpointing hazards but also supports a lasting process of assessing risks.

c.	Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks? (Yes/No)	Yes HFCL provides easy reporting structure to their employees and workers to report work-related hazard. We encourage our employees and workers to directly report the safety related incidents to their managers or supervisors. At the safety committee meetings, the incident cases undergo review to produce the proposed initiatives and improvements for well-being of the employees. In addition to this an Incident Investigation and Reporting System is established at HFCL to document all the incidents. We have also introduced employee interaction and awareness programs for our workforce to aware them on the processes involved in reducing the safety risks.
d.	Do the employees/ workers of the entity have access to non-occupational medical and healthcare services? (Yes/No)	Yes All the employees and workers have access to non-occupational and medical health care services. We have tied up with the nearby nursing home/ Hospitals on discounted prices for HFCL employees and workers. HFCL organises free medical checkups for employees and workers from time to time.

11. Details of safety related incidents, in the following format:

Safety Incidents/ Number	Category	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	Nil	Nil
	Workers	Nil	Nil
Total recordable work-related injuries	Employees	Nil	Nil
	Workers	Nil	Nil
Number of fatalities	Employees	Nil	Nil
	Workers	Nil	Nil
High consequence work-related injury or ill-health (excluding fatalities)	Employees	Nil	Nil
	Workers	Nil	Nil

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

We ensure that the Environment, Health and Safety ("EHS") standards followed at HFCL are ahead of the applicable regulations, legislation and standards and benchmarked against the best international practices across the globe. We have adopted best practices and procedures across our operations to strengthen our safety processes. HFCL will continue to undertake efforts for creating a safe and conducive environment for our workforce with the help of following steps:

- Implementation of Occupational Health & safety Management System & policy along with mandated safety induction & trainings
- Safety Committee meetings
- Mock drills to evaluate emergency preparedness periodically
- Daily Safety walks
- Rewards & recognitions in identifying the Hazards
- Safety Audits to identify the gaps
- Installation and maintenance of fire-fighting and fire protection system
- Provision of Personal protective equipment (PPEs)
- Work permit Systems
- Incident and accident investigation and corrective actions
- Employee participation and consultation in safety activities
- Periodic medical checkups

13. Number of complaints on the following made by employees and workers:

	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Filed	Pending Resolution at end of year	Remark	Filed	Pending Resolution at end of year	Remark
Working Conditions	Nil	Nil	The Company has not received any complaint from its employees or workers. However, we have received (11) suggestions for improvements from workers	Nil	Nil	NA
Health and Safety	Nil	Nil		Nil	Nil	NA

14. Assessment for the Year (2022- 23):

	% of plants and offices that assessed (By entity or statutory authorities or third party)
Health and Safety Practices	100%
Working Conditions	100%

Note- The Company is ISO certified and undergo regular safety audits and assessments

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risk/ concerns arising from assessment of health and safety practices and working conditions.

For HFCL, safety of the workforce is of utmost importance and to ensure the same, safety audits and assessments through external agencies conducted at a regular interval. During the safety assessment of the HFCL, no significant concerns arose during the reporting period. However, OFI (Opportunities for Improvements) identified during the assessments were taken seriously and addressed immediately. In addition to this, all identified gaps observed through near misses, are addressed through Corrective and preventive action (CAPA) along with periodical reviews to check the effectiveness of measures undertaken.

Leadership Indicators

1. Does the entity extend any life insurance or compensatory package in the event of death of (A). Employees; and (B). Workers (Yes/No). Provide detail.

Yes, HFCL extend the life insurance to all their employees and workers through Group Term Life Insurance policy ("GTLI") covering accidental death, disability, critical illness and family benefits.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

At HFCL, to ensure that our service providers are following ethical business practices and are compliant with all the necessary requirements, we verify their financial history and compliance history, which involves reviewing their financial statements, conducting background checks and seeking references. Further, all the mandatory requirements like Workmen Compensation policy, Insurance as part of purchase order/work order in agreed terms and conditions regularly assessed. Further, we ensure that the service providers at all our plants across India provides monthly compliances regarding statutory dues of employees towards income tax, provident fund, professional tax, ESIC etc.

3. **Provide the number of employees/ workers having suffered high consequence work-related injury/ ill-health/ fatalities (as reported in Qs. 11 of Essential Indicators above), who have been/ are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:**

	Total Number of affected employees/ workers		No. of employees/ workers that rehabilitated or whose family member have placed in suitable employment	
	FY23	FY22	FY23	FY22
Employees	Not Applicable			
Workers				

4. **Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)**

   At present, there is no transition assistance program available at HFCL, however, the Company supports their employees through their employment journey by providing them with relevant skills, trainings and knowledge.

5. **Details on assessment of value chain partners (FY23):**

	% of value chain partners (by value of business done with such partners) that were assessed
Health and Safety Practices	At HFCL, we have an exhaustive Supplier Code of Conduct which defines for the suppliers' concerns/ issues related to Environment, Occupational Health & Safety, Child Labour, Business Ethics, Fair Employment Conditions, Elimination of Discrimination etc.
Working Conditions	

6. **Provide details of any corrective actions taken or underway to address significant risks/ concerns arising from assessments of health and safety practices and working conditions of value chain partners.**

   We have appointed a representative to supervise the health and safety practices at the site and no significant concerns were identified in the past two years. The process governed by the Standard Operating Procedures formulated specifically considering the health and safety aspects. We ensure that no activities performed under inefficient lighting and hostile weather conditions.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators

1. **Describe the process for identifying key stakeholder groups of the entity.**

   At HFCL, stakeholders play an integral role in our journey and we understand the need to gauge feedback from them to achieve a sustainable growth for our Company. Through the process of stakeholder engagement, we have identified key internal and external stakeholder group for our business. The process involves analyzing the impact of each stakeholder group on our business and vice versa and then prioritising each stakeholder group to understand their concerns and expectations. We ensure regular interaction with our stakeholder groups to strengthen our relationship to create a shared value. The key identified stakeholder groups of HFCL are Employees, Workers, Suppliers, Customers, Investors, Shareholders, NGOs, Communities and others.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Identified as Vulnerable or Marginalised Group (Yes/No)	Channels of Communication	Frequency of engagement	Purpose and scope of engagement including key topics and concerns raised during each engagement
Employee	No	Website, Emails, In-person meetings, Newsletters, Town halls, Employee surveys	Regular	Outlook on various business, expectations and thoughts of employees, Employee engagement, human resource development, skill training, career development, safety training, ESG and CSR initiatives
Workers	No	Website, Emails, In-person meetings, Newsletters, Town halls, Employee surveys	Regular	Outlook on various business, expectations and thoughts of employees, Employee engagement, human resource development, skill training, career development, safety training, ESG and CSR initiatives
Suppliers	No	Website, Emails, In-person meetings, Newsletters, Supplier survey	Regular	Compliance with laws, regulations, published standards and environmental practices, Product related issues, new initiatives undertaken for the suppliers
Customers (Distributors, Wholesalers, & Retailers)	No	Website, Newsletters, Partner Portal, Customer Service Portal, Emails, SMS	Regular	Educational, Updates about new offerings, Product related issues (quality, packaging and delivery)
Communities	Yes	Our means of communication involve collaborating with our CSR Project Partners and actively engaging with local stakeholders and community leaders in the areas where our CSR Projects are implemented. Furthermore, we consistently gather their feedback, including their expectations, aspirations, needs, complaints and suggestions, through site visits, phone conversations and various awareness sessions.	Regular	Our objective in engaging with the community is to gain a comprehensive understanding of the concerns and gaps in our CSR projects, as well as to gather feedback on their expectations, aspirations, needs, complaints and suggestions. Throughout our engagement processes, we have encountered various topics and concerns raised by community stakeholders. Some common key issues include insufficient time allocation for service delivery to address all beneficiaries, demand of additional services in the project, the distant location of the service site from beneficiaries' homes and individual grievances against the project's operational team. We collect and compile this feedback, requests, complaints and information to direct the respective project partners to address each individual complaint, understand every suggestion and strive to implement corrective measures. Additionally, we aim to adjust the project's operations in accordance with the feedback received from the specific community and their needs and aspirations.

Stakeholder Group	Identified as Vulnerable or Marginalised Group (Yes/No)	Channels of Communication	Frequency of engagement	Purpose and scope of engagement including key topics and concerns raised during each engagement
NGOs	No	The specific communication channel and method clearly specified in the corresponding MoUs with each project partner. The communication channels typically encompass email, telephone discussions, video conferences and periodic meetings as needed.	Continuous	These channels are utilised to address any issues or concerns, evaluate project operations and offer feedback and suggestions for maximising the use of available resources to serve the greatest number of beneficiaries.
Investor/ Shareholders	No	Investor meetings, conference calls, emails, press releases, newsletters, stock exchange announcements, websites, annual reports and annual general meetings	Regular	Update on the business and financial performance, Company's strategy and growth levers, potential opportunities and risks, our ESG goals/ actions and material events which may have a positive or negative impact on the performance of the Company

Leadership Indicators

1. **Provide the processes for consultation between stakeholders and the Board on economic, environmental and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.**

   At HFCL, stakeholders' consultation is given consideration at business level decisions and strategy making. The Company continuously engages with relevant stakeholders through its representatives and regularly seeks feedback, which is then through departments/ plants/ unit heads gets communicated to various Board level committees and to the Board for their consideration and appropriate action, as deemed fit.

2. **Whether stakeholder consultation is used to support the identification and management of environmental and social topic? (Yes/No)**

   If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

   No

3. **Provide detail of instances of engagement with and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups.**

   With a deep commitment to empower the marginalised/ vulnerable communities and foster an inclusive socio-economic impact, HFCL has a range of Corporate Social Responsibility (CSR) initiatives, which implemented through registered society, the HFCL Social Services Society (HSSS). At the heart of HFCL's mission are two core themes- healthcare and education. Under Healthcare, HFCL is working to provide both preventive and curative healthcare, including doorstep preventive health care facilities and financial support for critical illnesses. Under the education program, the focus is on promoting access to elementary and higher education. HFCL also creates digital infrastructure and hi-tech e-learning solutions in government schools in rural areas for this purpose.

   The Company is constantly seeking out new opportunities to make a positive difference in the lives of those it serves, collaborating with non-profit organisations, charitable trusts and educational institutions to implement its CSR projects and programs. HFCL's flagship CSR initiative, the Mobile Medical Unit Project, aims to provide preventative healthcare to underserved communities in India. The Company has partnered with HelpAge India and Wockhardt Foundation to implement groundbreaking initiatives in various states and have reached remote rural areas, benefiting thousands of disadvantaged households.

Principle 5: Businesses should respect and promote human rights

Essential Indicators

1. **Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:**

Category	Current Financial Year 2022-23			Previous Financial Year 2021-22		
	Total (A)	Number (B)	Percentage (%) (B/A)	Total (C)	Number (D)	Percentage (%) (D/C)
			EMPLOYEES			
Permanent	1,925	396	21%	1,923	304	16%
Other than permanent	484	12	2%	494	3	1%
Total Employees	**2,409**	**408**	**17%**	**2,417**	**307**	**13%**
			WORKERS			
Permanent	183	63	34%	177	54	31%
Other than permanent	882	544	62%	834	495	59%
Total Workers	**1,065**	**607**	**57%**	**1,011**	**549**	**54%**

Note: Training provided on various topics such as Diversity, Equity, and Inclusion (DE&I) awareness, POSH Act and Women Right Awareness.

2. **Details of minimum wages paid to employees and workers, in the following format:**

Category	Current Financial Year 2022-23					Previous Financial Year 2021-22				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		Number (B)	% (B/A)	Number (C)	% (C/A)		Number (E)	% (E/D)	Number (F)	% (F/D)
					EMPLOYEES					
Permanent	1925	11	0.6%	1914	99.4%	1923	20	1.0%	1903	99.0%
- Male	1799	8	0.4%	1791	99.6%	1801	16	0.9%	1785	99.1%
- Female	126	3	2.4%	123	97.6%	122	4	3.3%	118	96.7%
Other than Permanent	484	29	6.0%	455	94.0%	494	21	4.3%	473	95.7%
- Male	472	23	4.9%	449	95.1%	487	19	3.9%	468	96.1%
- Female	12	6	50.0%	6	50.0%	7	2	28.6%	5	71.4%
					WORKERS					
Permanent	183	12	6.6%	171	93.4%	177	26	14.7%	151	85.3%
- Male	156	8	5.1%	148	94.9%	151	23	15.2%	128	84.8%
- Female	27	4	14.8%	23	85.2%	26	3	11.5%	23	88.5%
Other than Permanent	882	629	71.3%	253	28.7%	834	594	71.2%	240	28.8%
- Male	838	588	70.2%	250	29.8%	792	556	70.2%	236	29.8%
- Female	44	41	93.2%	3	6.8%	42	38	90.5%	4	9.5%

3. Details of remuneration/ salary/ wages, in the following format for FY23:

	Male		Female	
	Number	Median salary/ wage of respective category	Number	Median salary/ wage of respective category
Board of Directors (BoD)*	5	9,75,000**	1	8,50,000*
Key Managerial Personnel***	3	3,996,6832	0	NA
Employees other than BoD and KMP	2,268	7,05,178	138	9,00,000
Workers	994	2,43,384	71	2,08,164

*Excluding Managing Director who has been included in Key Managerial Personnel category.

**The payment of sitting fees only made to non-executive directors of the Company including independent directors for attending the meetings of the Board and its various Committees, during the year under review, have been considered.

*** Key Managerial personnel comprises of Mr. Mahendra Nahata, Managing Director, Mr. Vijay Raj Jain, Chief Financial Officer and Mr. Manoj Baid, President & Company Secretary.

Note: Only considered permanent employees and workers on rolls

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

The Board of Directors of the Company has formulated a Whistle-Blower Policy through which it 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. Vigil Mechanism of the Company enables stakeholders, including employee(s) and their representative bodies, to freely communicate their concerns about illegal or unethical practices to the management. In addition, the Company has also constituted Internal Complaint Committee (ICC) at each workplace in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to address the concerns related to sexual harassment.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

HFCL has policies like Code of Conduct, Whistle Blower Policy, Grievance Redressal Policy and POSH policy to ensure sound implementation of processes and procedures with respect to human rights and applicable labor regulations. All the grievances related to employees and workers are reported to the Vigilance officer appointed by the Company. The Vigilance Officer carefully investigate the case and report it to the Audit Committee. The Audit Committee analyze the investigation conducted and take a final decision on the case. Throughout the investigation it ensures that the case dealt with confidentiality and transparency.

6. Number of complaints on the following made by employees and workers:

	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Filed during the year	Pending resolution at end of year	Remark	Filed during the year	Pending resolution at end of year	Remark
Sexual Harassment	1	Nil	The ICC has held its various meetings to investigate the case and provided equal opportunities to both the Complainant and Accused to present their matter before the ICC. Subsequently, the complaint was withdrawn by the Complainant and hence ICC closed the matter.	Nil	Nil	-
Discrimination at workplace	Nil	Nil	-	Nil	Nil	-
Child Labour	Nil	Nil	-	Nil	Nil	-

	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Filed during the year	Pending resolution at end of year	Remark	Filed during the year	Pending resolution at end of year	Remark
Forced Labour/ Involuntary Labour	Nil	Nil	-	Nil	Nil	-
Wages	Nil	Nil	-	Nil	Nil	-
Other human rights related issues	Nil	Nil	-	Nil	Nil	-

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

The Company ensures that the representatives of the Internal Complaint Committee have expertise and the experience of dealing with similar cases and make sure that the Principle of Natural Justice is followed across all the cases. In addition, as part of our whistle blower policy, we provide additional protection to the complainant to prevent them from any kind of retaliation which can adversely impact their employment in the organisation. The identity of the whistle blower and complainant is kept confidential to the extent possible to avoid any adverse impact.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes, HFCL ensures that all the agreements and contracts with any party include clauses on the enforcement of the relevant labor laws. HFCL service contracts include certification and compliance requirement from the vendor.

9. Assessment for the FY23:

	% of plants and offices that were assessed (by entity or statutory authorities or third parties)
Child Labour	Nil
Forced/ Involuntary Labour	Nil
Sexual harassment	Nil
Discrimination at workplace	Nil
Wages	Nil
Others- please specify	Nil

10. Provide details of any corrective actions taken or underway to address significant risks/ concerns arising from the assessments at Qs. 9, above.

Not Applicable since no assessment conducted.

Leadership Indicators

1. Details of a business process being modified/ introduced because of addressing human rights grievances/complaints.

At HFCL, we ensure adherence to ethical standards of business. The corporate governance policies, processes and guidelines are reviewed to ensure compliance with laws and adopt best practices.

2. Details of the scope and coverage of any Human Rights due diligence conducted.

No human rights due diligence conducted by the Company during the FY23.

3. **Is the premise/ office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?**

   The Company has provided ramps and elevators at few offices and manufacturing plant at Hyderabad for the easy accessibility of differently abled employees and visitors. However, HFCL is in process of improving the accessibility for the differently abled employees and visitors at other plants/ locations across India as well.

4. **Details on assessment of Value Chain Partners:**

	% of value chain partners (by value of business done with such partners) **that were assessed:**
Child Labour	Nil
Forced/ Involuntary Labour	Nil
Sexual harassment	Nil
Discrimination at workplace	Nil
Wages	Nil
Others- please specify	Nil

5. **Provide details of any corrective actions taken or underway to address significant risks/ concerns arising from the assessment at Qs. 4 above.**

   Not Applicable

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

Essential Indicators

1. **Details of total energy consumption (in GJ) and energy intensity, in the following format:**

Parameter	**Current Financial Year 2022- 23**	**Previous Financial Year 2021- 22**
Total Energy Consumption (A)	134,331	112,543
Total Fuel Consumption (B)	4,929	7,420
Energy consumption through Other Sources (C)	0.00	0.00
Total Energy Consumption (A+B+C)	**139,260**	**119,963**
Energy intensity per rupee of turnover (Total energy consumption/turnover in rupees crores)	0.0000032	0.0000028

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

2. **Does the entity have any sites/ facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Yes/No)**

   If "Yes," disclose whether targets set under the PAT Scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

   Not Applicable as none of our sites come under PAT Scheme as Designated Consumers.

3. Provide details of the following disclosures related to water, in the following format:

Parameter	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
WATER WITHDRAWAL BY SOURCE (IN KILOLITERS)		
(i). Surface Water	0	0
(ii). Groundwater	8,256	8,880
(iii). Third Party Water	25,200	24,337
(iv). Seawater/ Desalinated water	0	0
(v). Others (Tanker, third-party water, and rainwater harvesting)	35,701	34,118
Total Volume of water withdrawal (in KL) (i + ii + iii + iv + v)	69,157	67,335
Total volume of water consumption (in KL)	69,157	67,335
Water intensity per rupee of turnover (Water consumed/ turnover (Rs crores))	0.0000016	0.0000016

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

4. Has the entity implemented a mechanism for Zero Liquid Discharge (ZLD)? If "Yes," provide details of its coverage and implementation.

Yes, we have implemented Zero Liquid Discharge mechanism at all our manufacturing plants. To avoid any discharge of the untreated water outside the premises, we have installed appropriate number of Sewage Treatment Plants at all the locations. The treated water is then used in gardening as well as in washrooms.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
NOx	Tonnes/year	0.19	0.27
SOx	Tonnes/year	1.83	1.81
Particulate Matter (PM)	Tonnes/year	0.05	0.06
Persistent organic pollutant (POP)	Not applicable		
Volatile organic compounds (VOC)			
Hazardous air pollutant (HAP)			

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

6. Please provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) and its intensity, in the following format:

Parameter	Please specify unit	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
Total Scope 1 Emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tonnes of CO_2 equivalent	539	533
Total Scope 2 Emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tonnes of CO_2 equivalent	23,295	27,489
Total Scope 1 and Scope 2 emissions per rupee of turnover		**0.00000054**	**0.00000064**

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

7. Does the entity have any project related to reducing Greenhouse gas emissions?

If "Yes," then provide details.

HFCL is committed to the protection of the environment and mitigate the impact of its operations on environment by implementing initiative-taking energy efficiency programs and technologies. Over the last few years, we have emphasised on use of latest, efficient and environment friendly technologies and processes in the production, packaging/storage and transportation of products to reduce our Carbon footprints.

Illustration of the energy efficient initiatives undertaken by HFCL: -

- Our office building for Optical Fiber Plant developed with Double Layer Glass Facade to conserve energy due to less requirement of light and cooling requirements.
- Entire utility equipment is monitored and controlled through Smart BMS (Building Management System) to have real time monitoring of critical parameters and optimum use of energy.
- All air handling units are designed with high efficiency DIDW fans with VFD drive instead of Belt drive and are operated with closed loop system with field control system to optimise energy consumption.
- All motors in the facility equipped with soft starters instead of the conventional switch gear starters for energy conservation and reduction of electrical spikes.
- All plant lightings designed with LED luminaires to save energy.
- High efficiency UPS installed with 96% efficiency.
- All centrifugal chillers equipped with VFD drive, ATC to maintain desired approach, thereby conserve electrical energy.
- All chilled and process water pumps are equipped with VFD drive to optimise Energy consumption.
- Humidifiers designed with high efficiency Humifog system to conserve electrical energy.
- Cable Plant designed with provision of sufficient natural air & light to reduce the Cooling & illumination requirements.
- Cross Air Ventilation & Turbo Ventilators installed wherever applicable.
- 02-Inch Rockwool Insulation is provided to prevent heat, inside the Roof.
- New motors are above IE3 energy efficient therefore electricity consumption reduction in comparison to standard motors.
- HVAC system is of environment friendly R407C refrigerant gas.
- 40% reduction in fuel- diesel consumption by optimising forklift operations in the year 2021-22 at Goa facility.

Other Energy efficient products/solutions as illustrated below:

- Developed new-generation wireless point-to-point and point-to-multipoint connectivity solutions with improved energy efficiency while delivering higher capacity.
- Developing new generation 5G wireless radio products with energy efficiency features. These products include indoor small cell base stations and O-RAN compliant outdoor Macro Radio and mmWave FWA CPE products.
- The energy efficient 5G products operating in n78 band with 1) integrated base station architecture, and 2) O-RAN compliant disaggregated architecture.
- Outdoor mmWave CPE products support SA and NSA mode of operations and offer energy saving features like discontinuous transmission and reception (DRX).
- The research team is working on developing energy efficient waveforms that could potentially be part of 6G technology standards.

8. Provide details related to waste management by the entity, in the following format:

Parameter	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
TOTAL WASTE GENERATED (IN METRIC TONNES)		
Plastic Waste (A)	351	385
E-Waste (B)	0.14	0.11
Bio-medical Waste (C)	0	0
Construction and Demolition Waste (C&D) (D)	223	1,112
Battery Waste (E)	0	10
Radioactive Waste (F)	0	0
Other Hazardous Waste generated (G) (Please specify, if any)	83	98
Other Non-Hazardous Waste generated (H) (Please specify, if any)	1,181	808
Total Waste Generated (A+B+C+D+E+F+G+H)	**1,838.14**	**2,413.11**

Parameter	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
FOR EACH CATEGORY OF WASTE GENERATED, TOTAL WASTE RECOVERED THROUGH RECYCLING, RE-USING OR OTHER RECOVERY OPERATIONS (IN METRIC TONNES)		
Category Waste Name:		
(i). Recycled	770	822
(ii). Re-used	0	0
(iii). Other recovery operations	0	0
Total	**770**	**822**
FOR EACH CATEGORY OF WASTE GENERATED, TOTAL WASTE DISPOSED BY NATURE OF DISPOSAL METHOD (IN METRIC TONNES)		
Category Waste Name:		
(i). Incineration	77	96
(ii). Landfilling	229	1,114
(iii). Other disposal operations	763	383
Total	**1,069**	**1,593**

Note: Following hazardous waste generated at our plants.

1. Goa manufacturing plant- Used oil, discarded containers, contaminated cotton rags, waste residue containing oil, spent solvent.
2. Solan manufacturing plant- Solder Dross
3. Hyderabad Manufacturing Plant- Used oil, spent resin, oil soaked cotton waste, chemical cans, soft graphite felt, Isopropanol, MEK, Acetone, IBC coating cans, HFs.

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

9. **Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.**

In alignment with our commitment to zero waste to landfills by the year end 2024, a comprehensive waste management plan is in place at all the locations of HFCL. We ensure that each type of waste generated categorised and segregated at the source level. The hazardous waste generated is collected, transported and disposed through a CPCB authorised vendor as per the regulations whereas the non-hazardous waste is either reused/ recycled within the operations (wherever possible) or processed through an appropriate mechanism by the authorised vendors. In addition, we ensure that all the raw materials used to manufacture Optical Fiber and Optical Fiber Cables are Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorisation 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 07/01/2023. Furthermore, HFCL promotes the manufacturing of modern designs with reduced level of jelly or no jelly and replacing it with the use of dry water blocking materials and switched to 90% of designs with dry core construction. These dry tube/dry core designs help in reduction in use of petroleum products.

10. **If the entity has operations/ offices in & around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones, etc.) where environmental approvals/ clearances are required, please specify details in the following format:**

S. No.	Location of operations/ offices	Type of operations	Whether the conditions of environmental approval/ clearance are being complied with? (Yes/No) If "No," the reasons thereof and corrective action taken, if any.
Not applicable as none of our sites are in ecologically sensitive areas.			

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year 2022- 23:

Name and brief of the project	EIA Notification No.	Date	Whether conducted by independent agency (Yes/No)	Results communicated in public domain (Yes/No)	Relevant Web-link
None					

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment Protection Act and Rules thereunder (Yes/ No).

If "Not," provide details of all such non-compliances, in the following format:

S. No.	Specify the law/ regulation/ guidelines which is not compliant	Provide details of the non-compliance	Any fines/ penalties/ action taken by regulatory agencies such as pollution control board or by courts	Corrective action taken if any
The Company's existing operations and offices comply with all the applicable environmental regulation of the Country and operate in accordance with the conditions provided in CTO by the Central and State Pollution Control Boards. Furthermore, no cases of non-compliance reported by the authorities.				

Leadership Indicators

1. Provide breakup of the total energy consumed (in GJ) from Renewable Energy and Non-Renewable sources, in the following format:

Parameter	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
FROM RENEWABLE SOURCES (IN GJ)		
Total electricity consumption (A)	0	0
Total fuel consumption (B)	0	0
Energy consumption through other sources (C)	0	0
Total energy consumed from renewable sources (A+B+C)	**0**	**0**
FROM NON-RENEWABLE SOURCES (IN GJ)		
Total electricity consumption (D)	134,331	112,543
Total fuel consumption (E)	4,929	7,420
Energy consumption through other sources (F)	0	0
Total energy consumed from non-renewable sources (D+E+F)	**139,260**	**119,963**

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

2. **Provide the following details related to water discharge:**

Parameter	Current Financial Year 2022-23	Previous Financial Year 2021-22
WATER DISCHARGE BY DESTINATION AND LEVEL OF TREATMENT (IN KILOLITRES)		
(i). To Surface Water	We have implemented Zero Liquid Discharge (ZLD) at all our manufacturing plants by establishing Sewage Treatment Plants which employs preliminary, primary, secondary and tertiary processes to remove contaminants. It also includes sludge treatment to meet microbial standards, ensuring effective purification of the wastewater. The treated water then used for gardening and in washrooms.	
- No treatment		
- With treatment- please specify level of treatment		
(ii). To Ground Water		
- No treatment		
- With treatment- please specify level of treatment		
(iii). To Seawater		
- No treatment		
- With treatment- please specify level of treatment		
(iv). Sent to Third Parties		
- No treatment		
- With treatment- please specify level of treatment		
(v). Others		
- No treatment		
- With treatment- please specify level of treatment		
Total water discharged (In kiloliters)		

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

3. **Water withdrawal, consumption and discharge in areas of 'Water Stress' (in kilo liters):**

For each facility/ plant located in areas of water stress, provide the following information:

i. **Name of area- Not Applicable as none of our sites are in water stress area**

ii. **Nature of operations- Not Applicable**

iii. **Water withdrawal, consumption and discharge in the following format:**

Parameter	Current Financial Year 2022-23	Previous Financial Year 2021-22
WATER WITHDRAWAL BY SOURCE (IN KILOLITRES)		
(i). Surface Water	NA	NA
(ii). Ground Water	NA	NA
(iii). Third Party Water	NA	NA
(iv). Seawater/ Desalinated Water	NA	NA
(v). Others	NA	NA
Total volume of water withdrawal (in KL)	**NA**	**NA**
Total volume of water consumption (in KL)	**NA**	**NA**
Water intensity per rupee of turnover (Water consumed/ turnover)	NA	NA
Water intensity (optional)- the relevant metric may be selected by the entity	NA	NA

Parameter	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
WATER DISCHARGE BY DESTINATION AND LEVEL OF TREATMENT (IN KILOLITRES)		
(i). To Surface Water	NA	NA
- No treatment	NA	NA
- With treatment- please specify level of treatment	NA	NA
(ii). To Ground Water	NA	NA
- No treatment	NA	NA
- With treatment- please specify level of treatment	NA	NA
(iii). Sent to Third Party Water	NA	NA
- No treatment	NA	NA
- With treatment- please specify level of treatment	NA	NA
(iv). Into Seawater	NA	NA
- No treatment	NA	NA
- With treatment- please specify level of treatment	NA	NA
(v). Others	NA	NA
- No treatment	NA	NA
- With treatment- please specify level of treatment	NA	NA

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

4. **Please provide details of total Scope 3 emissions and its intensity, in the following format:**

Parameter	Please specify unit	Current Financial Year 2022- 23	Previous Financial Year 2021- 22
Total Scope 3 Emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tonnes of CO_2 equivalent	Presently, the Company is not estimating scope 3 emissions. However, we intend to estimate the same in the near future.	
Total Scope 3 emissions per rupee of turnover			
Total Scope 3 emission intensity (optional)- the relevant metric may be selected by the entity			

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Yes/No). If "Yes," name the external agency. No

5. **With respect to the ecologically sensitive areas reported in Qs. 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along with prevention and remediation activities.**

   Not Applicable

6. **If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions/ effluent discharge/ waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:**

S. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along with summary)	Outcome of the Initiative
1.	Zero Waste to Landfill	Initiatives undertaken to divert waste disposal from landfilling to alternate/sustainable disposal methods.	Waste diverted from landfilling to AFR/Recycling
2.	Water Management	• STP with capacity of 30 KLD and 35 KLD at Goa and Hyderabad locations respectively to recycle wastewater and reuse the recycled water within the premises. • Storm Drains for Rainwater Harvesting and 8 Ground Water Recharge Pits connected with Storm drains to ensure water conservation initiatives.	Improved water conservation

S. No.	Initiative undertaken	**Details of the initiative** (Web-link, if any, may be provided along with summary)	Outcome of the Initiative
3.	Energy Management	• Installation of Smart BMS to optimise use of energy use and AHUs equipped with high efficiency DIDW fans with VFD drive to drive energy optimisation. • Installation of Soft Starters for all motors used in the facility, adoption of LEF luminaires to conserve energy and installation of high-efficient (96% efficient) UPS to promote energy efficiency.	Energy Saving and conservation
4.	Plastic Reduction	Developed Nex Gen products that aids in reducing and minimising use of plastic materials (PBT & HDPE) in line with Company's commitment towards no plastic usage in operations and packaging.	Reduction in use of PBT 54% & HDPE 25% for Cable manufacturing
5.	SIGMA AIR MANAGER 4.0.-for all compressor and dryer	The control of the compressed air station is optimised for maximum efficiency. The SIGMA AIR MANAGER 4.0 introduces a new level of adaptive, efficient and networked compressed air management.	This advanced system coordinates the operation of multiple compressors, dryers and filters with exceptional efficiency, providing unprecedented control and performance.

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web-link.

The Company is certified for ISO 22301: 2019 for Goa Plant and has established business continuity, disaster recovery plans, & emergency management plans. HFCL has formulated detailed Standard Operating Procedures for effective business continuity management system and disaster management action plan. To ensure these plans are robust and effective, HFCL plans training and awareness sessions periodically. Regular testing also conducted to check their efficiency and further improvement.

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.

Not available

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

Nil

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators

1. (a). **Number of affiliations with trade and industry chambers/ associations.**

   7

   (b). **List the top 10 trade and industry chambers/ associations (determined based on the total numbers of such body) the entity is member of/ affiliated to.**

S. No.	Name the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/ National)
1.	O-RAN Alliance	International
2.	The Associated Chambers of Commerce and Industry of India (ASSOCHAM)	National
3.	Federation of Indian Chamber of Commerce and Industry (FICCI)	National
4.	Confederation of Indian Industry (CII)	National
5.	Telecom Equipment Manufacturers Association of India	National
6.	Telecom Equipment and Services Export Promotion Council	National
7.	Goa Chamber of Commerce & Industry and Verna Industrial Association	State

2. **Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.**

Name of authority	Brief of the Case	Corrective action taken
	Not Applicable	

Leadership Indicators

1. **Details of public policy positions advocated by the entity:**

S. No.	Public policy advocated	Method resorted for such advocacy	Whether information available in public domain (Yes/No)	Frequency of Review by Board	Web Link, if available
The Company through industry associations and forums drives a positive change in the policy advocacy for the betterment of the sector and for the societal benefit. One such instance is, HFCL's association with O-RAN alliance, a global community of mobile network operators, vendors and research and academic institutions in the radio access network industry working together to build much more intelligent, open, virtualised and fully interoperable mobile networks. HFCL aims to integrate and validate its 5G products and solutions with other members and contributors to the O-RAN alliance.					

Principle 8: Businesses should promote inclusive growth and equitable development

Essential Indicators

1. **Details of Social Impact Assessments (SIA) projects undertaken by the entity based on applicable laws, in the current financial year 2022- 23:**

Name and brief detail of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes/ No)	Results communicated in public domain (Yes/No)	Relevant web-link
		Not Applicable			

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

S. No.	Name of the project for which R&R is ongoing	State	District	No. of project affected families (PAFs)	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (in ₹)
Not Applicable						

3. Describe the mechanisms to receive and redress grievances of the community.

As per the Memorandum of Understanding (MoU), the responsibility of addressing community concerns falls upon our CSR Project partners. They manage these matters in accordance with their own specific guidelines, ensuring that grievances are promptly addressed. To facilitate this process, we have designated Social Protection Officers and Project Coordinators for each project. Their role is to ensure smooth project operations and align them with the expected outcomes outlined in the MoU.

We also actively engage with the local community leaders and directly communicate with the community to receive their grievances, complaints and suggestions. We understand the importance of hearing directly from the serving community. As soon as we receive such feedback, we promptly address these concerns and forward them to the Project partners for swift action and resolution.

Post grievance resolution, the Project partner informs us in a comprehensive manner about the specific mode of redressal and the corrective measures taken to prevent similar service delivery lapses in the future.

4. Percentage of input material (input to total inputs by value) sourced from suppliers:

	Current Financial Year 2022-23	Previous Financial Year 2021-22
Directly sourced from MSMEs/ Small producers	27.97%	25.78%
Sourced directly from within the district and neighboring districts	3.60%	4.52%

Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference Qs. 1 of Essential Indicators, above).

Details of negative social impact identified	Corrective action taken
Not Applicable	

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

S. No.	State	Aspirational District	Amount Spent (in ₹)
We do not currently have any projects running in Aspirational Districts.			

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised/ vulnerable groups? (Yes/No)

No

(b) From which marginalised/ vulnerable groups do you procure?

NIL

(c) What percentage of total procurement (by value) does it constitute?

NIL

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year 2022- 23), based on traditional knowledge:

S. No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit Shared (Yes/ No)	Basis of calculating benefit share
Not Applicable				

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Name of authority	Brief of the Case	Corrective action taken
Not Applicable		

6. Details of beneficiaries of CSR Projects:

S. No.	CSR Project	No. of persons benefited from CSR Projects	% Beneficiaries from vulnerable & marginalised groups
1	**Mobile Medical Unit (MMU) Project:** HFCL under its CSR initiatives, driven by a passion for better health outcomes for all, has partnered with HelpAge India and Wockhardt Foundation to conduct groundbreaking preventive healthcare initiatives across five states in India. With HelpAge India leading the charge in Himachal Pradesh (Solan), Goa and Rajasthan (Sardarsahar) and Wockhardt Foundation taking the reins in Uttar Pradesh (Ghazipur), Telangana (Hyderabad) and these initiatives have reached the farthest corners of the rural areas and benefiting thousands of underprivileged households. With a clear focus on providing preventive healthcare at the doorstep, HFCL's Mobile Medicare Unit Projects have been a game-changer, five mobile medical units (MMUs) are currently operational, delivering preventive healthcare facilities to over 500 beneficiaries every working day and the numbers are staggering – the MMUs has already provided more than 8,00,000 treatments till date and the count is still on. Each MMU is staffed by a team of healthcare professionals comprising an MBBS doctor, a lab technician and a pharmacist. The MMUs is equipped to offer diagnostics, medicines, pathological tests, cardiographs and more, all available to beneficiaries free of cost. The CSR Partners manage day-to-day operations and mobilise greater participation from targeted communities through MSW qualified Social Protection Officer (SPO).	143,662	100%
2	**St. Stephen's Hospital Patients Welfare Society: Advanced Healthcare Services:** HFCL has partnered with St. Stephen's Hospital Patients Welfare Society to offer advanced medical relief for corrective surgeries under the guidance of the renowned polio warrior Dr. Mathew Varghese.	51	100%
3	**All India Heart Foundation:** For years, the National Heart Institute had been a beacon of excellence in cardiac care, providing cutting-edge treatments to patients from all over the country. However, despite their best efforts, there were still who could not afford the medical expenses associated with heart surgeries and treatments. This is where HFCL came into the picture. With a mission to make quality healthcare accessible to all, HFCL had endured that the financial barriers were no longer a hurdle for those who needed heart surgeries but were unable to afford them. And with this new partnership, a new era of hope had dawned, where patients from all social classes could receive the best possible treatment and care. The core of this partnership was a common vision - a vision to make a positive impact on people's lives and provide hope for those who were unable to afford it.	9	100%

S. No.	CSR Project	No. of persons benefited from CSR Projects	% Beneficiaries from vulnerable & marginalised groups
3	**Hari Prem Society (Computer Skilling):** In a world where digital literacy is becoming a necessity, HFCL and Hari Prem Society are collaborating to provide computer skill training to underprivileged youth in Ghazipur, Uttar Pradesh. This impactful initiative is opening doors to brighter career prospects for these young learners in the digital age. The program designed to equip these youth with the latest computer skills and knowledge, empowering them to become job-ready and competitive in today's rapidly evolving job market. Through this powerful partnership, HFCL is transforming lives and creating opportunities for these deserving youth. With the tools they need to succeed, these students can now confidently take on new challenges and pursue their dreams with passion and determination.	645	100%
4	**Samarpan:** In a world where we take education and proper nutrition for granted, it is unfortunate that still many struggles to obtain these necessities. However, HFCL and Samarpan Foundation joined hands to address this issue by extending a helping hand to the street children of Delhi. Our CSR initiative aimed at providing these children with a solid foundation through basic education and nutritious meals. The program specifically targets those who are homeless or the children of casual migrant workers living on the streets or in unauthorised areas. Its goal is to bridge the gap between their current situation and the mainstream education system. Not only do we provide these young ones with the opportunity to gain experience, but we also ensure they receive nourishing food to fuel their growth and development. Furthermore, the program guarantees enrolment in regular schools, which paves the way for a brighter future.	123	100%
5	**Balvantray Mehta Vidya Bhawan ASMA:** Amidst a world that often overlooks the needs of the differently abled, HFCL has taken a bold and initiative-taking stance. We have pledged to support the educational needs of DIVYANG children from marginalised communities through our transformative CSR initiative, 'SAMARTH.' By adopting students and providing them with all their academic expenses at Balwantray Mehta Vidya Bhawan School in Greater Kailash – II, New Delhi, we are making an immense impact on their lives. For these exceptional children, this school is more than just an institution of learning. It has become a haven, a sanctuary that provides the support and resources they need to thrive and succeed. As part of our unwavering commitment to this cause, we have also generously provided a grant for transportation, a Smart Class System, and renovation of the Printing Press at the school. Our goal is to create a society that is inclusive and equitable, where every child has access to the education and resources they need to grow and succeed. Through our SAMARTH initiative, we hope to empower these children with the tools and skills they need to reach their full potential and achieve their wildest dreams.	46	100%
6	**Care and Compassion Welfare Organisation:** The partnership between HFCL and Care and Compassion Welfare Organisation in the field of animal welfare aims to demonstrate care and compassion towards voiceless animals. This collaborative project focuses on implementing population control measures for stray dogs through organised sterilisation drives for spaying and castration, administering rabies vaccinations to stray dogs, promptly attending to injured animals, facilitating medical treatment for terminally ill animals and those abandoned on the streets.	2,000	-

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

Essential Indicators

1. **Describe the mechanisms in place to receive and respond to consumer complaints and feedback.**

   HFCL has a structured customer complaint handling system, where customers can provide their complaint / feedback by sending an email to their respective account manager or to the complaint management representative of the plant. The Complaints are resolved as per defined timelines based on the nature of the complaint.

2. **Turnover of products and/services as a percentage of turnover from all products/services that carry information about:**

	As percentage to total turnover
Environmental and social parameters relevant to the product	100%
Safe and responsible usage	100%
Recycling and/or safe disposal	100%

3. **Number of consumer complaints in respect of the following:**

	Current Financial Year 2022- 23			Previous Financial Year 2021- 22		
	Received	Pending at end of year	Remark	Received	Pending at end of year	Remark
Data Privacy	NA	NA	NA	NA	NA	NA
Advertising	NA	NA	NA	NA	NA	NA
Cyber-security	NA	NA	NA	NA	NA	NA
Delivery of essential services	NA	NA	NA	NA	NA	NA
Restrictive Trade Practices	NA	NA	NA	NA	NA	NA
Customer Complaints	1	0	NA	2	0	NA

4. **Details of instances of product recalls on account of safety issues:**

	Number	Reasons for recall
Voluntary Recalls	0	
Forced Recalls	0	Not Applicable

5. **Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No).**

   If available, provide a web-link of the policy.

   Yes, Policy is placed on website of the Company at https://www.hfcl.com/privacy-policy.

6. **Provide details of any corrective actions taken or underway on issues relating to advertising and delivery of essential services, cyber security and data privacy of customers; re-occurrence of instances of product recalls, penalty/ action taken by regulatory authorities on safety of products/ services.**

   Not Applicable

Leadership Indicators

1. **Channels/ platforms where information on products and services of the entity can be accessed (provide web link, if possible)**

   Website, social media, Product manuals, datasheets, brochures, Customer Service Portal, Call Centre

   1. https://hfcl.com/
   2. https://www.linkedin.com/company/hfcl-limited/
   3. https://instagram.com/hfcllimited?igshid=NjIwNzIyMDk2Mg==
   4. https://io.hfcl.com/
   5. https://www.linkedin.com/company/iobyhfcl/
   6. https://twitter.com/iobyhfcl?lang=en
   7. https://www.instagram.com/iobyhfcl/?hl=en

2. **Steps taken to inform and educate consumers about safe and responsible usage of products and/ or services.**

   We have created user manuals or guides that are easy to understand, written in plain language and include step-by-step instructions for safe and responsible usage. We also offer customer support channels where consumers can ask questions about product usage or report any issues. Additionally, we also provide product training sessions, especially for complex products or services.

3. **Mechanism in place to inform consumers of any risk of disruption/ discontinuation of essential services.**

   We use social media platforms and public relations channels to disseminate information about any potential disruptions or discontinuations. In addition, channels like emails, phone and WhatsApp also used to respond to customer inquiries and concerns promptly as well.

4. (a) **Does the entity display product information on the product over and above what mandated as per the local laws? (Yes/ No/ Not Applicable).**

   If "Yes," provide details in brief.

   Yes, the product datasheet are shared along with quotation and cables are manufactured based on approved datasheet.

   (b) **Did your entity carry any survey about customer satisfaction relating to the major products/ services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/ No).**

   A biannual survey of customer satisfaction carried.

5. **Provide the following information relating to data breaches:**

   (a). **Number of instances of data breaches along-with impact:**

   Nil

   (b). **Percentage of data breaches involving personally identifiable information of customers.**

   Not Applicable

Independent Auditors' Report

To The Members of **HFCL Limited**

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying standalone financial statements of **HFCL LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2023, 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 (hereinafter referred to as the "standalone 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 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, and its profit, total comprehensive income, changes in equity and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 ("ICAI") together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matters	Auditor's Response
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, 2023, revenue from customer contracts amounts to ₹4,395.68 crores whereas as at March 31, 2023, contract assets amount to ₹318.32 crores, the balance of work in progress (WIP) amounts to ₹174.15 crores and retention amounts to ₹239.79 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 recognised 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.	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 recognised 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	Auditor's Response
	(Refer Notes 31 to the standalone financial statements). During order fulfilment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognised 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. 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 ₹2207.46 crores as of March 31, 2023 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 ₹19.29 crores as at March 31, 2023. Refer Note 15 to the standalone financial statements	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; • 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 manages 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 Company's accounting policies with respect to provisions for impairment of receivables. The level of the provision made against accounts receivables including credit impaired receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3.	**Recoverability of project and other vendor advances** As at March 31, 2023, current financial assets include ₹456.86 crores in respect of project and other vendor advances 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 project and other vendor 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 project and other vendor advances as a key audit matter. Refer Note 19 to the Standalone Financial Statements.	Our audit procedures involve the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; • Assessment of the Company's procurement policy outlining authority for approving and responsibility to manage vendor advances; • Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; • Analytical procedures and inquiries with Business Area; • Obtain balance confirmations from selected parties to ensure existence thereof • Review of Purchase orders and/or agreements for selected parties and enquire management regarding reasons for unsettled advances as on date. We agree with management's view that there is no reduction in the value of the advances outstanding in the books.

S. No.	Key Audit Matters	Auditor's Response
4.	**Recoverability relating to Goods and Services Tax recoverable:** As at March 31, 2023, under other current assets, indirect taxes recoverable include ₹161.10 crores in respect of GST Input Tax credit receivables. The Company has accounted for input credit on material and services received from suppliers and is carrying out continuous process of reconciliation. We focused on management's estimate of getting input tax credit which involves significant judgment. Refer Note 21 to the Standalone Financial Statements.	Our audit procedure involves the following activities: • Assessing and updating our understanding of internal control over financial reporting with respect to recording of invoices of suppliers • Reviewing the management continuing process for reconciliation, updation and follow up with the vendors. We have relied upon the management's assessment.
5.	**Recoverability and Contingencies relating to other Indirect tax matters** As at March 31, 2023, "Indirect Tax Recoverable" includes ₹4.06 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. • Inspecting 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 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 and Sustainability Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditors' report thereon. The other information comprising the above documents is expected to be made available to us after the date of this auditors' 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 Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 is also responsible for overseeing the Company's financial reporting process.

AUDITORS' 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 foreign 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 auditors' 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

The Standalone Financial Statements includes financial performance of three foreign branches which reflects total assets of ₹75.27 crores, total revenue of ₹52.95 crores, Net Profit after tax of ₹8.69 crores and total comprehensive income of ₹8.42 crores and net cash outflow amounting to ₹0.16 crores for the year ended on 31st March 2023, which were audited by respective independent branch auditors. The independent branch auditor's report on the financial statements of these branches have been furnished to us by the management and our opinion on the standalone financial statements, in so far as it relates to the amounts and disclosures included in respect of these branches is solely based on the report of such independent branch auditor's.

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, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, 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, based on our audit, 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 have been furnished to us by the management of the Company and have been properly dealt with by us in preparing this report.

d) the Standalone Balance Sheet, the Standalone Statement of Profit and Loss including Other Comprehensive Income, the Standalone Statement of Cash Flows and Standalone 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 Ind AS specified under Section 133 of the Act, read with relevant rules made thereunder.

f) On the basis of the written representations received from the directors as on March 31, 2023, taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2023 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". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to standalone financial statements.

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, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 48 to the standalone 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 48 to the standalone financial statements;

iii. There has been no delay in transferring amount, required to be transferred, to the Investor Education and Protection Fund by the Company

iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. (a) The final dividend declared and paid by the Company during the year is in accordance with Section 123 of the Act, as applicable.

(b) As stated in Note 42 to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.

vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **S Bhandari & Co. LLP**
Chartered Accountants
Firm Registration No. 000560C/C400334

(P. D. Baid)
Partner
Membership No: 072625
UDIN: 23072625BGXCTF5627

Place: New Delhi
Date: May 08, 2023

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 23054645BGYNGI5435

Place: New Delhi
Date: May 08, 2023

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 of even date)

To the best of our information and according to the explanations provided to us by the Company and the books of account and records examined by us in the normal course of audit, we state that:

i. In respect of the Company's Property, Plant and Equipment and Intangible Assets:

(a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment. (B) The Company has maintained proper records showing full particulars of intangible assets.

(b) 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 having regard to sise of the Company and the nature of its assets. Pursuant to the program, physical verification of the (Property, Plant and Equipment) was carried out during the year by the management and according to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favor of the lessee) disclosed in the financial statements are held in the name of the Company except the following:

Description of property	Gross carrying value (₹ in crores)	Held in the name of	Whether promoter, director or their relative or employee	Period held- indicate range, whether appropriate	Reason for not being held in name of the Company
Leasehold land at Solan	0.28	State Government of Himachal Pradesh	No	Since 23rd September,1994	Property is under dispute for titleship
Freehold land at Jaipur	1.64	Erstwhile amalgamated Company	No	Since 05th January, 2011	Subject to Mutation of properties
Freehold Land at Telangana	12.41	Telangana State Industrial Infrastructure Corporation Limited (TSIIC)	No	Since 5th September, 2022	Subject to fulfilment of stipulated conditions

(d) The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) and intangible assets during the year. Hence reporting under clause 3 (i) (d) of the Order is not applicable.

(e) As informed by the management, no proceedings have been initiated during the year or are pending against the Company as at March 31, 2023 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended 2016) and rules made thereunder. Hence reporting under clause 3 (i) (e) is not applicable.

ii. (a) 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 size, nature and location of inventory, the coverage and procedure of such verification by the management its appropriate and no discrepancies of 10% or more in aggregate for each class of inventory were noticed on such verification.

(b) The company has been sanctioned working capital limits in excess of five crores rupees, in aggregate, from banks on the basis of security of current assets. As per the information and explanation given to us and as disclosed in the Note 25 of the standalone financial statement, the quarterly returns or statements filed by the company with banks are in agreement with the books of accounts of the Company.

iii. The company has made investments in, provided guarantee, security, granted loans and advances in the nature of loans, secured or unsecured, to companies and other parties

(a) The aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans and guarantees to,

(A) Subsidiaries and jointly controlled entities:

Particulars	Guarantees (₹ in crores)	Securities (In Numbers)	Loans (unsecured) (₹ in crores)	Advances in nature of loans (₹ in crores)
Aggregate amount granted / provided during the year	Nil	Nil	44.08	Nil
Balance outstanding as at balance sheet date	248.00	3,58,500 (Shares of HTL Limited Pledged against loan given to subsidiary)	73.58	72.00

(B) Other than subsidiaries and jointly controlled entities:

(Amount in ₹ crores)

	Guarantees	Loans	Advances in nature of loans
Aggregate amount granted/provided during the year	Nil	Nil	Nil
Balance outstanding as at balance sheet date	20.16	16.50	Nil

(b) In our opinion, the investments made, guarantees provided, security given and the terms and conditions of grant of loans and guarantees provided are not prima facie, prejudicial to the Company's interest.

(c) In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and the repayments of principal amounts and receipts of interest are generally been regular as per stipulation, except delay in the following cases:

Name of the Entity	Gross amount (in crores)	Due date	Extent of delay
Raddef Private Limited	0.66 (interest)	March 10, 2023	22 days
Satvik securities Private Limited	0.45 (interest)	January 7, 2023	84 days
ESHAN Financial Services Private Limited	0.45 (interest)	December 24, 2022	98 days
Fair deal Enterprises	0.20 (interest)	October 16, 2022	167 days

(d) In respect of loans granted by the Company, there is no overdue amount for more than 90 days remaining outstanding as at the balance sheet date except in following cases

No. of cases	Principle amount overdue (in crores)	Interest Overdue (in crores)	Total Overdue (in crores)
2	-	0.65	0.65

(e) Loan granted by the Company which has fallen due during the year and has been extended by entering mutual agreements.

Name of the parties	Aggregate amount of existing loans extended (₹ In crores)	Percentage of the aggregate to the total loans granted during the year
Raddef Private Limited	2.00	4.54%

(f) The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment. Hence, reporting under clause 3 (iii) (f) is not applicable.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of loans granted, investments made and guarantees and securities provided, where applicable.

v. The Company has not accepted any deposit or amounts which are deemed to be deposits within the meaning of the provisions of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and rules framed there under. Hence, reporting under clause 3 (v) is not applicable.

vi. As per information and explanation given to us by the management, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the production of goods and services rendered by the Company. Hence reporting under clause 3(vi) of the order is not applicable.

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

(a) In our opinion, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Duty of Custom, Value added tax, Cess other statutory dues applicable to it with the appropriate authorities except delay in depositing of Goods and Services Tax (GST) and Income Tax.

There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Services Tax, Service Tax, duty of Custom, Sales Tax, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2023 for a period of more than six months from the date they became payable.

(b) Details of statutory dues including Sales Tax, Value Added Tax, Income Tax, Excise Duty, Custom Duty and Service Tax which have not been deposited as on March 31, 2023 on account of disputes 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, 2004	Sales Tax	2,10,76,837/-	2009-10 & 2010-11	Addl. Commissioner, Department of Trade & Taxes, New Delhi	₹16,00,000/- Paid
Mumbai Value Added Tax, 2002	Sales Tax	3,69,96,738/-	2014-15	Joint Commissioner of Sales Tax (Appeal), Mumbai	-
Delhi Value Added Tax Act, 2004	Sales Tax	12,27,714/-	2015-16	Asst. VATO, Department of Trade & Taxes, New Delhi	-
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
Mumbai Value Added Tax, 2002	Sales Tax	98,24,593/-	2013-14	Joint Commissioner of Sales Tax (Appeal), Mumbai	₹23,89,741/- Paid
Central Excise Tariff Act, 1985	Excise Duty	82,17,348/-	2005-06	Central, Excise and Service Tax Appellate Tribunal, Mumbai	Provision already made amounting to ₹47,25,005/-
Finance Act, 1994	Service Tax	8,86,93,872/-	2017-18	Asst. Commissioner (Circle-11), Audit-II, New Delhi	₹1,00,00,000/- Paid
GST	Goods & Service Tax	20,40,125/-	2019-20	Assistant Commissioner of State Tax Raipur – 4	-
Central Excise Tariff Act,1985	Excise duty	37,37,000/-	2014-15	High court, Shimla	The matter has been decided in the favour of the Company but the department has preferred appeals at higher level

viii. According to the information and explanations given to us and records examined by us, there are no transactions that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Hence, reporting under clause 3 (viii) is not applicable.

ix. (a) According to the information and explanations given to us and records examined by us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender as at the Balance Sheet date. The Company has not taken any loan/ borrowing from Financial Institution or Government.

(b) According to the information and explanations given to us and records examined by us, the Company has not been declared willful defaulter by any bank or financial institution or other lender. Hence, reporting under clause 3 (ix) (b) is not applicable.

(c) 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.

(d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.

(e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries and jointly controlled entities.

(f) Based on our examinations of the records and information and explanations given to us, the Company has not raised loans during the year on the pledge of securities held in its subsidiaries and jointly controlled entities . Hence, reporting under clause 3 (ix) (f) is not applicable.

x. (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) is not applicable.

(b) Based on our examinations of the records and information and explanations given to us, the Company has made private placement by way of share warrant during the year and the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with. Further, funds raised have been used for the purposes for which the funds were raised.

xi. (a) We have been informed by the management that a commercial fraud amounting to ₹4.78 crores has been done on the Company by a foreign customer to whom export of the optical fiber cables were made. A complaint has been filed by the Company with Economic Office Wing, Delhi Police. Full provision has been made against such receivables appearing under "Disputed- Credit Impaired Trade Receivables", except above no other fraud by the Company and no other material fraud on the Company has been noticed or reported during the year.

(b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year.

(c) As represented and based on our examination of records made available to us by the management, there are no whistle blower complaints received by the Company during the year. hence reporting under clause 3(xi)(c) is not applicable.

xii. The Company is not a Nidhi company and hence reporting under clause 3(xii) is not applicable.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, the transactions with related parties are in compliance with Sections 177 and 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

xiv. (a) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered the internal audit reports issued for the year under audit.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors. Hence, reporting under clause 3(xv) is not applicable.

xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence reporting under clause 3(xvi)(a), (b) and (c) is not applicable.

(b) According to the information and explanations given to us and based on our examination of the records of the Company, there are two Core Investment Companies (CIC) in the Group, which are as under:

S. No.	Name of the Company
1.	MN Ventures (P) Ltd.
2.	Nextwave Communications (P) Ltd.

xvii. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

xviii. There has been no resignation of the statutory auditors during the year. hence reporting under clause 3(xviii) is not applicable.

xix. On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date.

We however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

xx. (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, reporting under clause 3(xx)(a) is not applicable for the year.

(b) In respect of ongoing projects, the Company has deposited cheques of unspent amount for the financial year ending March 31, 2023 by opening a separate Unspent CSR account within a period of thirty days from the end of the financial year in compliance with section 135(6) of the said Act.

For **S Bhandari & Co. LLP**
Chartered Accountants
Firm Registration No. 000560C/C400334

(P. D. Baid)
Partner
Membership No: 072625
UDIN: 23072625BGXCTF5627

Place: New Delhi
Date: May 08, 2023

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 23054645BGYNGI5435

Place: New Delhi
Date: May 08, 2023

Annexure - B To The Independent Auditors' Report

(Referred to in paragraph B(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

To The Members of **HFCL Limited**

We have audited the internal financial controls over financial reporting of HFCL LIMITED ("the Company") as of March, 31, 2023 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 Management of the Company 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 Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 (hereinafter referred to as "the Act").

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing as prescribed under Section 143 (10) of the Companies act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 authorisations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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, 2023, 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. LLP**
Chartered Accountants
Firm Registration No.
000560C/C400334

(P. D. Baid)
Partner
Membership No: 072625
UDIN: 23072625BGXCTF5627

Place: New Delhi
Date: May 08, 2023

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 23054645BGYNGI5435

Place: New Delhi
Date: May 08, 2023

Balance Sheet

as at March 31, 2023

(All amounts are in ₹ crores)

Particulars	Note No(s)	As at March 31, 2023	As at March 31, 2022
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	331.88	339.92
(b) Capital work-in-progress	4	45.76	25.90
(c) Right-of-use-assets	43	17.32	24.07
(d) Intangible assets (other than Goodwill)	5	15.81	11.49
(e) Intangible assets under development	6	197.65	60.50
(f) Investment in subsidiaries and jointly controlled entities	7	53.69	42.97
(g) Financial Assets			
(i) Investments	8	37.09	32.96
(ii) Trade receivables	15	423.11	595.57
(iii) Loans	9	71.58	28.50
(iv) Others	10	113.73	105.84
(h) Deferred tax assets (net)	11	-	8.60
(i) Other non-current assets	12	19.30	10.83
Total Non Current Assets		**1,326.92**	**1,287.15**
Current Assets			
(a) Inventories	13	584.45	408.50
(b) Financial Assets			
(i) Investments	14	12.19	8.63
(ii) Trade receivables	15	1,784.35	1,804.15
(iii) Cash and cash equivalents	16	61.35	14.33
(iv) Bank balances other than (iii) above	17	235.06	490.30
(v) Loans	18	18.50	18.50
(vi) Others	19	524.48	382.54
(c) Current tax Assets (net)	20	12.85	5.03
(d) Other current assets	21	520.22	388.05
Total Current Assets		**3,753.45**	**3,520.03**
Total Assets		**5,080.37**	**4,807.18**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	137.64	137.49
(b) Other Equity	22	2,855.38	2,590.87
Total Equity		**2,993.02**	**2,728.36**
LIABILITIES			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	83.60	95.32
(ii) Lease liabilities	43	6.20	19.34
(b) Provisions	24	38.22	33.11
(c) Deferred tax liabilities (net)	11	25.55	-
Total Non Current Liabilities		**153.57**	**147.77**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	519.38	515.51
(ii) Lease Liabilities	43	13.61	7.21
(iii) Operational Buyers' Credit / Suppliers' Credit	47	168.13	-
(iv) Trade payables	26		
- total outstanding dues of Micro and Small Enterprises		55.49	178.17
- total outstanding dues to other than Micro and Small Enterprises		795.35	755.65
(v) Other financial liabilities	27	330.31	376.92
(b) Current tax liabilities (net)	28	2.48	20.98
(c) Other current liabilities	29	37.12	66.93
(d) Provisions	30	11.91	9.68
Total Current Liabilities		**1,933.78**	**1,931.05**
Total Liabilities		**2,087.35**	**2,078.82**
Total Equity and Liabilities		**5,080.37**	**4,807.18**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Statement of Profit and Loss

for the year ended March 31, 2023

(All amounts are in ₹ crores)

	Particulars	Note No(s)	For the year ended March 31, 2023	For the year ended March 31, 2022
I	**INCOME**			
	Revenue from operations	31	4,395.68	4,286.44
	Other Income	32	49.46	43.83
	Total Income (I)		**4,445.14**	**4,330.27**
II	**EXPENSE**			
	Cost of Material Consumed	33	969.24	775.63
	Other Direct Cost	34	1,022.78	1,352.29
	Purchases of stock-in trade		1,508.42	1,203.00
	Change in inventories of finished goods, work-in progress and stock-in trade	35	(105.99)	(65.70)
	Employee benefits expense	36	279.60	261.60
	Finance Costs	37	116.83	132.64
	Depreciation & amortisation expenses	3, 5,43	57.43	57.30
	Other Expenses	38	255.14	231.84
	Total Expenses (II)		**4,103.45**	**3,948.60**
III	**Profit before exceptional items and income tax (I-II)**		**341.69**	**381.67**
IV	Exceptional item		-	-
V	**Profit before tax (III - IV)**		**341.69**	**381.67**
VI	**Tax expenses**			
	- Current tax		52.97	96.96
	- Deferred Tax		34.12	1.93
VII	**Profit for the year (V-VI)**		**254.60**	**282.78**
VIII	**Other comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		0.08	0.16
	(ii) Income tax on above item		(0.02)	(0.04)
	(iii) Gain on Equity Instruments designated through OCI		3.97	2.02
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(0.49)	(0.35)
	Total Other comprehensive income for the year		**3.54**	**1.79**
IX	**Total comprehensive income for the year (VII + VIII)**		**258.14**	**284.57**
X	**Earnings per share from continuing and total operations attributable to the equity holders of the Company**	39		
	- Basic		**1.85**	**2.15**
	- Diluted		**1.85**	**2.15**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

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

Place: New Delhi
Date: May 08, 2023

Statement of Cash Flow

for the year ended March 31, 2023

(All amounts are in ₹ crores)

	Particulars		For the year ended March 31, 2023	For the year ended March 31, 2022
I.	**Cash flow from Operating Activities:**			
	Net Profit before taxes		**341.69**	**381.67**
	Adjustments for:			
	Depreciation, Impairment and Amortisation expenses	57.43		57.30
	(Gain)/Loss on disposal of property, plant and equipment	0.00		0.01
	Financial Guarantee income	(4.02)		(4.56)
	Impairment loss, Bad Debts, advances and miscellaneous balances written off	3.74		5.43
	Liquidated Damages recovered on Sales	(5.90)		-
	Unrealised gain on foreign exchange fluctuation	(6.47)		-
	Employee Share based payments expenses	0.00		(8.26)
	Dividend and interest income classified as investing cash flows	(13.67)		(12.90)
	Finance costs (net)	116.83		132.64
			147.94	**169.66**
	Change in operating assets and liabilities:			
	(Increase)/ Decrease in Trade and other receivables	201.60		567.65
	(Increase)/ Decrease in Inventories	(175.96)		(102.26)
	Increase/ (Decrease) in Trade payables	(82.98)		(717.94)
	(Increase)/ Decrease in other financial assets	(142.25)		105.05
	Increase/ (Decrease) in other financial liabilities	168.13		0.00
	(Increase)/ Decrease in other non-current assets	(3.39)		(3.21)
	(Increase)/ Decrease in other current assets	(132.17)		(151.94)
	Increase / (Decrease) in provisions	2.24		(2.36)
	Increase in other non-current liabilities	5.18		1.37
	Increase/(Decrease) in other current liabilities	(65.88)		(58.87)
			(225.48)	**(362.51)**
	Cash generated from operations		**264.15**	**188.82**
	Income taxes paid/refund (net)		(79.28)	(48.44)
	Net cash inflow from /(used in) operating activities		**184.87**	**140.38**
II.	**Cash flow from Investing activities**			
	Payment for acquisition of subsidiaries & other investments		(10.25)	(13.08)
	Capital Receipt of Subsidy on Fiber Plant		42.58	0.00
	Payments for property, plant and equipment including CWIP		(118.49)	(97.61)
	Payments for Intangible Assets		(146.92)	(37.70)
	Payment for loan to body corporates / subsidiaries		(43.08)	(17.50)
	Proceeds from sale of property, plant and equipment		(0.38)	0.52
	Bank deposits placed/matured (net)		251.06	(238.13)
	Proceeds from sale of Investment		0.00	0.01
	Dividends received		0.00	0.00
	Interest received		14.94	15.70
	Net Cash flow from / (used in) investing activities		**(10.54)**	**(387.79)**

Statement of Cash Flow

for the year ended March 31, 2023

(All amounts are in ₹ crores)

	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
III.	**Cash flow from Financing Activities**		
	Proceeds from Issue of convertible Warrants	28.20	0.00
	Proceeds from issues of Share Capital (including security premium)	3.08	605.78
	Share issue expenses	0.00	(10.50)
	Proceeds from borrowings	108.78	54.48
	(Repayment) of borrowings	(116.63)	(246.48)
	(Repayment) of lease liabilities	(9.81)	(8.59)
		13.62	**394.69**
	Less:		
	Finance Costs paid	(116.48)	(133.69)
	Dividend paid	(24.45)	(19.05)
	Net Cash flow from/ (used in)financing activities	**(127.31)**	**241.95**
IV.	**Net increase/(decrease) in cash & cash equivalents (I + II + III)**	**47.02**	**(5.46)**
V.	**Cash and cash equivalents at the beginning of the financial year**	14.33	19.79
VI.	**Cash and cash equivalents at end of the year**	**61.35**	**14.33**

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	0.06	0.07
	Balances with Scheduled banks in		
	Current accounts	30.45	10.46
	Fixed Deposits with Bank	30.84	3.80
	Balances per statement of cash flows	**61.35**	**14.33**
3.	**Analysis of movement in borrowings**		
	Borrowings at the beginning of the year	610.83	802.83
	Movement due to cash transactions as per the Statement of Cash Flows	(7.85)	(192.00)
	Borrowings at the end of the year	**602.98**	**610.83**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Statement of Changes in Equity

for the year ended March 31, 2023

(All amounts are in ₹ crores)

A. EQUITY SHARE CAPITAL

Particulars	Amount
Balance as at April 1, 2021	**128.44**
Changes in equity share capital	9.05
Balance as at March 31, 2022	**137.49**
Changes in equity share capital (refer note no. 22(A))	0.15
Balance as at March 31, 2023	**137.64**

B. OTHER EQUITY

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, 2021	**-**	**15.59**	**467.62**	**80.50**	**2.81**	**1,160.24**	**8.83**	**13.01**	**(0.53)**	**1,748.07**
Remeasurement of defined benefit plans	-	-	-	-	-	13.01	-	(13.01)	-	-
Profit for the year	-	-	-	-	-	282.77	-	-	-	282.77
Other Comprehensive Income for the year	-	-	-	-	-	0.10	2.02	-	(0.35)	1.77
Transfer to retained earnings	-	-	-	-	(2.81)	2.81	-	-	-	-
Dividends paid for the previous year	-	-	-	-	-	(19.34)	-	-	-	(19.34)
Issue of equity share capital (net of share issue expenses of ₹10.53 crores)	-	-	589.57	-	-	-	-	-	-	589.57
Employee Share Options outstanding	-	(8.68)	-	-	-	-	-	-	-	(8.68)
Transfer on allotment of shares to employees pursuant to ESOP scheme	-	(5.01)	-	-	-	5.01	-	-	-	-
Adjustment of dividend paid to HFCL Employees Trust	-	-	-	-	-	0.05	-	-	-	0.05
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	(3.34)	-	-	-	-	-	-	(3.34)
Balance as at March 31, 2022	**-**	**1.90**	**1,053.85**	**80.50**	**-**	**1,444.65**	**10.85**	**-**	**(0.88)**	**2,590.87**
Profit for the year	-	-	-	-	-	254.60	-	-	-	254.60
Other Comprehensive Income for the year	-	-	-	-	-	0.06	3.97	-	(0.49)	3.54
Warrant subscription price equivalent to 25% of the issue price {refer note 22(B)(2)}	28.20	-	-	-	-	-	-	-	-	28.20
Dividends paid for the previous year	-	-	-	-	-	(24.80)	-	-	-	(24.80)
Issue of equity share capital to HFCL Employees Trust	-	-	5.65	-	-	-	-	-	-	5.65
Transfer on allotment of shares to employees pursuant to ESOP scheme	-	(0.21)	-	-	-	0.21	-	-	-	-
Adjustment of dividend paid to HFCL Employees Trust	-	-	-	-	-	0.03	-	-	-	0.03
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	(2.72)	-	-	-	-	-	-	(2.72)
Balance as at March 31, 2023	**28.20**	**1.69**	**1,056.78**	**80.50**	**-**	**1,674.75**	**14.82**	**-**	**(1.36)**	**2,855.38**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
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For Oswal Sunil & Company
Chartered Accountants
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Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

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Place: New Delhi

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Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

1. CORPORATE INFORMATION

HFCL Limited ('HFCL' or 'the Company') is a public limited company domiciled and incorporated in India and having its registered office at 8, Electronics Complex, Chambaghat, Solan, Himachal Pradesh-173213. The Company's shares are listed and traded on National Stock Exchanges of India Limited (NSE) and BSE Limited (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 08, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

All the Indian Accounting Standards issued under section 133 of the Companies Act, 2013 and notified by the Ministry of Corporate Affairs (MCA) under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are approved have been considered in preparation of these Financial Statements.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in OCI and accumulated in equity

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised in profit or loss. An impairment loss recognised 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Company categorises 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 recognised less cumulative amortisation.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised 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

The Company had elected to continue with the carrying value of all of its Property, Plant and Equipment recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Items of property, plant and equipment acquired/ constructed are initially recognised at actual cost. 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 fee and borrowing cost for qualifying assets.

Following initial recognition, freehold land is stated at actual cost. All other items of PPE are stated at actual cost less accumulated depreciation and impairment loss.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress (CWIP) respectively.

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 recognised in the Statement of Profit and Loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use. Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortised once classified as held for sale.

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), amortisation 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 – 6years
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-recognised 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 recognised 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 amortised 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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

b. Product Development and Intangible Assets under Development

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

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. In which case such expenditure is initially recorded as intangible assets under development and is subsequently capitalised when the asset is ready for its intended use.

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

c. Other Intangible assets:

The Company had elected to continue with the carrying value of all of its Intangible Assets recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Cost of other intangible assets or software comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxation authorities), and any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure after its purchase is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An item of Intangible assets is derecognised 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.

Licence Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortisation 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. However, trade receivables that do not contain a significant financing component are measured at transaction price. Purchases or sales of financial assets that require delivery of assets within a time frame are

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

recognised 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 amortised 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 amortised cost

A 'debt instrument' is measured at the amortised 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 amortised 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 recognised in the other comprehensive income (OCI). However, the Company recognises 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 recognised 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 categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised 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 recognised 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 recognised 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 recognised in the Statement of Profit and Loss.

De-recognition

A financial asset is de-recognised only when

- The Company has transferred the rights to receive cash flows from the financial asset or

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

- 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-recognised.

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) recognised during the period is recognised 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 recognised 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 amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Credit/ Suppliers' Credit and vendor financing

The Company enters into arrangements whereby banks make direct payments to suppliers for raw materials. The banks are subsequently repaid by the Company at a later date providing working capital timing benefits. These are normally settled between 90 days to 180 days. The economic substance of the transaction is determined to be operating in nature and these are recognised as operational buyers' credit/ suppliers' credit and disclosed on the face of the balance sheet. Interest expense on these are recognised in the finance cost. Payments made by banks to the operating vendors are treated as a noncash item and settlement of due to operational buyer's credit/ suppliers' credit by the Company is treated as an operating cash outflow reflecting the substance of the payment.

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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised in the Statement of Profit and Loss.

A previously recognised 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 recognised. The reversal is limited to the carrying amount of the asset.

2.11. Inventories

Inventories are valued at the lower of cost or net realisable 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 Standard 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 realisable 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 recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.

B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

C. The Company presents revenues net of indirect taxes in its Statement of Profit and loss.

D. The following is a description of the principal activities – separated by reportable segments – from which the Company generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Company principally generate revenue from sale of Optical Fiber Cable, Optical Fiber and Telecom Equipments. Revenues from Products are recognised 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 recognises 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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised 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 on deposits with banks is recognised at effective interest rate applicable.

  Interest income from other financial assets is recognised at the effective interest rate method on initial recognition.

- **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 recognise 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 recognises 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.

Notes forming part of Financial Statements

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(All amounts are in ₹ Crore)

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 recognised 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.

As a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

If an arrangement contains lease and non-lease components, the Company applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the 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 recognised at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end 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 recognised 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 and performance incentives, 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 recognised 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.

Other long term employee benefits

The liabilities for earned leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method as per the actuarial valuation carried out at the end of each annual reporting period. Actuarial gains and losses are recognised in full in the standalone statement of profit and loss in the period in which they occur.

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 recognised 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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 Limited 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 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.

Defined retirement benefit plans comprising of gratuity, post-retirement medical benefits and other terminal benefits, are recognised 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.

iii. Actuarial gains and losses are recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognised 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 capitalised as part of cost of such asset. Other borrowing costs are recognised 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 recognised 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 recognised 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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised 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 recognised 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 recognised 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. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are also included in the calculation of basic earnings per share from the date the contract is entered into. 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 recognised 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 realised 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 recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised 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 recognised 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 utilised.

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 realise the asset and settle the liability simultaneously.

Notes forming part of Financial Statements

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(All amounts are in ₹ Crore)

3. PROPERTY, PLANT AND EQUIPMENT

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, 2021	**399.29**	**113.22**	**27.10**	**31.43**	**10.91**	**8.43**	**22.61**	**14.67**	**8.83**	**0.88**	**637.37**
Additions	49.81	11.01	2.67	2.63	5.76	0.89	6.68	5.67	-	-	85.12
Disposals / Adjustments	38.52	5.52	0.01	2.67	0.13	0.55	1.52	4.09	0.36	-	53.37
Balance as at March 31, 2022	**410.58**	**118.71**	**29.76**	**31.39**	**16.54**	**8.77**	**27.77**	**16.25**	**8.47**	**0.88**	**669.12**
Additions	44.51	7.26	-	0.63	3.60	0.65	6.49	3.08	12.41	-	78.63
Disposals / Adjustments	33.20	4.63	-	4.85	0.73	1.45	2.06	2.28	-	-	49.20
Balance as at March 31, 2023	**421.89**	**121.34**	**29.76**	**27.17**	**19.41**	**7.97**	**32.20**	**17.05**	**20.88**	**0.88**	**698.55**
Accumulated depreciation and impairment											
Balance as at April 1, 2021	**224.08**	**12.57**	**9.87**	**16.58**	**7.31**	**5.68**	**18.29**	**11.73**	**-**	**0.23**	**306.34**
Depreciation for the year	28.33	3.20	1.28	3.90	2.01	1.43	3.61	1.58	-	0.01	45.35
Disposals / Adjustments	16.65	-	-	0.50	0.10	0.04	1.47	3.73	-	-	22.49
Balance as at March 31, 2022	**235.76**	**15.77**	**11.15**	**19.98**	**9.22**	**7.07**	**20.43**	**9.58**	**-**	**0.24**	**329.20**
Depreciation for the year	26.81	3.27	1.37	2.44	1.99	0.26	5.20	2.46	-	0.01	43.81
Disposals / Adjustments	0.56	-	-	1.18	0.19	0.51	1.75	2.15	-	-	6.34
Balance as at March 31, 2023	**262.01**	**19.04**	**12.52**	**21.24**	**11.02**	**6.82**	**23.88**	**9.89**	**-**	**0.25**	**366.67**
Net Carrying Value											
Balance as at April 1, 2021	175.21	100.65	17.23	14.85	3.60	2.75	4.32	2.94	8.83	0.65	331.03
Balance as at March 31, 2022	174.82	102.94	18.61	11.41	7.32	1.70	7.34	6.67	8.47	0.64	339.92
Balance as at March 31, 2023	**159.88**	**102.30**	**17.24**	**5.93**	**8.39**	**1.15**	**8.32**	**7.16**	**20.88**	**0.63**	**331.88**

Notes:

1. The following properties are pending for title transfer in the name of the Company:

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/ director or employee of promoter/director	Property held since which date
Property, plant and equipment	Land (Leasehold)	0.28	State Government of Himachal Pradesh	No	September 23, 1994
Property, plant and equipment*	Land (Freehold)	1.64	Erstwhile amalgamated Company	No	January 5, 2011
Property, plant and equipment**	Land (Freehold)	12.41	Telangana State Industrial Infrastructure Corporation Limited (TSIIC)	No	September 5, 2022

* By virtue of Scheme of Amalgamation sanctioned vide order passed by the Hon'ble High Court of Himachal Pradesh on January 5, 2011, the above said land was transfered to the Company. Accordingly, the Company had filed an application before Jaipur Development Authority (JDA) for mutation of the aforesaid land in favour of the Company. The Collector (Stamps), Jaipur Circle-III raised a demand of ₹25 crores towards payment of stamp duty for carrying out such mutation. The Company filed a petition before the Hon'ble High Court of Jaipur against the demand made by the Deputy Registrar, Collector (Stamps), Jaipur. On July 29, 2022, the division bench of the Hon'ble High Court of Jaipur passed an order quashing the demand and directed fresh assessment of duty payable by the Company. Against the High Court order, JDA has filed a special leave petition before the Hon'ble Supreme Court of India and the matter is yet to be listed for hearing.

** The aforesaid land is alloted to the Company for setting up manufacturing facility in the state of Telangana. The agreement to sell has been executed with TSIIC and Company is currently having physical possession of the said land. TSIIC will execute sale deed in favour of the Company on fulfillment of the conditions stipulated in the agreement to sell.

2. The Company has been sanctioned & disbursed capital subsidy amounting to ₹42.58 crores for investment in its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana under Modified Special Incentive Package Scheme (MSIPS) by the Ministry of Electronics and Information Technology Department. The said capital subsidy has been duly adjusted against the carrying value of related Property, Plant and Equipment.

3. In the previous year the Company had been sanctioned capital subsidy under the Incentive scheme of Industries and Commerce Department (IP&INF), Government of Telangana for its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana. The subsidy includes capital subsidy of ₹30 crores, interest subsidy of ₹2.63 crores, power subsidy of ₹1 crores and stamp duty reimbursement of ₹0.36 crores.

   The Company has adjusted capital subsidy (including stamp duty reimbursement) aggregating to Nil (Previous year ₹30.36 crores) against the related Property, Plant and Equipment and power and interest subsidy aggregating to ₹5.30 crores (Previous year ₹15.20 crores) has been recognised under the head 'Other Income' in the Statement of Profit and Loss.

4. Refer Note 23 and 25 for details of assets pledged.

Notes forming part of Financial Statements

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4. CAPITAL WORK-IN-PROGRESS

Particulars	Buildings	Plant & Machinery	Electrical Installation	Furniture & Fixtures	Total
Balance as at April 1, 2021	**2.38**	**1.00**	**0.36**	**-**	**3.73**
Additions	10.71	13.95	0.54	0.58	25.78
Disposals / Adjustments	2.26	1.00	0.36	-	3.61
Balance as at March 31, 2022	**10.83**	**13.95**	**0.54**	**0.58**	**25.90**
Additions	19.43	21.16	0.33	2.02	42.94
Disposals / Adjustments	8.69	13.88	0.51	0.00	23.08
Balance as at March 31, 2023	**21.57**	**21.24**	**0.36**	**2.60**	**45.76**

4.1 Ageing of Capital work in progress

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress*					
As at March 31, 2023	42.93	2.71	0.12	-	45.76
As at March 31, 2022	24.11	1.79	-	-	25.90

* Project execution plans are modulated annually on the basis of capacity requirement assessment and all projects are executed as per rolling annual plan.

5. INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Particulars	Amount (₹)
Gross Carrying Value	
Balance as at April 1, 2021	**33.72**
Additions	0.53
Disposals / Adjustments	-
Balance as at March 31, 2022	**34.25**
Additions	10.53
Disposals / Adjustments	0.77
Balance as at March 31, 2023	**44.01**
Accumulated Amortisation	
Balance as at April 1, 2021	**17.30**
Amortisation for the year	5.46
Disposals / Adjustments	-
Balance as at March 31, 2022	**22.76**
Amortisation for the year	6.09
Disposals / Adjustments	0.65
Balance as at March 31, 2023	**28.20**
Net Carrying Value	
Balance as at April 1, 2021	16.42
Balance as at March 31, 2022	11.49
Balance as at March 31, 2023	**15.81**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

6. INTANGIBLE ASSETS UNDER DEVELOPMENT

Particulars	Product Development
Balance as at April 1, 2021	**23.34**
Additions	37.50
Disposals / Adjustments	0.34
Balance as at March 31, 2022	**60.50**
Additions	137.62
Disposals / Adjustments	0.47
Balance as at March 31, 2023	**197.65**

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

6.1 Ageing of intangible assets under development

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress					
As at March 31, 2023	142.26	37.16	3.53	14.70	197.65
As at March 31, 2022	37.16	5.33	4.07	13.94	60.50

6.2 Project wise completion schedule of overdue / over-run intangible assets under development as at March 31, 2023

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	4.20	19.19	-	-	**23.39**
- 5G/4G Technological Products	-	-	9.91	-	**9.91**
Total	**4.20**	**19.19**	**9.91**	**-**	**33.30**

Project wise completion schedule of overdue / over-run intangible assets under development as at March 31, 2022

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	19.19	-	-	-	**19.19**
- 5G/4G Technological Products	-	9.91	-	-	**9.91**
Total	**19.19**	**9.91**	**-**	**-**	**29.10**

7. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars	As at March 31, 2023	As at March 31, 2022
Unquoted Investments (At Cost)		
Investment in Equity Instruments		
Subsidiaries	35.19	31.47
Jointly Controlled Entities	18.50	11.50
Total	**53.69**	**42.97**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

7.1 Investment in subsidiaries and Jointly controlled entities

Particulars	Face value per share	As at March 31, 2023		As at March 31, 2022	
		No. of Shares	Amount	No. of Shares	Amount
Investment in Equity Instruments - Equity Shares					
Subsidiary					
HTL Limited* #	100	1,110,000	13.95	1,110,000	10.23
Polixel Security Systems Private Limited	10	180,856	12.05	180,856	12.05
Moneta Finance Private Limited	10	1,020,000	2.35	1,020,000	2.35
HFCL Advance Systems Private Limited	10	90,000	0.09	90,000	0.09
Raddef Private Limited	10	9,000	0.01	9,000	0.01
DragonWave HFCL India Private Limited	10	7,000,000	5.74	7,000,000	5.74
HFCL Technologies Private Limited	10	1,000,000	1.00	1,000,000	1.00
HFCL B.V.	1 €	1	0.00	1	0.00
HFCL Inc.	1$	1	0.00	1	0.00
Jointly Controlled Entity					
Nimpaa Telecommunications Private Limited	10	1,000,000	1.00	1,000,000	1.00
BigCat Wireless Private Limited	10	4,000	2.50	4,000	2.50
BigCat Wireless Private Limited - (Partly paid @ ₹6.50 per share (previous year: ₹3.50 per share) out of the face value of ₹10/- per share)	10	32,000	15.00	32,000	8.00
Total investments carrying value (at cost)			**53.69**		**42.97**
Aggregate carrying value of unquoted investments			**53.69**		**42.97**
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 358500 Shares (Previous year: 358500 shares) are pledged as security for the Working Capital /Term Loan facility sanctioned by Banks to HTL Limited.

7.2 Additional details of subsidiaries and jointly controlled entities

Name of Entity	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Company	
			As at March 31, 2023	As at March 31, 2022
Subsidiaries				
HTL Limited	Manufacturing of Optical Fiber Cable	India	74.00%	74.00%
Polixel Security Systems Private Limited	EPC Business in Security and Surveillance	India	100.00%	100.00%
Moneta Finance Private Limited	Finance business	India	100.00%	100.00%
HFCL Advance Systems Private Limited	Manufacturing of Defence and Telecom Equipment	India	90.00%	90.00%
Raddef Private Limited	Radio Communication Systems	India	90.00%	90.00%
DragonWave HFCL India Private Limited	Radio Communication Systems	India	100.00%	100.00%
HFCL Technologies Private Limited	Manufacturing of Optical Fiber Cable, Fiber and Telecom equipment	India	100.00%	100.00%
HFCL B.V.	To cater the global demand of the products in the region	Netherlands	100.00%	100.00%
HFCL Inc.	To cater the global demand of the products in the region	USA	100.00%	100.00%

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Name of Entity	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Company	
			As at March 31, 2023	As at March 31, 2022
Jointly controlled entities				
Nimpaa Telecommunications Private Limited	Manufacturing of FRP and ARP	India	50.00%	50.00%
BigCat Wireless Private Limited (Jointly Controlled Entity with 50% voting right)	Development of software and hardware products for wireless networking	India	50.00%	50.00%

8. NON-CURRENT FINANCIAL ASSETS - INVESTMENTS

Particulars	As at March 31, 2023	As at March 31, 2022
Unquoted		
Investments - Others		
Investments in Equity instruments	37.09	32.96
Total	**37.09**	**32.96**

8.1 Detail of Non Current Financial Assets - Other Investments

Particulars	Face value per share	As at March 31, 2023		As at March 31, 2022	
		No. of Shares	Amount	No. of Shares	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments - Equity Shares					
Exicom Tele-Systems Limited	10	630,223	19.35	630,223	16.83
Midas Communication Technologies Private Limited	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Limited	25	4,000	0.05	4,000	0.05
HFCL Bezeq Telecom Limited	10	100	-	100	-
Nivetti Systems Private Limited	1	217,594	17.69	217,594	16.08
Total Investment FVTOCI			**37.09**		**32.96**
Aggregate carrying value of unquoted investments			**37.09**		**32.96**
Aggregate amount of impairment in value of investments			-		-

9. NON-CURRENT FINANCIAL ASSETS - LOANS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, Considered Good		
Loans to related parties (refer note 52)	71.58	28.50
Total	**71.58**	**28.50**

10. NON-CURRENT FINANCIAL ASSETS - OTHERS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, Considered Good		
Fixed Deposits with Bank (maturity more than 12 months)*	33.65	29.15
Advances to related parties (refer note 49 & 52)	72.00	72.00
Security Deposit	8.08	4.69
Total	**113.73**	**105.84**

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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

11. DEFERRED TAX ASSETS / (LIABILITIES)

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:-

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	Total
As at April 1, 2021	**9.04**	**(5.86)**	**7.39**	**10.57**
(Charged)/Credited:				
- to Statement of profit and loss	1.15	(0.70)	(2.38)	(1.93)
- to other comprehensive income	(0.04)	-	-	(0.04)
As at March 31, 2022	**10.15**	**(6.56)**	**5.01**	**8.60**
(Charged)/Credited:				
- to Statement of profit and loss	1.87	(36.89)	0.89	(34.13)
- to other comprehensive income	(0.02)	-	-	(0.02)
As at March 31, 2023	**12.01**	**(43.45)**	**5.90**	**(25.55)**

12. OTHER NON-CURRENT ASSETS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, Considered Good		
Capital Advances-		
-to related party (refer note 52)	6.29	2.91
-to others	13.01	7.92
Total	**19.30**	**10.83**

13. INVENTORIES (AT COST OR NET REALISABLE VALUE WHICHEVER IS LOWER)

Particulars	As at March 31, 2023	As at March 31, 2022
Inventories (As Certified and valued by the management)		
Raw Materials	123.49	117.52
Raw Materials in transit	72.19	0.02
	195.68	**117.54**
Work-in-progress	197.43	166.21
Finished goods	59.90	30.47
Stock-in-trade	118.43	73.10
Stock in trade in transit	0.52	8.63
Stores and Spares	8.84	7.96
Loose tools	2.07	1.03
Others (Packing Material)	1.58	3.56
Total	**584.45**	**408.50**

Notes:

(i) Work in progress includes contract work in progress of ₹174.15 crores (Previous year: ₹153.94 crore)

14. CURRENT FINANCIAL ASSETS - INVESTMENTS

Particulars	As at March 31, 2023	As at March 31, 2022
Quoted Investments		
(i) Investments in Mutual Funds	7.10	3.69
(ii) Investments in Equity Instruments - Other	5.09	4.94
Total	**12.19**	**8.63**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

14.1 Detail of Current Financial Assets - Investments

Particulars	Face Value	As at March 31, 2023		As at March 31, 2022	
		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	2.04	9,398	1.93
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.08	50,000	0.08
Union Bank Medium Duration Fund Regular	10	499,975	0.54	499,975	0.54
Union Hybrid Equity Fund-Growth	10	499,975	0.63	499,975	0.63
Baroda Business Cycle Fund-Regular Growth	10	499,965	0.49	499,965	0.49
Principal Cash Management Fund - Dividend Reinvestment Plan	1000	235	0.03	235	0.02
MCNL Capital Compounder Fund - I	100	300,000	3.06	-	-
Quant Large Cap Fund Regular Plan Growth	10	249,988	0.23	-	-
Total Investment FVTPL			**7.10**		**3.69**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Limited	1	6,408,000	-	6,408,000	-
Mavens Biotech Limited	1	17,000	-	17,000	-
Sumedha Fiscal Services Limited	10	18,200	0.10	18,200	0.11
Valiant Communications Limited	10	8,700	0.12	8,700	0.06
Poonawalla Fincorp Limited	2	152,830	4.47	152,830	4.15
Media Matrix Worldwide Limited	1	4,750	0.01	4,750	0.01
Sahara One Media and Entertainment Limited	10	250,950	0.39	250,950	0.61
			5.09		**4.94**
(iii) Investment in equity instruments - Un-Quoted Equity Shares					
Optimates Textile Industries Limited	2	1,302,500	-	1,302,500	-
Rashel Agrotech Limited	10	478,500	-	478,500	-
			-		**-**
Total Investment FVTOCI			**5.09**		**4.94**
Total Current Financial Investments			**12.19**		**8.63**
Aggregate carrying value of quoted investments			**12.19**		**8.63**
Aggregate carrying value of unquoted investments			**-**		**-**
Aggregate amount of impairment in value of investments			-		-

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

15. FINANCIAL ASSETS - TRADE RECEIVABLES

Particulars	As at March 31, 2023		As at March 31, 2022	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good	423.11	1,740.94	595.57	1,797.32
which are credit impaired	-	4.78	-	-
Which have significant increase in credit risk	-	57.92	-	21.77
Less: expected credit loss allowance	-	(19.29)	-	(14.94)
Total	**423.11**	**1,784.35**	**595.57**	**1,804.15**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	14.94	-	9.93
Add: Provided during the year	-	4.78	-	5.01
Less: Provision reversed	-	0.43	-	-
Balance at the end of the year	**-**	**19.29**	**-**	**14.94**

15.1 Aging analysis of Trade Receivables as at March 31, 2023

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,337.32	515.72	222.68	58.34	20.22	-	**2,154.28**
- which have significant increase in credit risk	-	-	-	-	-	57.92	**57.92**
- credit impaired	-	-	-	-	-	-	**-**
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.77	**9.77**
- which have significant increase in credit risk	-	-	-	-	-	-	**-**
- credit impaired	-	-	4.78	-	-	-	**4.78**
Total	**1,337.32**	**515.72**	**227.46**	**58.34**	**20.22**	**67.69**	**2,226.75**
Less: Amount disclosed under non-current financial assets							(423.11)
Less: Expected credit loss allowance of trade receivables							(19.29)
Total current trade receivables							**1,784.35**

Aging analysis of Trade Receivables as at March 31, 2022

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,507.60	704.77	83.66	54.41	19.20	13.48	**2,383.12**
- which have significant increase in credit risk	-	-	-	-	-	21.77	**21.77**
- credit impaired	-	-	-	-	-	-	**-**
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.77	**9.77**
- which have significant increase in credit risk	-	-	-	-	-	-	**-**
- credit impaired	-	-	-	-	-	-	**-**
Total	**1,507.60**	**704.77**	**83.66**	**54.41**	**19.20**	**45.02**	**2,414.66**
Less: Amount disclosed under non-current financial assets							(595.57)
Less: Expected credit loss allowance of trade receivables							(14.94)
Total current trade receivables							**1,804.15**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

15.2 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 60 to 120 days from the date of invoices / achievement of specified milestones.

15.3 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.

15.4 Above balance of trade receivable include recoverable form related party (refer note 52)

16. CURRENT FINANCIAL ASSETS - CASH & CASH EQUIVALENTS

Particulars	As at March 31, 2023	As at March 31, 2022
Cash & Cash Equivalents		
Balance with Banks in current account	30.45	10.46
Cash on hand	0.06	0.07
Fixed Deposits with Bank	30.84	3.80
Total	**61.35**	**14.33**

17. CURRENT FINANCIAL ASSETS - OTHER BANK BALANCES

Particulars	As at March 31, 2023	As at March 31, 2022
Fixed Deposits with Bank (Maturity less than 12 months)*	234.23	489.78
Balance with Bank in Dividend account**	0.83	0.52
Total	**235.06**	**490.30**

* Out of above, fixed deposits of ₹234.23 crores (Previous year ₹265.58 crore) are held as margin money/securities with banks.

** ₹0.83 crores (Previous year ₹0.52 crore) has restricted use.

18. CURRENT FINANCIAL ASSETS - LOANS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Loans to related parties (refer note 52)	2.00	2.00
Other Loans	16.50	16.50
Total	**18.50**	**18.50**

19. CURRENT FINANCIAL ASSETS -OTHER ASSETS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Security Deposits	7.20	4.49
Advance to related parties	-	2.52
Project and other vendors advances	456.86	318.50
Interest Receivables	8.88	8.22
Subsidy claim receivable from government	48.29	45.56
Receivables for sales of Investments	3.25	3.25
Total	**524.48**	**382.54**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

20. CURRENT TAX ASSETS (NET)

Particulars	As at March 31, 2023	As at March 31, 2022
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	12.85	5.03
Total	**12.85**	**5.03**

21. OTHER CURRENT ASSETS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Indirect tax recoverable	165.16	208.04
Prepaid Expenses	33.58	29.04
Export Incentive receivable	0.69	2.13
Other receivables	2.47	1.98
Contract Assets-Unbilled revenue (refer Note 31)	318.32	146.86
Total	**520.22**	**388.05**

22. A. SHARE CAPITAL

(i) Authorised Share Capital

	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2021	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2022	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2023	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**

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

Particular	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2021	**1,284,377,194**	**128.44**	-	-
Add: Shares issued during the year to the ESOP Trust *	4,934,300	0.49	-	-
Add: shares issued during the year to Qualified Institutional Buyers **	87,272,727	8.73	-	-
Less: Equity shares held in Trust for employees under ESOP Scheme	1,699,900	0.17	-	-
As at March 31, 2022	**1,374,884,321**	**137.49**	-	-
Add: Shares issued during the year to the ESOP Trust *	1,174,100	0.12	-	-
Add: Equity shares held in Trust during previous year under ESOP scheme	1,699,900	0.17		
Less: Equity shares held in Trust for employees under ESOP Scheme	1,382,200	0.14	-	-
As at March 31, 2023	**1,376,376,121**	**137.64**	**-**	**-**

* During the previous year the Board of Directors of the Company had approved allotment of 49,34,300 equity shares and on June 8, 2022, the Board of Directors of the Company has also approved allotment of 11,74,100 equity shares of face value of ₹1/- each at applicable grant price to HFCL Employee's Trust under HFCL Employee's Long Term Incentive Plan 2017.

** During the previous year, the Company through Qualified Institutions Placement (QIP) allotted 8,72,72,727 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of ₹68.75 per equity share of ₹1 face value (inclusive of premium of ₹67.75 per share) aggregating to approximately ₹600.00 crores. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Funds received in the QIP of equity shares have been utilised for the purpose mentioned in the objects of the issue in the offer document.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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

Name of Shareholder	As at March 31, 2023		As at March 31, 2022	
	No. of share held	% of Holding	No. of share held	% of Holding
MN Ventures Private Limited	293,365,000	21.29	293,365,000	21.31
Nextwave Communications Private Limited	219,865,000	15.96	219,865,000	15.97

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents legal ownership of shares.

(iv) Shares held by promoters and change in their holdings

Name of promoters	As at March 31, 2023		As at March 31, 2022		% Change during the year
	No. of share held	% of Holding	No. of share held	% of Holding	
Anant Nahata	2,645,000	0.19	2,645,000	0.19	-
Mahendra Nahata	1,335,091	0.10	835,091	0.06	0.04
MN Ventures Private Limited	293,365,000	21.29	293,365,000	21.31	(0.02)
NextWave Communications Private Limited	219,865,000	15.96	219,865,000	15.97	(0.01)
Fitcore Tech-Solutions Private Limited	22,400,000	1.63	22,400,000	1.63	(0.00)
Vinsan Brothers Private Limited	671,600	0.05	671,600	0.05	(0.00)
Shanker Sales Promotion Private Limited	300,201	0.02	300,201	0.02	(0.00)
Total	**540,581,892**	**39.24**	**540,081,892**	**39.23**	**0.01**

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

The Company has issued equity share of ₹1/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up equity capital of the Company held by them. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amount in proportion to their shareholdings.

(vi) Shares reserved for issue under options:

Information related to Employee Stock Option Plan, including details of options issued, exercised, expired and forfeited during the previous financial year and options outstanding at the end of the reporting period, is set out in note 57.

B. OTHER EQUITY

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Retained Earnings	1,674.75	1,444.65
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	14.82	10.85
b. Remeasurement of defined benefit plans	-	-
c. Foreign currency translation reserve	(1.36)	(0.88)
(iii) Other Reserves		
a. Securities Premium	1,056.78	1,053.85
b. Capital Redemption Reserve	80.50	80.50
c. Employee Share based payment reserve	1.69	1.90
(iv) Money received against Convertible Warrants	28.20	-
Total	**2,855.38**	**2,590.87**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(1) 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. 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

c. Employee share based payment reserve is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Company for employees of the Group.

(2) Brief description of Money received against Convertible Warrants:

The Board of Directors and Shareholders of the Company at their meetings held on September 02, 2022 and September 30, 2022 respectively, has approved the issuance up to 1,41,00,000 (One crores forty one lakhs) warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per equity share to one of the Promoters of the Company and certain persons belonging to non-Promoter category being senior leadership team. Subsequently, on receipt of warrant subscription price being ₹20/- per warrant equivalent to 25% of the Warrant Exercise Price i.e., ₹80/- per warrant, aggregating to ₹28.20 crores, the Allotment Committee of the Board of Directors at its meeting held on October 15, 2022, has allotted 1,41,00,000 (One crores Forty-One Lacs) Warrants, being the entire issue, on preferential basis to aforesaid entity/persons. Balance consideration of ₹60/- per warrant, being 75% of the Warrant Exercise Price shall be payable within 18 months from the allotment date, at the time of exercising the warrants to apply for fully paid-up equity share of ₹1/- each of the Company, against each warrant held by the warrant holders.

(i) Retained Earnings

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the reporting period	**1,444.65**	**1,160.24**
Add: Net profit for the period	254.60	282.77
Remeasurement of Defined benefit plans	-	13.01
Add/Less: adjustments for-		
Other Comprehensive Income for the year	0.06	0.11
Transfer from Debenture redemption reserve	-	2.81
Transfer on allotment of shares to employees pursuant to ESOP scheme	0.21	5.01
Dividend paid on Equity shares	(24.80)	(19.34)
Adjustment of dividend paid to ESOP trust	0.03	0.05
Closing Balance	**1,674.75**	**1,444.65**

(ii) Components of Other Comprehensive Income

Particulars	Foreign currency translation reserve	Changes in fair value of FVOCI equity instruments
As at April 1, 2021	**(0.53)**	**8.83**
Increase during the year	-	2.02
Decrease during the year	0.35	-
As at March 31, 2022	**(0.88)**	**10.85**
Increase during the year	-	3.97
Decrease during the year	0.49	-
As at March 31, 2023	**(1.36)**	**14.82**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(iii) Other Reserves

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve
As at April 1, 2021	**467.62**	**2.81**	**80.50**	**15.58**
Increase during the year	589.57	-	-	-
Decrease during the year	3.34	2.81	-	13.68
As at March 31, 2022	**1,053.85**	**-**	**80.50**	**1.90**
Increase during the year	5.65	-	-	-
Decrease during the year	2.72	-	-	0.21
As at March 31, 2023	**1,056.78**	**-**	**80.50**	**1.69**

(iv) Money received against convertible warrants

Particulars	Amount
As at April 1, 2021	**-**
Increase during the year	-
Decrease during the year	-
As at March 31, 2022	**-**
Increase during the year	28.20
Decrease during the year	-
As at March 31, 2023	**28.20**

23. NON-CURRENT FINANCIAL LIABILITIES - BORROWINGS

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Borrowings		
Term Loans from Banks*	117.24	123.14
Vehicle Loans from Banks	3.83	3.07
	121.07	**126.21**
Less: Current maturities of long term borrowings - Term Loans	(36.29)	(29.76)
Less: Current maturities of long term borrowings - Vehicle Loans	(1.18)	(1.13)
Total	**83.60**	**95.32**

* net off of ₹1.04 crores (Previous year ₹1.51 crore) as finance charge

Notes:

a) Term Loan of ₹86.67 crores (Previous year ₹108.94 crore) from the Banks are secured by pari-passu first charge on entire Optical Fiber Project Assets at Hyderabad (Unit-1), 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 instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

b) Term Loan of ₹30.57 crores (Previous year ₹13.34 crore) as disbursed against sanction of ₹48.00 crores from the Bank, are secured by exclusive first charge on entire Optical Fiber Cable Project Assets at Hyderabad (Unit -2), both present and future, by way of equitable mortgage except land which is pari-passu charge with the lenders of Unit 1. 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 instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

c) Working Capital Facilities (COVID -19 Emergency Credit line) of ₹Nil (Previous year ₹0.86 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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

by way of second charge on immovable properties except Hyderabad units of the Company and are also secured by personally guaranteed of Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

d) Other Vehicle Loans of ₹3.83 crores (Previous Year ₹3.07 crore) from banks are secured by way of hypothecation of respective vehicle.

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

Particulars	Term Loan	Term Loan	Vehicle Loan
Secured			
Rate of Interest	7.65% to 10.50%	9.85%	7.50% to 10.30%
Outstanding amount	86.67	30.57	3.83
Repayment Due			
FY24	25.00	11.29	1.18
FY25	25.00	12.00	1.11
FY26	14.92	7.28	0.63
FY27 to FY28	21.75	-	0.91

24. NON-CURRENT LIABILITIES - PROVISIONS

Particulars	As at March 31, 2023	As at March 31, 2022
Provisions for Employee Benefits (refer note 45)		
Provision for Gratuity	17.96	15.51
Provision for Leave Encashment	20.26	17.60
Total	**38.22**	**33.11**

25. CURRENT FINANCIAL LIABILITIES - BORROWINGS

Particulars	As at March 31, 2023	As at March 31, 2022
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	304.40	292.17
(ii) Current maturities of long-term borrowings; (refer note 23)	37.47	30.89
Unsecured		
(i) from banks - Vendors bills discounting	107.44	109.27
(ii) from other parties - Inter Corporate Deposit #	70.07	83.18
Total	**519.38**	**515.51**

Notes:

* a) Working Capital Loans from banks aggregating to ₹230.76 crores (Previous year: ₹218.81 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. and all other current assets of the company as well as by way of first pari passu charge on enitre fixed assets of the company (both present and future) excluding fixed assets of manufacturing facility at Telangana 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 ₹73.64 crores (Previous year: ₹73.37 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of IPMPLS back bone Project for Network for Spectrum (NFS). The loan is further secured by first pari passu charge on enitre fixed assets of the company (both present and future) excluding fixed assets of manufacturing facility at Telangana, 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 for working capital consortium.

c) Quarterly returns/statements of current assets filed by the Company with banks are in agreement with the books of accounts.

Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 12% to 13%.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

26. CURRENT FINANCIAL LIABILITIES - TRADE PAYABLES

Particulars	As at March 31, 2023	As at March 31, 2022
Trade Payables - Undisputed		
Due to Micro and Small Enterprises (refer note no. 46)	55.49	178.17
Others	795.35	755.65
Total	**850.84**	**933.82**

Ageing of undisputed trade payables as at March 31, 2023

Description	Due to Micro, Small and Medium Enterprises	Others
Not due	44.18	557.59
Less than 1 year	11.13	202.97
1-2 years	0.13	9.03
2-3 years	0.05	23.99
More than 3 years	-	1.77
Total	**55.49**	**795.35**

Note: There are no disputed trade payables.

Ageing of undisputed trade payables as at March 31, 2022

Description	Due to Micro and Small Enterprises	Others
Not due	134.47	534.20
Less than 1 year	43.29	212.70
1-2 years	0.41	3.22
2-3 years	-	1.66
More than 3 years	-	3.87
Total	**178.17**	**755.65**

Note: There are no disputed trade payables.

27. OTHER FINANCIAL LIABILITIES

Particulars	As at March 31, 2023	As at March 31, 2022
Retention Money*	239.79	256.61
Other Financial Liabilities		
Security deposit	4.80	4.15
Creditors for Capital Goods	4.63	16.18
Expenses Payables	65.18	85.83
Other Employees related liabilities	15.08	13.63
Unpaid Dividends	0.83	0.52
Total	**330.31**	**376.92**

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

28. CURRENT TAX LIABILITIES (NET)

Particulars	As at March 31, 2023	As at March 31, 2022
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	2.48	20.98
Total	**2.48**	**20.98**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

29. OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory Liabilities payable	34.72	20.00
Advances from Customers	2.40	46.93
Total	**37.12**	**66.93**

30. CURRENT LIABILITIES - PROVISIONS

Particulars	As at March 31, 2023	As at March 31, 2022
Provisions for Employee Benefits (refer note 45)		
Provision for Gratuity	4.04	3.02
Provision for Leave Encashment	5.44	4.22
Provisions - Others	2.43	2.44
Total	**11.91**	**9.68**

31. REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale and Services		
- Manufacturing and trading activities	2,029.84	1,502.80
- Turnkey project related activities	2,359.47	2,776.93
Other Operating Revenues		
- Scrap sale	2.80	1.86
- Export Incentives	3.57	4.85
Total	**4,395.68**	**4,286.44**

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 recognise 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 ₹ Nil (Previous year ₹Nil) 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-

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Balance at the beginning of the year	**146.86**	**20.63**
Revenue recognised during the year	305.79	143.46
Invoices raised during the year	134.33	17.23
Balance at the end of the year	**318.32**	**146.86**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Balance at the beginning of the year	-	30.11
Increase due to invoicing during the year	-	-
Revenue recognised that was included in the unearned and deferred revenue*	-	30.11
Balance at the end of the year	**-**	**-**

* including performance obligation pertaining to projects suspended.

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.

32. OTHER INCOME

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Other non-operating income		
Interest Income	13.71	14.49
Financial Guarantee Income	4.02	4.56
Exchange Fluctuation Income (net)	18.15	-
Reversal of Share Based payments to Employees expenses (note 57)	-	8.26
Subsidy under state incentives scheme	5.30	15.20
Liquidated Damages recovered on Sales (net)	5.90	-
Others	2.38	1.32
Total	**49.46**	**43.83**

33. COST OF MATERIAL CONSUMED

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening Balance	117.52	47.95
Add: Purchases during the year	975.21	845.20
	1,092.73	**893.15**
Less: Closing Stock	123.49	117.52
Total material consumed	**969.24**	**775.63**

34. OTHER DIRECT COST

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Project and labour service charges	952.81	1,304.96
Consumption of Packing Material	49.62	33.66
Consumption of stores and spares parts	19.59	13.30
Loose Tools written off	0.76	0.37
Total	**1,022.78**	**1,352.29**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

35. CHANGE IN INVENTORIES OF FINISHED GOODS, WORK-IN PROGRESS AND STOCK-IN TRADE

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Closing Stock		
Finished Goods	59.90	30.47
Stock in Trade- Goods	118.43	73.10
Work in process	197.43	166.21
	375.76	**269.78**
Opening Stock		
Finished Goods	30.47	25.56
Stock in Trade- Goods	73.10	65.34
Work in process	166.21	113.18
	269.78	**204.08**
Total	**(105.99)**	**(65.70)**

36. EMPLOYEE BENEFITS EXPENSES

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, bonus and allowances	253.24	236.42
Contribution to Provident and other funds	11.72	10.90
Staff welfare expenses	14.64	14.28
Total	**279.60**	**261.60**

37. FINANCE COSTS

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Bank Loan Interest	38.44	46.35
Other Interest (net)	10.51	7.38
Bank Charges and loan processing fee	65.58	76.19
Interest on lease liabilities (refer note 43)	2.30	2.72
	116.83	**132.64**

38. OTHER EXPENSES

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Rent	3.11	1.97
Rates and Taxes	8.43	4.85
Auditors' Remuneration		
- Audit Fees	1.00	1.00
- In Other Capacity*	0.36	0.31
- Out of pocket expenses	0.27	0.07
Legal and Professional Charges	69.49	54.87
Communication Expenses	2.97	3.17
Travelling and Conveyance Expenses	41.36	37.19
Power and Fuel & Water Charges	30.58	20.92
Repairs and Maintenance	5.38	3.43
Insurance Expenses	10.24	9.52
Selling and Distribution Expenses	41.67	30.60
Bad debts, Loans and Advances, other balances written off (net)	0.25	0.42

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Provision for doubtful debts (net) (refer note 15)	4.35	5.01
Sitting Fees to non-executive directors	0.57	0.50
Liquidated Damages on Sales	-	6.56
Research & Product Development Expenses	4.50	20.71
Exchange Fluctuation Loss (net)	-	2.10
Corporate Social Responsibility Expenses (refer note 54)	6.70	5.95
Miscellaneous Expenditure	23.91	22.69
Total	**255.14**	**231.84**

* Excluding Professional fee of ₹0.30 crores paid to auditors towards QIP share issuance and being debited to share issue expenses during the previous year

39. EARNING PER SHARE (EPS) - IN ACCORDANCE WITH THE INDIAN ACCOUNTING STANDARD (IND AS-33)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Basic & Diluted Earnings per share:		
Profit for the year	254.60	282.78
Profit attributable to ordinary shareholders (A)	254.60	282.78
Weighted average number of ordinary shares (B)	1,379,162,051	1,314,671,615
(used as denominator for calculating basic EPS)		
Potential equity shares	-	1,321,100
Weighted average number of ordinary shares (C)	1,379,162,051	1,315,992,715
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	₹1/-	₹1/-
Earnings per share - Basic (A/B)	**1.85**	**2.15**
Earnings per share - Diluted (A/C)	**1.85**	**2.15**

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 estimated 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**

   Capitalisation 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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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. Ind AS 116 requires assessment of whether an underlying asset is of low value, if lessee opts for the option of not to apply the recognition and measurement requirements of Ind AS 116 to leases where the underlying asset is of low value. For the purpose of determining low value, the Company has considered nature of assets and concept of materiality as defined in Ind AS 1 and the conceptual framework of Ind AS which involve significant judgement.

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.

7. **Taxes**

   Deferred tax assets are recognised for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, 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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

41. RESEARCH & DEVELOPMENT

The Company has extensive research capabilities, continued innovation and unique capabilities as it is able to innovate and provide end to end solutions to its customers. R&D Centres of the company are focused on developing telecom and networking products to be intensively deployed in 5G and other communication networks and are situated at Bengaluru, Karnataka and Gurugram, Haryana. Both the R&D centres are registered with Department of Scientific and Industrial Research (DSIR) under Ministry of Science and Technology. Detail of amount spent on Research and Development is as below:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(i) Recognised as expenses in statement of Profit & Loss	4.50	20.71
(ii) Capital Expenditure on:		
(a) Tangible Assets	13.68	5.36
(b) Intangible Assets	10.13	0.24
(c) Intangible Assets under development being expenditure on new product development	136.60	36.59
(d) Advances and Investment in form of equity	12.30	18.97
Total	**177.21**	**81.87**

42. DIVIDEND DISTRIBUTION MADE AND PROPOSED

The amount of dividend recognised as distributions to equity shareholders during the year ended March 31, 2023 is @ 18 %, i.e. ₹0.18/- per equity share of face value of ₹1/- each (Previous Year ₹0.15 per equity share). The Board of Directors at its meeting held on April 29, 2022 had recommended such dividend of 18% for the financial year ended March 31, 2022 which was approved by the shareholders at the Annual General Meeting held on September 30, 2022. The aforesaid dividend was paid during the year ended March 31, 2023.

The Board of Directors have recommended a dividend of 20% (i.e. ₹0.20/- per equity share of face value of ₹1/- each) for the financial year ended March 31, 2023 which is subject to the approval of shareholders at the ensuing Annual General Meeting.

43. LEASES

The details of the right-of-use asset held by the Company is as follows:

	Additions / Deductions for the year ended March 31, 2023	Net carrying amount as at March 31, 2023	Additions / Deductions for the year ended March 31, 2022	Net carrying amount as at March 31, 2022
Land	-	0.09	-	0.09
Buildings	0.78	17.23	10.42	23.98
Total	**0.78**	**17.32**	**10.42**	**24.07**

Depreciation on right-of-use asset as follows:

	For the Year ended March 31, 2023	For the Year ended March 31, 2022
Land	0.00	0.00
Buildings	7.53	6.49
Total	**7.53**	**6.49**

The details of the Lease Liabilities of the Company is as follows:

	As at March 31, 2023	As at March 31, 2022
Current Liabilities	13.61	7.21
Non-Current Liabilities	6.20	19.34
Total	**19.81**	**26.55**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Interest on lease liabilities is ₹2.30 crores and ₹2.72 crores for the year ended March 31, 2023 and March 31, 2022 respectively.

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.

44. BUSINESS COMBINATION

i) During the previous year the Company had acquired voting right of 50% in Nimpaa Telecommunications Private Limited (Nimpaa), having its registered office at No. 16/38, Maharaja Surya Road, Teynampet, Chennai -600018, Tamil Nadu, at a total consideration of ₹1 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. June 14, 2021. Nimpaa is engaged in the business of manufacture of equipment, component, accessories and cables for telecommunication systems, networks.

ii) During the previous year the Company had also acquired voting right of 50% in BigCat Wireless Private Limited (BigCat), having its registered office at New No. 21, Old No. 9, Flat C2, Dwarka Apartments, 1st Avenue, Shastri Nagar, Chennai-600020, Tamil Nadu, at a total consideration of ₹8.50 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. 12th Nov, 2021. BigCat is engaged in the development of software and hardware products for wireless networking and other related technical, research and development activities.

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:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Employer's Contribution to Provident Fund	11.69	10.85

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)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)		
Discount rate (per annum)	7.38%	7.20%
Rate of increase in Compensation levels	7.25%	7.05%
Average remaining working lives of employees (Years)	18.92	19.40
Table showing changes in present value of obligations:		
Present value of obligation as at the beginning of the year	21.43	19.46
Acquisition adjustment	Nil	Nil
Interest Cost	1.54	1.32
Past service cost (Vested Benefit)	-	-
Current Service Cost	3.90	3.30

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	**Gratuity (Funded)**	
	For the year ended March 31, 2023	**For the year ended March 31, 2022**
Curtailment cost / (Credit)	Nil	Nil
Settlement cost /(Credit)	Nil	Nil
Benefits paid	(1.69)	(2.80)
Actuarial (gain)/ loss on obligations	(0.20)	0.15
Present value of obligation as at the end of the period	24.98	21.43
Table showing changes in the fair value of plan assets:		
Fair value of plan assets at beginning of the year	2.90	2.46
Acquisition adjustments	Nil	Nil
Actual return of plan assets	0.21	0.17
Employer contribution	-	-
Benefits paid	-	-
Actuarial gain/ (loss) on obligations	(0.12)	0.27
Charges deducted	-	0.00
Fair value of plan assets at year end	2.99	2.90
Other Comprehensive Income		
Actuarial (gain) / loss for the year - Obligation	(0.20)	0.15
Actuarial (gain) / loss for the year - Plan assets	0.12	(0.27)
Total (gain) / loss for the year	(0.08)	(0.12)
Actuarial (gain) / loss recognised in the year	(0.08)	(0.12)
Unrecognised actuarial (gains) / losses at the end of the year	Nil	Nil
The amounts to be recognised in Balance Sheet:		
Present value of obligation as at the end of the year	24.98	21.43
Fair value of plan assets as at the end of the year	2.99	2.90
Funded Status	(22.00)	(18.53)
Unrecognised actuarial (gains) / losses	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(22.00)	(18.53)
Expenses recognised in Statement of Profit and Loss:		
Current service cost	3.90	3.30
Past service cost (Vested Benefit)	-	-
Interest Cost	1.54	1.32
Actual return on plan assets	(0.21)	(0.17)
Curtailment and settlement cost /(credit)	Nil	Nil
Expenses recognised in the Statement of Profit and Loss	5.23	4.45
Sensitivity analysis of the defined benefit obligation:		
Impact of the change in Discount Rate		
Present Value of Obligation at the end of the period	24.98	21.43
Impact due to increase of 0.5%	(1.29)	(1.12)
Impact due to decrease of 0.5%	1.18	1.03
Impact of the change in salary increase		
Present Value of Obligation at the end of the period	24.98	21.43
Impact due to increase of 0.5%	1.21	1.06
Impact due to decrease of 0.5%	(1.33)	(1.15)

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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	Gratuity (Funded)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Maturity profile of defined benefit obligation:		
March 2023 to March 2024	2.32	1.32
March 2024 to March 2025	0.91	1.20
March 2025 to March 2026	0.81	0.73
March 2026 to March 2027	1.10	0.71
March 2027 to March 2028	1.78	1.06
March 2028 to March 2029	1.25	1.71
March 2029 onwards	16.81	14.71
Investment Details		
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.99	2.90

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.

c) Other Long Term Employee Benefits

Actuarial assumptions

Particulars	Leave Encashment	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)		
Discount rate (per annum)	7.38%	7.20%
Rate of increase in Compensation levels	7.25%	7.05%
Average remaining working lives of employees (Years)	18.73	19.00
Table showing changes in present value of obligations:		
Present value of obligation as at the beginning of the year	21.81	18.92
Acquisition adjustment	Nil	Nil
Interest Cost	1.57	1.29
Past service cost (Vested Benefit)	-	-
Current Service Cost	6.11	5.09
Curtailment cost / (Credit)	Nil	Nil
Settlement cost /(Credit)	Nil	Nil
Benefits paid	(3.40)	(3.46)
Actuarial (gain)/ loss on obligations	(0.39)	(0.03)
Present value of obligation as at the end of the period	25.70	21.81
Sensitivity analysis of the defined benefit obligation:		
Impact of the change in Discount Rate		
Present Value of Obligation at the end of the period	25.70	21.81
Impact due to increase of 0.5%	(1.46)	(1.31)
Impact due to decrease of 0.5%	1.44	1.19
Impact of the change in salary increase		
Present Value of Obligation at the end of the period	25.70	21.81
Impact due to increase of 0.5%	(1.50)	(1.35)
Impact due to decrease of 0.5%	1.48	1.22

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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

46. DISCLOSURE AS REQUIRED UNDER MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 (THE ACT):

Particulars	As at March 31, 2023	As at March 31, 2022
Principal amount due to micro and small enterprises*	55.49	178.17
Interest due on above	0.55	1.10
Interest paid during the period beyond the appointed day	0.56	1.68
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	2.43	2.44
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 ₹44.18 crores (Previous year ₹134.47 crore) outstanding, but not overdue to micro and small enterprises as on March 31, 2023

47. OPERATIONAL BUYERS' CREDIT / SUPPLIERS CREDIT

Operational Buyers'/Suppliers' Credit is availed in foreign currency from Indian banks through their offshor foreign branches at an interest rate ranging from 5.00%-6.00% per annum. These trade credits are generally repayable within 180 days from the date of draw down. Operational Buyers' credit availed in foreign currency is partly backed by Standby Letter of Credit issued under working capital facilities sanctioned by Indian banks.

48. COMMITMENTS AND CONTINGENCIES

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

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Unexpired Letters of Credit (margin money paid ₹33.62 crore; Previous year ₹72.89 crore)	224.13	466.20
(ii) Guarantees given by banks on behalf of the Company (margin money kept by way of fixed deposits of ₹140.40 crore; Previous year ₹132.14 crore)	869.89	868.37
(iii) Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹3.87 crores ; (Previous year ₹3.87 crore)	38.99	30.87

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) We have perused the judgement of Hon'ble Supreme Court vide its ruling given in February 2019 and it has been opined that if any allowance is not paid across the board, it shall not be treated as basic wages for the purpose of Employee Provident Fund contribution under Employees' Provident Funds and Miscellaneous Provisions Act, 1952, hence we understand that no further liability lies upon us.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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, 2023 the Company has outstanding term derivative contracts as referred in Note 60.

vii) There has been no delay in transferring amounts, required to be transferred if any, to the Investor Education and Protection Fund by the Company.

(b) Capital Commitments

Particulars	As at March 31, 2023	As at March 31, 2022
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	267.43	102.42
Uncalled capital commitment pertaining to investments	5.00	12.00

(c) Detail of Financial Guarantees given

Issued in favour of	Issued to	As at March 31, 2023	As at March 31, 2022	Purpose
Microwave Communications Limited	Credit Lyonnais Bank	9.60	9.60	Ad-hoc B/G
Microwave Communications Limited	The Vysya Bank Limited	4.06	4.06	Working Capital
Exicom Tele-Systems Limited	Punjab National Bank	6.50	6.50	Working Capital
HTL Limited	Yes Bank Limited	163.00	163.00	Term loan / Working Capital
HTL Limited	State Bank of India	85.00	85.00	Term loan / Working Capital

49. HTL Limited, Subsidiary Company, has proposed for allotment of 8% redeemable and non-convertible preference share capital of ₹100.00 crores by way of conversion of outstanding loan and advances extended by HFCL Limited. The Subsidiary Company has submitted the proposal before the Department of Telecommunications (DoT) vide letter dated 22.03.2022 for seeking their administrative approval for the proposal so that the required formalities under the Companies Act can be taken up accordingly. In view of this, entire advances & loans receivable from HTL Limited have been classified under Non-Current Assets in the financial statements. (Refer Note 9 and 10).

50. In the opinion of the Board, all assets other than property, plant and equipment 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. Balances of various trade payables, trade receivables, loans and advances, security deposits and other parties are subject to confirmation/reconciliation and consequential adjustments, if any. In the opinion of the management, such adjustments, if any, will not have a material impact on the Financial Statements.

51. The Company's Solan manufacturing facilities are having limited scale of operations due to rapid change in technology and other advancements. The said facilities are currently generating revenue from job work only. In view of the above and as a step towards cost optimisation, company's Board had decided to shift the Plant and Machinery of Solan facilities and operations thereof to its Manufacturing Facility located at Hyderabad. The process of shifting of employees has already been started. The partial plant & machinery and other testing equipment would transfer to Hyderabad plant in due course of time. The management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery to other locations.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

52. 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 Limited
	Moneta Finance Private Limited
	HFCL Advance Systems Private Limited
	Polixel Security Systems Private Limited
	DragonWave HFCL India Private Limited
	Raddef Private Limited
	HFCL Technologies Private Limited (Wholly owned Subsidiary w.e.f. June 26, 2021)
	HFCL Inc. (Wholly owned Subsidiary w.e.f. October 08, 2021) - United States of America
	HFCL B.V. (Wholly owned Subsidiary w.e.f. October 07, 2021) - Netherland
(b) Jointly controlled entity:	Nimpaa Telecommunications Private Limited (Jointly Controlled Entity w.e.f. June 14, 2021)
	BigCat Wireless Private Limited (Jointly Controlled Entity w.e.f. November 12, 2021)
(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 Private Limited
	Nextwave Communications Private Limited.
	Exicom Tele-Systems Limited
	Exicom Energy System Private Limited
	Exicom Power Systems Private Limited
	Satellite Finance Private Limited
	Shankar Sales Promotion Private Limited
	Vinsan Brothers Private Limited
	Fitcore Tech-Solutions Private Limited
(f) Relative of Key Managerial personnel	Mr. Anant Nahata

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

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(ii) Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at March 31, 2023 are as under:

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Purchases/receiving of Goods & services		
HTL Limited	521.32	327.60
Polixel Security Systems Private Limited	0.28	0.49
Raddef Private Limited	1.95	2.69
DragonWave HFCL India Private Limited	0.60	0.41
HFCL B.V.	8.45	1.22
HFCL Inc.	3.35	0.76
Exicom Tele-Systems Limited	1.52	14.10
BigCat Wireless Private Limited	2.10	-
Sales/rendering of Goods and Materials		
HTL Limited	399.09	242.71
Exicom Tele-Systems Limited	3.10	1.29
Investments		
Bigcat Wireless Private Limited	7.00	8.00
HFCL Technologies Private Limited	-	1.00
Nimpaa Telecommunications Private Limited	-	1.00
HFCL B.V.	-	0.00
HFCL Inc.	-	0.00
Income - Rent /Other Income		
HTL Limited	12.30	-
Exicom Tele-Systems Limited	0.46	0.46
Exicom Energy System Private Limited	0.01	-
Exicom Power Systems Private Limited	0.01	-
HFCL Advance Systems Private Limited	0.01	0.01
Income - Interest on loan given		
HTL Limited	9.65	9.65
Nimpaa Telecommunications Private Limited	0.50	0.40
Raddef Private Limited	0.18	0.18
HFCL Technologies Private Limited	1.80	-
Expenses - Rent /Other expenses		
HTL Limited	4.59	-
Exicom Tele-Systems Limited	0.84	0.84
Satellite Finance Private Limited	0.36	0.35
Shankar Sales Promotion Private Limited	0.73	0.71
Vinsan Brothers Private Limited	0.79	0.79
Loans and Advances given/ (received) during the year		
Nimpaa Telecommunications Private Limited	(1.00)	1.00
Polixel Security Systems Private Limited	(2.49)	2.52
Raddef Private Limited	3.38	3.83
HFCL Technologies Private Limited	44.08	-

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Dividend paid		
MN Ventures Private Limited	5.28	4.34
Nextwave Communications Private Limited	3.96	3.30
Shankar Sales Promotion Private Limited	0.01	0.00
Vinsan Brothers Private Limited	0.01	0.01
Fitcore Tech-Solutions Private Limited	0.40	0.34
Mr. Mahendra Nahata	0.02	0.07
Mr. Anant Nahata	0.05	0.04
Mr. Vijay Raj Jain	0.01	0.00
Mr. Manoj Baid	0.00	0.00
HFCL Employees Trust	0.03	0.05
Warrants (Convertible into Equity Shares on preferential basis)		
MN Ventures Private Limited	20.00	-
Mr. Vijay Raj Jain (Chief Financial Officer)	3.00	-
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.40	-
Closing Balances of Receivables		
Exicom Tele-Systems Limited	9.68	1.81
Nimpaa Telecommunications Private Limited	0.10	0.27
HFCL Advance Systems Private Limited	-	0.00
Raddef Private Limited	0.66	0.50
HTL Limited	7.03	7.91
Exicom Energy System Private Limited	0.01	-
Exicom Power Systems Private Limited	0.01	-
Closing Balances of Loans		
HTL Limited	24.50	24.50
Raddef Private Limited	2.00	2.00
Nimpaa Telecommunications Private Limited	3.00	4.00
HFCL Technologies Private Limited	44.08	-
Closing Balances of Advances		
HTL Limited	72.00	72.00
Polixel Security Systems Private Limited	-	2.52
Vinsan Brothers Private Limited	-	0.66
Raddef Private Limited	6.29	2.91
Closing balances of Security deposit		
Vinsan Brothers Private Limited	0.40	0.40
Satellite Finance Private Limited	0.16	0.16
Closing Balances of Trade payables		
HTL Limited	75.25	74.49
Polixel Security Systems Private Limited	0.27	-
Exicom Tele-Systems Limited	-	0.59
Shankar Sales Promotion Private Limited	0.15	-
Satellite Finance Private Limited	0.01	-
MN Ventures Private Limited	-	3.99
DragonWave HFCL India Private Limited	0.65	0.01

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	-	0.25
Contribution towards ESOP Trust		
Loan to HFCL Employees Trust (net)	2.81	3.48
Guarantees and collaterals given		
Exicom Tele-Systems Limited	6.50	6.50
HTL Limited	248.00	248.00
Closing balance of Advances to Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	4.29	-
Mr. Vijay Raj Jain (Chief Financial Officer)	0.60	1.10
Remuneration of Key Management Personnel*		
Mr. Mahendra Nahata (Managing Director)	6.80	6.80
Mr. Vijay Raj Jain (Chief Financial Officer)	3.58	3.80
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.88	0.95
Remuneration Payable		
Mr. Mahendra Nahata (Managing Director)	0.55	0.35
Mr. Vijay Raj Jain (Chief Financial Officer)	0.02	-
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.04	0.03
Share based payment to employees		
Mr. Vijay Raj Jain (Chief Financial Officer)	-	0.02
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	-	0.01
ESOP exercised		
Mr. Vijay Raj Jain (Chief Financial Officer)	0.19	0.45
Mr. Manoj Baid (Senior Vice President (Corporate) & Company Secretary)	0.09	0.20

* The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Major Terms and Conditions of transactions with related parties:

i) Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

ii) The remuneration to Key Managerial Personnel are in line with the HR policies of the company.

iii) Loans and advances given to Directors/ KMPs have specified terms/ period of repayment and are in line with HR policies of the Company.

iv) The company makes advances to its associate companies to cater their short term business requirements. Such advances carry interest rates at the rate applicable to the term loans as per Company's policy.

v) The interest and /or dividend paid to the Trusts and Key Managerial Personnel are on account of their investments in the equity shares of the Company and dividend paid on such securities is uniformally applicable to all the holders.

vi) Outstanding balances of group companies at the year-end are unsecured.

53. 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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

54. CORPORATE SOCIAL RESPONSIBILITY EXPENSES:

		Year Ended March 31, 2023	Year Ended March 31, 2022
Gross amount to be spent by the Company during the year		**6.93**	**6.25**
Amount approved by the Board to be spent during the year		**7.00**	**6.25**
Amount spent during the year:			
Contribution on acquisition of assets	-		
On other purposes	**3.46**		**5.91**
5% of CSR obligation as spent on overhead expenses	**0.30**	**3.76**	**0.30**
Shortfall at the end of the year		**3.24**	**0.04**
Total Previous year shortfall		**-**	-
Reason for shortfall		Pertains to ongoing CSR project.	Pertains to ongoing CSR project.
Nature of CSR activities		Healthcare, Education, Care for the elderly etc.	Healthcare, Education, Care for the elderly etc.
Details of related party transactions, eg contribution to a trust controlled by the company			
- HFCL Social Service Society		3.40	Nil
Provision made with respect to a liability incurred by entering into a contractual obligation			
Opening Balance		0.04	-
Add: Provision made during the year		3.24	0.04
Less: Payment made during the year		0.04	-
Closing Balance		3.24	0.04

55. Interest charges on loans is net of Interest income from loans and advances amounting to ₹14.88 crores (Previous year ₹14.38 crore).

56. The Company has transactions with certain companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956. The details are as following details:

Name of the Struck off Companies	Nature of transactions	Balance outstanding / Share Capital at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
Vaishak Shares Limited	Shareholder	0.00	Not Related
Kothari Intergroup Limited	Shareholder	0.00	Not Related
Chothani Fibres Private Limited	Shareholder	0.00	Not Related
Farhan Traders Private Limited	Shareholder	0.00	Not Related
Indiana International Private Limited	Shareholder	0.00	Not Related
Esskyennr Securities Limited	Shareholder	0.00	Not Related
S J Capital Limited	Shareholder	0.00	Not Related
Yash Stockbrokers Private Limited	Shareholder	0.00	Not Related
Vinod Housing Private Limited	Shareholder	0.00	Not Related
Woodmen Products Private Limited	Shareholder	0.00	Not Related
Dapki And Bavishi Securities Private Limited	Shareholder	0.00	Not Related
N D Stocks Private Limited	Shareholder	0.00	Not Related
G- Mat Trading Private Limited	Shareholder	0.00	Not Related
Spica Software Private Limited	Shareholder	0.00	Not Related
Puja Supertech Private Limited	Shareholder	0.00	Not Related

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Name of the Struck off Companies	Nature of transactions	Balance outstanding / Share Capital at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
Interstate Share Broking Private Limited	Shareholder	0.00	Not Related
Canny Securities Private Limited	Shareholder	0.00	Not Related
Aakansha Portfolio Private Limited	Shareholder	0.00	Not Related
Arpan Leasing Co Limited	Shareholder	0.00	Not Related
Shahuji Global Solution Private Limited	Shareholder	0.00	Not Related
B S Investment Co.Private Limited	Shareholder	0.00	Not Related
Ramdayal Associates Limited	Shareholder	0.00	Not Related
Lifetime Leasing & Holding Private Limited	Shareholder	0.00	Not Related
N.R.I. Financial Services Limited	Shareholder	0.00	Not Related
Zenith Logistics Private Limited	Shareholder	0.00	Not Related
Jalsagar Commercial Private Limited	Shareholder	0.00	Not Related
Shyam Engineering Co Private Limited	Shareholder	0.00	Not Related
Kanha Shares Private Limited	Shareholder	0.00	Not Related
Ankal Capital Limited	Shareholder	0.00	Not Related
Lakshana Holdings Private Limited	Shareholder	0.00	Not Related
Advait Finstock Private Limited	Shareholder	0.00	Not Related
Murlidhar Securities Private Limited	Shareholder	0.00	Not Related
Surakshit Securities Private Limited	Shareholder	0.00	Not Related
Sinnar Steels Private Limited	Shareholder	0.00	Not Related
Modern Information & Systems Private Limited	Shareholder	0.00	Not Related
BDJA Securities Private Limited	Shareholder	0.00	Not Related
Steelman Investments Private Limited	Shareholder	0.00	Not Related
Touchstone Stock Management Private Limited	Shareholder	0.00	Not Related
Malnad Investors Association Limited	Shareholder	0.00	Not Related
Balia Consultancy Services Private Limited	Shareholder	0.00	Not Related
Asha Latex & Allied Industries Private Limited	Shareholder	0.00	Not Related
Sai Shirdi Lea - Fin Private Limited	Shareholder	0.00	Not Related
Pegasus Mercantile Private Limited	Shareholder	0.00	Not Related
Zion Financial Services Private Limited	Shareholder	0.00	Not Related
Blue Mountain Holdings Private Limited	Shareholder	0.00	Not Related
Enpee Investments Private Limited	Shareholder	0.00	Not Related
HMK Capital Management Private Limited	Shareholder	0.00	Not Related
Sun Shine Holdings Private Limited	Shareholder	0.00	Not Related
Victor Properties Private Limited	Shareholder	0.00	Not Related
Excel Capital Services Private Limited	Shareholder	0.00	Not Related
Home Trade Limited	Shareholder	0.00	Not Related
Megha Investments Private Limited	Shareholder	0.00	Not Related
Vidhan Marketing Private Limited	Shareholder	0.00	Not Related
VMS Consultants Private Limited	Shareholder	0.00	Not Related
Kaliangi Constructions Private Limited	Trade Payable	0.06	Not Related
NGS Technology Private Limited	Trade Payable	0.13	Not Related
Overarching Solutions Private Limited	Trade Payable	0.02	Not Related
Dexterous Engineering Private Limited	Trade Payable	0.01	Not Related

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Name of the Struck off Companies	Nature of transactions	Balance outstanding / Share Capital at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
Visat Services Private Limited	Trade Payable	0.04	Not Related
Saransh Infrastructure Limited	Trade Payable	0.00	Not Related
Snpr Constructions Private Limited	Trade Payable	0.22	Not Related
G Fazco Infra Private Limited	Trade Payable	0.01	Not Related

Name of the Struck off Companies	Nature of transactions	Balance outstanding / Share Capital at the end of the year as at March 31, 2022	Relationship with the Struck off company, if any, to be disclosed
Cassiopiea Consultants Private Limited	Advance To Vendor	0.04	Not Related
Snpr Constructions Private Limited	Trade Payable	0.22	Not Related
Airvoice Telenet Private Limited	Trade Payable	1.10	Not Related
Aks Infra Solutions Private Limited	Trade Payable	0.12	Not Related
Amarparmila Infranetworks Private Limited	Trade Payable	0.01	Not Related
Amethiya Network Services Private Limited	Trade Payable	0.01	Not Related
Apex Infraheights & Infosolutions Private Limited	Advance To Vendor	0.30	Not Related
Dexterous Engineering Private Limited	Trade Payable	0.01	Not Related
E Cell Infratel Private Limited	Advance To Vendor	0.01	Not Related
Excell Buildcon Private Limited	Trade Payable	0.00	Not Related
Galaxias Private Limited	Trade Payable	0.01	Not Related
Gallant Infrabuild Private Limited	Trade Payable	0.01	Not Related
Jyostna Infrastructure Private Limited	Trade Payable	0.00	Not Related
Om Ashiana Private Limited	Advance To Vendor	0.00	Not Related
Omega Towers And Infrastructures Private Limited	Advance To Vendor	0.24	Not Related
Operations Management System Private Limited	Trade Payable	0.00	Not Related
Pachar Infrastructure Private Limited	Trade Payable	0.08	Not Related
Pride Infratel Private Limited	Trade Payable	0.20	Not Related
Radauri Infratel Private Limited	Trade Payable	0.10	Not Related
Rahber Engineering Co Limited	Advance To Vendor	0.00	Not Related
Saksham Electrical & Contrators Private Limited	Advance To Vendor	0.01	Not Related
Samay Infratech Private Limited	Advance To Vendor	0.09	Not Related
Sandpiper Infrastructure Private Limited	Trade Payable	0.00	Not Related
Sanwariya Buildcon Private Limited	Trade Payable	0.01	Not Related
Saransh Infrastructure Limited	Trade Payable	0.00	Not Related
Shakti Teleservices Private Limited	Advance To Vendor	0.02	Not Related
Shiv Sai Infrareal Private Limited	Trade Payable	0.04	Not Related
Shree Bake Bihari Infratech Private Limited	Advance To Vendor	0.01	Not Related
Smv Solution Private Limited	Trade Payable	0.02	Not Related
Soham Cotspinn Private Limited	Trade Payable	0.04	Not Related

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Name of the Struck off Companies	Nature of transactions	Balance outstanding / Share Capital at the end of the year as at March 31, 2022	Relationship with the Struck off company, if any, to be disclosed
Sri Rama Telecom & Infratech Private Limited	Trade Payable	0.00	Not Related
Swastika Tele Solutions Private Limited	Advance To Vendor	0.00	Not Related
Visat Services Private Limited	Trade Payable	0.04	Not Related
Vishnu Bhumi Engineers Private Limited	Trade Payable	0.02	Not Related
Four Star Multi Security Services (India) Private Limited	Trade Payable	0.00	Not Related
Hertz Technologies Private Limited	Trade Payable	0.01	Not Related
Influx Enterprises Private Limited	Advance To Vendor	1.49	Not Related
Infura Telenet Private Limited	Trade Payable	0.00	Not Related
Kaliangi Constructions Private Limited	Trade Payable	0.06	Not Related
Megastar Power Engineers Private Limited	Advance To Vendor	0.05	Not Related
Pc Infradevelopers Private Limited	Advance To Vendor	0.15	Not Related
Philipsons Importers & Exporters Private Limited	Advance To Vendor	0.03	Not Related
Pragmatica Infraventures Private Limited	Advance To Vendor	0.21	Not Related
Sajana Sajani Meet Infrastructure Private Limited	Trade Payable	0.00	Not Related
Suryajyoti Infratechnologies Private Limited	Trade Payable	0.01	Not Related
Vas Infratel Private Limited	Advance To Vendor	0.04	Not Related

57. On October 15, 2018, pursuant to the approval by the shareholders, the Board has been authorised 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 shall vest over a period of 3 years and 70% RSUs granted will be vest at the end of 3rd year and remaining 30% RSUs shall vest at the end of 4th year from the date of grant.

The RSUs granted under the HFCL Plan 2017 are forfeited due to non-achievement of defined annual performance parameters as determined by the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022 and accordingly as on March 31, 2022 the share based payment reserve was adjusted. During the previous year, this cancellation/ forfeiture of unvested options had resulted into a reversal of share based payment expense in the Standalone Statement of Profit and Loss.

In respect of Options granted under the Employee Stock Option Plan the accounting is done as per requirements of Ind AS 102. Consequently, The Statement of Profit and Loss includes ₹ Nil (Previous Year: net income of ₹8.26 crore) being expenses on account of share based payments, after adjusting for reversals on account of options forfeited. The amount excludes charged to its subsidiary for options issued to its employees.

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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

The activity in the HFCL Plan 2017 for equity-settled, share-based payment transactions during the years ended March 31, 2023 and March 31, 2022 is as follows:

Particulars	Shares arising out of options*	
	Year ended March 31, 2023	Year ended March 31, 2022
Employee Stock Options (ESOPs)		
Outstanding at the beginning	3,021,000	6,337,000
Granted	-	-
Exercised	1,491,800	3,234,400
Forfeited and expired	-	81,600
Outstanding at the end	1,529,200	3,021,000
Exercisable at the end	1,529,200	1,300,200
Restricted Stock Units (RSUs)		
Outstanding at the beginning	-	6,008,000
Granted	-	-
Exercised	-	-
Forfeited and expired	-	6,008,000
Outstanding at the end	-	-
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, 2023 are as follows:

Range of exercise prices per share	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
20-25 (ESOPs)	1,529,200	1	20.65

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 ESOPs granted during the year ended March 31, 2023
Weighted average share price (₹)	20.65
Exercise price (₹)	20.65
Expected volatility	56.4% to 59.1%
Expected life of the option (years)	3.50 to 5.50
Expected dividends	0.23%
Risk-free interest rate	7.81% to 7.89%
Weighted average fair value as on grant date (₹)	11.04

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 behaviour 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.

58. PARTICULARS IN RESPECT OF LOANS AND ADVANCES IN THE NATURE OF LOANS TO RELATED PARTIES AS REQUIRED UNDER REGULATION 34(3) SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATION, 2015

Name of the Company	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2023	March 31, 2022	2022-23	2021-22
HTL Limited	96.50	96.50	96.50	96.50
HFCL Technologies Private Limited	44.08	-	44.08	-
Polixel Security Systems Private Limited	-	2.52	-	2.52
Raddef Private Limited	2.00	2.00	2.00	2.00
Nimpaa Telecommunications Private Limited	3.00	4.00	3.00	4.00

Disclosure pursuant to section 186 of The Companies Act 2013:

Sr. No.	Nature of Transaction (Loans given / Investment made / Guarantee given / Security provided)	Purpose for which the loan / guarantee / security is proposed to be utilised by the recipient	2022-23	2021-22
(A)	**Loans and Advances**			
	Subsidiary Companies:			
	(a) HTL Limited	Project funding and working capital	96.50	96.50
	(b) HFCL Technologies Private Limited	Project funding	44.08	-
	(c) Polixel Security Systems Private Limited	Working capital	-	2.52
	(d) Raddef Private Limited	Investment for product development	2.00	2.00
	Other Related Party:			
	(a) Nimpaa Telecommunications Private Limited	Working capital	3.00	4.00
(B)	**Guarantees Given**			
	Subsidiary Company:			
	(a) HTL Limited	Corporate guarantee given for Debt	248.00	248.00
	Other Related Party:			
	(a) Exicom Tele-Systems Limited	Corporate guarantee given for Debt	6.50	6.50

59. 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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

59.1 Financial Instruments by category

Particulars	As at March 31, 2023			As at March 31, 2022		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	37.09	-	-	32.96	-
ii) Structured entity (current assets)						
a) Sumedha Fiscal Services Limited	-	0.10	-	-	0.11	-
b) Valiant Communications Limited	-	0.12	-	-	0.06	-
c) Magma Fincorp Limited	-	4.47	-	-	4.15	-
d) Media Matrix Worldwide Limited	-	0.01	-	-	0.01	-
e) Sahara One Media and Entertainment Limited	-	0.39	-	-	0.61	-
B) Mutual funds	7.10	-	-	3.69	-	-
II) Trade receivables	-	-	2,207.45	-	-	2,399.72
III) Bank deposits	-	-	33.65	-	-	29.15
IV) Cash and Cash equivalents	-	-	61.35	-	-	14.33
V) Other Bank balances	-	-	235.06	-	-	490.30
VI) Security deposit for utilities and premises	-	-	7.20	-	-	4.49
VII) Other receivables	-	-	687.44	-	-	501.73
Total financial assets	**7.10**	**42.18**	**3,232.15**	**3.69**	**37.90**	**3,439.72**
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	532.91	-	-	527.65
B) From Others	-	-	70.07	-	-	83.18
II) Obligations under Finance Lease	-	-	19.81	-	-	26.55
III) Operational Buyers' Credit / Suppliers' Credit	-	-	168.13	-	-	-
IV) Retention Money	-	-	239.79	-	-	256.61
V) Trade payables	-	-	850.84	-	-	933.82
VI) Other liabilities	-	-	90.52	-	-	120.31
Total Financial liabilities	**-**	**-**	**1,972.07**	**-**	**-**	**1,948.12**

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 categorised into Level 1, Level 2 and Level 3 inputs.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(a) Year Ending March 31, 2023

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2023	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	7.10	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Limited	14	0.10	-	-
b) Valiant Communications Limited	14	0.12	-	-
c) Poonawalla Fincorp Limited	14	4.47	-	-
d) Media Matrix Worldwide Limited	14	0.01	-	-
e) Sahara One Media and Entertainment Limited	14	0.39	-	-
f) Exicom Tele-Systems Limited	8	-	-	19.35
g) The Greater Bombay Co-Op Bank Limited	8	-	-	0.05
h) Nivetti Systems Private Limited	8	-	-	17.69
Total Financial Assets		**12.19**	**-**	**37.09**

(b) Year Ending March 31, 2022

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2022	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
Mutual Funds	14	3.69	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Limited	14	0.11	-	-
b) Valiant Communications Limited	14	0.06	-	-
c) Poonawalla Fincorp Limited	14	4.15	-	-
d) Media Matrix Worldwide Limited	14	0.01	-	-
e) Sahara One Media and Entertainment Limited	14	0.61	-	-
f) Exicom Tele-Systems Limited	8	-	-	16.83
g) The Greater Bombay Co-Op Bank Limited	8	-	-	0.05
h) Nivetti Systems Private Limited	8	-	-	16.08
Total Financial Assets		**8.63**	**-**	**32.96**

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.

59.2 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.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	Notes Nos.	Carrying amount	Less than 12 months	More than 12 months	Total
As at March 31, 2023					
Trade payables	26	850.84	850.84	-	**850.84**
Retention Money	27	239.79	239.79	-	**239.79**
Other liabilities	23,25,27,43	881.45	791.65	89.80	**881.45**
As at March 31, 2022					
Trade payables	26	933.82	933.82	-	**933.82**
Retention Money	27	256.61	256.61	-	**256.61**
Other liabilities	23,25,27,43	757.69	643.03	114.66	**757.69**

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, 2023 and March 31, 2022.

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: Total comprehensive income for the year ended March 31, 2023 would increase / decrease by ₹4.93 crores (for the year ended March 31, 2022: increase / decrease by ₹4.15 crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
INTEREST RATE RISK		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Company diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Company has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional ₹1.51 crores loss for year ended March 31, 2023 (₹1.53 crores loss for year ended March 31 2022).

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 maximise the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period:

Particulars	As at March 31, 2023	As at March 31, 2022
Debt	602.98	610.83
Less: Cash and Cash equivalents (Note 16)	(61.35)	(14.33)
Net Debt	**541.63**	**596.50**
Total Equity	2,993.02	2,728.36
Net Debt to Equity Ratio	**0.18**	**0.22**

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

59.3 Analytical Ratios

Ratio Analysis	Numerator	Denominator	Current Year	Previous Year	% Variance	Reason for variance
Current ratio (in times)	Total Current assets	Total Current liability	**1.94**	1.82	6.59%	
Debt- Equity ratio (in times)	Total Debt	Total Equity	**0.20**	0.22	-9.09%	
Debt service coverage ratio (in times)	Net Profit after taxes + Depreciation and other amortisations + Interest + Loss on sale of Fixed assets	Interest and Lease Payments + Principle Payments	**6.44**	7.97	-19.20%	
Return of equity ratio (in %)	Net Profit after Taxes	Average Total Equity	**8.90**	12.28	-27.52%	There is no increase in Net Profits whereas equity has increased due to accumulation of profits of the previous year.
Inventory turnover ratio (in times)	Cost of Goods sold	Average Inventory	**6.84**	9.14	-25.16%	Inventory turnover ratio improved due to better inventory management
Trade receivables turnover ratio (in times)	Revenue from operations	Average Trade receivables	**1.91**	1.60	19.38%	
Trade payables turnover ratio (in times)	Total Purchases	Average Trade payables	**3.93**	2.64	48.86%	Payment to creditors have improved and key raw materials are available on payment basis
Net working Capital turnover ratio (in times)	Revenue from operations	Average working capital (i.e. Total current assets less Total current liabilities)	**2.42**	2.70	-10.37%	
Net profit ratio (in %)	Net profit for the year	Revenue from operations	**5.79**	6.60	-12.27%	
Return on capital employed (in %)	Net Profit before Interest & Tax	Average Capital Employed (i.e. Networth plus total debt)	**15.36**	20.56	-25.29%	There is no increase in Net Profits whereas equity has increased due to accumulation of profits of the previous year.
Return on investment (in %)	Income generated from invested funds	Average invested fund in Investments	**5.43**	3.79	43.27%	Due to increase in fair value of investments

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

60. 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.

b) 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:

Details of outstanding Hedging Contracts relating to Foreign LCs

Particulars	As at March 31, 2023		As at March 31, 2022	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	11,577,243	96.13	3,452,230	26.51

c) Foreign Currency exposure

Particulars		As at March 31, 2023		As at March 31, 2022	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	58,755,552	484.15	29,014,175	220.22
	EUR/INR	1,161,758	10.50	2,271,191	19.10
	GBP/INR	4,333,875	44.31	113,855	1.14
	MUR/INR	646,732	0.12	2,657,241	0.45
	BDT/INR	29,005,177	2.23	1,185,500	0.10
	JPY/INR	172,000	0.01	-	-
Trade receivable	USD/INR	9,214,772	75.37	4,807,599	36.51
	EUR/INR	9,720,535	86.27	9,544,530	80.13
	GBP/INR	11,113,041	112.45	3,264,063	32.54
	MUR/INR	5,221,007	0.95	23,610,500	3.94
	BDT/INR	27,413,077	2.10	14,178,430	1.25
	AED/INR	111,243	0.25	9,745,467	20.15
Cash and Bank Balances	GBP/INR	1,117,363	11.31	-	-
	MUR/INR	21,075,475	3.84	10,427,287	1.74
	BDT/INR	30,555,124	2.34	70,764	0.01
Other Assets	GBP/INR	3,382,076	34.22	-	-
	MUR/INR	31,525,552	5.74	21,450,880	3.58
	BDT/INR	28,848,913	2.21	20,318,255	1.79
Other Liabilities	GBP/INR	955,738	9.77	-	-
	MUR/INR	2,545,397	0.46	4,969,819	0.83
	BDT/INR	41,508,887	3.18	32,765,642	2.88

Notes forming part of Financial Statements

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(All amounts are in ₹ Crore)

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.

Impact on profit or loss for the year	Year Ended March 31, 2023		Year Ended March 31, 2022	
	INR strengthens by 5%	INR weakening by 5%	INR strengthens by 5%	INR weakening by 5%
USD Impact	20.44	(20.44)	9.19	(9.19)
EURO Impact	(3.79)	3.79	(3.05)	3.05
GBP Impact	(5.20)	5.20	(1.57)	1.57
JPY Impact	0.00	0.00	-	-
MUR Impact	(0.50)	0.50	(0.40)	0.40
BDT Impact	(0.04)	0.04	(0.01)	0.01
AED Impact	(0.01)	0.01	1.00	(1.00)

61. TAX RECONCILIATION

Particulars	F.Y. 2022-23	F.Y. 2021-22
Net Profit as per Statement of Profit and Loss (before tax)	**341.69**	**381.67**
Current Tax rate @ 25.17%	**86.00**	**96.06**
Adjustment:		
Depreciation	(36.89)	(0.70)
The amount of eligible / ineligible expenditure	3.86	1.60
Tax Provision as per Books	52.97	96.96

The Company is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

62. RECENT INDIAN ACCOUNTING STANDARDS (IND AS)

The MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2023 on March 31, 2023, whereby the amendments to various Indian Accounting Standards (Ind AS) has been made applicable with effect from April 1, 2023 onwards. Amended requirements as per these rules in relation to various Standards are as follows:

Ind AS 1 – Presentation of Financial Statements: The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. The Company has evaluated the requirements of the amendment and its impact on Financial Statements is not likely to be material.

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. The amendments will help entities to distinguish between accounting policies and accounting estimates. The Company has evaluated the requirements of the amendment and there is no impact on its Financial Statements.

Ind AS 12 – Income Taxes: The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company has evaluated the requirements of the amendment and there is no impact on its Financial Statements.

Amendments to other Indian Accounting Standards viz. Ind AS 101- First-time Adoption of Indian Accounting Standards, Ind AS 102 – Share Based Payments, Ind AS 103- Business Combinations, Ind AS 107- Financial Instruments - Disclosures, Ind AS 109 - Financial Instruments, and Ind AS 34 Interim Financial Reporting are either consequential to above amendments or clerical in nature. The Company has evaluated the requirements of the amendments and there is no impact on its Financial Statements.

Notes forming part of Financial Statements

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

63. OTHER STATUTORY INFORMATION:

i) The Company does not have any benami property, where any proceeding has been initiated or pending against the Company for holding any benami property.

ii) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

iii) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (intermediaries) with the understanding that the intermediary shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (ultimate beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries

iv) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (funding party) with the understanding (whether recorded in writing or otherwise) that the company shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

v) The Company does not have any such transactions which are not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

vi) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Companies Act 2013 read with the Companies (restriction on number of layers) Rules, 2017.

vii) The Company is not declared wilful defaulter by bank or financial institution or lender during the year.

viii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

ix) The Company has used the borrowings from banks and financial institutions for the specific purpose for which it was obtained.

64. 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. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Independent Auditors' Report

To the Members of **HFCL Limited**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of HFCL Limited (hereinafter referred to as the' "Parent"), its subsidiaries (the parent company and its subsidiaries together referred to as the "Group") and its jointly controlled entities which comprise the Consolidated Balance Sheet as at March 31, 2023, 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 consolidated 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, jointly controlled entities 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 its jointly controlled entities 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 and its jointly controlled entities 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 (e) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

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, 2023, revenue from customer contracts amounts to ₹4,395.68 crores whereas as at March 31, 2023, contract assets amount to ₹318.32 crores, the balance of work in progress (WIP) amounts to ₹174.15crores and retention amounts to ₹239.79 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 recognised over a period. Additionally, revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. (Refer Notes 31 to the consolidated financial statements).	Our procedures included, among others, obtaining an understanding of the project execution processes and relevant controls relating to the accounting for customer contracts. For the revenue recognised throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions. These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments relating to customer contracts. On a sample basis, we reconciled revenue to the supporting documentation, validated costs, tested the mathematical accuracy of calculations and the adequacy of accounting of customer contracts.

S. No.	Key Audit Matters	Response to Key Audit Matters
	During order fulfilment, contractual obligations may need to be reassessed. In addition, change orders or cancelations have to be considered. As a result, total estimated contract costs may exceed total contract revenues and therefore require write-offs of contract assets, receivables and the immediate recognition of the expected loss as a provision. Regarding the revenue recognised 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. 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 ₹2207.46 crores as of March 31, 2023 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 ₹19.29 crores as at March 31, 2023. Refer to the Note 15 to the consolidated financial statements.	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; • 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 including credit impaired receivables and accrued balances was deemed appropriate and corresponds to the risks identified.
3	**Recoverability of Project and other vendor advances** As at March 31, 2023, current financial assets include ₹456.86 crores in respect of Project and other vendor advances 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 Project and other vendor 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 Project and other vendor advances as a key audit matter. Refer Note 19 to the Consolidated Financial Statements.	Our audit procedures involve the following activities: • Assessing and updating our understanding of internal controls over financial reporting with respect to advances given; • Assessment of the Parent's procurement policy outlining authority for approving and responsibility to manage vendor advances; • Inquiries with management in order to understand and assess governance and follow-up/monitoring of key vendors; • Analytical procedures and inquiries with Business Area; • Obtain balance confirmations from selected parties to ensure existence thereof • Review of Purchase orders and/or agreements for selected parties and enquire management regarding reasons for unsettled advances as on date. We agree with management's view that there is no reduction in the value of the advances outstanding in the books.

<table>
<tr><th>S. No.</th><th>Key Audit Matters</th><th>Response to Key Audit Matters</th></tr>
<tr><td>4</td><td>Recoverability relating to Goods and Services Tax recoverable:

As at March 31, 2023, under other current assets, indirect taxes recoverable include ₹161.10 crores in respect of GST Input 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 21 to the Consolidated Financial Statements.</td><td>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.</td></tr>
<tr><td>5</td><td>Recoverability and Contingencies relating to other Indirect tax matters

As at March 31, 2023, "Indirect Tax Recoverable" includes ₹4.06 crores in respect of Commercial taxes recoverable which are pending adjudication.

The Parent Company has open/pending tax assessments in various states. The determination of provisions and contingent liabilities arising from the open tax assessments make this a particular area of significant judgement.

We focused on management's assessment of the likely outcome and quantification of tax exposures which involves significant judgement.

Refer Note 21 to the Consolidated Financial Statements.</td><td>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.

• Inspecting 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.</td></tr>
<tr><td colspan="3">With Respect to Subsidiary Company – HTL Limited</td></tr>
<tr><td>6</td><td>Provision of Interest on Government of India (GOI) Loan

Pending the response to the 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 2023, total loan outstanding is ₹473.00 Lacs and Interest Accrued is ₹2347.13 Lacs.</td><td>Principal Audit Procedures

Obtained details of correspondence with Government of India for settlement of claim. Verified the reconciliation statement prepared by the management after adjustment of claim recoverable from BSNL against the interest portion of the outstanding loan from GOI. Discussion with the management on the current status on the loan reconciliation.</td></tr>
</table>

OTHER INFORMATION

The Parent's Board of Directors is responsible for the preparation of other information. The other information comprises of the information to be included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility and Sustainability 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 and its jointly controlled entities 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 and its jointly controlled entities 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 and its jointly controlled entities are responsible for assessing the ability of the Group and its jointly controlled entities 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 and its jointly controlled entities are responsible for overseeing the financial reporting process of the Group and its jointly controlled entities.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company and its subsidiary companies which are companies incorporated in India has adequate internal financial controls system with reference to consolidated financial statement 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 and its jointly controlled entities 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 and its jointly controlled entities 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 and its jointly controlled entities 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 ₹12.13 crores as at March 31, 2023, total revenues of ₹0.60 crores, Net profit after tax of ₹0.96 crores, total comprehensive income of ₹0.97 crores and net cash inflows of ₹0.04 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 five subsidiaries whose financial statements / financial information reflect total assets of ₹616.48 crores as at March 31, 2023, total revenues of ₹1267.07 crores, Net profit after tax of ₹62.01 crores, total comprehensive income of ₹61.50 crores, and net cash inflows of ₹(0.31) crores for the year ended on that date, as considered in the Consolidated Financial statement, have been audited by one of the 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 three foreign branches which reflects total assets of ₹75.27 crores as at March 31, 2023, total revenues of ₹52.95 crores, Net profit after tax of ₹8.61 crores, total comprehensive income of ₹8.69 crores, and net cash inflow of ₹15.68 crores for the year ended on that date, which were audited by respective independent branch auditors. The independent branch auditor's report on the financial statements of these branches have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these branches and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid foreign branches is solely based on the report of such independent branch auditor's.

d) The Consolidated Financial Statements includes financial performance of two foreign subsidiaries which reflects total assets of ₹4.75 crores as at March 31, 2023, total revenues of ₹13.43 crores, Net profit after tax of ₹2.38 crores, total comprehensive income of ₹2.46 crores, and net cash inflows of ₹0.98 crores for the year ended March 31, 2023, which was audited by the independent auditors in accordance with the regulations of such foreign countries, whose reports has been furnished to us by the management, these financial Statements have been converted by the management as per accounting principles generally accepted in India which has been considered in the consolidated financial statements solely based on such converted financial statements. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these foreign 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 foreign subsidiaries is solely based on the report of such independent auditor's.

e) We did not audit the financial statements/financial information of two jointly controlled entities included in the consolidated financial statements, whose financial statements include total net profit after tax of ₹1.55 crores, total comprehensive income of ₹1.55 crores, for the year ended March 31, 2023 as considered in the Consolidated financial statements which have been audited by their respective independent auditors. The independent auditor's report on the financial statements of these entities have been furnished to us by the Management and our opinion on the Consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities and our report in terms of sub section (3) of section 143 of the Act, in so far as it relates to the aforesaid jointly controlled entities is based solely on the reports of such auditors.

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 as stated in pare (a) to (e) which respect to our reliance on the work done and the reports of the other auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure-A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. 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/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 the foreign branches audited by independent branch auditors of the Group have been furnished to us by the management of the Parent Company 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, 2023 taken on record by the Board of Directors of the Parent Company and on the basis of written representations received by the management of its subsidiaries incorporated in India and its jointly controlled entities, none of the Directors of the Group companies incorporated in India and jointly controlled entities is disqualified as on 31st March, 2023 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 parent and its subsidiaries incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" 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 parent company and its subsidiaries incorporated in India 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 48 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 48 to the consolidated financial statements;

      iii) There has been no delay in transferring amount, required to be transferred to the Investor Education and Protection Fund by the parent company and its subsidiaries incorporated in India.

iv) (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the parent company, its subsidiaries incorporated in India or its jointly controlled entities to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the parent company, its subsidiaries incorporated in India or its jointly controlled entities ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the parent company, its subsidiaries incorporated in India or its jointly controlled entities from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the parent company, its subsidiaries incorporated in India or its jointly controlled entities shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v) (a) The final dividend declared and paid by the Parent Company during the year is in accordance with Section 123 of the Act, as applicable.

(b) As stated in Note 42 to the consolidated financial statements, the Board of Directors of the parent company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting of the parent company. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.

vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, to the Company, its subsidiaries incorporated in India and its jointly controlled entities, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **S Bhandari & Co. LLP**
Chartered Accountants
Firm Registration No. 000560C/C400334

(P. D. Baid)
Partner
Membership No: 072625
UDIN:23072625BGXCTG8886

Place: New Delhi
Date: May 08, 2023

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 23054645BGYNGJ4831

Place: New Delhi
Date: May 08, 2023

ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

(Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of HFCL Limited of even date)

xxi. Qualifications or adverse remarks by the respective auditors in the Companies (Auditors Report) order (CARO) reports of the respective company's incorporated in India included in the consolidated financial statements are as under:

S. No.	Name	CIN	Holding Company / Subsidiary / Jointly Controlled Entity	Clause number of the CARO report which is qualified or is adverse
1.	HFCL Limited	L64200HP1987PLC007466	Holding Company	Clause i(c), iii(c), vii(a) and xi(a)
2.	HTL Limited	U93090TN1960PLC004355	Subsidiary	Clause i(c), vii (b), and ix(a)
3.	HFCL Advance Systems Private Limited	U29253HP2015PTC000880	Subsidiary	Clause xvii
4.	Polixel Security System Private Limited	U93000DL2010PTC199073	Subsidiary	Clause vii(b) and xvii
5.	Raddef Private Limited	U74999KA2017PTC105873	Subsidiary	Clause xvii
6.	DragonWave HFCL India Private Limited	U64200DL2010PTC211117	Subsidiary	Clause iii (e)
7.	HFCL Technologies Private Limited	U29309DL2021PTC382794	Subsidiary	Clause xvii
8.	BigCat Wireless Private Limited	U72900TN2013PTC089742	Jointly Controlled Entity	Clause xvii

ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HFCL LIMITED AS ON MARCH 31, 2023

(Referred to in paragraph 2(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

To the Members of HFCL LIMITED

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, we have audited the internal financial controls over financial reporting of **HFCL LIMITED** (herein after referred as the "Parent") and its subsidiary companies incorporated in India (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 incorporated in India 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 ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Internal Financial Controls over financial reporting of the parent company and its subsidiaries incorporated in India 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 prescribed under Section 143(10) of the companies act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the 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 was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial 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 incorporated in India 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 Internal Financial Controls system over financial reporting of the parent company and its subsidiaries incorporated in India.

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 consolidated 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 authorisations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated 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 parent company and its subsidiaries incorporated in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2023, 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 seven subsidiary companies incorporated in India 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. LLP**
Chartered Accountants
Firm Registration No. 000560C/C400334

(P. D. Baid)
Partner
Membership No: 072625
UDIN:23072625BGXCTG8886

Place: New Delhi
Date: May 08, 2023

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

(Sunil Bhansali)
Partner
Membership No: 054645
UDIN: 23054645BGYNGJ4831

Place: New Delhi
Date: May 08, 2023

Consolidated Balance Sheet

as at March 31, 2023

(All amounts are in ₹ crores)

Particulars	Note No(s)	As at March 31, 2023	As at March 31, 2022
ASSETS			
Non-current Assets			
(a) Property, Plant and Equipment	3	487.09	464.63
(b) Capital work-in-progress	4	70.50	47.46
(c) Right-of-use-assets	43	17.32	24.07
(d) Goodwill		26.17	26.17
(e) Intangible assets (other than Goodwill)	5	17.65	13.41
(f) Intangible assets under development	6	197.66	60.69
(g) Investments accounted for using equity method	7	18.57	11.66
(h) Financial Assets			
(i) Investments	8	39.03	34.90
(ii) Trade receivables	15	423.11	595.61
(iii) Loans	9	9.50	10.50
(iv) Others	10	44.29	40.54
(i) Deferred tax assets (net)	11	-	4.97
(j) Other non-current assets	12	39.55	17.55
Total Non Current Assets		**1,390.44**	**1,352.16**
Current Assets			
(a) Inventories	13	757.85	573.38
(b) Financial Assets			
(i) Investments	14	12.38	8.80
(ii) Trade receivables	15	1,886.11	1,895.94
(iii) Cash and cash equivalents	16	63.67	16.69
(iv) Bank balances other than (iii) above	17	258.92	511.55
(v) Loans	18	21.49	26.04
(vi) Others	19	533.57	386.31
(c) Current tax Assets (net)	20	15.19	6.39
(d) Other current assets	21	532.97	394.20
Total Current Assets		**4,082.15**	**3,819.30**
Total Assets		**5,472.59**	**5,171.46**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	22	137.64	137.49
(b) Other Equity	22	2,969.90	2,660.91
Equity attributable to owners of the Company		**3,107.54**	**2,798.40**
Non-controlling interest		36.60	19.97
LIABILITIES			
Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	23	110.37	121.25
(ii) Lease liabilities	43	6.20	19.34
(b) Provisions	24	40.90	34.74
(c) Deferred tax liabilities (net)	11	28.82	-
Total Non Current Liabilities		**186.29**	**175.33**
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	637.94	621.55
(ii) Lease Liabilities	43	13.61	7.21
(iii) Operational Buyers Credit	47	168.13	13.79
(iv) Trade payables			
- total outstanding dues of Micro Enterprises and Small Enterprises	26	65.03	192.80
- total outstanding dues to other than Micro and Small Enterprises		812.99	817.32
(v) Other financial liabilities	27	368.75	415.71
(b) Current tax liabilities (net)	28	19.52	30.32
(c) Other current liabilities	29	43.89	68.90
(d) Provisions	30	12.30	10.16
Total Current Liabilities		**2,142.16**	**2,177.76**
Total Liabilities		**2,328.45**	**2,353.09**
Total Equity and Liabilities		**5,472.59**	**5,171.46**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Consolidated Statement of Profit and Loss

for the year ended March 31, 2023

(All amounts are in ₹ crores)

	Particulars	Note No(s)	For the year ended March 31, 2023	For the year ended March 31, 2022
I	**INCOME**			
	Revenue from operations	31	4,743.31	4,727.11
	Other Income	32	47.18	42.91
	Total Income (I)		**4,790.49**	**4,770.02**
II	**EXPENSE**			
	Cost of Material Consumed	33	980.87	973.54
	Other Direct Cost	34	1,035.98	1,362.01
	Purchases of stock-in trade		1,564.47	1,243.71
	Change in inventories of finished goods, work-in progress and stock-in trade	35	(102.41)	(80.52)
	Employee benefits expense	36	348.19	310.56
	Finance Costs	37	152.19	166.40
	Depreciation & amortisation expenses	3, 5, 43	82.97	78.25
	Other Expenses	38	297.53	267.74
	Total Expenses (II)		**4,359.79**	**4,321.69**
III	**Profit before Share of profit of joint venture, exceptional items and income tax (I-II)**		**430.70**	**448.33**
IV	Share of profit/ (loss) of jointly controlled entities		(0.09)	0.16
V	**Profit before exceptional items and income tax (III+IV)**		**430.61**	**448.49**
VI	Exceptional item		-	6.38
VII	**Profit before tax (V - VI)**		**430.61**	**442.11**
VIII	**Tax expenses**			
	- Current tax		79.00	114.50
	- Deferred Tax		33.90	1.75
IX	**Profit for the year (VII-VIII)**		**317.71**	**325.86**
X	**Other comprehensive Income (OCI):**			
	Items that will not be reclassified to profit or loss			
	(i) Remeasurements of defined benefit plans		(0.56)	-
	(ii) Income tax on above item		0.10	0.02
	(iii) Gain on Equity Instruments designated through OCI		3.98	2.02
	Items that will be reclassified to profit or loss			
	(i) Loss on translation of foreign operation		(1.97)	(0.33)
	Total Other comprehensive income for the year		**1.55**	**1.71**
XI	**Total comprehensive income for the year (IX+X)**		**319.26**	**327.57**
XII	**Profit attributable to:**			
	Owners of the Parent		300.97	313.12
	Non-controlling interest		16.74	12.75
XIII	**Total comprehensive income for the year attributable to:**			
	Owners of the Parent		302.63	314.87
	Non-controlling interest		16.63	12.71
XIV	**Earnings per share from continuing and total operations attributable to the equity holders of the Company**	39		
	- Basic		**2.18**	**2.38**
	- Diluted		**2.18**	**2.38**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Consolidated Statement of Cash Flow

for the year ended March 31, 2023

(All amounts are in ₹ crores)

Particulars		For the year ended March 31, 2023	For the year ended March 31, 2022
I. Cash flow from Operating Activities:			
Net Profit before taxes		430.61	442.11
Adjustments for:			
Depreciation & Amortisation expenses	82.99		78.25
(Gain)/Loss on disposal of property, plant and equipment	-		0.01
Financial Guarantee Income	(0.30)		(0.36)
Impairment loss, Bad Debts, advances and miscellaneous balances written off	4.70		5.57
Liquidated Damages recovered on Sales	(2.73)		-
Unrealised gain on foreign exchange fluctuation	(10.09)		-
Employee Share based payments expenses	-		(8.68)
Share of profit/ (loss) of an associate	0.09		(0.16)
Dividend and interest income classified as investing cash flows	(14.66)		(13.91)
Finance costs (net)	152.19		166.41
		212.19	**227.13**
Change in operating assets and liabilities:			
(Increase)/Decrease in Trade and other receivables	191.17		558.69
(Increase)/Decrease in Inventories	(184.47)		(138.11)
Increase/(Decrease) in Trade payables	(132.10)		(711.03)
(Increase)/Decrease in other financial assets	(146.85)		106.31
Increase/(Decrease) in other financial liabilities	154.34		-
(Increase)/Decrease in other non-current assets	(3.39)		(2.85)
(Increase)/Decrease in other current assets	(138.79)		(152.12)
Increase/(Decrease) in provisions	2.15		(2.26)
Increase/(Decrease) in other Non current liabilities	3.63		(1.79)
Increase/(Decrease) in other current liabilities	(53.47)		(59.33)
		(307.78)	**(402.49)**
Cash generated from/(used in) operations		**335.01**	**266.75**
Income taxes paid (net)		(98.60)	(61.38)
Net cash inflow from/(used in) operating activities		**236.41**	**205.37**
II. Cash flow from Investing activities			
Payment for acquisition of subsidiaries & other investments		(10.25)	(12.00)
Capital Receipt of Subsidy on Fiber Plant		42.58	-
Payments for property, plant and equipment including CWIP		(193.57)	(145.21)
Payments for Intangible Assets		(147.99)	(37.86)
Proceeds from sale of property, plant and equipment		0.60	0.74
Bank deposits placed/matured (net)		252.59	(252.19)
Payment for loan to body corporate		5.55	(18.16)
Dividends received		0.00	0.00
Interest received		5.86	6.84
Net cash inflow from /(used in) investing activities		**(44.63)**	**(457.84)**

Consolidated Statement of Cash Flow

for the year ended March 31, 2023

(All amounts are in ₹ crores)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
III. Cash flow from Financing Activities		
Proceeds from Issue of Convertible Warrants	28.20	-
Proceeds from issues of Share Capital (including security premium)	3.08	605.78
Share issue expenses	-	(10.50)
Proceeds from borrowings	133.29	79.87
(Repayment) of borrowings	(127.79)	(243.15)
(Repayment) of lease liabilities	(9.81)	(8.69)
	26.97	**423.31**
Less:		
Finance Costs paid	(147.32)	(156.41)
Dividend paid	(24.45)	(19.05)
Net Cash flow from/ (used in)financing activities	**(144.80)**	**247.85**
IV. Net increase /(decrease) in cash and cash equivalents (I+II+III)	**46.98**	**(4.62)**
V. Cash and cash equivalents at the beginning of the financial year	**16.69**	**21.31**
Effects of exchange rate changes on cash and cash equivalents	-	-
VI. Cash and cash equivalents at end of the year	**63.67**	**16.69**

Notes:

1. The Consolidated 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	0.07	0.09
Balances with Banks		
Current accounts*	32.76	12.80
Fixed Deposits with Bank	30.84	3.80
Balances per statement of cash flows	**63.67**	**16.69**
3. Analysis of movement in borrowings		
Borrowings at the beginning of the year	742.80	906.08
Movement due to cash transactions per the Consolidated Statement of Cash Flows	5.50	(163.28)
Borrowings at the end of the year	**748.30**	**742.80**

*₹0.75 crores (Previous year ₹0.41 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 S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

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

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Consolidated Statement of Changes in Equity

for the year ended March 31, 2023

(All amounts are in ₹ crores)

A. EQUITY SHARE CAPITAL

Particulars	Amount
As at April 1, 2021	**128.44**
Changes in equity share capital	9.05
As at March 31, 2022	**137.49**
Changes in equity share capital (refer note no. 22A)	0.15
As at March 31, 2023	**137.64**

B. OTHER EQUITY

Particulars	Money received against Convertible Warrants	Share based payment reserve	Reserves and Surplus					Items of Other Comprehensive Income			Total Equity attributable to Owners of the Company	Non-Controlling Interest	Total Equity
			Securities Premium	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, 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**
Remeasurement of defined benefit plans		-	-	-	-	-	12.64	-	(12.64)	-	-	-	-
Profit for the year		-	-	-	-	-	313.12	-	-	-	313.12	12.75	325.87
Other Comprehensive Income for the year	-	-	-	-	-	-	0.06	2.02	-	(0.33)	1.75	(0.04)	1.71
Transfer to retained earnings	-	-	-	-	(2.81)	-	2.81	-	-	-	-	-	-
Dividends paid for the previous year	-	-	-	-	-	-	(19.34)	-	-	-	(19.34)	-	(19.34)
Issue of equity share capital (net of share issue expenses of ₹10.53 crore)	-	-	589.57	-	-	-	-	-	-	-	589.57	-	589.57
Employee Share Options outstanding	-	(8.67)	-	-	-	-	-	-	-	-	(8.67)	-	(8.67)
Transfer on allotment of shares to employees pursuant to ESOP scheme		(5.01)	-	-	-	-	5.01	-	-	-	-	-	-
Adjustment of dividend paid to HFCL Employees Trust		-	-	-	-	-	0.05	-	-	-	0.05	-	0.05
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	(3.34)	-	-	-	-	-	-	-	(3.34)	-	(3.34)
Balance as at March 31, 2022	**-**	**1.90**	**1,053.85**	**80.50**	**-**	**2.22**	**1,510.63**	**12.67**	**-**	**(0.86)**	**2,660.91**	**19.97**	**2,680.88**
Profit for the year	-	-	-	-	-	-	300.97	-	-	-	300.97	16.74	317.71
Other Comprehensive Income for the year	-	-	-	-	-	-	(0.46)	4.09	-	(1.97)	1.66	(0.11)	1.55
Warrant subscription price equivalent to 25% of the issue price {refer note 22(B)(2)}	28.20	-	-	-	-	-	-	-	-	-	28.20	-	28.20
Dividends paid for the previous year	-	-	-	-	-	-	(24.80)	-	-	-	(24.80)	-	(24.80)
Issue of equity share capital to HFCL Employees Trust	-	-	5.65	-	-	-	-	-	-	-	5.65	-	5.65
Transfer on allotment of shares to employees pursuant to ESOP scheme	-	(0.21)	-	-	-	-	0.21	-	-	-	-	-	-
Adjustment of dividend paid to HFCL Employees Trust	-	-	-	-	-	-	0.03	-	-	-	0.03	-	0.03
Adjustment of Premium on equity shares held by HFCL Employees Trust	-	-	(2.72)	-	-	-	-	-	-	-	(2.72)	-	(2.72)
As at March 31, 2023	**28.20**	**1.69**	**1,056.78**	**80.50**	**-**	**2.22**	**1,786.58**	**16.76**	**-**	**(2.83)**	**2,969.90**	**36.60**	**3,006.50**

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

As per our report of even date attached

For S Bhandari & Co. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

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

P. D. Baid
Partner
M.No. 072625

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

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

Place: New Delhi
Date: May 08, 2023

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

1. CORPORATE INFORMATION

HFCL 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 Limited (NSE) and BSE Limited (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 8, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

2.1.1. Compliance with Ind AS

All the Indian Accounting Standards issued under section 133 of the Companies Act, 2013 and notified by the Ministry of Corporate Affairs (MCA) under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are approved have been considered in preparation of these Financial Statements.

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 recognised 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 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.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised 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 recognised 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 recognised and measured in accordance with Ind AS 12 - Income Taxes and Ind AS 19- Employee Benefits respectively.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised 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 recognised 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 recognised 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 recognised in profit or loss. An impairment loss recognised 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group categorises 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.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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

The Group had elected to continue with the carrying value of all of its Property, Plant and Equipment recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Items of property, plant and equipment acquired/constructed are initially recognised at actual cost. 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 fee and borrowing cost for qualifying assets.

Following initial recognition, freehold land is stated at actual cost. All other items of PPE are stated at actual cost less accumulated depreciation and impairment loss.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress (CWIP) respectively.

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 recognised in the Consolidated Statement of Profit and Loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use. Property, Plant and Equipment (PPE) and intangible assets are not depreciated or amortised once classified as held for sale.

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), amortisation 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-recognised 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 recognised 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 amortised 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. Product Development and Intangible Assets under Development

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

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

- 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

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. In which case such expenditure is initially recorded as intangible assets under development and is subsequently capitalised when the asset is ready for its intended use.

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

c. Other Intangible assets:

The Group had elected to continue with the carrying value of all of its Intangible Assets recognised as of April 1, 2015 (transition date) measured as per the Previous GAAP and used that carrying value as its deemed cost as of the transition date.

Cost of other intangible assets or software comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxation authorities), and any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure after its purchase is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An item of Intangible assets is derecognised 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.

License Fee: Intangible assets consist of right under licensing agreement are measured at cost as at the date acquisition less accumulated amortisation 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 recognised 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 amortised 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)

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised 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 amortised 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 recognised in the other comprehensive income (OCI). However, the Holding Company recognises 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 recognised 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 categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortised 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 recognised in the P&L.

Equity investments

All equity investments are measured at fair value. For 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 recognised 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 recognised in the Consolidated Statement of Profit and Loss.

De-recognition

A financial asset is de-recognised 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-recognised.

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.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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) recognised during the period is recognised 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 recognised 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 amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Credit/ Suppliers' Credit and vendor financing

The Group enters into arrangements whereby banks make direct payments to suppliers for raw materials. The banks are subsequently repaid by the Group at a later date providing working capital timing benefits. These are normally settled between 90 days to 180 days. The economic substance of the transaction is determined to be operating in nature and these are recognised as operational buyers' credit/ suppliers' credit and disclosed on the face of the balance sheet. Interest expense on these are recognised in the finance cost. Payments made by banks to the operating vendors are treated as a noncash item and settlement of due to operational buyer's credit/ suppliers' credit by the Group is treated as an operating cash outflow reflecting the substance of the payment.

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.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognised in the Consolidated Statement of Profit and loss.

A previously recognised 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 recognised. The reversal is limited to the carrying amount of the asset.

2.11.Inventories

Inventories are valued at the lower of cost or net realisable 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 Standard 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 realisable 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 recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration that Group expects to receive in exchange for those products or services.

B. Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

C. The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.

D. The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue.

i. Telecom Products segments

The Telecom Product segments of the Group principally generate revenue from sale of Optical Fiber Cable and Telecom Equipments. Revenues from Products are recognised 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 recognises 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.

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(All amounts are in ₹ Crore)

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 recognised 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 on deposits with banks is recognised at effective interest rate applicable.

  Interest income from other financial assets is recognised at the effective interest rate method on initial recognition.

- **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 recognise 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 recognises 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;

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(All amounts are in ₹ Crore)

- 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 recognised 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.

As a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

If an arrangement contains lease and non-lease components, the Group applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the 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 recognised 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 recognised 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 recognised 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.

Other Long-Term employee benefits

The liabilities for earned leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method as per the actuarial valuation carried out at the end of each annual reporting period. Actuarial gains and losses are recognised in full in the consolidated statement of profit and loss in the period in which they occur.

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 recognised 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

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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 Limited 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 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.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognised 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.

iii. Actuarial gains and losses are recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognised 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 capitalised as part of cost of such asset. Other borrowing costs are recognised 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 recognised 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 recognised 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.

Notes forming part of Consolidated Financial Statement

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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 recognised 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 recognised 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 recognised 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. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are also included in the calculation of basic earnings per share from the date the contract is entered into. 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 recognised 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 realised 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 recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised 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 recognised 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 utilised.

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 realise the asset and settle the liability simultaneously.

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(All amounts are in ₹ Crore)

3. PROPERTY, PLANT AND EQUIPMENT

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, 2021	**518.62**	**148.69**	**27.10**	**34.84**	**11.85**	**10.11**	**25.23**	**15.34**	**8.89**	**0.88**	**801.55**
Additions	73.17	17.20	2.67	4.46	6.12	1.50	7.38	5.67	-	-	118.17
Disposals / Adjustments	38.96	5.51	0.01	2.67	0.13	0.55	1.52	4.10	0.36	-	53.81
Balance As at March 31, 2022	**552.83**	**160.38**	**29.76**	**36.63**	**17.84**	**11.06**	**31.09**	**16.91**	**8.53**	**0.88**	**865.91**
Additions	82.54	21.08	-	2.90	3.79	1.05	7.49	3.09	12.41	-	134.35
Disposals / Adjustments	34.28	4.63	-	4.85	0.73	1.45	2.43	2.51	-	-	50.88
Balance As at March 31, 2023	**601.09**	**176.83**	**29.76**	**34.68**	**20.90**	**10.66**	**36.15**	**17.49**	**20.94**	**0.88**	**949.38**
Accumulated Depreciation and Impairment											
Balance As at April 1, 2021	**262.47**	**20.81**	**9.87**	**17.85**	**7.60**	**6.67**	**20.38**	**12.32**	**-**	**0.23**	**358.20**
Depreciation for the year	44.91	5.02	1.28	4.69	2.23	1.93	4.11	1.59	-	0.01	65.77
Disposals / Adjustments	16.85	-	0.00	0.50	0.10	0.04	1.47	3.73	-	-	22.69
Balance As at March 31, 2022	**290.53**	**25.83**	**11.15**	**22.04**	**9.73**	**8.56**	**23.02**	**10.18**	**-**	**0.24**	**401.28**
Depreciation for the year	47.24	5.54	1.37	3.44	2.22	0.70	5.82	2.47	-	0.01	68.81
Disposals / Adjustments	1.44	-	-	1.18	0.19	0.51	2.12	2.36	-	-	7.80
Balance As at March 31, 2023	**336.33**	**31.37**	**12.52**	**24.30**	**11.76**	**8.75**	**26.72**	**10.29**	**-**	**0.25**	**462.29**
Net Carrying Value											
Balance as at April 1, 2021	256.15	127.88	17.23	16.99	4.25	3.44	4.85	3.02	8.89	0.65	443.35
Balance as at March 31, 2022	262.30	134.55	18.61	14.59	8.11	2.50	8.07	6.73	8.53	0.64	464.63
Balance As at March 31, 2023	**264.76**	**145.46**	**17.24**	**10.38**	**9.14**	**1.91**	**9.43**	**7.20**	**20.94**	**0.63**	**487.09**

Notes:

1. The following properties are pending for title transfer in the name of the Company:

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/ director or employee of promoter/director	Property held since which date
Property, plant and equipment (HFCL Limited)	Land (Leasehold)	0.28	State Government of Himahcal Pradesh	No	September 23, 1994
Property, plant and equipment (HFCL Limited)*	Land (Freehold)	1.64	Erstwhile amalgamated Company	No	January 5, 2011
Property, plant and equipment (HFCL Limited)**	Land (Freehold)	12.41	Telangana State Industrial Infrastructure Corporation Limited (TSIIC)	No	September 5, 2022
Property, plant and equipment (HTL Limited) -refer Note 57(ii)(a)	Land (Freehold)	-	State Government of Tamil Nadu	No	September 30, 1970

* By virtue of Scheme of Amalgamation sanctioned vide order passed by the Hon'ble High Court of Himachal Pradesh on 5th January, 2011 , the above said land was transfered to the Holding Company. Accordingly, the Holding Company had filed an application before Jaipur Development Authority (JDA) for mutation of the aforesaid land in favour of the Holding Company. The Collector (Stamps), Jaipur Circle-III raised a demand of ₹25 crores towards payment of stamp duty for carrying out such mutation. The Holding Company filed a petition before the Hon'ble High Court of Jaipur against the demand made by the Deputy Registrar, Collector (Stamps), Jaipur. On 29th July 2022, the division bench of the Hon'ble High Court of Jaipur passed an order quashing the demand and directed fresh assessment of duty payable by the Holding Company. Against the High Court order, JDA has filed a special leave petition before the Hon'ble Supreme Court of India and the matter is yet to be listed for hearing.

** The aforesaid land is alloted to the Holding Company for setting up manufacturing facility in the state of Telangana. The agreement to sell has been executed with TSIIC and Holding Company is currently having physical possession of the said land. TSIIC will execute sale deed in favour of the Holding Company on fulfillment of the conditions stipulated in the agreement to sell.

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(All amounts are in ₹ Crore)

2. The Holding Company has been sanctioned & disbursed capital subsidy amounting to ₹42.58 crores for investment in its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana under Modified Special Incentive Package Scheme (MSIPS) by the Ministry of Electronics and Information Technology Department. The said capital subsidy has been duly adjusted against the carrying value of related Property, Plant and Equipment.

3. In the previous year the Holding Company had been sanctioned capital subsidy under the Incentive scheme of Industries and Commerce Department (IP&INF), Government of Telangana for its newly manufacturing plant setup at Plot No S-9, E-City, Rangareddy, Telangana. The subsidy includes capital subsidy of ₹30 crores, interest subsidy of ₹2.63 crores, power subsidy of ₹1 crores and stamp duty reimbursement of ₹0.36 crores.

   The Company has adjusted capital subsidy (including stamp duty reimbursement) aggregating to Nil (Previous year ₹30.36 crores) against the related Property, Plant and Equipment and power and interest subsidy aggregating to ₹5.30 crores (Previous year ₹15.20 crores) has been recognised under the head 'Other Income' in the Statement of Profit and Loss.

4. Refer Note 23 and 25 for details of assets pledged.

4. CAPITAL WORK-IN-PROGRESS

Particulars	Buildings	Plant & Machinery	Electrical Installation	Furniture & Fixtures	Total
Balance as at April 1, 2021	**2.63**	**8.84**	**0.35**	**-**	**11.82**
Additions	16.25	27.21	3.25	0.58	47.29
Disposals / Adjustments	2.51	8.78	0.36	-	11.65
Balance as at March 31, 2022	**16.37**	**27.27**	**3.24**	**0.58**	**47.46**
Additions	38.90	23.80	1.42	2.02	66.14
Disposals / Adjustments	13.42	26.63	3.05	0.00	43.10
Balance as at March 31, 2023	**41.85**	**24.44**	**1.61**	**2.60**	**70.50**

4.1 Ageing of Capital work in progress

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress*					
As at March 31, 2023	65.81	4.57	0.12	-	70.50
As at March 31, 2022	45.62	1.84	-	-	47.46

*Project execution plans are modulated annually on the basis of capacity requirement assessment and all projects are executed as per rolling annual plan.

5. INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Particulars	Amount
Gross Carrying Value	
Balance as at April 1, 2021	**37.47**
Additions	1.37
Disposals / Adjustments	-
Balance as at March 31, 2022	**38.84**
Additions	11.02
Disposals / Adjustments	0.76
Balance as at March 31, 2023	**49.10**
Accumulated Amortisation	
Balance as at April 1, 2021	**19.50**
Amortisation for the year	5.93
Disposals / Adjustments	-
Balance as at March 31, 2022	**25.43**
Amortisation for the year	6.66
Disposals / Adjustments	0.64
Balance as at March 31, 2023	**31.45**
Net Carrying Value	
Balance as at April 1, 2021	17.97
Balance as at March 31, 2022	13.41
Balance as at March 31, 2023	**17.65**

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(All amounts are in ₹ Crore)

6. INTANGIBLE ASSETS UNDER DEVELOPMENT

Particulars	Product Development
Balance as at April 1, 2021	**24.20**
Additions	37.63
Disposals / Adjustments	1.14
Balance as at March 31, 2022	**60.69**
Additions	137.62
Disposals / Adjustments	0.65
Balance as at March 31, 2023	**197.66**

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

6.1 Ageing of Intangible assets under development

Particular	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	Total
Projects in progress					
As at March 31, 2023	142.13	37.29	3.53	14.71	197.66
As at March 31, 2022	37.29	5.39	4.07	13.94	60.69

6.2 Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2023

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	4.20	19.19	-	-	**23.39**
- 5G/4G Technological Products	-	-	9.91	-	**9.91**
Total	**4.20**	**19.19**	**9.91**	**-**	**33.30**

Projectwise completion schedule of overdue / over-run intangible assets under development as at March 31, 2022

Particular	To be completed in				Total
	Less than 1 Year	1-2 Year	2-3 Year	More than 3 years	
Projects in progress					
- Defence Communication Products	19.19	-	-	-	**19.19**
- 5G/4G Technological Products	-	9.91	-	-	**9.91**
Total	**19.19**	**9.91**	**-**	**-**	**29.10**

7. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Particulars	As at March 31, 2023	As at March 31, 2022
Unquoted Investments		
Investment in Equity Instruments		
(i) Jointly Controlled Entities	18.50	11.50
Add / (Less): Cumulative Share of profits / (Loss)	0.07	0.16
Total	**18.57**	**11.66**

Notes forming part of Consolidated Financial Statement

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(All amounts are in ₹ Crore)

7.1 Investment accounted for using equity method

Particulars	Face value per share	As at March 31, 2023		As at March 31, 2022	
		No. of Shares	Amount	No. of Shares	Amount
Unquoted Investments					
Investment in Equity Instruments - Equity Shares					
Nimpaa Telecommunications Private Limited (includes Goodwill of ₹1 crore)	10	1,000,000	1.00	1,000,000	1.00
Add / (Less): Cumulative Share of profits			1.50		0.72
BigCat Wireless Private Limited*	10	4,000	2.50	4,000	2.50
BigCat Wireless Private Limited - (Partly paid @ ₹6.50 per share (previous year: ₹3.50 per share) out of the face value of ₹10/- per share)	10	32,000	15.00	32,000	8.00
Add / (Less): Cumulative Share of (Loss)			(1.43)	-	(0.56)
Total aggregate unquoted investments			**18.57**		**11.66**
Aggregate carrying value of unquoted investments			**18.57**		**11.66**
Aggregate amount of impairment in value of investments			-		-

*includes Goodwill of ₹5.36 crores

7.2 Additional details of Jointly Controlled Entities

Name of Entity	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest/ voting rights held by the Group	
			As at March 31, 2023	As at March 31, 2022
Nimpaa Telecommunications Private Limited	Manufacturing of FRP and ARP	India	50.00%	50.00%
BigCat Wireless Private Limited (Jointly Controlled Entity with 50% voting right)	Development of software and hardware products for wireless networking	India	50.00%	50.00%

8. NON-CURRENT FINANCIAL ASSETS - INVESTMENTS

Particulars	As at March 31, 2023	As at March 31, 2022
Unquoted		
Investments - Others		
(i) Investments in Equity instruments	37.18	33.05
(ii) Investments in Debt instruments	1.85	1.85
Total	**39.03**	**34.90**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

8.1 Detail of Non Current Financial Assets - Other Investments

Particulars	Face value per share	As at March 31, 2023		As at March 31, 2022	
		No. of Shares	Amount	No. of Shares	Amount
Financial assets measured at FVTOCI					
(i) Investment in equity instruments- Equity Shares					
Exicom Tele-Systems Limited	10	630,223	19.35	630,223	16.83
Midas Communication Technologies Private Limited	10	2,642	-	2,642	-
The Greater Bombay Co-Op Bank Limited	25	4,000	0.05	4,000	0.05
India Card Technologies Private Limited	10	19,900	-	19,900	-
Shankar Sales Promotion Private Limited	100	2,000	0.09	2,000	0.09
HFCL Bezeq Telecom Limited	10	100	-	100	-
Nivetti Systems Private Limited	1	217,594	17.69	217,594	16.08
Total Investment in Equity Instruments measured at FVTOCI			**37.18**		**33.05**
(ii) Investment in Debt Instruments					
Atul Properties Private Limited (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			**39.03**		**34.90**
Aggregate amount of impairment in value of investments			-		-

9. NON-CURRENT FINANCIAL ASSETS-LOANS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Loans to other parties	6.50	6.50
Loans to related parties (refer note 51)	3.00	4.00
Which have significant increase in credit risk	0.21	0.21
Less: expected credit loss allowance	(0.21)	(0.21)
Total	**9.50**	**10.50**
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**

10. NON-CURRENT FINANCIAL ASSETS - OTHERS

Particulars	As at March 31, 2023	As at March 31, 2022
Fixed Deposits with Bank (maturity more than 12 months)*	36.21	35.85
Security Deposit	8.08	4.69
Total	**44.29**	**40.54**

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

Notes forming part of Consolidated Financial Statement

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11. DEFERRED TAX ASSETS (NET)

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

Particulars	Defined benefit obligation	Property, plant and equipment	Provisions & others	Total
As at 1 April, 2021	**10.28**	**(10.97)**	**7.40**	**6.71**
(Charged)/Credited:				
- to Statement of profit and loss	0.32	0.32	(2.40)	(1.76)
- to other comprehensive income	0.02	-	-	0.02
As at 31 March, 2022	**10.62**	**(10.65)**	**5.00**	**4.97**
(Charged)/Credited:				
- to Statement of profit and loss	2.93	(37.72)	0.89	(33.90)
- to other comprehensive income	0.11	-	-	0.11
As at 31 March, 2023	**13.66**	**(48.37)**	**5.89**	**(28.82)**

Note: In the absence of reasonable certainty of future taxable income, no deferred tax assets have been created in the books of such subsidiaries

12. OTHER NON-CURRENT ASSETS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, Considered Good		
Capital Advances-others	39.55	17.55
Total	**39.55**	**17.55**

13. INVENTORIES (AT COST OR NET REALISABLE VALUE WHICHEVER IS LOWER)

Particulars	As at March 31, 2023	As at March 31, 2022
Inventories (As Certified and valued by the management)		
Raw Material	218.84	199.05
Raw Materials in transit	82.57	13.95
	301.41	**213.00**
Work-in-progress	227.06	193.93
Finished goods	86.87	63.08
Stock-in-trade	120.73	75.23
Stock-in-trade in transit	0.52	8.63
Stores and Spares	17.12	14.65
Loose tools	2.57	1.29
Others (Packing Material)	1.57	3.57
Total	**757.85**	**573.38**

Notes:

Work in progress includes contract work in progress of ₹174.15 crores (Previous year: ₹153.94 crore)

14. CURRENT FINANCIAL ASSETS - INVESTMENTS

Particulars	As at March 31, 2023	As at March 31, 2022
Quoted Investments		
(i) Investments in Mutual Funds	7.11	3.69
(ii) Investments in Equity Instruments - Other	5.27	5.11
Total	**12.38**	**8.80**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

14.1 Detail of Current Financial Assets - Investments

Particulars	Face Value	As at March 31, 2023		As at March 31, 2022	
		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	2.04	9,398	1.93
Union Large & Mid Cap Fund Growth - Direct Plan	10	50,000	0.08	50,000	0.08
Union Bank Medium duration fund Regular	10	499,975	0.55	499,975	0.53
Union Hybrid Equity Fund-Growth	10	499,975	0.63	499,975	0.63
Baroda Business cycle fund-Regular Growth	10	499,965	0.49	499,965	0.50
Principal Cash Management fund - Dividend reinvestment plan	1000	235	0.03	235	0.02
MCNL Capital Compounder Fund - I	100	300,000	3.06	-	-
Quant Large Cap Fund - Regular Plan Growth	100	249,987	0.23		
Total Investment FVTPL			**7.11**		**3.69**
Financial assets measured at FVTOCI					
(ii) Investment in equity instruments - Quoted Equity Shares					
Adinath Bio Labs Limited	1	6,408,000	-	6,408,000	-
Manvens Biotech Limited	1	17,000	-	17,000	-
Sumedha Fiscal Services Limited	10	18,200	0.10	18,200	0.11
Valiant Communications Limited	10	8,700	0.12	8,700	0.06
Poonawalla Fincorp Limited	2	152,830	4.47	152,830	4.15
Media Matrix Worldwide Limited	1	4,750	0.01	4,750	0.01
Sahara One Media and Entertainment Limited	10	250,950	0.39	250,950	0.61
			5.09		**4.94**
(iii) Investment in equity instruments - Unquoted Equity Shares					
Optimates Textile Industries Limited	2	1,302,500	-	1,302,500	-
Rashel Agrotech Limited	10	478,500	-	478,500	-
NSL Wind Power Company (Phoolwadi) Private Limited	10	185,995	0.18	170,795	0.17
			0.18		**0.17**
Total Investment FVTOCI			**5.27**		**5.11**
Total Current Financial Investments			**12.38**		**8.80**
Aggregate Carrying value of quoted investments			12.20		8.63
Aggregate Carrying value of unquoted investments			0.18		0.17
Aggregate amount of impairment in value of investments			-		-

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

15 CURRENT FINANCIAL ASSETS - TRADE RECEIVABLES

Particulars	As at March 31, 2023		As at March 31, 2022	
	Non-current	Current	Non-current	Current
Trade Receivables				
Unsecured, considered good;	423.11	1,842.68	595.61	1,889.10
Which have significant increase in credit risk	-	57.93	-	21.77
Credit Impaired	-	5.50	-	0.72
Less: expected credit loss	-	(20.00)	-	(15.65)
Total	**423.11**	**1,886.11**	**595.61**	**1,895.94**
Movement in the expected credit loss allowance of trade receivables are as follows:				
Balance at the Beginning of the year	-	15.65	-	10.64
Add: Provided during the year	-	4.78	-	5.01
Less: Provision reversed	-	0.43	-	-
Balance at the end of the year	**-**	**20.00**	**-**	**15.65**

15.1 Ageing analysis of Trade Receivables as at March 31, 2023

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,410.74	538.68	223.26	62.33	20.40	0.51	2,255.92
- which have significant increase in credit risk	-	-	-	-	-	57.93	57.93
- credit impaired	-	-	-	-	-	0.72	0.72
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.87	9.87
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	4.78	-	-	-	4.78
Total	**1,410.74**	**538.68**	**228.04**	**62.33**	**20.40**	**69.03**	**2,329.22**
Less: Amount disclosed under non-current financial assets							(423.11)
Less: Expected credit loss allowance of trade receivables							(20.00)
Total current trade receivables							**1,886.11**

Ageing analysis of Trade Receivables as at March 31, 2022

Particular	Not due	Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade Receivables							
- Considered good	1,563.19	713.55	105.55	59.26	19.37	13.92	2,474.84
- which have significant increase in credit risk	-	-	-	-	-	21.77	21.77
- credit impaired	-	-	-	-	-	0.72	0.72
Disputed Trade Receivables							
- Considered good	-	-	-	-	-	9.87	9.87
- which have significant increase in credit risk	-	-	-	-	-	-	-
- credit impaired	-	-	-	-	-	-	-
Total	**1,563.19**	**713.55**	**105.55**	**59.26**	**19.37**	**46.28**	**2,507.20**
Less: Amount disclosed under non-current financial assets							(595.61)
Less: Expected credit loss allowance of trade receivables							(15.65)
Total current trade receivables							**1,895.94**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

15.2 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 60 to 90 days from the date of invoices / achievement of specified milestones .

15.3 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.

15.4 Above balance of trade receivable include recoverable from related party (refer note 51)

16 CURRENT FINANCIAL ASSETS - CASH & CASH EQUIVALENTS

Particulars	As at March 31, 2023	As at March 31, 2022
Cash & Cash Equivalents		
Balance with Banks in current account**	32.76	12.80
Cash on hand	0.07	0.09
Fixed Deposits with Bank	30.84	3.80
Total	**63.67**	**16.69**

** ₹0.75 crores (Previous year ₹0.41 crore) has restricted use.

17 CURRENT FINANCIAL ASSETS - OTHER BANK BALANCES

Particulars	As at March 31, 2023	As at March 31, 2022
Fixed Deposits with Bank (Maturity less than 12 months)*	258.09	511.04
Balance with Bank in Dividend account**	0.83	0.51
Total	**258.92**	**511.55**

* Out of above, fixed deposits of ₹257.39 crores (Previous year ₹286.84 crores) are held as margin money/securities with banks.

** ₹0.83 crores (Previous year ₹0.52 crores) has restricted use.

18 CURRENT FINANCIAL ASSETS - LOANS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Other Loans	21.49	26.04
Total	**21.49**	**26.04**

19 CURRENT FINANCIAL ASSETS -OTHER ASSETS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Security Deposits	9.72	7.04
Project & other vendor advances	462.10	321.16
Interest Receivable	10.21	9.30
Subsidy claim receivable from government	48.29	45.56
Receivables for sales of Investments	3.25	3.25
Total	**533.57**	**386.31**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

20 CURRENT TAX ASSETS (NET)

Particulars	As at March 31, 2023	As at March 31, 2022
Current Tax Assets		
Advance Income Tax / TDS (net of provisions)	15.19	6.39
Total	**15.19**	**6.39**

21 OTHER CURRENT ASSETS

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured, considered good		
Indirect tax recoverable	171.63	211.50
Prepaid expenses	35.95	31.31
Export Incentive receivable	0.80	2.53
Other receivables	2.47	1.98
Contract Assets-Unbilled revenue (refer Note 31)	322.12	146.88
Total	**532.97**	**394.20**

22 A. SHARE CAPITAL

(i) Authorised Share Capital

Particulars	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2021	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2022	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**
Increase during the year	-	-	-	-
As at March 31, 2023	**5,100,000,000**	**510.00**	**25,000,000**	**250.00**

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

Particulars	Equity Share Capital		Preference Share Capital	
	No of Shares	Amount	No of Shares	Amount
As at April 1, 2021	**1,284,377,194**	**128.44**	**-**	**-**
Add: Shares issued during the year to the ESOP Trust *	4,934,300	0.49	-	-
Add: shares issued during the year to Qualified Institutional Buyers **	87,272,727	8.73	-	-
Less: Equity shares held in Trust for employees under ESOP Scheme	1,699,900	0.17	-	-
As at March 31, 2022	**1,374,884,321**	**137.49**	**-**	**-**
Add: Shares issued during the year to the ESOP Trust *	1,174,100	0.12	-	-
Add: Equity shares held in Trust during previous year under ESOP Scheme	1,699,900	0.17		
Less: Equity shares held in Trust for employees under ESOP Scheme	1,382,200	0.14	-	-
As at March 31, 2023	**1,376,376,121**	**137.64**	**-**	**-**

* During the previous year the Board of Directors of the Holding Company had approved allotment of 49,34,300 equity shares and on 8th June, 2022, the Board of Directors of the Company has also approved allotment of 11,74,100 equity shares of face value of ₹1/- each at applicable grant price to HFCL Employee's Trust under HFCL Employee's Long Term Incentive Plan 2017.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

** During the previous year, the Holding Company through Qualified Institutions Placement (QIP) allotted 8,72,72,727 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of ₹68.75 per equity share of ₹1 face value (inclusive of premium of ₹67.75 per share) aggregating to approximately ₹600.00 crores. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Funds received in the QIP of equity shares have been utilised for the purpose mentioned in the objects of the issue in the offer document.

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

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of share	% of Holding	No. of share	% of Holding
MN Ventures Private Limited	29,33,65,000	21.29	29,33,65,000	21.31
Nextwave Communications Private Limited	21,98,65,000	15.96	21,98,65,000	15.97

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents legal ownership of shares.

(iv) Shares held by promoters and change in their holdings

Particulars	As at March 31, 2023		As at March 31, 2022		% Change during the year
	No. of share	% of Holding	No. of share	% of Holding	
Anant Nahata	26,45,000	0.19	26,45,000	0.19	-
Mahendra Nahata	13,35,091	0.10	8,35,091	0.06	0.04
MN Ventures Private Limited	29,33,65,000	21.29	29,33,65,000	21.31	(0.02)
NextWave Communications Private Limited	21,98,65,000	15.96	21,98,65,000	15.97	(0.01)
Fitcore Tech-Solutions Private Limited	2,24,00,000	1.63	2,24,00,000	1.63	-
Vinsan Brothers Private Limited	6,71,600	0.05	6,71,600	0.05	(0.00)
Shanker Sales Promotion Private Limited	3,00,201	0.02	3,00,201	0.02	(0.00)
	54,05,81,892	**39.24**	**54,00,81,892**	**39.23**	**0.01**

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

The Holding Company has issued equity share of ₹1/- each. On a show of hands, every holder of equity shares is entitled for one vote and upon a poll shall have voting rights in proportion to the shares of the paid up equity capital of the 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.

(vi) Shares reserved for issue under options:

Information related to Employee Stock Option Plan, including details of options issued, exercised, expired and forfeited during the previous financial year and options outstanding at the end of the reporting period, is set out in note 55.

B. OTHER EQUITY

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Retained Earnings	1,786.58	1,510.63
(ii) Components of Other Comprehensive Income		
a. Changes in fair value of FVOCI equity instruments	16.76	12.67
b. Foreign currency translation reserve	(2.83)	(0.86)
(iii) Other Reserves*		
a. Securities Premium	1,056.78	1,053.85
b. Capital Redemption Reserve	80.50	80.50
c. Employee Share based payment reserve	1.69	1.90
d. Capital reserve (on bargain purchase)	2.22	2.22
(iv) Money received against Convertible Warrants **	28.20	-
Total	**2,969.90**	**2,660.91**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

* 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. 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

c. Employee share based payment reserve is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Holding Company for employees of the Group.

** The Board of Directors and Shareholders of the Holding Company at their meetings held on September 02, 2022 and September 30, 2022 respectively, has approved the issuance up to 1,41,00,000 (One crores forty one lakhs) warrants convertible into 1,41,00,000 equity shares at a price of ₹80/- per equity share to one of the Promoters of the Company and certain persons belonging to non-Promoter category being senior leadership team. Subsequently, on receipt of warrant subscription price being ₹20/- per warrant equivalent to 25% of the Warrant Exercise Price i.e., ₹80/- per warrant, aggregating to ₹28.20 crores, the Allotment Committee of the Board of Directors at its meeting held on October 15, 2022, has allotted 1,41,00,000 (One crores Forty-One Lacs) Warrants, being the entire issue, on preferential basis to aforesaid entity/persons. Balance consideration of ₹60/- per warrant, being 75% of the Warrant Exercise Price shall be payable within 18 months from the allotment date, at the time of exercising the warrants to apply for fully paid-up equity share of ₹1/- each of the Holding Company, against each warrant held by the warrant holders.

(i) Retained Earnings

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the reporting period	1,510.63	1,196.28
Add: Net profit for the period	317.71	325.86
Remeasurement of Defined benefit plans	-	12.64
Add/Less: adjustments for-		
Other Comprehensive Income for the year	(0.46)	0.06
Transfer from Debenture redemption reserve	-	2.81
Transfer on allotment of shares to employees pursuant to ESOP scheme	0.21	5.01
Dividend paid on Equity shares	(24.80)	(19.34)
Adjustment of dividend to ESOP trust	0.03	0.05
Non-Controlling Interest	(16.74)	(12.74)
Closing Balance	**1,786.58**	**1,510.63**

(ii) Components of Other Comprehensive Income

Particulars	Changes in fair value of FVOCI equity instruments	Foreign currency translation reserve
As at April 1, 2021	10.65	(0.53)
Increase during the year	2.02	-
Decrease during the year	-	0.33
As at March 31, 2022	**12.67**	**(0.86)**
Increase during the year	4.09	-
Decrease during the year	-	1.97
As at March 31, 2023	**16.76**	**(2.83)**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(iii) Other Reserves

Particulars	Securities Premium	Debenture Redemption Reserve	Capital Redemption Reserve	Employee Share based payment reserve	Capital Reserve
As at April 1, 2021	**467.62**	**2.81**	**80.50**	**15.58**	**2.22**
Increase during the year	589.57	-	-	-	-
Decrease during the year	3.34	2.81	-	13.68	-
As at March 31, 2022	**1,053.85**	**-**	**80.50**	**1.90**	**2.22**
Increase during the year	5.65	-	-	-	-
Decrease during the year	2.72	-	-	0.21	-
As at March 31, 2023	**1,056.78**	**-**	**80.50**	**1.69**	**2.22**

(iv) Money received against convertible warrants

Particulars	Amount
As at April 1, 2021	**-**
Increase during the year	-
Decrease during the year	-
As at March 31, 2022	**-**
Increase during the year	28.20
Decrease during the year	-
As at March 31, 2023	**28.20**

23 NON-CURRENT FINANCIAL LIABILITIES - BORROWINGS

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Borrowings		
Term Loans from Banks*	165.27	163.49
Vehicle Loans from Banks	3.82	3.07
	169.09	**166.56**
Less: Current maturities of long term debt - Term Loans	(57.54)	(44.18)
Less: Current maturities of long term debt - Vehicle Loans	(1.18)	(1.13)
Total	**110.37**	**121.25**

* net off of ₹1.04 crores (Previous year ₹1.51 crore) as finance charge

Regarding Holding Company:

a) Term Loan of ₹86.67 crores (Previous year ₹108.94 crore) from the Banks are secured by pari-passu first charge on entire Optical Fiber Project Assets at Hyderabad (Unit-1), 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 instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

b) Term Loan of ₹30.57 crores (Previous year ₹13.34 crore) as disbursed against sanctioned of ₹48.00 crores from the Bank, are secured by exclusive first charge on entire Optical Fiber Cable Project Assets at Hyderabad (Unit -2), both present and future, by way of equitable mortgage except land which is pari-passu charge with the lenders of Unit 1. 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 instalments over a period of 7 years commencing after moratorium period i.e. 12 months after date of commencement of the project.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

c) Working Capital Facilities (COVID -19 Emergency Credit line) of ₹Nil (Previous year ₹0.86 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 except Hyderabad units of the Company and are also secured by personally guarantee of Managing Director of the Company and further secured by way of corporate guarantee of M/s MN Ventures Private Limited.

d) Other Vehicle Loans of ₹3.82 crores (Previous Year ₹3.07 crore) from banks and others are secured by way of hypothecation of respective vehicle.

Regarding Subsidiary Company:

e) Term Loan of ₹31.03 crores (Previous year ₹14.79 crore) from Yes Bank Limited and Term Loan of ₹17.00 crores (Previous year 25.56 crore) from State Bank of India is secured by way of parri-passu charge on all fixed assets (both present and future), 2.5 acres Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, current assets (both present and future), and on all Cash Flows of HTL limited. The loan is further secured by way of Corporate Guarantee of HFCL Limited (Holding Company), personal guarantee of Managing Director of HFCL Limited , Corporate Guarantee of M/s MN Ventures Private Limited and pledge of 23.90% shareholding of the Holding Company in HTL Limited.

Secured term and other Loans - Repayment schedule and rate of interest:

Particulars	Term Loan	Term Loan	Term Loan	Term Loan	Vehicle Loan
Secured					
Rate of Interest	7.65% to 14.50%	9.85%	10.10%	14.50%	7.50% to 10.30%
Outstanding amount	86.67	30.57	31.03	17.00	3.82
Repayment Due					
FY24	25.00	11.29	12.70	8.56	1.18
FY25	25.00	12.00	9.79	8.44	1.11
FY26	14.92	7.28	6.83	-	0.63
FY27 to FY28	21.75	-	1.71	-	0.90

24 NON-CURRENT LIABILITIES - PROVISIONS

Particulars	As at March 31, 2023	As at March 31, 2022
Provisions for Employee Benefits (refer note no. 46)		
Provision for Gratuity	19.75	16.64
Provision for Leave Encashment	21.15	18.10
Total	**40.90**	**34.74**

25 CURRENT FINANCIAL LIABILITIES - BORROWINGS

Particulars	As at March 31, 2023	As at March 31, 2022
Borrowings - Loans repayable on demands		
Secured		
(i) from banks - Working Capital *	354.14	342.24
(ii) Current maturities of long-term borrowings; (refer note 23)	58.72	45.31
Unsecured		
(i) from banks - Vendors bills discounting	148.36	136.08
(ii) from other parties - Inter Corporate Deposit**	71.99	91.68
(iii) from Government of India (Refer Note 57 (i))	4.73	6.24
Total	**637.94**	**621.55**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

***terms of short term borrowings from banks:**

A. Regarding Holding Company:

* a) Working Capital Loans from banks aggregating to ₹230.76 crores (Previous year: ₹218.81 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. and all other current assets of the company as well as by way of first pari passu charge on entire fixed assets of the company (both present and future) excluding fixed assets of manufacturing facility at Telangana 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 ₹73.64 crores (Previous year: ₹73.37 crore) are secured by way of first pari passu charge on all current assets, movable & immovable fixed assets (both present & future) of IPMPLS back bone Project for Network for Spectrum (NFS). The loan is further secured by first pari passu charge on enitre fixed assets of the company (both present and future) excluding fixed assets of manufacturing facility at Telangana, 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 for working capital consortium.

B. Regarding Subsidiary Companies:

a) Working capital loan of ₹49.74 crores (Previous year: ₹50.06 crore) to HTL Limited from Banks is secured against pari passu charge on all fixed assets (both present and future), exclusive charge on 2.5 acres Industrial Land parcel located in Guindy, Chennai by way of registered mortgage, current assets (both present and future) and 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, Corporate Guarantee of M/s MN Ventures Private Limited and pledge of 23.90% shareholding of the Holding Company in HTL Limited.

C. Quarterly returns/statements of current assets filed by the Group with Banks are in agreement with the books of accounts.

** Inter Corporate Deposits are having a maturity of less than one year and carry interest rate 12% to 13%.

26 CURRENT FINANCIAL LIABILITIES - TRADE PAYABLES

Particulars	As at March 31, 2023	As at March 31, 2022
Trade Payables - Undisputed		
Due to Micro and Small Enterprises	65.03	192.80
Others	812.99	817.32
Total	**878.02**	**1,010.12**

Ageing of undisputed trade payables as at March 31, 2023

Particulars	Due to Micro and Small Enterprises	Others
Not due	52.01	588.33
Less than 1 year	12.29	189.36
1-2 years	0.38	9.27
2-3 years	0.18	24.16
More than 3 years	0.17	1.87
Total	**65.03**	**812.99**

Note: There are no disputed trade payables.

Ageing of undisputed trade payables as at March 31, 2022

Particulars	Due to Micro and Small Enterprises	Others
Not due	147.00	578.19
Less than 1 year	44.87	229.05
1-2 years	0.89	4.15
2-3 years	0.04	1.84
More than 3 years	-	4.09
Total	**192.80**	**817.32**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

27 OTHER FINANCIAL LIABILITIES

Particulars	As at March 31, 2023	As at March 31, 2022
Retention Money*	239.79	256.61
Other Financial Liabilities		
Interest accrued but not due	23.74	29.05
Security deposit	4.87	4.15
Creditors for Capital Goods	5.38	19.59
Expenses Payables	74.64	89.02
Other Employees related liabilities	19.50	16.77
Unpaid Dividends	0.83	0.52
Total	**368.75**	**415.71**

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

28 CURRENT TAX LIABILITIES (NET)

Particulars	As at March 31, 2023	As at March 31, 2022
Current Tax Liabilities		
Income Tax Provision (net of Advance Tax / TDS)	19.52	30.32
Total	**19.52**	**30.32**

29 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory Liabilities payable	39.91	21.20
Advance from Customers	3.98	47.70
Total	**43.89**	**68.90**

30 CURRENT LIABILITIES - PROVISIONS

Particulars	As at March 31, 2023	As at March 31, 2022
Provisions for Employee Benefits (refer note no. 46)		
-Provision for Gratuity	4.11	3.13
-Provision for Leave Encashment	5.64	4.37
Provisions - Others	2.55	2.66
Total	**12.30**	**10.16**

31 REVENUE FROM OPERATIONS

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Sale and Services		
- Manufacturing and trading activities	2,371.57	1,938.48
- Turnkey project related activities	2,363.21	2,779.50
Other Operating Revenues		
- Scrap sale	4.66	4.12
- Export Incentives	3.87	5.01
Total	**4,743.31**	**4,727.11**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

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 recognise 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 ₹ Nil (Previous year ₹ Nil) 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-

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Balance at the beginning of the year	**146.88**	**20.70**
Revenue recognised during the year	309.66	143.47
Invoices raised during the year	134.42	17.29
Balance at the end of the year	**322.12**	**146.88**

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

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Balance at the beginning of the year	**-**	**30.11**
Increase due to invoicing during the year	-	-
Revenue recognised that was included in the unearned and deferred revenue*	-	30.11
Balance at the end of the year	**-**	**-**

* including performance obligation pertaining to projects suspended.

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.

32 OTHER INCOME

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Other non-operating income		
Interest Income	14.72	15.54
Financial guarantee Income	0.30	0.36
Exchange Fluctuation Income (net)	19.14	-
Reversal of Share based payments to employees expenses (refer note 55)	-	8.68
Subsidy under state incentives scheme	5.30	15.20
Liquidated Damages recoverede on Sales (net)	2.73	-
Others	4.99	3.13
Total	**47.18**	**42.91**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

33 COST OF MATERIAL CONSUMED

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Opening Stock	199.05	114.78
Add: Purchases during the year	1,000.66	1,057.81
	1,199.71	**1,172.59**
Less: Closing Stock	218.84	199.05
Total material consumed	**980.87**	**973.54**

34 OTHER DIRECT COSTS

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Project and labour service charges	953.29	1,304.42
Consumption of Packing Material	49.62	33.66
Consumption of stores and spares parts	32.07	23.42
Loose Tools written off	1.00	0.51
Total	**1,035.98**	**1,362.01**

35 CHANGE IN INVENTORIES OF FINISHED GOODS, WORK-IN PROGRESS AND STOCK-IN TRADE

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Closing Stock		
Finished Goods	86.87	63.08
Stock in Trade- Goods	120.73	75.24
Work in process	227.06	193.93
	434.66	**332.25**
Opening Stock		
Finished Goods	63.08	57.38
Stock in Trade- Goods	75.24	67.52
Work in process	193.93	126.83
	332.25	**251.73**
Total	**(102.41)**	**(80.52)**

36 EMPLOYEE BENEFITS EXPENSES

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Salaries, bonus and allowances	318.46	282.96
Contribution to Provident and other funds	14.24	12.32
Staff welfare expenses	15.49	15.28
Total	**348.19**	**310.56**

37 FINANCE COSTS

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Bank Loan Interest	48.56	53.70
Other Interest (net)	31.80	18.10
Bank Charges and loan processing fee	69.53	91.87
Interest on lease liabilities (refer note no. 43)	2.30	2.73
Total	**152.19**	**166.40**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

38 OTHER EXPENSES

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Rent	3.15	1.99
Rates and Taxes	9.36	5.73
Auditors' Remuneration		
- Audit Fees	1.49	1.33
- In Other Capacity*	0.43	0.37
- Out of pocket expenses	0.27	0.07
Legal and Professional Charges	59.65	56.15
Communication Expenses	3.49	3.53
Travelling and Conveyance Expenses	44.40	39.45
Power and Fuel & Water Charges	49.04	35.10
Repairs and Maintenance	7.56	4.91
Insurance Expenses	11.84	10.64
Selling & Distribution Expenses	60.62	36.81
Bad debts, Loans and Advances, other balances written off (net)	0.34	0.56
Provision for doubtful debts (net) (refer note 15)	4.35	5.01
Sitting Fees to non-executive directors	0.59	0.50
Liquidated Damages on Sales	-	6.99
Research & Product Development Expenses	4.50	20.71
Exchange Fluctuation Loss (net)	-	5.05
Corporate Social Responsibility Expenses	7.69	6.81
Miscellaneous Expenditure	28.76	26.03
Total	**297.53**	**267.74**

*Excluding Professional fee of ₹0.30 crores paid to auditors towards QIP share issuance and being debited to share issue expenses during the previous year

39 EARNING PER SHARE (EPS)- IN ACCORDANCE WITH THE INDIAN ACCOUNTING STANDARD (IND AS-33)

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Basic & Diluted Earnings per share		
Profit for the year	317.71	325.86
Profit attributable to ordinary shareholders (A)	300.97	313.12
Weighted average number of ordinary shares (B)	1,379,162,051	1,314,671,615
(used as denominator for calculating basic EPS)		
Potential equity shares	-	1,321,100
Weighted average number of ordinary shares (C)	1,379,162,051	1,315,992,715
(used as denominator for calculating diluted EPS)		
Nominal value of ordinary share	₹1/-	₹1/-
Earnings per share basic (A/B)	2.18	2.38
Earnings per share diluted (A/C)	2.18	2.38

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

40 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The following are the key assumptions concerning the future, and other key sources of estimated 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

Capitalisation 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 46.

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. Ind AS 116 requires assessment of whether an underlying asset is of low value, if lessee opts for the option of not to apply the recognition and measurement requirements of Ind AS 116 to leases where the underlying asset is of low value. For the purpose of determining low value, the Group has considered nature of assets and concept of materiality as defined in Ind AS 1 and the conceptual framework of Ind AS which involve significant judgement.

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.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

7. **Taxes**

Deferred tax assets are recognised for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

8. **Contingencies**

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

9. **Fair Value of Unquoted equity investments:**

In order to arrive at the fair value of unquoted investments (other than subsidiaries and associates), the Group obtains independent valuations. The techniques used by the valuer is Asset approach - Net assets value method and Income approach- discounted cash flow method. The Group reviews its carrying value of investments carried at cost (net of impairment, if any) annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for in the consolidated statement of profit and loss.

41 RESEARCH & DEVELOPMENT

The Group has extensive research capabilities, continued innovation and unique capabilities as it is able to innovate and provide end to end solutions to its customers. R&D Centres of the Group are focused on developing telecom and networking products to be intensively deployed in 5G and other communication networks and are situated at Bengaluru, Karnataka and Gurugram, Haryana. Both the R&D centres are registered with Department of Scientific and Industrial Research (DSIR) under Ministry of Science and Technology. Detail of amount spent on Research and Development is as below:

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
(i) Recognised as expenses in statement of Profit & Loss	4.50	20.71
(ii) Capital Expenditure on:		
(a) Tangible Assets	13.68	5.36
(b) Intangible Assets	10.13	0.24
(c) Intangible Assets under development being expenditure new product development	136.60	36.59
(d) Advances and Investment in form of equity	12.30	18.97
Total	**177.21**	**81.87**

42 DIVIDEND DISTRIBUTION MADE AND PROPOSED

The amount of dividend recognised as distributions to equity shareholders of Holding Company during the year ended March 31, 2023 is @ 18 %, i.e. ₹0.18/- per equity share of face value of ₹1/- each (Previous Year ₹0.15 per equity share). The Board of Directors of Holding Company at its meeting held on April 29, 2022 had recommended such dividend of 18% for the financial year ended March 31, 2022 which was approved by the shareholders of Holding Company at the Annual General Meeting held on September 30, 2022. The aforesaid dividend was paid during the year ended March 31, 2023.

The Board of Directors of Holding Company have recommended a dividend of 20% (i.e. ₹0.20/- per equity share of face value of ₹ 1/- each) for the financial year ended March 31, 2023 which is subject to the approval of shareholders of the Holding Company at the ensuing Annual General Meeting.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

43 LEASES

The details of the right-of-use asset held by the Group is as follows:

Particulars	Addition for the year ended March 31, 2023	Net carrying amount as at March 31, 2023	Addition for the year ended March 31, 2022	Net carrying amount as at March 31, 2022
Land	-	0.09	-	0.09
Buildings	0.78	17.23	14.06	23.98
Total	**0.78**	**17.32**	**14.06**	**24.07**

Depreciation on right-of-use asset as follows:

Particulars	For the period ended March 31, 2023	For the years ended March 31, 2022
Land	0.00	0.00
Buildings	7.54	6.53
Total	**7.54**	**6.53**

The details of the Lease Liabilities payable by the Group is as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Current	13.61	7.21
Non Current	6.20	19.34
Total	**19.81**	**26.55**

Interest on lease liabilities is ₹2.30 crores and ₹2.73 crores for the year ended March 31, 2023 and March 31, 2022 respectively.

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.

44 (A) INFORMATION OF SUBSIDIARY COMPANIES & JOINTLY CONTROLLED ENTITIES:

The following is the list of all subsidiary companies & jointly controlled entities along with the proportion of voting power held:

Name of the Subsidiary Companies & Jointly Controlled Entities	Percentage of Holding	Incorporated In
HTL Limited	74%	India
Polixel Security Systems Private Limited	100%	India
Moneta Finance Private Limited	100%	India
HFCL Advance Systems Private Limited	100%*	India
Raddef Private Limited	90%	India
DragonWave HFCL India Private Limited	100%	India
HFCL Technologies Private Limited (Wholly owned Subsidiary w.e.f. 26th June 2021)	100%	India
HFCL Inc. (Wholly owned Subsidiary w.e.f. 08th October 2021)	100%	USA
HFCL B.V. (Wholly owned Subsidiary w.e.f. 07th October 2021)	100%	Netherlands
Nimpaa Telecommunications Private Limited (Jointly Controlled Entity w.e.f. 14th June, 2021)	50%	India
BigCat Wireless Private Limited (Jointly Controlled Entity with 50% voting right w.e.f. 12th November 2021)	40.79%	India

*jointly with subsidiary company

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(B) ADDITIONAL INFORMATION, AS REQUIRED UNDER SCHEDULE III OF THE COMPANIES ACT, 2013 OF ENTERPRISES CONSOLIDATED AS SUBSIDIARIES / JOINTLY CONTROLLED ENTITIES

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 / Holding Company				
HFCL Limited	95.20	2,993.07	80.75	257.89
Subsidiaries - Indian				
HTL Limited	3.54	111.28	13.81	44.08
Polixel Security Systems Private Limited	0.07	2.11	(0.44)	(1.40)
Moneta Finance Private Limited	0.01	0.39	0.01	0.02
HFCL Advance Systems Private Limited	0.00	(0.07)	0.00	(0.01)
Radeff Private Limited	(0.15)	(4.65)	(0.47)	(1.51)
DragonWave HFCL India Private Limited	0.10	3.06	0.30	0.95
HFCL Technologies Private Limited	(0.01)	(0.31)	-	(0.01)
Subsidiaries - Foreign				
HFCL INC.	0.01	0.42	0.11	0.36
HFCL B.V.	0.07	2.24	0.66	2.10
Jointly Controlled Entities- Indian				
Nimpaa Telecommunications Private Limited	0.00	0.00	0.23	0.72
BigCat Wireless Private Limited	0.00	0.00	(0.18)	(0.56)
Non- Controlling interest in all subsidiaries	1.16	36.60	5.21	16.63

45 BUSINESS COMBINATION

i) During the previous year the Holding Company had acquired voting right of 50% in Nimpaa Telecommunications Private Limited (Nimpaa), having its registered office at No. 16/38, Maharaja Surya Road, Teynampet, Chennai -600018, Tamil Nadu, at a total consideration of ₹1.00 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. 14th June, 2021. Nimpaa is engaged in the business of manufacture of equipment, component, accessories and cables for telecommunication systems, networks. Abridged financials of Nimpaa Telecommunications Private Limited for the period ended 31st March 2022 is as under:

Summarised Balance Sheet	As at 31st March 2022
Current Assets	
Financial Assets (excluding Trade Receivables)	0.51
Other Current Assets	6.12
Total Current Assets	6.63
Non-Current Assets	
Property, Plant & Equipment	5.58
Other Non Current Assets	0.34
Total Non-Current Assets	5.92
Current Liabilities	
Financial Liabilities (excluding Trade Payables)	1.37
Other Liabilities	1.11
Total Current Liabilities	2.48
Non-Current Liabilities	
Financial Liabilities	8.00
Other Liabilities	0.02
Total Non-Current Liabilities	8.02
Net Assets	2.05

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Summarised Statement of Profit & Loss	1st April 2021 to 31st March 2022
Revenue from Operations	15.19
Other Income	0.02
Other Expense	12.31
Depreciation & Amortisation	0.78
Finance Cost	0.93
Income tax Expense	0.18
Profit / (Loss) for the year	**1.00**
Other Comprehensive Income	-
Total Comprehensive Income for the year	**1.00**

ii) During the previous year the Holding Company had also acquired voting rights of 50% in BigCat Wireless Private Limited, having its registered office at New No. 21, Old No. 9, Flat C2, Dwarka Apartments, 1st Avenue, Shastri Nagar, Chennai-600020, Tamil Nadu, at a total consideration of ₹8.50 crore, thereby making it a Jointly Controlled Entity of the Company w.e.f. 12th Nov, 2021. BigCat Wireless Private Limited is engaged in the development of software and hardware products for wireless networking and other related technical, research and development activities. Abridged financials of BigCat Wireless Private Limited for the period ended 31st March 2022 is as under:

Summarised Balance Sheet	As at 31st March 2022
Current Assets	
Financial Assets (excluding Trade Receivables)	12.87
Other Current Assets	3.75
Total Current Assets	**16.62**
Non-Current Assets	
Property, Plant & Equipment	1.07
Other Non Current Assets	2.36
Total Non-Current Assets	**3.43**
Current Liabilities	
Financial Liabilities (excluding Trade Payables)	-
Other Liabilities	0.85
Total Current Liabilities	**0.85**
Non-Current Liabilities	
Financial Liabilities	0.40
Other Liabilities	0.78
Total Non-Current Liabilities	**1.18**
Net Assets	**18.02**

Summarised Statement of Profit & Loss	1st April 2021 to 31st March 2022
Revenue from Operations	8.43
Other Income	1.14
Other Expense	12.05
Depreciation & Amortisation	0.88
Finance Cost	0.11
Income tax Expense	0.03
Profit / (Loss) for the year	**(3.50)**
Other Comprehensive Income	-
Total Comprehensive Income for the year	**(3.50)**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

46 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:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Employer's Contribution to Provident Fund	13.20	12.15

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.

Particulars	Gratuity (Funded)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Actuarial assumptions		
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)		
Discount rate (per annum)	7.38%	7.20%
Rate of increase in Compensation levels	7.25%	7.05%
Average remaining working lives of employees (Years)	18.92	19.40
Table showing changes in present value of obligations:		
Present value of obligation as at the beginning of the year	22.64	22.66
Acquisition adjustment	-	-
Interest Cost	1.64	1.47
Past service cost (Vested Benefit)	Nil	Nil
Current Service Cost	4.27	3.54
Curtailment cost / (Credit)	Nil	Nil
Settlement cost /(Credit)	Nil	Nil
Benefits paid	(1.74)	(5.14)
Actuarial (gain)/ loss on obligations	0.02	0.11
Present value of obligation as at the end of the period	26.83	22.64
Table showing changes in the fair value of plan assets:		
Fair value of plan assets at beginning of the year	2.90	2.46
Acquisition adjustments	Nil	Nil
Expected return of plan assets	0.21	0.17
Employer contribution	-	-
Benefits paid	Nil	Nil
Actuarial gain/ (loss) on obligations	(0.12)	0.27
Changes deducted	-	-
Fair value of plan assets at year end	2.99	2.90

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	Gratuity (Funded) For the year ended March 31, 2023	Gratuity (Funded) For the year ended March 31, 2022
Other Comprehensive Income		
Actuarial (gain) / loss for the period - Obligation	0.44	0.11
Actuarial (gain) / loss for the period - Plan assets	0.12	(0.27)
Total (gain) / loss for the period	0.56	(0.16)
Actuarial (gain) / loss recognised in the period	0.56	(0.16)
Unrecognised actuarial (gains) / losses at the end of the period	Nil	Nil
The amounts to be recognised in Consolidated Balance Sheet:		
Present value of obligation as at the end of the period	26.83	22.64
Fair value of plan assets as at the end of the period	2.99	2.90
Funded Status	(23.84)	(19.74)
Unrecognised actuarial (gains) / losses	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(23.84)	(19.74)
Expenses recognised in Consolidated Statement of Profit and Loss:		
Current service cost	4.27	3.54
Past service cost (Vested Benefit)	Nil	Nil
Interest Cost	1.64	1.47
Expected return on plan assets	-	(0.17)
Curtailment and settlement cost /(credit)	Nil	Nil
Expenses recognised in the Consolidated Statement of Profit and Loss	5.91	4.84
Sensitivity analysis of the defined benefit obligation:		
Impact of the change in Discount Rate		
Present Value of Obligation at the end of the period	26.83	22.64
Impact due to increase of 0.5%	(1.70)	(1.36)
Impact due to decrease of 0.5%	1.64	1.30
Impact of the change in salary increase		
Present Value of Obligation at the end of the period	26.83	22.64
Impact due to increase of 0.5%	1.68	1.28
Impact due to decrease of 0.5%	(1.74)	(1.33)
Sensitivities due to mortality & withdrawals are insignificant & hence ignored.		
Maturity profile of defined benefit obligation:		
March 2023 to March 2024	2.40	1.43
March 2024 to March 2025	0.96	1.21
March 2025 to March 2026	0.92	0.76
March 2026 to March 2027	1.13	0.80
March 2027 to March 2028	1.90	1.08
March 2028 to March 2029	1.56	1.99
March 2029 onwards	17.97	15.39
Investment Details		
HDFC Standard Life Insurance Company Limited (Cash accumulation) Policy	2.99	2.90

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.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

c) Other Long Term Employee Benefits

Particulars	Leave Encashment	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Actuarial assumptions		
Mortality Table (HDFC Standard Life Insurance Company Limited (Cash accumulation Policy)		
Discount rate (per annum)	7.38%	7.20%
Rate of increase in Compensation levels	7.25%	7.05%
Average remaining working lives of employees (Years)	18.73	19.00
Table showing changes in present value of obligations:		
Present value of obligation as at the beginning of the year	22.48	20.33
Acquisition adjustment	-	-
Interest Cost	1.62	1.34
Past service cost (Vested Benefit)	Nil	Nil
Current Service Cost	6.59	5.44
Curtailment cost / (Credit)	Nil	Nil
Settlement cost /(Credit)	Nil	Nil
Benefits paid	(3.54)	(4.79)
Actuarial (gain)/ loss on obligations	0.02	0.16
Present value of obligation as at the end of the period	27.17	22.48
Sensitivity analysis of the defined benefit obligation:		
Impact of the change in Discount Rate		
Present Value of Obligation at the end of the period	27.17	22.48
Impact due to increase of 0.5%	(1.69)	(1.46)
Impact due to decrease of 0.5%	1.69	1.36
Impact of the change in salary increase		
Present Value of Obligation at the end of the period	27.17	22.48
Impact due to increase of 0.5%	(1.59)	(1.18)
Impact due to decrease of 0.5%	1.56	1.08

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

47 OPERATIONAL BUYERS' CREDIT / SUPPLIERS CREDIT

Operational Buyers'/Suppliers' Credit is availed in foreign currency from Indian banks through their offshore foreign branches at an interest rate ranging from 5.00%-6.00% per annum. These trade credits are generally repayable within 180 days from the date of draw down. Operational Buyers' credit availed in foreign currency is partly backed by Standby Letter of Credit issued under working capital facilities sanctioned by Indian banks.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

48 COMMITMENTS AND CONTINGENCIES

(a) Contingent Liabilities not provided for in respect of

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Unexpired Letters of Credit (margin money paid ₹33.62 crore; Previous year ₹75.84 crore)	263.55	482.60
(ii) Guarantees given by banks on behalf of the Group (margin money kept by way of fixed deposits of ₹148.24 crore; Previous year ₹139.86 crore)	896.87	887.75
(iii) Claims against the Group towards sales tax, income tax and others in dispute not acknowledged as debt (deposited under protest ₹3.91 crores (previous year ₹3.91 crore)	86.50	78.39
(iv) Custom Duty against import under EPCG scheme	-	6.15

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) The Group have perused the judgement of Hon'ble Supreme Court vide its ruling given in February 2019 and it has been opined that if any allowance is not paid across the board, it shall not be treated as basic wages for the purpose of Employee Provident Fund contribution under Employees' Provident Funds and Miscellaneous Provisions Act, 1952, hence we understand that no further liability lies upon us.

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 Group 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, 2023 the Group has outstanding term derivative contracts as referred in note no. 59.

vii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, and jointly controlled entities incorporated in India

viii) During the previous year, the Delhi high court had restrained HFCL Limited and its subsidiaries for allegedly manufacturing and selling of optic fiber cable based on Sterlite Technologies Limited (STL) multitube technology, in a patent infringement case. HFCL has challenged the alleged infringement as well as validity of suit patent on the ground that HFCL is manufacturing the impugned products much prior to filing date of suit patent. Further, the features claimed in suit patent are disclosed by multiple prior arts published much prior to filing date of suit patent. In view of these facts Hon'ble Delhi High court prima facie concluded that there is serious doubt as to novelty and inventive nature of suit patent itself and vacated the injunction order vide its order dated 14-09-2022.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

(b) Capital Commitments

Particulars	As at March 31, 2023	As at March 31, 2022
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	307.16	134.14
Uncalled capital Commitment pertaining to investments	5.00	12.00

(c) Financial Guarantees

Issued in favour of	Issued to	As at March 31, 2023	As at March 31, 2022	Purpose
Microwave Communications Limited	Credit Lyonnais Bank	9.60	9.60	Ad-hoc BG
Microwave Communications Limited	The Vysya Bank Limited	4.06	4.06	Working Capital
Exicom Tele-Systems Limited	Punjab National Bank	6.50	6.50	Working Capital

49 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.

Balances of various trade payables, trade receivables, loans and advances, security deposits and other parties are subject to confirmation/reconciliation and consequential adjustments, if any. In the opinion of the management, such adjustments, if any, will not have a material impact on the Consolidated Financial Statements.

50 Holding Company's Solan manufacturing facilities are having limited scale of operations due to rapid change in technology and other advancements. The said facilities are currently generating revenue from job work only. In view of the above and as a step towards cost optimisation, holding company's Board had decided to shift the Plant and Machinery of Solan facilities and operations thereof to its Manufacturing Facility located at Hyderabad. The process of shifting of employees has already been started. The partial plant & machinery and other testing equipment would transfer to Hyderabad plant in due course of time. The management is also in the process of identifying prospective usages of its facilities at Solan post shifting of plant and machinery to other locations.

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) Key management personnel:	Mr. Mahendra Nahata, Managing Director- HFCL Limited
	Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited
	Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary - HFCL Limited
	Mr. G.S. Naidu, COO & Manager - HTL Limited
	Mr. C. D. Ponnappa Chief Finance Officer - HTL Limited
	Mr. S Narayanan, Company Secretary- HTL Limited
	Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Private Limited
	Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Private Limited
	Mr. Prashant Kishanani, Company Secretary- HFCL Technologies Private Limited (from 04.04.2022)
	Ms. Shubhi Singhal, Company Secretary- HFCL Technologies Private Limited (upto 01.02.2022)
(b) Jointly Controlled Entities:	Nimpaa Telecommunications Private Limited (Jointly Controlled Entity w.e.f. 14th June, 2021)
	BigCat Wireless Private Limited (Jointly Controlled Entity w.e.f. 12th November, 2021)

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Relationship	Name of Related Party
(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 Private Limited
	Nextwave Communications Private Limited
	Exicom Tele-Systems Limited
	Exicom Energy System Private Limited
	Exicom Power Systems Private Limited
	Satellite Finance Private Limited
	Shankar Sales Promotion Private Limited
	Vinsan Brothers Private Limited
	Fitcore Tech-Solutions Private Limited
(e) Relative of Key Managerial personnel	Mr. Anant Nahata

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, 2023 are as under:

PARTICULARS	Year ended March 31, 2023	Year ended March 31, 2022
Purchases/receiving of Goods & services		
Exicom Tele-Systems Limited	1.95	14.50
BigCat Wireless Private Limited	2.10	-
Nimpaa Telecommunications Private Limited	4.31	8.46
Sales/rendering of Goods and Materials		
Exicom Tele-Systems Limited	4.09	2.41
Exicom Energy System Private Limited	0.32	-
Nimpaa Telecommunications Private Limited	0.49	0.46
Investments		
BigCat Wireless Private Limited	7.00	8.00
Nimpaa Telecommuncations Private Limited	-	1.00
Income - Rent /Other Income		
Exicom Tele-Systems Limited	0.46	0.46
Exicom Energy System Private Limited	0.01	-
Exicom Power Systems Private Limited	0.01	0.00
Income - Interest on Loan given		
Nimpaa Telecomunications Private Limited	0.50	0.40
Expenses - Rent /Other expenses		
Exicom Tele-Systems Limited	0.84	0.84
Nimpaa Telecomunications Private Limited	9.02	6.65
Satellite Finance Private Limited	0.36	0.35
Shankar Sales Promotion Private Limited	0.73	0.71
Vinsan Brothers Private Limited	0.79	0.79
Loans and Advances given/ (received) during the year		
Nimpaa Telecommunications Private Limited	(1.00)	1.00
Dividend paid		
MN Ventures Private Limited	5.28	4.34

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

PARTICULARS	Year ended March 31, 2023	Year ended March 31, 2022
Nextwave Communications Private Limited	3.96	3.30
Shankar Sales Promotion Private Limited	0.01	0.00
Vinsan Brothers Private Limited	0.01	0.01
Fitcore Tech-Solutions Private Limited	0.40	0.34
Mr. Mahendra Nahata	0.02	0.07
Mr. Anant Nahata	0.05	0.04
Mr. Vijay Raj Jain	0.01	0.00
Mr. Manoj Baid	0.00	0.00
Mr. G.S. Naidu, COO & Manager - HTL Limited	0.00	0.00
Mr. C. D. Ponnappa Chief Finance Officer - HTL Limited	0.00	-
HFCL Employees Trust	0.03	0.05
Warrants (Convertible into Equity Shares on preferential basis)		
MN Ventures Private Limited	20.00	-
Mr. Vijay Raj Jain	3.00	-
Mr. Manoj Baid	0.40	-
Mr. G.S. Naidu, COO & Manager - HTL Limited	0.40	-
Closing Balances of Receivables		
Exicom Tele-Systems Limited	9.92	2.34
Exicom Energy System Private Limited	0.05	-
Exicom Power Systems Private Limited	0.01	-
Nimpaa Telecomunications Private Limited	0.10	0.27
Closing Balances of Loans		
Nimpaa Telecomunications Private Limited	3.00	4.00
Closing Balances of Advances		
Vinsan Brothers Private Limited	-	0.66
Closing Balances of Security Deposit		
Satellite Finance Private Limited	0.16	0.16
Vinsan Brothers Private Limited	0.40	0.40
Closing Balances of Trade Payables		
Exicom Tele-Systems Private Limited	-	0.59
Nimpaa Telecomunications Private Limited	0.67	3.29
Shankar Sales Promotion Private Limited	0.15	-
Satellite Finance Private Limited	0.01	-
MN Ventures Private Limited	-	3.99
Contribution towards Gratuity Liabilities		
HFCL Employees Group Gratuity Trust	-	0.25
Contribution towards ESOP Trust		
Loan to HFCL Employee Trust (net)	2.81	3.48
Guarantees and collaterals		
Exicom Tele-Systems Limited	6.50	6.50
Closing Balance of Advances to Key Management Personnel		
Mr. Mahendra Nahata (Managing Director)	4.29	-
Mr. Vijay Raj Jain (Chief Financial Officer)	0.60	1.10
Remuneration of Key Management Personnel's*		
Mr. Mahendra Nahata, Managing Director- HFCL Limited	6.80	6.80

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

PARTICULARS	Year ended March 31, 2023	Year ended March 31, 2022
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	3.58	3.80
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	0.88	0.95
Mr. G.S. Naidu, COO & Manager - HTL Limited	1.01	0.56
Mr. C. D. Ponnappa Chief Finance Officer- HTL Limited	0.71	0.57
Mr. S Narayanan, Company Secretary- HTL Limited	0.25	0.22
Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Private Limited	0.30	0.30
Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Private Limited	0.12	0.09
Mr. Prashant Kishanani, Company Secretary- HFCL Technologies Private Limited (from 04.04.2022)	0.06	-
Ms. Shubhi Singhal, Company Secretary- HFCL Technologies Private Limited (upto 01.02.2022)	-	0.01
Remuneration payable to Key Management Personnel's		
Mr. Mahendra Nahata, Managing Director- HFCL Limited	0.55	0.35
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	0.02	0.00
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	0.04	0.03
Mr. Arvind Kharabanda, Managing Director- HFCL Technologies Private Limited	-	0.00
Mr. Prashant Kishanani, Company Secretary- HFCL Technologies Private Limited (from 04.04.2022)	0.00	-
Mr. Kannaji Chandrasekhar, Chief Executive Officer- Raddef Private Limited	0.03	0.02
Mr. G.S. Naidu, COO & Manager - HTL Limited	0.16	0.08
Mr. C. D. Ponnappa Chief Finance Officer- HTL Limited	0.11	0.08
Mr. S Narayanan, Company Secretary- HTL Limited	0.02	0.02
Share based payment to employees		
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	-	0.02
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	-	0.01
ESOP excercised		
Mr. Vijay Raj Jain, Chief Financial Officer- HFCL Limited	0.19	0.45
Mr. Manoj Baid, Senior Vice President (Corporate) & Company Secretary- HFCL Limited	0.09	0.20
Mr. G.S. Naidu, COO & Manager - HTL Limited	-	0.19
Mr. C. D. Ponnappa Chief Finance Officer- HTL Limited	-	0.17

* The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Major Terms and Conditions of transactions with related parties:

i) Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

ii) The remuneration to Key Managerial Personnel are in line with the HR policies of the group.

iii) Loans and advances given to Directors/ KMPs have specified terms/ period of repayment and are in line with HR policies of the group.

iv) The Holding Company makes advances to its associate companies to cater their short term business requirements. Such advances carry interest rates at the rate applicable to the term loans as per Holding Company's policy.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

v) The interest and /or dividend paid to the Trusts and Key Managerial Personnel are on account of their investments in the equity shares of the Holding Company and dividend paid on such securities is uniformally applicable to all the holders.

vi) Outstanding balances of group companies at the year-end are unsecured.

52 SEGMENT REPORTING

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

The chief operational decision maker monitors the operating results of its business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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:

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	2,637.97	2,055.16	2,103.60	2,671.74	1.74	0.21	4,743.31	4,727.11
Segment Result	403.12	274.30	170.15	313.71	2.27	0.04	575.54	588.05
Unallocated Finance charges							152.19	166.40
Unallocated expenses							8.56	7.61
Unallocated Income							15.82	28.08
Profit before tax							430.61	442.11
Income tax (net)							112.90	116.25
Profit after tax							317.71	325.86
Other Information								
Segment assets	1,980.88	1,574.25	2,900.94	2,823.54	3.89	3.63	4,885.71	4,401.42

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are 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
Unallocated other assets							586.89	770.04
Total assets	1,980.88	1,574.25	2,900.94	2,823.54	3.89	3.64	5,472.59	5,171.46
Segment liabilities	1,001.84	955.69	937.44	978.42	3.06	1.13	1,942.34	1,935.24
Unallocated other liabilities							386.11	417.85
Total liabilities	1,001.84	955.69	937.44	978.42	3.06	1.13	2,328.45	2,353.09
Depreciation	79.37	75.45	3.60	2.80	-	-	82.97	78.25
Capital Expenditure	287.43	114.48	1.28	4.32	16.64	0.73	305.35	119.53
Non-cash expenses other than Depreciation	4.63	(0.41)	-	0.87	0.00	0.10	4.63	0.56

(b) Geographical Information

Geographical revenue is allocated based on the location of the customers and non current assets are also allocated based on the location of the assets. The information regarding geographical revenue and non-current assets are as follows:

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
(1) Revenue from External Customers		
Within India	3,925.82	4,364.17
Outside India	817.49	362.94
Total revenue as per statement of profit and loss	**4,743.31**	**4,727.11**
(2) Non Current Assets		
Within India (excluding financial assets & deferred tax assets)	874.51	665.65
Outside India	-	-
Total	**874.51**	**665.65**

53 Interest charges on loans is net of Interest income from loans and advances amounting to ₹4.34 crores (Previous year ₹5.84 crore).

54 The Holding Company has transactions with certain companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956. The details are as following details:

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
Vaishak Shares Limited	Shareholder	0.00	Not Related
Kothari Intergroup Limited	Shareholder	0.00	Not Related
Chothani Fibres Private Limited	Shareholder	0.00	Not Related
Farhan Traders Private Limited	Shareholder	0.00	Not Related
Indiana International Private Limited	Shareholder	0.00	Not Related
Esskyennr Securities Limited	Shareholder	0.00	Not Related
S J Capital Limited	Shareholder	0.00	Not Related
Yash Stockbrokers Private Limited	Shareholder	0.00	Not Related
Vinod Housing Private Limited	Shareholder	0.00	Not Related
Woodmen Products Private Limited	Shareholder	0.00	Not Related
Dapki And Bavishi Securities Private Limited	Shareholder	0.00	Not Related

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
N D Stocks Private Limited	Shareholder	0.00	Not Related
G- Mat Trading Private Limited	Shareholder	0.00	Not Related
Spica Software Private Limited	Shareholder	0.00	Not Related
Puja Supertech Private Limited	Shareholder	0.00	Not Related
Interstate Share Broking Private Limited	Shareholder	0.00	Not Related
Canny Securities Private Limited	Shareholder	0.00	Not Related
Aakansha Portfolio Private Limited	Shareholder	0.00	Not Related
Arpan Leasing Co Limited	Shareholder	0.00	Not Related
Shahuji Global Solution Private Limited	Shareholder	0.00	Not Related
B S Investment Co. Private Limited	Shareholder	0.00	Not Related
Ramdayal Associates Limited	Shareholder	0.00	Not Related
Lifetime Leasing & Holding Private Limited	Shareholder	0.00	Not Related
N.R.I. Financial Services Limited	Shareholder	0.00	Not Related
Zenith Logistics Private Limited	Shareholder	0.00	Not Related
Jalsagar Commercial Private Limited	Shareholder	0.00	Not Related
Shyam Engineering Co Private Limited	Shareholder	0.00	Not Related
Kanha Shares Private Limited	Shareholder	0.00	Not Related
Ankal Capital Limited	Shareholder	0.00	Not Related
Lakshana Holdings Private Limited	Shareholder	0.00	Not Related
Advait Finstock Private Limited	Shareholder	0.00	Not Related
Murlidhar Securities Private Limited	Shareholder	0.00	Not Related
Surakshit Securities Private Limited	Shareholder	0.00	Not Related
Sinnar Steels Private Limited	Shareholder	0.00	Not Related
Modern Information & Systems Private Limited	Shareholder	0.00	Not Related
BDJA Securities Private Limited	Shareholder	0.00	Not Related
Steelman Investments Private Limited	Shareholder	0.00	Not Related
Touchstone Stock Management Private Limited	Shareholder	0.00	Not Related
Malnad Investors Association Limited	Shareholder	0.00	Not Related
Balia Consultancy Services Private Limited	Shareholder	0.00	Not Related
Asha Latex & Allied Industries Private Limited	Shareholder	0.00	Not Related
Sai Shirdi Lea - Fin Private Limited	Shareholder	0.00	Not Related
Pegasus Mercantile Private Limited	Shareholder	0.00	Not Related
Zion Financial Services Private Limited	Shareholder	0.00	Not Related
Blue Mountain Holdings Private Limited	Shareholder	0.00	Not Related
Enpee Investments Private Limited	Shareholder	0.00	Not Related
HMK Capital Management Private Limited	Shareholder	0.00	Not Related
Sun Shine Holdings Private Limited	Shareholder	0.00	Not Related
Victor Properties Private Limited	Shareholder	0.00	Not Related
Excel Capital Services Private Limited	Shareholder	0.00	Not Related
Home Trade Limited	Shareholder	0.00	Not Related
Megha Investments Private Limited	Shareholder	0.00	Not Related
Vidhan Marketing Private Limited	Shareholder	0.00	Not Related

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2023	Relationship with the Struck off company, if any, to be disclosed
VMS Consultants Private Limited	Shareholder	0.00	Not Related
Kaliangi Constructions Private Limited	Trade Payable	0.06	Not Related
NGS Technology Private Limited	Trade Payable	0.13	Not Related
Overarching Solutions Private Limited	Trade Payable	0.02	Not Related
Dexterous Engineering Private Limited	Trade Payable	0.01	Not Related
Visat Services Private Limited	Trade Payable	0.04	Not Related
Saransh Infrastructure Limited	Trade Payable	0.00	Not Related
Snpr Constructions Private Limited	Trade Payable	0.22	Not Related
G Fazco Infra Private Limited	Trade Payable	0.01	Not Related

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2022	Relationship with the Struck off company, if any, to be disclosed
Cassiopiea Consultants Private Limited	Advance To Vendor	0.04	Not Related
Snpr Constructions Private Limited	Trade Payable	0.22	Not Related
Airvoice Telenet Private Limited	Trade Payable	1.10	Not Related
Aks Infra Solutions Private Limited	Trade Payable	0.12	Not Related
Amarparmila Infranetworks Private Limited	Trade Payable	0.01	Not Related
Amethiya Network Services Private Limited	Trade Payable	0.01	Not Related
Apex Infraheights & Infosolutions Private Limited	Advance To Vendor	0.30	Not Related
Dexterous Engineering Private Limited	Trade Payable	0.01	Not Related
E Cell Infratel Private Limited	Advance To Vendor	0.01	Not Related
Excell Buildcon Private Limited	Trade Payable	0.00	Not Related
Galaxias Private Limited	Trade Payable	0.01	Not Related
Gallant Infrabuild Private Limited	Trade Payable	0.01	Not Related
Jyostna Infrastructure Private Limited	Trade Payable	-	Not Related
Om Ashiana Private Limited	Advance To Vendor	0.00	Not Related
Omega Towers And Infrastructures Private Limited	Advance To Vendor	0.24	Not Related
Operations Management System Private Limited	Trade Payable	0.00	Not Related
Pachar Infrastructure Private Limited	Trade Payable	0.08	Not Related
Pride Infratel Private Limited	Trade Payable	0.20	Not Related
Radauri Infratel Private Limited	Trade Payable	0.10	Not Related
Rahber Engineering Co Limited	Advance To Vendor	0.00	Not Related
Saksham Electrical & Contractors Private Limited	Advance To Vendor	0.01	Not Related
Samay Infratech Private Limited	Advance To Vendor	0.09	Not Related
Sandpiper Infrastructure Private Limited	Trade Payable	0.00	Not Related
Sanwariya Buildcon Private Limited	Trade Payable	0.01	Not Related
Saransh Infrastructure Limited	Trade Payable	0.00	Not Related
Shakti Teleservices Private Limited	Advance To Vendor	0.02	Not Related

Notes forming part of Consolidated Financial Statement

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(All amounts are in ₹ Crore)

Name of the Struck off Companies	Nature of transactions	Balance outstanding at the end of the year as at March 31, 2022	Relationship with the Struck off company, if any, to be disclosed
Shiv Sai Infrareal Private Limited	Trade Payable	0.04	Not Related
Shree Bake Bihari Infratech Private Limited	Advance To Vendor	0.01	Not Related
Smv Solution Private Limited	Trade Payable	0.02	Not Related
Soham Cotspinn Private Limited	Trade Payable	0.04	Not Related
Sri Rama Telecom & Infratech Private Limited	Trade Payable	0.00	Not Related
Swastika Tele Solutions Private Limited	Advance To Vendor	0.00	Not Related
Visat Services Private Limited	Trade Payable	0.04	Not Related
Vishnu Bhumi Engineers Private Limited	Trade Payable	0.02	Not Related
Four Star Multi Security Services (India) Private Limited	Trade Payable	0.00	Not Related
Hertz Technologies Private Limited	Trade Payable	0.01	Not Related
Influx Enterprises Private Limited	Advance To Vendor	1.49	Not Related
Infura Telenet Private Limited	Trade Payable	-	Not Related
Kaliangi Constructions Private Limited	Trade Payable	0.06	Not Related
Megastar Power Engineers Private Limited	Advance To Vendor	0.05	Not Related
Pc Infradevelopers Private Limited	Advance To Vendor	0.15	Not Related
Philipsons Importers & Exporters Private Limited	Advance To Vendor	0.03	Not Related
Pragmatica Infraventures Private Limited	Advance To Vendor	0.21	Not Related
Sajana Sajani Meet Infrastructure Private Limited	Trade Payable	0.00	Not Related
Suryajyoti Infratechnologies Private Limited	Trade Payable	0.01	Not Related
Vas Infratel Private Limited	Advance To Vendor	0.04	Not Related

55 On October 15, 2018, pursuant to the approval by the shareholders, the Board of the Holding Company has been authorised 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 shall 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 vest at the end of 4th year from the date of grant. The RSUs granted under the HFCL Plan 2017 are forfeited due to non-achievement of defined annual performance parameters as determined by the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022 and accordingly as on March 31, 2022 the share based payment reserve was adjusted. During the previous year, this cancellation/forfeiture of unvested options had resulted into a reversal of share based payment expense in the Consolidated Statement of Profit and Loss."

In respect of Options granted under the Employee Stock Option Plan the accounting is done as per requirements of Ind AS 102. Consequently, The Consolidated Statement of Profit and Loss includes ₹Nil (Previous Year: net income of ₹8.26 crore) being expenses on account of share based payments, after adjusting for reversals on account of options forfeited. The amount excludes charged to its subsidiary for options issued to its employees.

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, 2023 and March 31, 2022 is as follows:

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	Shares arising out of options*	
	Year ended March 31, 2023	Year ended March 31, 2022
Employee Stock Options (ESOPs)		
Outstanding at the beginning	30,21,000	63,37,000
Granted	-	-
Exercised	14,91,800	32,34,400
Forfeited and expired		81,600
Outstanding at the end	15,29,200	30,21,000
Exercisable at the end	15,29,200	13,00,200
Restricted Stock Units (RSUs)		
Outstanding at the beginning	-	60,08,000
Granted	-	-
Exercised	-	-
Forfeited and expired		60,08,000
Outstanding at the end	-	-
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, 2023 are as follows:

Range of exercise prices per share	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
20-25 (ESOPs)	15,29,200	1	20.65

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 ESOPs granted during the year ended March 31, 2023
Weighted average share price (₹)	20.65
Exercise price (₹)	20.65
Expected volatility	56.4% to 59.1%
Expected life of the option (years)	3.50 to 5.50
Expected dividends	0.23%
Risk-free interest rate	7.81% to 7.89%
Weighted average fair value as on grant date (₹)	11.04

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

56 PARTICULARS IN RESPECT OF LOANS AND ADVANCES IN THE NATURE OF LOANS TO RELATED PARTIES AS REQUIRED UNDER REGULATION 34(3) SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

REGULATION, 2015

Name of the Company	Outstanding as at		Maximum amount outstanding during the year	
	March 31, 2023	March 31, 2022	2022-23	2021-22
Nimpaa Telecommunications Private Limited	3.00	4.00	3.00	4.00

Disclosure pursuant to section 186 of The Companies Act 2013:

Sr. No.	Nature of Transaction (Loans given / Investment made / Guarantee given / Security provided)	Purpose for which the loan / guarantee / security is proposed to be utilised by the recipient	2022-23	2021-22
(A)	Loans and Advances			
	Other Related Party:			
	(a) Nimpaa Telecommunications Private Limited	Working Capital	3.00	4.00
(B)	Guarantees Given			
	Investment Company:			
	(a) Exicom Tele-Systems Limited	Corporate guarantee given for Debt	6.50	6.50

57 IN RESPECT OF SUBSIDIARY COMPANIES, THE FOLLOWING ADDITIONAL NOTES TO ACCOUNTS ARE DISCLOSED:

HTL LIMITED

i) Loan of ₹4.73 crores (Previous year ₹6.24 crores) together with interest accrued thereon of ₹28.20 crores (Previous year ₹33.98 crores) is due to Government of India (GOI). In addition to this, the Govt. of India has accepted the request to adjust ₹3.47 crores compensation receivable by HTL in case of ETP claim against the outstanding interest portion in respect of GOI Loan. [Refer Note. 57(ii)(b) below].

During the previous year, the loan along with interest accrued thereon has been directed to be repaid and therefore same has been classified under Current Financial Liability. During the current year, the company has made payment of ₹1.51 crores (Previous Year: Nil) towards Principal and ₹4.48 crores (Previous Year: Nil) towards Interest Accrued thereon.

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. The company is following up with Government of Tamil Nadu for obtaining the clear title.

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. Further, date of hearing is yet to be fixed by the Hon'ble Madras High Court.

b) Claims of ₹3.47 crores 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 crores 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 crores 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

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

compensation of ₹3.47 crores 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 31.03.2023. 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. [Refer Note 57(i) above]

iii) HTL Limited has proposed for allotment of 8% redeemable and non-convertible preference capital of ₹100 crores by way of conversion of outstanding loan and advances extended by Holding Company. The Subsidiary Company has submitted the proposal before the Department of Telecommunications (DoT) vide letter dated 22.03.2022 for seeking their administrative approval for the proposal so that the required formalities under the Companies Act can be taken up accordingly. The said preference capital will be redeemed only after repayment of GOI loan post the receipt of approval on reconciliations and reduction of interest rate by DoT [Refer Note. 57(ii)(b) above] in quarterly instalments.

58 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 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 analyze 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.

58.1 Financial Instruments by category

Particulars	As at March 31, 2023			As at March 31, 2022		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
1) Financial Assets						
I) Investments						
A) Equity Instruments						
i) Structured entity Equity Instrument	-	37.18	-	-	33.05	-
ii) Structured entity (current assets)						-
a) Sumedha Fiscal Services Limited	-	0.10	-	-	0.11	-
b) Valiant Communications Limited	-	0.12	-	-	0.06	-
c) Poonawalla Fincorp Limited	-	4.47	-	-	4.15	-
d) Media Matrix Worldwide Limited	-	0.01	-	-	0.01	-
e) Sahara One Media and Entertainment Limited	-	0.39	-	-	0.61	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	-	0.19	-	-	0.17	-
B) Mutual funds	7.10	-	-	3.69	-	-
C) Debentures & Bonds	-	-	1.85	-	-	1.85
II) Trade receivables	-	-	2,309.21	-	-	2,491.56
III) Bank deposits	-	-	36.21	-	-	35.85
IV) Cash and Cash equivalents	-	-	63.67	-	-	17.20
V) Other Bank balances	-	-	258.92	-	-	511.04

Notes forming part of Consolidated Financial Statement

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(All amounts are in ₹ Crore)

Particulars	As at March 31, 2023			As at March 31, 2022		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
VI) Security deposit for utilities and premises	-	-	17.79	-	-	11.72
VII) Other receivables	-	-	554.85	-	-	415.81
Total financial assets	**7.10**	**42.46**	**3,242.50**	**3.69**	**38.16**	**3,485.03**
2) Financial liabilities						
I) Borrowings						
A) From Banks	-	-	671.59	-	-	644.88
B) From Others	-	-	76.72	-	-	97.92
II) Obligations under Finance Lease	-	-	19.81	-	-	26.55
III) Deposits	-	-	239.79	-	-	256.61
IV) Trade payables	-	-	878.02	-	-	1,036.93
V) Other liabilities	-	-	297.10	-	-	146.07
Total Financial liabilities	**-**	**-**	**2,183.03**	**-**	**-**	**2,208.96**

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 categorised into Level 1, Level 2 and Level 3 inputs.

A) Year Ending March 31,2023

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2023	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	7.10	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Limited	14	0.10	-	-
b) Valiant Communications Limited	14	0.12	-	-
c) Poonawalla Fincorp Limited	14	4.47	-	-
d) Media Matrix Worldwide Limited	14	0.01	-	-
e) Sahara One Media and Entertainment Limited	14	0.39	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	14	-	-	0.19
g) Exicom Tele-Systems Limited	8	-	-	19.35
h) The Greater Bombay Co-Op Bank Limited	8	-	-	0.05
i) Shankar Sales Promotion Private Limited	8	-	-	0.10
j) Atul Properties Private Limited	8	-	-	1.85
k) Nivetti Systems Private Limited	8	-	-	17.69
Total Financial Assets		**12.19**	**-**	**39.23**

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

B) Year Ending March 31, 2022

Financial Assets measured at Fair Value recurring fair Value measurements at March 31, 2022	Note Nos.	Level 1	Level 2	Level 3
Financial Assets				
FVTPL				
a) Mutual Funds	14	3.69	-	-
FVTOCI				
Structured entity				
a) Sumedha Fiscal Services Limited	14	0.11	-	-
b) Valiant Communications Limited	14	0.06	-	-
c) Poonawalla Fincorp Limited	14	4.15	-	-
d) Media Matrix Worldwide Limited	14	0.01	-	-
e) Sahara One Media and Entertainment Limited	14	0.61	-	-
f) NSL Wind Power Company (Phoolwadi) Private Limited	14	-	-	0.17
g) Exicom Tele-Systems Limited	8	-	-	16.83
h) The Greater Bombay Co-Op Bank Limited	8	-	-	0.05
i) Shankar Sales Promotion Private Limited	8	-	-	0.09
j) Atul Properties Private Limited	8	-	-	1.85
k) Nivetti Systems Private Limited	8	-	-	16.08
Total Financial Assets		**8.63**	**-**	**35.07**

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.

58.2 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.

Particulars	Notes Nos.	Carrying amount	Less than 12 months	More than 12 months	Total
As at March 31, 2023					
Trade payables	26	878.02	878.02	-	878.02
Retention Money	27	239.79	239.79	-	239.79
Other liabilities	23,25,27,42	1,065.22	948.65	116.57	1,065.22
As at March 31, 2022					
Trade payables	26	1,010.12	1,010.12	-	1,010.12
Retention Money	27	256.61	256.61	-	256.61
Other liabilities	23,25,27,42	942.24	801.65	140.59	942.24

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 2023 and 31 March 2022.

Notes forming part of Consolidated Financial Statement

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(All amounts are in ₹ Crore)

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: Total comprehensive income for the year ended March 31, 2023 would increase / decrease by ₹5.14 crores (for the year ended March 31, 2022: increase / decrease by ₹4.36 crore) as a result of the change in fair value of equity investment measured at FVTOCI & FVTPL.
Interest Rate Risk		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.	In order to manage its interest rate risk, the Group diversifies its portfolio in accordance with the risk management policies.	As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Group has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional ₹1.93 crores loss for year ended March 31, 2023 (₹1.90 crores loss for year ended March 31, 2022).

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Group established policy, procedures and control relating to customer credit risk management. To manage trade receivable, the Group periodically assesses the financial reliability of customers, taking into account the financial conditions, economic trends, analysis of historical bad debts and aging of such receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Group's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

None of the Group's financial assets are either impaired or past due, and there were no indications that defaults in payment obligations would occur.

Capital management

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximise the shareholder value. The following table provides detail of the debt and equity at the end of the reporting period:

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

Particulars	As at March 31, 2023	As at March 31, 2022
Debt	748.31	742.80
Less: Cash and Cash equivalents (Note 16)	(63.67)	(16.69)
Net Debt	**684.64**	**726.11**
Total Equity	3,144.14	2,818.36
Net Debt to Total Equity	**0.22**	**0.26**

59 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

Particulars	As at March 31, 2023		As at March 31, 2022	
	Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
USD/INR	1,15,77,243	96.13	52,93,979	40.29

c) Foreign Currency exposure

Particulars		As at March 31, 2023		As at March 31, 2022	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Trade payable	USD/INR	6,14,81,270	506.56	3,19,13,078	242.19
	EUR/INR	12,17,253	11.00	23,75,691	19.99
	GBP/INR	2,04,376	2.09	1,14,866	1.15
	MUR/INR	6,46,732	0.12	26,57,241	0.45
	BDT/INR	2,90,05,177	2.23	11,85,500	0.10
	JPY/INR	1,72,000	0.01	-	-
Trade receivable	USD/INR	1,08,66,168	88.94	53,10,233	40.32
	EUR/INR	99,76,230	88.56	95,53,598	80.20
	GBP/INR	1,14,12,639	115.50	32,64,063	32.54
	MUR/INR	52,21,007	0.95	2,36,10,500	3.97
	BDT/INR	2,74,13,077	2.10	1,41,78,430	1.25
	AED/INR	1,11,243	0.25	97,45,467	20.15

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(All amounts are in ₹ Crore)

Particulars		As at March 31, 2023		As at March 31, 2022	
		Amount in foreign Currency	Equivalent in ₹	Amount in foreign Currency	Equivalent in ₹
Cash and Bank Balances	USD/INR	27,861	0.23	-	-
	EUR/INR	1,04,218	0.92	-	-
	GBP/INR	11,17,363	11.31	-	-
	MUR/INR	2,10,75,475	3.84	1,04,27,287	1.74
	BDT/INR	3,05,55,124	2.34	70,764	0.01
Other Assets	USD/INR	54,565	0.45	-	-
	EUR/INR	3,39,058	3.01	-	-
	GBP/INR	33,82,076	34.22	-	-
	MUR/INR	3,15,25,552	5.74	2,14,50,880	3.58
	BDT/INR	2,88,48,913	2.21	2,03,18,255	1.79
Other Liabilities	USD/INR	13,692	0.11	-	-
	EUR/INR	1,48,560	1.34	-	-
	GBP/INR	9,55,738	9.77	-	-
	MUR/INR	25,45,397	0.46	3,53,86,842	6.76
	BDT/INR	4,15,08,887	3.18	3,20,11,947	2.82

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.

Particulars	As at March 31, 2023		As at March 31, 2022	
	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	20.85	(20.85)	10.09	(10.09)
EURO Impact	(4.01)	4.01	(3.01)	3.01
GBP Impact	(7.46)	7.46	(1.57)	1.57
MUR Impact	(0.50)	0.50	(0.20)	0.20
BDT Impact	(0.06)	0.06	(0.06)	0.06
AED Impact	(0.01)	0.01	(1.01)	1.01
JPY Impact	0.00	0.00	-	-

60 TAX RECONCILIATION

Particular	F.Y. 2022-23	F.Y. 2021-22
Net Profit as per Statement of Profit and Loss (before tax)	430.61	442.11
Current Tax rate @ 25.17% (25.17%)	109.42	113.05
Adjustment:		
Depreciation & other adjustment	(35.92)	0.24
Amount of eligible / ineligible expenditure	4.23	1.29
Other Adjustments	1.27	(0.08)
Tax Provision as per Books	79.00	114.50

The Group is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

61 RECENT INDIAN ACCOUNTING STANDARDS (IND AS)

The MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2023 on March 31, 2023, whereby the amendments to various Indian Accounting Standards (Ind AS) has been made applicable with effect from April 1, 2023 onwards. Amended requirements as per these rules in relation to various Standards are as follows:

Ind AS 1 – Presentation of Financial Statements: The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. The Company has evaluated the requirements of the amendment and its impact on Financial Statements is not likely to be material.

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. The amendments will help entities to distinguish between accounting policies and accounting estimates. The Company has evaluated the requirements of the amendment and there is no impact on its Financial Statements.

Ind AS 12 – Income Taxes: The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company has evaluated the requirements of the amendment and there is no impact on its Financial Statements.

Amendments to other Indian Accounting Standards viz. Ind AS 101- First-time Adoption of Indian Accounting Standards, Ind AS 102 – Share Based Payments, Ind AS 103- Business Combinations, Ind AS 107- Financial Instruments - Disclosures, Ind AS 109 - Financial Instruments, and Ind AS 34 Interim Financial Reporting are either consequential to above amendments or clerical in nature. The Company has evaluated the requirements of the amendments and there is no impact on its Financial Statements.

62 OTHER STATUTORY INFORMATION:

i) The Group does not have any benami property, where any proceeding has been initiated or pending against the Group for holding any benami property.

ii) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

iii) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (intermediaries) with the understanding that the intermediary shall:

  (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (ultimate beneficiaries) or

  (b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries

iv) The Group has not received any fund from any person(s) or entity(ies), including foreign entities (funding party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

  (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or

  (b) provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

v) The Group does not have any such transactions which are not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act , 1961).

Notes forming part of Consolidated Financial Statement

for the year ended March 31, 2023

(All amounts are in ₹ Crore)

vi) The Group has complied with the number of layers prescribed under clause (87) of section 2 of the Companies Act 2013 read with the Companies (restriction on number of layers) Rules, 2017.

vii) The Group is not declared wilful defaulter by bank or financial institution or lender during the year.

viii) The Group does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

ix) The Group has used the borrowings from banks and financial institutions for the specific purpose for which it was obtained.

63 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. LLP
Chartered Accountants
Firm Reg. No. 000560C/C400334

P. D. Baid
Partner
M.No. 072625

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

Sunil Bhansali
Partner
M.No.: 054645

Place: New Delhi
Date: May 08, 2023

For and on behalf of the Board

Dr. R M Kastia
Director
DIN: 00053059
Place: New Delhi

V. R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New York

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

Place: New Delhi
Date: May 08, 2023

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 crores

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	Raddef Private Limited	HFCL Technologies Private Limited	HFCL B.V.	HFCL Inc.
The date since when subsidiary was acquired	October 16, 2001	July 11, 2006	February 23, 2015	August 9, 2016	December 17, 2019	May 15, 2019	June 26, 2021	October 7, 2021	October 8, 2021
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA	NA	NA	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	NA	Euro @90.35	USD @82.40
Share Capital	15.00	1.02	0.10	0.18	7.00	0.01	1.00	0.00	0.00
Reserves and Surplus	128.37	1.68	(0.08)	7.36	1.80	(5.53)	(0.31)	2.24	0.42
Total Assets	**557.43**	**2.71**	**0.02**	**10.14**	**9.22**	**3.97**	**45.28**	**4.08**	**0.67**
Total Liabilities	**414.06**	**0.01**	**0.00**	**2.60**	**0.42**	**9.49**	**44.59**	**1.84**	**0.25**
Investments	0.19	1.95	Nil	0.01	Nil	Nil	Nil	Nil	Nil
Turnover	1,264.41	Nil	Nil	0.72	0.60	1.95	Nil	10.10	3.32
Profit before taxation	90.03	0.02	(0.01)	(1.35)	1.12	(1.50)	(0.01)	2.42	0.44
Provision for taxation	25.08	0.01	Nil	0.07	0.17	Nil	Nil	0.39	0.09
Profit after taxation	64.95	0.01	(0.01)	(1.42)	0.95	(1.50)	(0.01)	2.03	0.35
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% of shareholding	74	100	90	100	100	90	100	100	100

Name of Subsidiaries which are yet to commence operations: NA

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

Name of Subsidiaries which have been liquidated or sold during the year: NA

PART "B": ASSOCIATES AND JOINT VENTURES

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates/Joint Ventures	Nimpaa Telecommunications Private Limited	BigCat Wireless Private Limited
1. Latest audited Balance Sheet Date	31-03-2023	31-03-2023
2. Shares of Associate/Joint Ventures held by the Company on the year end	50%	50%
No. of Shares	10,00,000	36,000
Amount of Investment in Associates/Joint Venture	1.00	17.50
Extend of Holding %	50.00	29.69
3. Description of how there is significant influence	Pursuant to Section 2(6) of the Companies Act, 2013	Pursuant to Section 2(6) of the Companies Act, 2013
4. Reason why the associate/joint venture is not consolidated	NA	NA
5. Networth attributable to Shareholding as per latest audited Balance Sheet	1.80	6.56
6. Profit / Loss for the year		
i. Considered in Consolidation	0.78	(0.87)
ii. Not Considered in Consolidation	–	–

1. Names of associates or joint ventures which are yet to commence operations.: NA
2. Names of associates or joint ventures which have been liquidated or sold during the year.: NA

For and on behalf of the Board

RM Kastia
Director
DIN: 00053059
Place: New Delhi

Mahendra Nahata
Managing Director
DIN: 00052898
Place: New york

V.R. Jain
Chief Financial Officer
PAN: AALPJ8603K
Place: New Delhi

Manoj Baid
Senior Vice President (Corporate)
& Company Secretary
M.No: FCS 5834
Place: New Delhi
Date: May 08, 2023

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HFCL 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 **36th (Thirty Sixth) Annual General Meeting ("AGM")** of the Members of HFCL Limited will be held on **Saturday, the 30th day of September, 2023 at 11:00 A.M. (IST)** through Video Conferencing/Other Audio Visual Means **("VC"/"OAVM")** Facility, to transact the following businesses:

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, 2023, along with 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, 2023, 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, 2023 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, 2023, 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 ₹0.20 (Twenty Paise only) i.e., @20% per fully paid-up equity share of face value of ₹1/- (Rupee One only), for the financial year ended March 31, 2023 and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT a Dividend of ₹0.20 (Twenty Paise only) i.e., @ 20% 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, 2023 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, 2023."

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), aged 81 years 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) Regulations, 2015 as amended from time to time, Dr. (Mr.) Ranjeet Mal Kastia (DIN: 00053059), aged 81 years, 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 **Approval for Material Related Party Transactions with HTL Limited, a Material Subsidiary**

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 the provisions of Regulation 23(4) and other applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time **("Listing Regulations")**, read with Section III-B of SEBI Master Circular bearing reference no. SEBI/HO/ CFD/PoD2/CIR/P/2023/120 dated July 11, 2023 **("SEBI Master Circular")**, as updated from time to time, applicable provisions of the Companies Act, 2013 **("Act")** rules made thereunder, other applicable laws/statutory provisions, if any, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Memorandum of Association and the Articles of Association of the Company, the Company's Policy on Related Party Transaction(s), pursuant to the approval/ recommendation of the Audit Committee, approval/ recommendation of Board of Directors of the Company (hereinafter referred to as **"Board"**), subject to requisite statutory/regulatory and other appropriate approvals, if any, as may be required, the consent of the members of the Company be and is hereby accorded to the Company to enter into and/or continue the related party transaction(s)/contract(s)/agreement(s)/ arrangement(s) (whether by way of an individual transaction or transactions taken together or series of transactions or otherwise), with HTL Limited, a material unlisted subsidiary of the Company **("Subsidiary")**, and related party within the meaning of Section 2(76) of the Act and Regulation 2(1) (zb) of the Listing Regulations, for such amount and on such material terms and conditions as mentioned in the Statement to this resolution as annexed with this notice and on such terms and conditions as the Board/ Audit Committee of the Company may deem fit provided that the said transaction(s)/ contract(s)/agreement(s)/ arrangement(s)/ shall be carried out at arm's length basis and in the ordinary course of business of the Company.

RESOLVED FURTHER THAT the aforesaid transaction(s)/ contract(s)/ agreement(s)/ arrangement(s) with Subsidiary of the Company are continuing business transactions and will be entered into with Subsidiary during the two financial years i.e. from April 01, 2023 to March 31, 2025.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may deem fit in its absolute discretion and to take all such steps as may be required in this connection including finalising and executing necessary contract(s), arrangement(s), agreement(s) and such other documents as may be required, seeking all necessary approvals to give effect to this resolution, for and on behalf of the Company, to delegate all or any of its powers conferred under this resolution to any Director or Key Managerial Personnel or any officer / executive of the Company and to resolve all such issues, questions, difficulties or doubts whatsoever that may arise in this regard and all action(s) taken by the Company in connection with any matter referred to or contemplated in this resolution, be and are hereby approved, ratified and confirmed in all respects."

Registered Office:

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

Place: New Delhi
Date: September 01, 2023

By Order of the Board

(Manoj Baid)
President & Company Secretary
Membership No: FCS 5834

NOTES:

1. In compliance with the Ministry of Corporate Affairs **('MCA')** Circulars 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, 19/2021 dated December 8, 2021, 21/2021 dated December 14, 2021, 2/2022 dated May 5, 2022 and 10/2022 dated December 28, 2022, permitted 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 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, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 and SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated January 05, 2023 (hereinafter collectively referred to as **"the Circulars"**), inter-alia allowed relaxation from dispatching of hard copy of statement containing salient features of all the documents, as prescribed in Section 136 of the Companies Act, 2013 to the shareholders who have not registered their email addresses. 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 **36th AGM of the Company is being held through VC/OAVM on Saturday, 30th September, 2023 at 11:00 a.m. (IST)**.

   The deemed venue for the AGM will be the place from where Chairperson conducts the proceedings of 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, 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 authorised 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 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 no. 4 and 5 set out above and the relevant details of the Directors seeking re-appointment at this AGM in respect of business under item no. 4 as required under Regulation 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 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 36th AGM through VC/OAVM facility. Corporate members intending to appoint their authorised representatives pursuant to Section 113 of the Act, 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 Scrutiniser 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 Remuneration and Compensation Committee and Stakeholders' Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

9. **ELECTRONIC DISPATCH OF NOTICE AND ANNUAL REPORT:** In line with the Circulars, Notice of the AGM along with the Annual Report 2022-23 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 2022-23 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 36th 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 Secretarial Auditor 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 and Sweat Equity) Regulations, 2021 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 Scrutiniser to scrutinise the e-Voting process in a fair and transparent manner.

12. **BOOK CLOSURE:** The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, September 25, 2023** to **Saturday, September 30, 2023 (both days inclusive)** for the purpose of AGM and payment of dividend on equity shares for FY23.

    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 **Saturday, September 23, 2023**. 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. **September 23, 2023**, 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. **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.

15. Members who are holding shares in physical form in identical names in more than one folio are requested to write to RTA enclosing their share certificates to consolidate their holding into one folio.

16. 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.

17. 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.

18. Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details/NECS/mandates, nominations, power of attorney, change of address/name, Permanent Account Number ('PAN') details, etc. to their Depository Participant, only and not to the Company/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 to 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, or in electronic mode at **admin@mcsregistrars.com**.

19. **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.**

20. **TRANSFER OF SHARES PERMITTED IN DEMAT FORM ONLY:** As per Regulation 40 of the SEBI Listing Regulations, as amended, transfer of securities would be carried out in dematerialised form only with effect from April 1, 2019, except in case of transmission or transposition of securities. However, members can continue to hold shares in physical form. In view of the same and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialised form. Members can contact the Company's RTA for assistance in this regard. Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated January 25, 2022 has mandated the listed companies to issue securities in dematerialised form only while processing service requests, viz., issue of duplicate securities certificate; claim from unclaimed suspense account; renewal/ exchange of securities certificate; endorsement; sub-division/splitting of securities certificate; consolidation of securities certificates/folios; transmission and transposition. Accordingly, Members are requested to make service requests by submitting a duly filled and signed Form ISR-4. The said form can be downloaded from the Company's website under Investor relation at **www.hfcl.com**. It may be noted that any service request can be processed only after the folio is KYC Compliant.

21. 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.

22. 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 2022-23 and the procedure for remote e-Voting along with the login ID and password for remote e-Voting.

23. Members may note that the Board, at its meeting held on May 08, 2023, has recommended a final dividend of ₹ 0.20 (Twenty Paisa only) per fully paid-up equity share. The record date for the purpose of payment of final dividend for FY23 is **September 23, 2023**. The aforesaid dividend, once approved by the members in this AGM, will be paid within 30 days from the date of AGM.

    Payment of dividend shall be made through electronic mode to the Members who have updated their bank account details. Dividend warrants/demand drafts will be dispatched to the registered address of the members who have not updated their bank account details.

    In order to receive dividend/s in a timely manner, Members are requested to register/update their complete bank details:

    (a) with their Depository Participant(s) with whom they maintain their demat accounts if shares are held in dematerialised mode by submitting the requisite documents, and

    (b) with RTA if shares are held in physical mode, by submitting duly filled in Form ISR-1 along with the (i) scanned copy of the signed request letter which shall contain shareholder's name, folio number, bank details (Bank account number, Bank and Branch Name and address, IFSC, MICR details), (ii) self-attested copy of the PAN card and (iii) cancelled cheque leaf.

    Further, please refer to our e-mail communication dated June 08, 2023 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 FY23.

    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, FY19, FY21, FY22, 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	Last date for claiming Dividend	Due Date for Transfer	Amount (₹) (Unpaid as on March 31, 2023)
2017-18	0.06	September 29, 2018	November 04, 2025	December 04, 2025	10,32,187.80
2018-19	0.10	September 28, 2019	November 03, 2026	December 03, 2026	16,29,588.40
2020-21	0.15	September 30, 2021	November 05, 2028	December 05, 2028	24,46,573.47
2021-22	0.18	September 30, 2022	November 05, 2029	December 05, 2029	31,63,367.71

THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:-

The remote e-Voting period begins on **Wednesday, September 27, 2023 at 09:00 A.M. and ends on Friday, September 29, 2023 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., **Saturday, September 23, 2023** 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 **Saturday, September 23, 2023**. The person who is not a member/beneficial owner as on the cut-off date should treat this Notice for information purpose only.

Members are requested to carefully read the below instructions in connection with remote e-Voting and procedure for joining the AGM.

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 Speed-e"** facility by scanning the QR code mentioned below for seamless voting experience.
	NSDL Mobile App is available on
Individual Share-holders holding securities in demat mode with CDSL	1. Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi /Easiest are requested to visit CDSL website **www.cdslindia.com** and click on login icon & New System Myeasi Tab and then user your existing my easi username & password. 2. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. 3. If the user is not registered for Easi/Easiest, option to register is available at CDSL website **www.cdslindia.com** and click on login & New System Myeasi Tab and then click on registration option. 4. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN from e-Voting link available on **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 able to see the e-Voting option where the e-Voting is in progress and also able to directly access the system of all e-Voting Service Providers.
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 above mentioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Type of share holders	Login Method
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.: 022 - 4886 7000 and 022 - 2499 7000.
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 toll free no. 1800 22 55 33.

(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 e-services i.e. IDEAS, you can log-in at **https://eservices.nsdl.com/** with your existing IDEAS login. Once you log-in to NSDL e-services 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 122047 then user ID is 122047001***

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.

9. 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 Scrutiniser 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 022 - 4886 7000 and 022 - 2499 7000 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 cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

4. 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. **Saturday, September 23, 2023** 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 **Monday, September 25, 2023 (09:00 A.M. IST) up to Tuesday, September 26, 2023 (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 **Monday, September 25, 2023 (09:00 A.M. IST) up to Tuesday, September 26, 2023 (05:00 P.M. IST)** mentioning their name, demat account no./folio number, email ID, mobile number etc. The Company will, at the AGM, endeavour to address the queries received till aforesaid dates from those Members who have sent queries from their registered email IDs. Please note that Members' questions will be answered only if they continue to hold shares as on the cut-off date. Such questions by the Members will 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 will 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 Scrutiniser 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 Scrutiniser'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 authorised by him in writing.

2. The result declared along with the Scrutiniser'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, 2023**.

DETAILS OF DIRECTOR PROPOSED TO BE 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
DIN	00053059
Date of Birth (Age in years)	October 10, 1941 (81 years)
Date of first appointment	February 07, 1996
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 61 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.
Qualification(s)	Doctorate degree in Chemistry. Fellow of British Institute of Management (London).
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
Listed entities from which the person has resigned in the past three years	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
Shareholding in the listed entity, including shareholders as a beneficial owner	NIL
Relationship with other Directors and KMPs of the Company	N.A.
No. of Board Meetings held/ Attended	06/06
Details of Remuneration sought to be paid	Except, Sitting Fee for attending the Board and/or Committee meetings, no other remuneration is payable.
Last Remuneration drawn (per annum)	Except, sitting fee for attending meetings of Board and various Committees, amounting to ₹9,00,000 (Rupees Nine Lakhs only) in aggregate during FY23, no other remuneration was paid.
Disclosure of relationships between directors inter-se	NIL
Terms and conditions of re-appointment and Remuneration	As mentioned in the Resolution and Statement. Shareholders may also refer Remuneration Policy which is available on the website of the Company i.e. **www.hfcl.com**.

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

The following Statement given hereunder sets out all material facts relating to the Special Business mentioned at Item Nos. 5, in the accompanying Notice. As an additional information, the Statement also contains material facts pertaining to ordinary business mentioned at Item No. 4 of the said Notice:

ITEM NO. 4

Dr. (Mr.) Ranjeet Mal Kastia (DIN: 00053059) was last re-appointed as a Director (Non-Executive) liable to retire by rotation, by the shareholders in the 34th Annual General Meeting **("AGM")** of the Company held on September 30, 2021. Pursuant to the provisions of Section 152 of the Companies Act, 2013 **("Act")**, he retires by rotation at this AGM and being eligible, has offered himself for re-appointment.

In terms of Section 152 of the Act, the re-appointment of a rotational director at the annual general meeting is an Ordinary Business and Ordinary Resolution is required to be passed.

However, Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("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. (Mr.) Ranjeet Mal Kastia, aged 81 years, is recommended at this 36th AGM by way of Special Resolution in compliance of the SEBI Listing Regulations.

Dr. Kastia has to his credit more than 61 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. (Mr.) Ranjeet Mal Kastia doesn't hold any equity shares in the Company.

A brief profile of Dr. (Mr.) Ranjeet Mal Kastia to be re-appointed as a Non-Executive Director is given under the heading *"Details of Director proposed to be 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 is of the view that continued association of Dr. Kastia would be immensely beneficial to the Company and it is desirable to avail his services as a Non-executive Director of the Company.

In view of above, the Board of Directors, in its meeting held on May 08, 2023, has approved the re-appointment of Dr. (Mr.) Ranjeet Mal Kastia aged 81 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.

Dr. 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 Dr. 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

Members of the Company are hereby informed that section 188 of the Companies Act, 2013 ("the **Act**") read with the Companies (Meetings of Board and its Powers) Rules, 2014 states that no company shall enter into transactions, which exceed the threshold limits ascribed in rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, with a related party as defined under section 2(76) of the Act except with the consent of the Board and Members of the Company, where such transactions are not in the ordinary course of business of the Company or not on an arm's length basis. However, all transactions between the Company and HTL Limited, have been/shall be executed in the ordinary course of business and on an 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, as per the regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("Listing Regulations")** all material transactions with a related party, as defined under section 2(76) of the Act and Regulation 2(1)(zb) of Listing Regulations, shall require prior approval of the Members of the Company and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Regulation 23 of Listing Regulations *inter-alia* provides that a transaction with a related party shall be considered as material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds rupees one thousand crores or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Members are further informed that the Company is inter-alia engaged in business of manufacturing of range of products in optical fibre cable ("OFC"), optical fibre and telecom equipment. The Company also provide an end-to-end portfolio of integrated next generation optical and data networking solutions for telecommunications, defence communication and railway communication.

Members are further informed that the Company and HTL Limited, a material subsidiary, based at Chennai (**"HTL"** or **"Subsidiary"**), are in the similar line of business and transactions between Company and HTL are inter-connected and recurring in nature. In furtherance of its 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 entered into/will enter into various transactions with HTL, inter-alia, purchase/sale of goods or materials, availing or rendering of services like consulting, advisory, turnkey, infrastructure, job work, taking/giving any property on lease/ license, subscription of securities, granting inter corporate deposits, interest on ICDs/business advance etc., which shall be carried out in the ordinary course of business and at arms' length basis.

Further, HTL may also obtain credit facilities from various banks/ lenders for meeting the requirement of its business operations and expansion plans and such lenders may sanction the credit facilities to HTL on the condition that the Company, being holding company of HTL, shall give its corporate guarantee and other collateral security, in favour of the lenders. In view of this the Company may be required to give its corporate guarantee/security in favour of lenders of HTL, in one or more tranches, on case to case to basis.

Accordingly, considering the nature of business of your Company and the relevance of the continuous transactions in the business operations, the Company shall be required to enter into various transaction(s)/contract(s)/agreement(s)/arrangement(s) with HTL and such transactions may be material as per the provisions of Regulation 23 of the Listing Regulations.

It is hereby informed that the Company has a well-defined governance process and a policy for the related party transactions undertaken by the Company and proposed related party transactions are being undertaken in terms of approval/ recommendation of the Audit Committee and the Board at their meeting held on August 31, 2023 and September 01, 2023, respectively.

All related party transactions have been unanimously approved by the Audit Committee and Board after satisfying itself that the related party transactions shall be in the best interest of the Company and shall be carried out on an arm's length basis and in the ordinary course of business.

The details as required under Regulation 23(4) of the Listing Regulations read with Section III-B of the SEBI Master Circular bearing reference no. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11, 2023, **("SEBI Master Circular")**, are set forth herein below:

S. No.	Particulars	Description
1.	Name of the related party and its relationship with the listed entity or its subsidiary, including the nature of its concern or interest (financial or otherwise).	HTL Limited, a material subsidiary of the Company. 74% shares of HTL are held by the Company and 26% shares are held by the Government of India.
2.	Type, material terms and particulars of the proposed transaction.	Purchase/sale of goods or materials, availing/rendering of services like consulting, advisory, turnkey, infrastructure, job work, taking/giving any property on lease/license etc., subscription of securities, providing of security/ giving of corporate guarantee, granting of inter corporate deposits, interest on ICDs/ business advance. **Material terms and particulars of the proposed transactions:** The pricing for the sale/purchase of goods & materials and availing or rendering of services will be based on market rates. Price may vary +/- ~5.0% – 7.5% on prevailing market prices, on account of the following factors:- • Cost of Raw Materials; • Currency Exchange Fluctuations; • Overheads; • Margins etc. The Company will make investments by way of subscription, in securities/debt instruments and provide guarantees/securities to/on behalf of HTL for its business purposes as per applicable laws. The Company will give inter corporate deposits from time to time to HTL for its business purposes as per applicable laws. Further, the interest on ICDs/business advance will be charged in compliance with the provisions of section 186 of the Companies Act, 2013.

S. No.	Particulars	Description
3.	Period/tenure of the proposed transaction.	The tenure of the transaction shall be from April 01, 2023 to March 31, 2025.
4.	Value of the transaction.	1. The Company estimates that the monetary value for the sale of various products/ goods and allied transactions in a financial year shall be up to ₹600 crores. 2. The Company estimates that the monetary value for the purchase of various products/goods and allied transactions in a financial year shall be up to ₹750 crores. 3. The Company estimates that the monetary value for availing/rendering of services like consulting, advisory, turnkey, infrastructure, job work, taking/giving any property on lease/license and allied transactions in relation to its business in a financial year shall be up to ₹20 crores. 4. The Company estimates that subscription of securities/debt instruments during the tenure of proposed transactions shall be up to ₹96.50 crores. 5. The Company estimates that the monetary value of loan, etc. for which corporate guarantee and/or security may be provided in a financial year shall be up to ₹750 crores. 6. The Company estimates that the monetary value of inter corporate deposits to be given during the tenure of proposed transaction shall be up to ₹50 crores. 7. The Company estimates that the monetary value for interest on ICDs/ business advance in a financial year shall be up to ₹15 crores.
5.	The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (Basis Financial Year 2023)	1. The Company estimates that the monetary value for the sale of various products/ goods and allied transactions for the financial year 2023-24 represents 12.65% of the annual consolidated turnover of the Company for the financial year 2022-23. 2. The Company estimates that the monetary value for the purchase of various products/goods and allied transactions for the financial year 2023-24 represents 15.81% of the annual consolidated turnover of the Company for the financial year 2022-23. 3. The Company estimates that the monetary value for availing or rendering of services like consulting, advisory, turnkey, infrastructure, job work, taking/giving any property on lease/license and allied transactions in relation to business for the financial year 2023-24 represents 0.42% of the annual consolidated turnover of the Company for the financial year 2022-23. 4. The Company estimates that subscription of securities/debt instruments for the financial year 2023-24 represent 2.03% of the annual consolidated turnover of the Company for the financial year 2022-23. 5. The Company estimates that the value of loan, etc. for which corporate guarantee and/ or security may be provided in the financial year 2023-24 represents 15.81% of the annual consolidated turnover of the Company for the financial year 2022-23. 6. The Company estimates that the monetary value of inter corporate deposits to be given in the financial year 2023-24 represents 1.05% of the annual consolidated turnover of the Company for the financial year 2022-23. 7. The Company estimates that the monetary value for interest on ICDs/ business advance for the financial year 2023-24 represents 0.32% of annual consolidated turnover of the Company for the financial year 2022-23.

S. No.	Particulars	Description
6.	RPT involving a subsidiary, percentage represented by the value of the proposed transaction calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided (Basis FY23)	1. The Company estimates that the monetary value for the sale of various products/ goods and allied transactions for the financial year 2023-24 represents 47.45% of the annual standalone turnover of the Subsidiary for the financial year 2022-23. 2. The Company estimates that the monetary value for the purchase of various products/goods and allied transactions for the financial year 2023-24 represents 59.32% of the annual standalone turnover of the Subsidiary for the financial year 2022-23. 3. The Company estimates that the monetary value for availing or rendering of services like consulting, advisory, turnkey, infrastructure, job work, taking/giving any property on lease/license and allied transactions in relation to business for the financial year 2023-24 represents 1.58% of the annual standalone turnover of the Subsidiary for the financial year 2022-23. 4. The Company estimates that the subscription of securities/debt instruments for the financial year 2023-24 represents 7.63% of the annual standalone turnover of the Subsidiary for the financial year 2022-23. 5. The Company estimates that monetary value of loan, etc. for which corporate guarantee and/or security may be provided for the financial year 2023-24 represents 59.32% of the annual standalone turnover of the Subsidiary for the financial year 2022-23. 6. The Company estimates that the monetary value of inter corporate deposits to be given in the financial year 2023-24 represents 3.95% of the annual standalone turnover of the Subsidiary for the financial year 2022-23. 7. The Company estimates that the monetary value for interest on ICDs/ business advance for the financial year 2023-24 represents 1.19% of the annual standalone turnover of the Subsidiary for the financial year 2022-23.
7.	Details of the transaction relating to any loans, inter-corporate deposits, advances, or investments made or given by the listed entity or its subsidiary: (i) details of the source of funds in connection with the proposed transaction (ii) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments, (a) nature of indebtedness; (b) cost of funds; and (c) tenure; (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and (iv) the purpose for which the funds will be utilised by the ultimate beneficiary of such funds pursuant to the RPT.	The Company will give unsecured inter corporate deposits from its internal accruals, from time to time to HTL, for its working capital requirements, repayable within five years, as per applicable laws. The Company had extended ICDs/business advances aggregating to ₹96.50 crores in the past also from time to time from its internal accruals to support business activities of the Subsidiary. The ICD/business advances provided to the Subsidiary was utilised for its own business operations. Furthermore, the Company may now convert, not exceeding ₹96.50 crores, the existing ICDs/business advances provided to the Subsidiary, in securities/debt instruments.

S. No.	Particulars	Description
8.	Justification as to why the RPT is in the interest of the listed entity.	As the Company and HTL are in similar line of business, the Company carries transactions with HTL on a continuous basis. The arrangements will ensure the stability of supplies in terms of quality and logistics within the group. Further, aforesaid transactions at competitive prices will result in the overall growth of the Group/Holding Company.
9.	Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.	N.A.
10.	Any valuation or other external report relied upon by the listed entity in relation to the transactions.	The valuation for transactions pertaining to the conversion of ICDs/business advances, will be made as per the applicable laws.
11.	Any other information that may be relevant.	-

No related party shall vote to approve this resolution whether such related party is a party to the particular transaction or not.

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. Dr. Tamali Sengupta, an Independent Director of the Company is also an independent director of HTL Limited.

Save as above, none of the other Directors, Key Managerial Personnel of the Company, or any of their relatives, are concerned or interested in the above resolution, except to the extent of their shareholdings and directorships in the Company, if any.

Your Board recommends the **Ordinary Resolution** set out at Item no. 5 of the Notice for approval of the Members.

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

Place: New Delhi
Date: September 01, 2023

By Order of the Board

(Manoj Baid)
President & Company Secretary
Membership No: FCS 5834

Corporate Information

Board of Directors

Mr. Mahendra Nahata
Managing Director

Mr. Arvind Kharabanda
Non-Executive Director

Dr. (Mr.) Ranjeet Mal Kastia
Non-Executive Director

Mr. Ajai Kumar
Independent Director

Mr. Bharat Pal Singh
Independent Director

Mr. Surendra Singh Sirohi
Independent Director

Dr. (Ms.) Tamali Sengupta
Independent Director

Chief Financial Officer

Mr. Vijay Raj Jain

President & Company Secretary

Mr. Manoj Baid

Auditors

S. Bhandari & Co. LLP
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. Baldev Singh 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
Bank of Baroda
Union Bank of India
ICICI Bank Limited
Indian Bank
Indian Bank
KEB Hana 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

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

/Concept, content and design at AICL (hello@aicl.in)