



HFCL Limited

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New Delhi - 110048, India

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HFCL/SEC/24-25

July 24, 2024

BSE Ltd. 1 st Floor, New Trading Wing, Rotunda Building Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400001 corp.relations@bseindia.com Security Code No.: 500183	National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor, C - 1, Block G Bandra - Kurla Complex, Bandra (E) Mumbai - 400051 cmlist@nse.co.in Security Code No.: HFCL
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RE: Regulation 32(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

Subject: Monitoring Agency Report on the utilisation of proceeds raised through Qualified Institutions Placement for the Quarter ended June 30, 2024

Dear Sir(s)/ Madam,

We would like to inform that the Company had raised funds by way of allotment of 5,10,14,491 (Five Crores Ten Lakhs Fourteen Thousand Four Hundred and Ninety One) equity shares of face value of Re.1/- each, to qualified institutional buyers ("**QIBs**"), at a price of Rs.69/- per Equity Share (including premium of Rs.68/- per Equity Share), pursuant to the resolution passed by the Board of Directors dated September 02, 2022, special resolution passed by the Shareholders at their 35th Annual General Meeting (AGM) held on 30th September, 2022, the preliminary placement document dated August 28, 2023, the placement document dated August 31, 2023 and resolution of the Fund Raising Committee of the Board of Directors dated August 31, 2023 (the "**Issue**").

In terms of Regulations 32(6) of the SEBI Listing Regulations read with Regulation 173A(4) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations"), please find enclosed the Monitoring Agency Report for the quarter ended June 30, 2024, issued by CARE Ratings Limited, Monitoring Agency, appointed to monitor the utilisation of proceeds raised through issuance of equity shares by way of Qualified Institutions Placement.

You are requested to take the above information on records and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,
For **HFCL Limited**

(Manoj Baid)

President & Company Secretary

Encl.: Monitoring Agency Report

No. CARE/NRO/RL/2024-25/1622

**The Board of Directors
HFCL Limited**

8, Commercial Complex,
Masjid Moth,
Greater Kailash – II,
New Delhi – 110048,
India

July 24, 2024

Dear Sir/Ma'am,

Monitoring Agency Report for the quarter ended June 30, 2024 - in relation to the Qualified Institutions Placement of Equity Shares of HFCL Limited ("the Company")

We write in our capacity of Monitoring Agency for the Qualified Institutions Placement of Equity shares for the amount aggregating to Rs. 352.00 crore of the Company and refer to our duties cast under Regulation 173A of the Securities & Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations 2018.

In this connection, we are enclosing the Monitoring Agency Report for the quarter ended June 30, 2024, as per aforesaid SEBI Regulations and Monitoring Agency Agreement dated August 28, 2023.

Request you to kindly take the same on records.

Thanking you,

Yours faithfully,

Akhil Kumar

Akhil Kumar

Associate Director

Akhil.kumarcareedge.in

Report of the Monitoring Agency (MA)

Name of the issuer: HFCL Limited

For quarter ended: June 30, 2024

Name of the Monitoring Agency: CARE Ratings Limited

(a) Deviation from the objects: Nil

(b) Range of Deviation: Not applicable

Declaration:

We declare that this report provides an objective view of the utilization of the issue proceeds in relation to the objects of the issue based on the information provided by the Issuer and information obtained from sources believed by it to be accurate and reliable. The MA does not perform an audit and undertakes no independent verification of any information/ certifications/ statements it receives. This Report is not intended to create any legally binding obligations on the MA which accepts no responsibility, whatsoever, for loss or damage from the use of the said information. The views and opinions expressed herein do not constitute the opinion of MA to deal in any security of the Issuer in any manner whatsoever. Nothing mentioned in this report is intended to or should be construed as creating a fiduciary relationship between the MA and any issuer or between the agency and any user of this report. The MA and its affiliates also do not act as an expert as defined under Section 2(38) of the Companies Act, 2013.

The MA or its affiliates may have credit rating or other commercial transactions with the entity to which the report pertains and may receive separate compensation for its ratings and certain credit related analyses. We confirm that there is no conflict of interest in such relationship/interest while monitoring and reporting the utilization of the issue proceeds by the issuer, or while undertaking credit rating or other commercial transactions with the entity.

We have submitted the report herewith in line with the format prescribed by SEBI, capturing our comments, where applicable. There are certain sections of the report under the title "Comments of the Board of Directors", that shall be captured by the Issuer's Management / Audit Committee of the Board of Directors subsequent to the MA submitting their report to the issuer and before dissemination of the report through stock exchanges. These sections have not been reviewed by the MA, and the MA takes no responsibility for such comments of the issuer's Management/Board.

Akhil Kumar

Signature:

Name and designation of the Authorized Signatory: Akhil Kumar

Designation of Authorized person/Signing Authority: Associate Director

CARE Ratings Limited

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1) Issuer Details:

Name of the issuer : HFCL Limited
 Name of the promoter : Mr. Mahendra Nahata
 Industry/sector to which it belongs : Telecommunications - Telecom Equipment & accessories

2) Issue Details

Issue Period : August 28, 2023 to August 31, 2023
 Type of issue (public/rights) : Private placement
 Type of specified securities : Equity Shares
 IPO Grading, if any : Not applicable
 Issue size (in Rs. crore) : Rs. 352.00 crore

3) Details of the arrangement made to ensure the monitoring of issue proceeds:

Particulars	Reply	Source of information / certifications considered by Monitoring Agency for preparation of report	Comments of the Monitoring Agency	Comments of the Board of Directors
Whether all utilization is as per the disclosures in the Offer Document?	Yes	Chartered Accountant certificate* Bank statement and Placement Document	The net proceeds of the issue were Rs. 342.50 crore which were transferred to MA account initially out of the QIP proceeds. As per the placement document the net proceeds from the Qualified Institutions Placement of Equity shares have to be utilized as per objects given in the offer document. Rs 269.23 crore in total has been spent so far by the company till June 2024 out of which Rs. 268.21 crore were already spent by the company till Q4FY24. During Q1FY25, the Company has spent Rs 1.02 crore on Research & Development (R&D) expenditure. The unutilized balance as of June 30, 2024, amounts to Rs 76.15 crore, comprising Rs 2.69 crore as interest earned on FD. This balance is held in fixed deposits with SBI Bank, totalling Rs 74.13 crore, while the remaining Rs 2.02 crore is in a monitoring account with SBI Bank.	-
Whether shareholder approval has been obtained in case of material deviations# from expenditures disclosed in the Offer Document?	Not applicable	Not applicable	Not applicable	-
Whether the means of finance for the disclosed objects of the issue have changed?	Not applicable	Not applicable	Not applicable	-
Is there any major deviation observed over the earlier monitoring agency reports?	Not applicable	Not applicable	Not applicable	-

Particulars	Reply	Source of information / certifications considered by Monitoring Agency for preparation of report	Comments of the Monitoring Agency	Comments of the Board of Directors
Whether all Government/statutory approvals related to the object(s) have been obtained?	Not applicable	Not applicable	Not applicable	-
Whether all arrangements pertaining to technical assistance/collaboration are in operation?	Not applicable	Not applicable	Not applicable	-
Are there any favorable/unfavorable events affecting the viability of these object(s)?	No	Not applicable	Not applicable	-
Is there any other relevant information that may materially affect the decision making of the investors?	No	Not applicable	Not applicable	-

*Chartered Accountant certificate from Oswal Sunil & Company (Statutory Auditor) dated July 19, 2024

#Where material deviation may be defined to mean:

- a) Deviation in the objects or purposes for which the funds have been raised
- b) Deviation in the amount of funds actually utilized by more than 10% of the amount projected in the offer documents.

4) Details of objects to be monitored:

(i) Cost of objects –

Sr. No	Item Head	Source of information / certifications considered by Monitoring Agency for preparation of report	Original cost (as per the Offer Document) in Rs. Crore	Revised Cost in Rs. Crore	Comments of the Monitoring Agency	Comments of the Board of Directors		
						Reason for cost revision	Proposed financing option	Particulars of -firm arrangements made
1	Capital Expenditure	Chartered Accountant certificate*, Bank statement and Placement Document	75.00	NA	NA	-	-	-
2	Research and Development Expenditure	Chartered Accountant certificate*, Bank statement and Placement Document	85.00	NA	NA	-	-	-
3	Repayment/Prepayment of Short term borrowings	Chartered Accountant certificate*, Bank statement and Placement Document	74.04	NA	NA	-	-	-
4	Funding Working Capital requirements	Chartered Accountant certificate*, Bank statement and Placement Document	75.00	NA	NA	-	-	-
5	General corporate purposes	Chartered Accountant certificate*, Bank statement and Placement Document	33.46	NA	NA	-	-	-
Total			342.50^					

*Chartered Accountant certificate from Oswal Sunil & Company (Statutory Auditor) dated July 19, 2024

(ii) Progress in the objects –

Sr. No	Item Head	Source of information/ certifications considered by Monitoring Agency for preparation of report	Amount proposed in the Offer Document	Amount utilised in Rs. Crore			Unutilised amount	Comments of the Monitoring Agency	Comments of the Board of Directors	
				As at beginning of the quarter	During the quarter	At the end of the quarter			Reasons for idle funds	Proposed course of action
1	Capital Expenditure	Chartered Accountant certificate*, Bank statements, Placement Document	75.00	2.50	-	2.50	72.50	Out of the total amount, which was apportioned for this head, Rs 2.50 crore has been spent in Q2FY24 and there was no expenditure done till Q1FY25 under this head.	-	-
2	Research and Development Expenditure	Chartered Accountant certificate*, Bank statements, Placement Document	85.00	83.02	1.02	84.04	0.96	Out of the total spent which was apportioned for this head, Rs 83.02 crore has been spent till Q4FY24 and Rs 1.02 crore was spent during Q1FY25.	-	-
3	Repayment/ Prepayment of Short term borrowings	Chartered Accountant certificate*, Bank statements, Placement Document	74.04	74.04	-	74.04	0.00	The total amount which was apportioned for this head Rs 74.04 crores has been spent in Q2FY24 itself.	-	-
4	Funding Working Capital requirement	Chartered Accountant certificate*, Bank statements, Placement Document	75.00	75.00	-	75.00	0.00	The Total amount which was apportioned for this head Rs 75 crores has been spent in Q2FY24 itself.	-	-
5	General Corporate Purposes	Chartered Accountant certificate*, Bank statements, Placement Document	33.46	33.65^	-	33.65^	0.00	Out of the total spent which was apportioned for this head, Rs 33.65 crore has been spent till Q4FY24 itself (including Rs 0.19 crore of unutilized issue proceeds).	-	-
Total			342.50	268.21	1.02	269.23^	73.46			

*Chartered Accountant certificate from Oswal Sunil & Company dated (Statutory Auditor) July 19, 2024

^ As outlined in the placement document, the anticipated expenses for the issue were projected at Rs. 9.50 crore. However, the expenses incurred as of December 31, 2023, amounted to Rs. 9.31 crore. The remaining Rs. 0.19 crore, initially held in escrow, was transferred to the monitoring account in Q3FY24. Subsequently, the company utilized this sum as GCP during the quarter ended March 31, 2024, in accordance with the placement document.

(iii) Deployment of unutilized qualified institutions placement proceeds:

Sr. No.	Name of the Bank	Type of account	Amount in (Rs. Crore)	Source of information / certifications considered by Monitoring Agency for preparation of report
1	State Bank of India	Fixed Deposit – 2568	10.14	Chartered Accountant certificate*, Fixed Deposit Receipts (FDR), Monitoring Account Statement and Cash credit account statement
2	State Bank of India	Fixed Deposit – 2273	10.14	
3	State Bank of India	Fixed Deposit – 2035	10.14	
4	State Bank of India	Fixed Deposit – 1803	10.14	
5	State Bank of India	Fixed Deposit – 1440	10.14	
6	State Bank of India	Fixed Deposit – 1255	5.06	
7	State Bank of India	Fixed Deposit – 8493	10.25	
8	State Bank of India	Fixed Deposit – 3614	5.13	
9	State Bank of India	Fixed Deposit – 1098	3.00	
10	State Bank of India	Monitoring account	2.02	
Total			76.15[^]	

[^] Total unutilized amount is Rs 76.15 crores including Interest earned on FD's of Rs 2.69 crore during Q1FY25.

Sr. No.	Type of instrument and name of the entity invested in	Amount invested (Rs. crores)	Maturity date	Earning (Rs. crores)	Return on Investment (%)	Market Value as at the end of quarter
1	Fixed Deposit, State Bank of India	10.14	July 09, 2024	NA	5.75%	NA
2	Fixed Deposit, State Bank of India	10.14	July 09, 2024	NA	5.75%	NA
3	Fixed Deposit, State Bank of India	10.14	July 09, 2024	NA	5.75%	NA
4	Fixed Deposit, State Bank of India	10.14	July 09, 2024	NA	5.75%	NA
5	Fixed Deposit, State Bank of India	10.14	July 09, 2024	NA	5.75%	NA
6	Fixed Deposit, State Bank of India	5.06	September 24, 2024	NA	6.25%	NA
7	Fixed Deposit, State Bank of India	10.25	August 22, 2024	NA	6.25%	NA
8	Fixed Deposit, State Bank of India	5.13	August 22, 2024	NA	6.25%	NA
9	Fixed Deposit, State Bank of India	3.00	July 06, 2024	NA	5.75%	NA
10	Monitoring Account, State Bank of India	2.02	NA	NA	NA	NA

(iv) Delay in implementation of the object(s) –

Objects	Completion Date		Delay (no. of days/ months)	Comments of the Board of Directors	
	As per the Placement document	Actual*		Reason of delay	Proposed course of action
Capital Expenditure	July 2025	July 2025	Not applicable	-	-
Research and Development Expenditure	May 2026	May 2026	Not applicable	-	-
Repayment/Prepayment of Short-term borrowings	July 2025	September 2023	Not applicable	-	-
Funding Working Capital requirements	Fiscal 2024	September 2023	Not applicable	-	-
General corporate purposes	From time to time	From time to time	Not applicable	-	-

5) Details of utilization of proceeds stated as General Corporate Purpose (GCP) amount in the offer document:

Sr. No	Item Head^	Amount in Rs. Crore	Source of information / certifications considered by Monitoring Agency for preparation of report	Comments of Monitoring Agency	Comments of the Board of Directors
1	General Corporate Purposes	33.46	Chartered Accountant certificate*, Bank statement, and Placement Document	The objects of the issue may include, but not restricted towards strategic initiatives, investments in subsidiaries of the Company, opening or setting up new offices, business development initiatives including marketing & branding expenses, acquiring fixed assets (other than those mentioned as part of capital expenditure), meeting any expense of the Company, including salaries and wages, rent, administration, insurance, repairs and maintenance, payment of taxes and duties, ESG / renewable energy, meeting expenses incurred in the ordinary course of business and towards any exigencies. Accordingly, Company has expensed the GCP over ongoing general corporate expenses. Rs 33.65 crore has been spent under this so far which includes Rs 0.19 crore of unutilized issue proceeds which is as per offer document.	-
Total		33.46			

* Chartered Accountant certificate from Oswal Sunil & Company (Statutory Auditor) dated July 19, 2024.

^ Section from the offer document related to GCP: Mentioned above.

Disclaimers to MA report:

a) This Report is prepared by CARE Ratings Ltd (hereinafter referred to as "**Monitoring Agency/MA**"). The MA has taken utmost care to ensure accuracy and objectivity while developing this Report based on the information provided by the Issuer and information obtained from sources believed by it to be accurate and reliable. The views and opinions expressed herein do not constitute the opinion of MA to deal in any security of the Issuer in any manner whatsoever.

b) This Report has to be seen in its entirety; the selective review of portions of the Report may lead to inaccurate assessments. For the purpose of this Report, MA has relied upon the information provided by the management /officials/ consultants of the Issuer and third-party sources like statutory auditors (or from peer reviewed CA firms) appointed by the Issuer believed by it to be accurate and reliable.

c) Nothing contained in this Report is capable or intended to create any legally binding obligations on the MA which accepts no responsibility, whatsoever, for loss or damage from the use of the said information. The MA is also not responsible for any errors in transmission and specifically states that it, or its directors, employees do not have any financial liabilities whatsoever to the users of this Report.

d) The MA and its affiliates do not act as a fiduciary. The MA and its affiliates also do not act as an expert to the extent defined under Section 2(38) of the Companies Act, 2013. While the MA has obtained information from sources it believes to be reliable, it does not perform an audit and undertakes no independent verification of any information/ certifications/ statements it receives from auditors (or from peer reviewed CA firms), lawyers, chartered engineers or other experts, and relies on in its reports.

e) The MA or its affiliates may have other commercial transactions with the entity to which the report pertains. As an example, the MA may rate the issuer or any debt instruments / facilities issued or proposed to be issued by the issuer that is subject matter of this report. The MA may receive separate compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors.